

Report  junction.com

18TH ANNUAL REPORT 2001-2002


Hindustan Oil Exploration Company Limited

18th ANNUAL GENERAL MEETING	
Date	: September 17, 2002
Day	: Tuesday
Time	: 10.30 A.M.
Place	: Tropicana Hotel & Convention Centre (Formerly Holiday Inn Hotel & Convention Centre) "Tropicana Hall", Akota Gardens Vadodara - 390 020

CONTENTS	PAGE NO.
• Board of Directors	1
• Notice	2
• Directors' Report	3
• Corporate Governance Report	7
• Auditors' Certificate on Corporate Governance Report	11
• Management Discussion and Analysis	12
• Accounts with Auditors' Report	14
• Accounts of Subsidiary Company – HOEC Bardahl India Limited	33
• Consolidated Accounts with Auditors Report	40

BOARD OF DIRECTORS

Dr. I. G. Patel *Chairman*
Mr. B. R. Sule
Mr. C. K. Mehta
Mr. Deepak S. Parekh
Mr. Hasmukh Shah
Mr. Manu R. Shroff
Mr. R. Vasudevan
Mr. Rasesh N. Mafatlal
Mr. Ronald S. Somers
Mr. Steve Green
Mr. Vimal Bhandari
Mr. Ajit C. Kapadia *Managing Director*

AUDITORS

M/s. S. B. Billimoria & Co., Chartered Accountants, Mumbai

PRINCIPAL BANKERS

ABN AMRO Bank
Corporation Bank
HDFC Bank Limited

REGISTERED OFFICE

'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara-390 020 (India)
Visit us at: www.hoec.com • Email: contact@hoec.com

MUMBAI OFFICE

Anand House, Khatwari Darbar Road, Off Linking Road, Khar (West), Mumbai-400 052 (India)

REGISTRARS AND SHARE TRANSFER AGENT

Intime Spectrum Registry Limited, 260-A, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West), Mumbai-400 080 (India)
Phones: 022-5923837 (10 Lines) • Fax: 022-5672693 • Email: isrl@vsnl.com

MANAGEMENT TEAM

Mr. Vipul Bhatt	General Manager	(Engg. & Production)
Dr. Vipul Desai	General Manager	(Corporate Services)
Dr. Udayan Das Gupta	General Manager	(Exploration)
Mr. Amit Shah	Dy. General Manager	(Finance & Accounts)

18TH ANNUAL REPORT 2001-2002

1



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

NOTICE

NOTICE IS HEREBY given that the 18th Annual General Meeting of the Members of Hindustan Oil Exploration Company Limited will be held on Tuesday, 17th September, 2002 at 10.30 a.m. at Tropicana Hotel & Convention Centre (Formerly Holiday Inn Hotel & Convention Centre), "Tropicana Hall", Akota Gardens, Vadodara - 390 020 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2002 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. I. G. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rasesh N. Mafatlal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. R. Vasudevan, who retires by rotation and being eligible, offers himself for re-appointment.
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 to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution.
"RESOLVED that Mr. Steve Green, Nominee Director of Unocal Bharat Limited, Mauritius, be and is hereby appointed as a Special Director under Article 113 of the Articles of Association of the Company.

By Order of the Board of Directors

Place : Mumbai
Date : June 21, 2002

Ajit C. Kapadia
Managing Director

Registered Office: 'HOEC House', Tandalja Road,
Off Old Padra Road, Vadodara - 390 020.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 3rd September, 2002 to Tuesday, 17th September, 2002 (both days inclusive).

4. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company, at least seven days before the Meeting, so that the information required by the members may be made available at the Meeting.
5. The Company's equity shares are traded in the stock exchanges compulsorily in the dematerialised form. Shareholders are advised to convert their shares from physical form to dematerialised form.
6. Members who have not encashed their dividend warrants, for the financial year 2000-2001 are requested to write to the Company mentioning the relevant folio number(s) or the depository account number(s) for issuance of duplicate/fresh dividend warrant(s).
7. Information as required under Clause 49(VI)(A) of the Listing Agreement in respect of Directors being re-appointed is given separately.

INSPECTION OF DOCUMENTS

Copies of the Documents referred to in the notice are available for inspection at the Registered Office of the Company between 09.30 a.m. to 5.30 p.m. during working days (except Saturdays, Sundays and holidays) until the date of Annual General Meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956 for item No. 7 of the Notice is as under:

Item No. 7

Due to organisational changes, Unocal Bharat Limited, Mauritius (Unocal) has nominated Mr. Steve Green as their Nominee in place of Mr. R. Boyd Montgomery. Accordingly, Mr. Steve Green was appointed as Director by the Board of Directors of the Company at the Board Meeting held on 20th March, 2002. Mr. Steve Green shall hold office up to the date of ensuing Annual General Meeting. Mr. Steve Green is Vice President, International Energy Operations, Unocal and has primary responsibilities for all Unocal's energy ventures in India, Bangladesh and China. He has rich and varied experience in industry assets management, oil and gas development, gas pipelines etc. Mr. Steve Green holds a BS Degree from the College of Engineering, Texas A & M University. The Board is pleased to recommend the appointment of Mr. Steve Green as Special Director under Article 113 of the Articles of Association of the Company.

Your Directors commend the resolution for approval of the members.

No other Director of the Company except Mr. Steve Green is concerned or interested in the above resolution.

By Order of the Board of Directors

Place : Mumbai
Date : June 21, 2002

Ajit C. Kapadia
Managing Director

Registered Office: 'HOEC House', Tandalja Road,
Off Old Padra Road, Vadodara - 390 020.

DIRECTORS' REPORT

TO THE MEMBERS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Your Directors have pleasure in placing before you the 18th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2002.

FINANCIAL HIGHLIGHTS

	(Rs. in Lac)	
	2001-2002	2000-2001
Sales	4,268.29	4,051.73
Other Income	1,391.19	1,052.79
Gross Profit after interest but before Depreciation/Depletion/Write offs/Taxation	3,567.88	2,854.62
Less: Depreciation and Depletion	1,281.51	3,32.72
Less: Provisions & Write offs	143.73	479.85
Profit before Tax	2,162.64	2,042.05
Add: Transfer from Investment Allowance Reserve	—	0.25
Less: Provision for:		
Current Tax	168.51	150.58
Deferred Tax	446.72	—
Profit for the Year	1,547.41	1,891.72
Profit/(Loss) brought forward	337.92	(1,230.12)
Add: Deferred Tax Asset	604.81	—
Profit available for Appropriation	2,490.14	661.60
Less: Dividend paid and tax thereon	0.10	—
Less: Proposed Dividend on Equity Shares	704.94	293.72
Less: Dividend Tax	—	29.96
Less: Transfer to General Reserve	38.70	—
Balance carried to Balance Sheet	1,746.40	337.92

The year under review showed higher sales of Rs. 4,268 lac as compared to Rs. 4,052 lac mainly due to higher crude oil prices. Profit after tax is lower at Rs. 1,547 lac as compared to Rs. 1,892 lac for the previous year which is after considering higher depletion (Rs. 940 lac) on account of part completion of Phase-II of PY-3 and provision of deferred tax liability of Rs. 447 lac as per newly introduced Accounting Standard - 22. After considering brought forward profit of Rs. 338 lac and Deferred Tax Asset of Rs. 605 lac up to 31st March, 2001, the profit available for appropriation is Rs. 2,490 lac.

DIVIDEND

Considering the performance during the year under review, your Directors are happy to recommend

dividend @12% on the equity shares of the Company for the year ended 31st March, 2002. The proposed dividend will absorb Rs. 705 lacs.

PRODUCTION PY-3 (CY-OS/90-1)

During the year under review, the Consortium has produced 1.81 Million Barrels of Oil (Company's share being about 0.38 Million Barrels) from PY-3 field in the Cauvery Offshore area. The daily average production from the field was around 4,970 barrels. Till 31st March, 2002, cumulative production from the field has been about 10.79 Million Barrels of crude oil.

Presently, PY-3 crude is being delivered to Chennai Petroleum Corporation Limited, Chennai.

Phase - II development programme incorporating water injection aimed at extending the field life and recovering additional oil is under implementation and expected to be completed by year end.

Asjol

Your Company is the operator in Asjol oil field located in Gujarat. During the year under review, the field has produced around 20,000 barrels of oil (the Company's share being about 10,000 barrels), with a daily average production of 55 barrels from three wells. Till 31st March, 2002, the Consortium has produced around 0.12 Million Barrels of crude. The Company continues its efforts to improve production from the field.

Crude oil pricing issue is on the verge of conclusion, which is expected to have significant positive effect on project economics.

DEVELOPMENT PY-1

The Company along with Consortium members is committed towards earliest development of PY-1 gas field. Though agreement has been reached on major issues, the execution of Gas Sales Agreement is yet to be concluded due to payment security concerns with Tamil Nadu Electricity Board.

One of the Consortium partners had been under default due to non-payment of operating funds and the Company along with Operator has exercised right to acquire proportionate share of its participating interest in accordance with the provisions of Joint Operating Agreement. The matter is under arbitration in London Court of International Arbitration, London.



Six Small Size Fields

Mining lease was received from the State Government on 21st March, 2002 for North Balol gas field where your Company is the Operator. Subsequently, project activities in accordance with Production Sharing Contract (PSC) have been initiated.

Mining lease from the State Government is awaited for remaining five small size fields i.e. Unawa, North Kathana, Kanawara, Allora and Dholasan.

EXPLORATION

The year witnessed progress on activities on exploration blocks, which were signed earlier but were waiting for various approvals from state and central government departments.

In block CB-OS-1, Gulf of Cambay, Gujarat, the long awaited environmental approvals were finally received in January, 2002 and the three planned exploratory wells were taken up for drilling. The 1st well, South Harinagar #1, was spud in February 2002 and reached its targeted depth on 18th March 2002. On testing, the well flowed oil and gas indicating a discovery of potential commercial interest. Vagra-1, the 2nd well was completed in May 2002; although numerous hydrocarbons shows were noted, the well was abandoned due to absence of commercial prospects. The 3rd well is to be spud in June 2002. Results of these wells will provide the Company with alternatives for planning additional activities in the block.

Exploration activities in AAP-ON-94/1 block in North East India have progressed at a good pace. The committed work programme of reprocessing of seismic data and geochemical survey is ongoing and is expected to be completed well ahead of the November 2002 deadline for end of the phase. Your Company has so far interpreted for hydrocarbon play types in the block, which are considered to be prospective. The Consortium is also planning to shortly acquire new seismic data in the block.

During the year, your Company acquired 10% participating interest of General Fibre Dealers Private Limited. At about the same time, Premier Oil, an independent Exploration & Production Company of U.K., and Indian Oil Corporation (IOC) expressed their interest in joining the Consortium for the block. Your Company has agreed to farm-out 65% of its undivided interest to Premier Oil North East India and IOC. The Company has also agreed to transfer Operatorship to Premier Oil who has worldwide experience of working in

similar complex and difficult terrains. IOC brings to the block their strong regional presence and support to the upstream industry in Northeast India. Application to Ministry of Petroleum and Natural Gas has been submitted as per the Production Sharing Contract procedures to revise the participating interest in the block.

Exploration work has commenced in block CB-ON-7 (Palej), Gujarat, where HOEC is the Operator. Your Company has completed reprocessing of 2-D seismic data and interpretation of the block and findings suggest presence of interesting leads. Government and partners have appreciated the good work put in by the Company.

Petroleum Exploration License (PEL) for the above block, issued by the State Government in November 2001 was conditional and required No Objection Certificates (NOC) from District Collector where the block is located. Vadodara District Collector, in turn, gave an NOC which is conditional on resolution of long outstanding matters between licensee and the State Government and, therefore, part of the work programme involving field operations in the block could not be carried out. Your Company has actively taken up the matter with the authorities and has also submitted an application for extension of Phase-I (which expired in May 2002) by twelve months to enable completion of the unfinished work. Once the unconditional NOC from Vadodara District Collector is received, Company plans to undertake testing of existing oil well and drilling of an additional well to probe the potential of the block.

Exploration work has commenced at a slow pace in CB-ON-2 (Tarapur) Block, Gujarat, due to difficulties faced by the Operator (Gujarat State Petroleum Corporation Limited) on various issues in the block. Operator has sought eight months extension to complete balance activities of Phase-I or the other option is to enter Phase-II to complete remaining work of Phase-I. Decision on the way forward is still awaited from partners and Ministry of Petroleum and Natural Gas.

In Cauvery offshore block CY-OSN-97/1 (NELP-1), Operator has commenced data evaluation activity for work programme during Phase-I.

Government of India has recently announced the NELP-III round of exploration bidding. Your Company is evaluating the blocks on offer and plans to suitably bid, as part of a Consortium, for those blocks found prospective.

HEALTH, SAFETY AND ENVIRONMENTAL PRACTICES (HSE)

Both at the sites where the Company operates and where the Company is joint venture partner, the Management assures that HSE practices are consistent with national and international standards.

HUMAN RESOURCES

HOEC has been able to maintain the motivated climate for the accelerated performance of their professional team. Considering the skill upgradation as a major thrust area, necessary emphasis is given on training and development of personnel. New initiatives are also introduced for implementing Performance Management System to enhance the monitoring and task accountability.

HOEC BARDAHL INDIA LIMITED [HBIL] (WHOLLY OWNED SUBSIDIARY OF HOEC)

Due to corrective measures for cost control and appropriate marketing, HBIL has showed a profit of Rs.8 lac (previous year loss of Rs.20 lac) with a cash profit of Rs.27 lac (previous year Rs.6 lac) for the year.

AUDITORS' REPORT

With reference to the observation made in Auditors' Report regarding unaudited joint ventures' accounts, we have to state that as per PSCs signed with Gol, the operators have been allowed time up to 30th September to submit audited accounts. Considering this, some of the operators have not submitted audited accounts till the Company's accounts are audited. Hence, the statements of expenditure/unaudited accounts submitted by those operators have been incorporated.

Regarding non disclosure of outstanding payments to Small Scale Industries with respect to joint ventures, we have to state that the requirements of the said disclosure is not applicable to joint ventures and hence the required information is not available.

DIRECTORS

In accordance with the provisions of Articles of Association of the Company and Provisions of the Companies Act, 1956, Dr. I. G. Patel, Mr. Rasesh N. Mafatlal and Mr. R. Vasudevan will retire by rotation at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

The Board of Directors has at their meeting held on 20th March 2002 appointed Mr. Steve Green as Director.

The Board welcomes him and looks forward to his valued contribution and guidance.

During the year, Mr. R. Boyd Montgomery, Nominee Director of Unocal Corporation has resigned. The Board places on record its appreciation for the guidance and valued contribution during his tenure.

COMPANY SECRETARY

Upon resignation of Company Secretary, the Company has promptly initiated the process of appointing the Company Secretary. The new Company Secretary will be joining very soon.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Your Company emphasizes on deploying the state-of-the-art technologies to conserve energy in field operations.

Your Company has effectively utilized satellite imagery to help identifying appropriate locations for well drilling and to identify logistics for oil and gas pipelines. Particulars regarding foreign exchange appear in schedule 16 of the accounts.

PARTICULARS OF EMPLOYEES

There is no employee covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

The Auditors M/s. S.B. Billimoria & Co., Chartered Accountants, will retire at the forthcoming Annual General Meeting. As recommended by the Audit Committee, the Board at its Meeting held on 21st June, 2002 proposed their appointment as Statutory Auditors to audit the accounts of the Company for the financial year 2002-2003. You are requested to consider their appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures;



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

- (ii) that the directors had selected such accounting policies and applied them consistently unless otherwise stated and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care 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 for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

CONCLUSION AND ACKNOWLEDGEMENT

Your Directors place on record their gratitude for the support and co-operation received from Government of India's agencies namely, Ministry of Petroleum & Natural Gas, Government of Gujarat, Consortium Partners and Bankers. We express our sincere appreciation to our dedicated and committed team of employees who have contributed in the growth of the organisation.

For and on behalf of the Board

Place : Mumbai
Date : June 21, 2002

Dr. I. G. Patel
Chairman

**INFORMATION AS REQUIRED UNDER CLAUSE 49(VI)(A) OF THE LISTING AGREEMENT
IN RESPECT OF DIRECTORS BEING RE-APPOINTED**

Dr. I. G. Patel

Dr. I. G. Patel, an eminent economist and a recipient of Padma Vibhushan is B.A. Hons. (Bombay), B.A. Hons. (Cantab), Ph. D. (Cantab). He is a former Governor of Reserve Bank of India. He was also Economist and Assistant Chief – International Monetary Fund, Deputy Economic Adviser – Ministry of Finance, Executive Director for India – International Monetary Fund, Director – London School of Economics.

Dr. I. G. Patel is a Director of State Bank of India.

Mr. Rasesh N. Mafatlal

Mr. Rasesh N. Mafatlal is B.A. Hons. from St. Xavier's College, Mumbai. He has wide and rich experience of over five decades in business and industry. He is also actively associated with various Public and Educational Institutions and Charitable Trusts.

He is the Chairman of Mafatlal Lubricants Ltd., Standard Industries Ltd., Stanrose Mafatlal Investments & Finance Ltd., and Virat Industries Ltd. He is a Director of Stancot A.G. Zug., Mafatlal A.G. Zug. and Industrial Investment Trust Ltd.

Mr. R. Vasudevan

Mr. R. Vasudevan is B.A.(Hons.) (Economics) University of Madras, M.A. (Economic Statistics) University of Delhi and M.P.A. (Development Economics) Harvard University, U.S.A. He has vast experience in the fields of administration and finance. He has held various senior level positions in the different Ministries of the Government of India. He was a Founder Director of Small Industries Development Bank.

Mr. R. Vasudevan is a Director of ITC Ltd., Haldia Petrochemicals Ltd., Venkatesh Coke & Power Ltd. and Petronet CI Ltd.

CORPORATE GOVERNANCE REPORT

According to SEBI guidelines and the amended Listing Agreement with stock exchanges, the Company is required to implement Corporate Governance from the financial year 2001-2002. However, the Company has already commenced the process of implementation of good Corporate Governance.

The Board believes in transparency, accountability and integrity. As per the code of good Corporate Governance, the number of Board Meetings held during the year, attendance of directors, committees of the Board, share price during the year etc. are given below:

BOARD OF DIRECTORS

The Company has Non-executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The number of Non-executive Directors (NEDs) is more than 50% of the total number of Directors. The details are given hereunder:

Name of Director	Category	No. of attendance at the Board Meetings	Whether attended last AGM	Memberships on Board of other Companies	Committee Chairmanship/ Membership of other Companies
Dr. I. G. Patel	Chairman Non-Executive & Independent Director	3	YES	1	NIL
Mr. Ajit C. Kapadia	Managing Director — Executive Director	8	YES	3	NIL
Mr. Rasesh N. Malatial	Non-Executive & Independent Director	4	NO	7	NIL
Mr. Deepak S. Parekh@ (Representative of HDFC Ltd.)	Non-Executive & Independent Director	4	YES	13	5-Chairmanships 4-Memberships
Mr. Vimal Bhandari (Representative of IL&FS Ltd.)	Non-Executive & Independent Director	8	YES	12	8-Memberships
Mr. B. R. Sule	Non-Executive & Independent Director	NIL	NO	9	NIL
Mr. C. K. Mehta	Non-Executive & Independent Director	4	NO	4	NIL
Mr. Haasmukh Shah	Non-Executive & Independent Director	3	YES	8	2-Chairmanships 4-Memberships
Mr. R. Vasudevan	Non-Executive & Independent Director	1	YES	4	NIL
Mr. Ronald S. Somers*	Non-Executive & Non-Independent Director	8	YES	NIL	NIL
Mr. R. Boyd Montgomery* (Resigned w.e.f. 20.03.2002)	Non-Executive & Non-Independent Director	NIL	NO	NIL	NIL
Mr. Todd A. Brown* (Alt. Dir. to Mr. R. Boyd Montgomery, ceased w.e.f. 20.03.2002)	Non-Executive & Non-Independent Director	NIL	NO	NIL	NIL
Mr. Steve Green* (Appointed w.e.f. 20.03.2002)	Non-Executive & Non-Independent Director	NIL	NO	NIL	NIL
Mr. Manu R. Shroff	Non-Executive & Independent Director	3	YES	7	1-Chairmanship 8-Memberships

*Nominee Directors of Unocal Bharat Limited, Mauritius (Equity Investor)

@Excluding the directorships mentioned above, Mr. Deepak S. Parekh is an alternate director in 5 companies.

During the year Mr. R. Boyd Montgomery was replaced by Mr. Steve Green and Mr. Todd A. Brown, Alternate Director to Mr. R. Boyd Montgomery was ceased to be an Alternate Director due to resignation of Mr. R. Boyd Montgomery.

BOARD MEETINGS

During the year under review, 6 Board meetings were held and the gap between any two consecutive meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

28th June, 2001, 19th July, 2001, 17th September, 2001, 22nd October, 2001, 28th January, 2002 and 20th March, 2002.

The Company did not have any pecuniary relationship with NEDs during the year under review.

DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT

The Directors seeking appointment is Mr. Steve Green and seeking re-appointment are Dr. I. G. Patel, Mr. Rasesh N. Mafatlal and Mr. R. Vasudevan.

AUDIT COMMITTEE

The Company had constituted the Audit Committee on 30th January, 2001.

The broad terms of reference of the Audit is to review financial reporting process, reports of the Internal Auditors and discussion with them periodically, to meet Statutory Auditors to discuss their findings, suggestions and other matters, internal control systems and quarterly financial statements. The scope of the activities of the Audit Committee is as prescribed by Clause 49II (C) & (D) of the Listing Agreement.

During the year under review, 3 Committee Meetings were held. The dates on which the Committee Meetings were held are as follows:

22nd June, 2001, 16th October, 2001 and 28th January, 2002.

Name of Member	Category	No. of Committee Meetings attended
Mr. Manu R. Shroff	Chairman, Non-executive & Independent Director	3
Mr. Vimal Bhandari	Non-executive & Independent Director	2
Mr. R. Vasudevan	Non-executive & Independent Director	1



Audit Committee Meetings are attended by the Managing Director and Deputy General Manager (F&A). Representative of Statutory Auditors & Internal Auditors are being invited to the meetings as and when required. The Company Secretary acts as the Secretary to the Committee.

REMUNERATION COMMITTEE

The Company had constituted a Remuneration Committee on 30th January, 2001. The broad terms of reference of the Remuneration Committee are to decide the terms of services and compensation payable to Whole-time/Managing Director(s) and to discharge such other functions as may be referred by the Board.

The composition of the Remuneration Committee and the details of meetings attended by the Directors are given below:

Name of Member	Category	No. of Committee Meetings attended
Mr. Vimal Bhandari	Chairman, Non-executive & Independent Director	*
Mr. Ronald S. Somers	Non-executive & Non-Independent Director	*
Mr. R. Vasudevan	Non-executive & Independent Director	*

* Meetings of the Remuneration Committee were not held during the year under review.

The Company has revised the sitting fees to the NEDs from Rs. 250/- per meeting to Rs. 2,000/- per meeting w.e.f. 22nd October, 2001.

REMUNERATION POLICY

The Company while deciding the remuneration package, takes into consideration, the following:

- Employment scenario
- Remuneration package of the industry/other industries for the requisite managerial talent

Managing Director of the Company has been appointed on a contractual basis based on the approval of the shareholders for a period of 5 years. The remuneration package of Managing Director comprises of salary, allowances, perquisites and commission as approved by shareholders at the Annual General Meeting.

The ceiling on perquisites and allowances as a percentage of salary is as stipulated by the approval of the shareholders. The annual increments are effective from 1st August of each year.

During the year, the managerial remuneration paid to the Managing Director is amounted to Rs. 1,522,974.

During the year, the Company has paid Nil commission to the Managing Director.

The amount of sitting fees paid to Non-Executive Directors during the year is Rs. 46,750/-.

REMUNERATION PAID TO THE MANAGING DIRECTOR DURING THE YEAR 2001-2002

Particulars	Amount Rs.
Salaries	760,000
Contribution to P.F.	91,200
Contribution to Superannuation	114,000
Compensation u/s 318	0
Other Perks	557,774
TOTAL	1,522,974

Period of Contract with Managing Director

- 5 years from 1st August, 1998
- The Contract may be terminated by either party giving the other party three months' notice.
- Severance Fees – NIL

The Company does not have an Employees' Stock Option Scheme.

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE (SIGC)

The Committee was constituted on 30th January, 2001 to specifically look into the shareholders/investors complaints pertaining to transfer of shares, non-receipt of balance sheet, non receipt of declared dividends etc., A meeting of the SIGC was held on 28th January, 2002.

The Composition of the SIGC and details of the meeting attended by the Directors are given below:

Name of Member	Category	No. of Committee Meetings attended
Mr. Deepak S. Parekh	Chairman, Non-executive & Independent Director	1
Mr. Vimal Bhandari	Non-executive & Independent Director	1
Mr. R. Vasudevan	Non-executive & Independent Director	NIL
Mr. Ronald S. Somers	Non-executive & Non-Independent Director	1
Mr. Ajit C. Kapadia	Managing Director & Executive Director	1