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ANNUAL REPORT 1998-99

Indian Oil Corporation Limited

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Indian Oil Corporation Limited

Registered Office: IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East), Mumbai-400 051

40th Annual Report

In this Report one lakh corresponds to 0.1 million and one crore to ten million.

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INDIAN OIL CORPORATION LIMITED

Regd.Office : IndianOil Bhavan,
G-9, Ali Yavar Jung Marg, Bandra(East),
Mumbai-400 051

Notice

NOTICE is hereby given that the **40th Annual General Meeting** of the Members of **INDIAN OIL CORPORATION LIMITED** will be held at Nehru Centre Auditorium, Discovery of India Building, Dr. A.B. Road, Worli, Mumbai - 400 018 on **Thursday**, the **2nd September, 1999** at **1100** hrs. to transact the following business :

A. ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 1999 and the Balance Sheet as on that date together with Reports of the Directors and the Auditors.

2. To declare dividend.

3. To appoint a Director in place of Shri A.K. Arora, who retires by rotation and, being eligible, offers himself for reappointment.

4. To appoint a Director in place of Shri Ravi Saxena, who retires by rotation and, being eligible, offers himself for reappointment.

5. To appoint a Director in place of Shri S.N. Jha, who retires by rotation and, being eligible, offers himself for reappointment.

6. To appoint a Director in place of Shri O.N. Marwaha, who retires by rotation and, being eligible, offers himself for reappointment.

B. SPECIAL BUSINESS

7. Appointment of Dr. R.K. Pachauri as a Director of the Corporation

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution :**

"RESOLVED THAT Dr. R.K. Pachauri, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. Appointment of Shri M. Kalyanasundaram as a Director of the Corporation

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution :**

"RESOLVED THAT Shri M. Kalyanasundaram, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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9. Appointment of Prof. S.K. Barua as a Director of the Corporation

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution :**

"**RESOLVED THAT** Prof. S.K. Barua, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. Appointment of Shri Vineet Nayyar as a Director of the Corporation

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution :**

"**RESOLVED THAT** Shri Vineet Nayyar, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

11. Appointment of Shri L. Sabaretnam as a Director of the Corporation

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution :**

"**RESOLVED THAT** Shri L. Sabaretnam, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

12. Appointment of Shri Naresh Narad as a Director of the Corporation

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution :**

"**RESOLVED THAT** Shri Naresh Narad, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

13. Issue of Bonus Shares

To consider and if thought fit, to pass, with or without modifications, the following resolutions as **Special Resolutions :-**

"**RESOLVED THAT** subject to guidelines issued by the Securities and Exchange Board of India and subject to the approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973 for allotment and issue of new equity shares to non-resident members and subject to the consents of the financial institutions, as may be applicable, and also subject to such terms, conditions, alterations, modifications, changes and variations as may be specified while according such approval which the Board of Directors of the Company (hereinafter referred to as the "Board"), be and is hereby authorised to accept, if it thinks fit, the consent be and is hereby accorded to capitalise a sum of Rs.389,33,74,000/- (Rupees Three Hundred Eighty Nine Crore Thirty Three Lacs and Seventy Four Thousand Only) and such sum be set free for distribution among the holders of existing fully paid equity shares of Rs.10 each of the Company, whose names will appear in the register of members of the Company on a date to be decided by the Board in that behalf as Record Date, as an increase

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of the amount of share capital of the Company held by each such member and not as income or in lieu of dividend credited as 38,93,37,400 fully paid-up equity shares as bonus shares in the proportion of **One** new equity share for every **One** existing fully paid equity share held."

"RESOLVED FURTHER THAT the above proposal will be subject to the following terms and conditions :-

i) The new equity shares to be allotted as bonus shares will be allotted subject to the terms of the Memorandum and Articles of Association of the company.

ii) The new equity shares shall rank *pari passu* in all respects with and carry the same rights as the existing fully paid-up equity shares of the company and notwithstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which the allotment of the new equity shares pursuant to this Resolution is made.

iii) No letter of allotment will be issued by the company in respect of the new equity shares. However, the equity share certificates in respect thereof will be ready for delivery to the allottees within three months from the date of allotment thereof."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised :-

a) to do all such acts, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the bonus shares

b) to accept on behalf of the company any conditions, modifications relating to the issue of bonus shares prescribed by the Reserve Bank of India or any other authority and which the Board in its discretion thinks fit and proper."

14. Amendments to the Articles of Association

To consider and if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution :-**

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment for the time being in force and subject to such approvals, consents, permission and sanctions as may be necessary from the appropriate authority or body, the Articles of Association of the Company be and are hereby amended as follows :-

a) The existing **Article 18** alongwith its marginal note be and is hereby deleted and substituted by the following article:-

Employment of Company's Funds for purchase of Shares.

18. Except as provided in these Articles, none of the funds of the Company shall be employed in the purchase of or lent on the security of the shares of the Company, and the Company shall not except as permitted by Section 77 of the Act, give any financial assistance for the purpose of or in connection with any purchase of shares of the Company.

b) The following new **Article 18A** along with the relevant marginal note be inserted after existing Article 18, namely;

Buy-Back of Shares

18a. Notwithstanding any of the provisions of these Articles, the Company shall have the power, subject to and in accordance with the relevant provisions of the Act and other applicable provisions of law, and subject to such approvals, permissions and sanctions, if any, as may be necessary, to purchase, acquire or hold its own shares or other specified securities as defined in the Act, on such terms and conditions and in such

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manner, and upto such limits as may be prescribed by law from time to time, and make payment out of its free reserves or security premium account of the Company or out of the proceeds of an issue other than fresh issue of shares made specifically for Buy-Back purposes provided that, nothing herein contained shall be deemed to effect the provisions of Sections 100 to 104 and Section 402 of the Act in so far as and to the extent they are applicable.

c) In Article 1, being the Article dealing with interpretations, the following new interpretations be inserted after the existing interpretation of "Persons" :-

(i) **"Beneficial Owner"**

"Beneficial Owner" means a person, whose name is recorded as such with the Depository as defined under Clause (a) of Sub-Section 1 of Section 2 of the Depositories Act, 1996.

(ii) **"Depositories Act"**

"Depositories Act" shall mean the Depositories Act, 1996 and includes where the context so admits, any re-enactment or statutory modification thereof for the time being in force.

(iii) **"Depository"**

"Depository" shall have the meaning assigned thereto by Clause (c) of Sub-Section 1 of Section 2 of the Depositories Act, 1996.

(iv) **"Depository Participant"**

"Depository Participant" means a participant as defined under Clause (g) of Sub-Section 1 of Section 2 of the Depositories Act, 1996.

d) To delete the existing Article 17 and substituting therefor the following modified Article 17 :-

"Company to recognise the rights of Registered holders as also the beneficial owners in the records of the Depository"

17. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears in the Register of Members as the holder of any Share, as also the person whose name appears as the beneficial owner of the Shares in the records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall not (except as ordered by Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such Share on the part of any other person whether or not it shall have express or implied notice thereof.

e) The following new Article be inserted as Article 21A :-

"Option to Dematerialise Securities"

Notwithstanding anything contained in these Articles, the Company shall in accordance with the provisions of the Depositories Act, be entitled to dematerialise its Shares, Debentures and other marketable securities and to offer the same for subscription in a dematerialised form and on the same being done, the Company shall be entitled to maintain a Register of Members/ Debentureholders holding Shares/Debentures both in material and dematerialised form in any media as permitted by law including any form of electronic media, either in respect of existing Shares or any future issue.

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f) *After the existing Article 37, the following new Articles numbered as 37A and 37B be inserted:-*

"Article 36 and 37 shall not apply to Shares, Debentures or other marketable securities entered in the records of the Depository"

37A Nothing contained in Articles 36 and 37 shall apply to the transfer of Shares, Debentures or other marketable securities effected by the transferor and transferee, both of whom are entered as beneficial *owners in the records of the Depository.*

"Applicability of Depositories Act"

37B(i) In case of transfer of Shares, Debentures or other marketable securities where the Company has not issued any certificates and where such Shares, Debentures or securities are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply.

(ii) In respect of the Shares, Debentures and other marketable securities held by the Depository on behalf of a beneficial owner as defined in the Depositories Act, Section 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956, shall not apply."

Registered Office:
IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai-400 051.

2nd August, 1999

By Order of the Board of Directors

(R. NARAYANAN)
Company Secretary

NOTES

(a) Explanatory Statement prepared in pursuance of Section 173 of the Companies Act, 1956 in respect of Special Business is annexed.

(b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF, SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

(c) Members are requested to notify immediately, change in their addresses, if any, to the **Company Secretary** at the Regd. Office address given above or with the Registrars of the Company at the address: **M/s. Karvy Consultants Limited, Unit : Indian Oil Corporation Ltd., 21, Avenue 4, Street No. I, Banjara Hills, Hyderabad-500 034** *quoting their Folio Number, to ensure prompt receipt of dividend warrants and other* communications.

(d) The dividend payable on Equity Shares, if sanctioned by the members, will be paid to those members whose names appear on the Company's Register of Members as on Wednesday, July 14,1999.

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Explanatory Statement in Pursuance of Section 173 of the Companies Act, 1956

Item No. 7

Pursuant to the decision of the Government of India to grant enhanced autonomy and delegation of powers under the Navratna concept, the Board of Indian Oil Corporation Limited (a Navratna Company) was restructured by induction of part-time non-official Directors comprising of eminent persons.

Accordingly, Dr.R.K.Pachauri, Director of the Tata Energy Research Institute (TERI) was nominated by the Government of India as part-time non-official Director. Dr.Pachauri was appointed as an Additional Director by the Board of Directors pursuant to Article 94(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office upto the date of this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Dr.R.K.Pachauri as a candidate for the office of Director.

The Directors, therefore, recommend the Ordinary Resolution. None of the Directors of the Company except Dr.R.K.Pachauri is interested or concerned in the resolution.

Item No. 8

Pursuant to the decision of the Government of India to grant enhanced autonomy and delegation of powers under the Navratna concept, the Board of Indian Oil Corporation Limited (a Navratna Company) was restructured by induction of part-time non-official Directors comprising of eminent persons.

Accordingly, Shri M.Kalyanasundaram, President of Tamil Nadu INTUC was nominated by the Government of India as part-time non-official Director. Shri M.Kalyanasundaram was appointed as an Additional Director by the Board of Directors pursuant to Article 94(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office upto the date of this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Shri M.Kalyanasundaram as a candidate for the office of Director.

The Directors, therefore, recommend the Ordinary Resolution. None of the Directors of the Company except Shri M.Kalyanasundaram is interested or concerned in the resolution.

Item No. 9

Pursuant to the decision of the Government of India to grant enhanced autonomy and delegation of powers under the Navratna concept, the Board of Indian Oil Corporation Limited (a Navratna Company) was restructured by induction of part-time non-official Directors comprising of eminent persons.

Accordingly, Prof. S.K.Barua, a Professor from the Indian Institute of Management, Ahmedabad was nominated by the Government of India as part-time non-official Director. Prof. S.K.Barua was appointed as an Additional Director by the Board of Directors pursuant to Article 94(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office upto the date of this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Prof. S.K.Barua as a candidate for the office of Director.

The Directors, therefore, recommend the Ordinary Resolution. None of the Directors of the Company except Prof. S.K.Barua is interested or concerned in the resolution.

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Item No. 10

Pursuant to the decision of the Government of India to grant enhanced autonomy and delegation of powers under the Navratna concept, the Board of Indian Oil Corporation Limited (a Navratna Company) was restructured by induction of part-time non-official Directors comprising of eminent persons.

Accordingly, Shri Vineet Nayyar (IAS), Former CMD of Gas Authority of India Limited and currently Managing Director of HCL Corporation Ltd. was nominated by the Government of India as part-time non-official Director. Shri Vineet Nayyar was appointed as an Additional Director by the Board of Directors pursuant to Article 94(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office upto the date of this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Shri Vineet Nayyar as a candidate for the office of Director.

The Directors, therefore, recommend the Ordinary Resolution. None of the Directors of the Company except Shri Vineet Nayyar is interested or concerned in the resolution.

Item No. 11

Pursuant to the decision of the Government of India to grant enhanced autonomy and delegation of powers under the Navratna concept, the Board of Indian Oil Corporation Limited (a Navratna Company) was restructured by induction of part-time non-official Directors comprising of eminent persons.

Accordingly, Shri L.Sabaretnam, Chairman of South India Structural Corporation Ltd. and Executive Director of Chettinad Cement Corporation Limited was nominated by the Government of India as part-time non-official Director. Shri L. Sabaretnam was appointed as an Additional Director by the Board of Directors pursuant to Article 94(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office upto the date of this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Shri L.Sabaretnam as a candidate for the office of Director.

The Directors, therefore, recommend the Ordinary Resolution. None of the Directors of the Company except Shri L.Sabaretnam is interested or concerned in the resolution.

Item No. 12

Shri Naresh Narad, Additional Secretary, Ministry of Petroleum & Natural Gas was appointed as an Additional Director by the Board of Directors pursuant to Article 94(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office upto the date of this Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a member signifying his intention to propose Shri Naresh Narad as a candidate for the office of Director.

The Directors, therefore, recommend the Ordinary Resolution. None of the Directors of the Company except Shri Naresh Narad is interested or concerned in the resolution.

Item No. 13

The present paid up share capital of the Company is Rs.389.34 crores. The reserves as on 31st March, 1999 were Rs.12139 crores. The Board of Directors thought that it would be advantageous to capitalise a portion of the reserves. Hence your Directors have proposed the issue of bonus shares by capitalisation of a sum of Rs.389,33,74,000 from general reserves as per the audited accounts of the Company for the financial year ended 31st March, 1999 and the same is proposed to be applied in full at par by issuing at par 38,93,37,400 equity

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shares of Rs.10/- each. The said shares shall be distributed as fully paid bonus shares to and amongst the members of the company whose names will appear on the Register of Members on a date (Record Date) to be hereafter fixed by the Board, in proportion of one bonus share for every one existing equity share held on that date.

The proposed issue of Bonus Shares will be made in line with the guidelines issued by the Securities & Exchange Board of India (SEBI) in this respect. The allotment of bonus shares to the non-resident members, if any, will, however, be subject to the approval of the Reserve Bank of India. Applications will be made to the Mumbai, Delhi, Calcutta, Chennai and National Stock Exchanges, where the existing shares of the Company are already listed for permission to deal in the said bonus shares.

The Directors, therefore, recommend the Special Resolutions. The Directors of the Company may be deemed to be interested in these resolutions to the extent of their respective holding, if any, in the Company.

Item No. 14

The Companies Act has been recently amended by the Companies (Amendment) Ordinance, 1998 as a result of which a new Section 77A has been inserted, in terms of which, a Company is now able to purchase its own shares or other specified securities (Buy-back) subject to the terms and in the manner set out in the Section. Prior thereto, the Company was restricted to purchase its own shares by way of reduction of capital.

The recently introduced provisions of Section 77A of the Companies Act also require that the Buy-Back of shares is authorised by the Company's Articles of Association. The existing Article 18 prohibits the Company to Buy-Back its own shares and is therefore considered to be out of place in the context of the new Corporate environment. Being conscious of the fact that the existing provisions of Sections 100 to 104 and Section 402 of the Companies Act have still to find a place on the statute book, the existing Article 18 is proposed to be substituted by a new Article 18 as set out in item 14 of the Notice. A new Article 18A is also being proposed, as the Company has to be authorised by its Articles to Buy-Back its own shares and securities.

The Board is of the opinion that it will be in the best interest of the Company to give an enabling power to the Board to Buy-Back the Company's shares.

Pursuant to the passing of the Depositories Act, 1996 and setting up of the National Securities Depositories Limited (NSDL), IndianOil has entered into an agreement with NSDL to have electronic depository facilities for the shares of the Corporation effective 1st September, 1998. An agreement has also been entered into with Central Depository Services (India) Limited (CDSL) for electronic depository facilities effective 7th July, 1999. This would immensely benefit the shareholders for scripless trading in the electronic form thus eliminating the paper work involved in scrip-based trading and share transfer system.

Certain provisions of the existing Articles of the Company pertaining to the issue, holding, transfer, transmission and other dealings in shares and other securities, as also issue of certificates, thereof, which were framed on the basis of the relevant provisions of the Companies Act, 1956 need to be amended and new Articles inserted, keeping in view the provisions of the Depositories Act, 1996, which have become applicable as a result of the introduction of the Depository System . The required amendments have been made so as to give effect to the legal and practical aspects of the Depository System and are self explanatory.

The Directors, therefore recommend the Special Resolution. None of the Directors of the Company are interested in the resolution.

Registered Office:
IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai-400 051.

2nd August, 1999

By Order of the Board of Directors

R Nay

(R. NARAYANAN)
Company Secretary

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