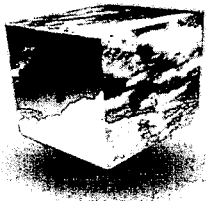


GOODLASS **NEROLAC** PAINTS LTD.

ANNUAL REPORT 1996-97





INNOVATION

Innovation is not primarily about technology.

It is not even about new products or services per se.

It is about customers.

How can we deliver new or increased value to our customers?

GOODLASS NEROLAC PAINTS LIMITED

SEVENTY SEVENTH ANNUAL REPORT 1996-97

DIRECTORS:

DR. F. A. MEHTA, (*Chairman*)
 D. M. KOTHARI, (*Vice Chairman*)
 D. J. MADAN
 V. C. VAIDYA
 S. K. KOBAYASHI
 Y. KAWAMORI
 K. HASEGAWA
 O. V. BUNDELLU, (*Nominee of IDBI*)
 S. VENKATARAMAN, (*Director—Finance & Commercial*)
 T. R. VENKATESH, (*Managing Director*)
 K. OHIRA
 K. C. MEHRA
 M. HOMMA

| | | | | |
|-----|---|---|-----|---|
| MD | ✓ | | BKC | ✓ |
| CS | ✓ | | DPY | ✓ |
| RO | ✓ | | DIV | ✓ |
| TRA | ✓ | | AC | ✓ |
| AGM | ✓ | ✓ | SHI | ✓ |
| YE | ✓ | ✓ | | |

COMPANY SECRETARY:

G. T. GOVINDARAJAN

BANKERS:

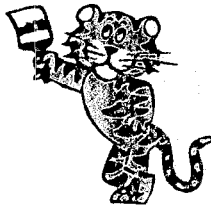
UNION BANK OF INDIA, MUMBAI
 STANDARD CHARTERED BANK, MUMBAI
 THE BANK OF TOKYO — MITSUBISHI LTD., MUMBAI
 PUNJAB NATIONAL BANK, MUMBAI
 BANQUE NATIONALE DE PARIS, MUMBAI

AUDITORS:

A. F. FERGUSON & CO., MUMBAI

SOLICITORS:

CRAWFORD BAYLEY & CO., MUMBAI



REGISTERED OFFICE:

'NEROLAC HOUSE'
 GANPATRAO KADAM MARG, LOWER PAREL, MUMBAI 400 013.

FACTORIES:

GANPATRAO KADAM MARG, LOWER PAREL, MUMBAI 400 013.
 KAVESAR, OFF GHODBUNDER ROAD, THANE 400 601.
 B1, B2, JAINPUR INDUSTRIAL ESTATE, KANPUR DEHAT,
 KANPUR, U.P.

Annual General Meeting will be held on Thursday, the 14th August, 1997 at the Bombay House Auditorium, Bombay House, Homi Mody Street, Fort, Mumbai 400 001 at 4.00 P.M. (S.T.)

Shareholders are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as the practice of distributing copies of the Report at the meeting has been discontinued.

IN YOUR OWN INTEREST

1. Multiple Accounts:

Please advise us all folio numbers for combining into one. Please also forward your respective Share Certificates to enable us to change folio number.

2. Change of Address:

Please intimate us change in address, as soon as possible.

3. Dividend:

It may be mentioned that in view of the amendments made in the Income-tax Act, 1961, tax at source is not required to be deducted from the dividend. Therefore, you are no longer required to submit Form 15G for exemption towards deduction of tax at source.

4. Unclaimed Dividend:

Please claim your previous dividends, if any, not encashed. If the dividend warrants have been lost, please apply for duplicate warrants.

5. Ledger Folio Number:

Please quote your ledger folio number in all your communications with the Company.

6. Transmission of Shares:

In case of deceased shareholders, their relatives are requested to file death certificates, probate and such other documents for transmission of shares. Kindly contact our Secretarial Department for necessary formalities.

GOODLASS NEROLAC PAINTS LIMITED**NOTICE**

NOTICE is hereby given that the Seventy-seventh Annual General Meeting of the Shareholders of GOODLASS NEROLAC PAINTS LIMITED will be held at the Bombay House Auditorium, Bombay House, Homi Mody Street, Fort, Mumbai 400 001 on Thursday, the 14th August, 1997, at 4.00 p.m. (S.T.) to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Dr. F. A. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Y. Kawamori, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. K. Ohira, who was appointed a Director of the Company under Article 114 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing from a Shareholder proposing his candidature for the office of Director.
6. To appoint a Director in place of Mr. M. Homma, who was appointed a Director of the Company under Article 114 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing from a Shareholder proposing his candidature for the office of Director.
7. To appoint a Director in place of Mr. T. R. Venkatesh, who was appointed as an Additional Director of the Company, under Article 113 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing from a Shareholder proposing his candidature for the office of Director.
8. To appoint a Director in place of Mr. K. C. Mehra, who was appointed as an Additional Director of the Company, under Article 113 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing from a Shareholder proposing his candidature for the office of Director.
9. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.
10. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the appointment of Mr. T. R. Venkatesh

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- i) as a Wholetime Director designated as Deputy Managing Director, from 1st October, 1996, upto and including 31st March, 1997; and
- ii) as Managing Director of the Company for a period of five years commencing from 1st April, 1997 and ending on 31st March, 2002 (both days inclusive);

on the remuneration and perquisites as set out in the draft Agreements to be entered into between the Company and Mr. T. R. Venkatesh placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into Agreements on behalf of the Company with Mr. Venkatesh in terms of the aforesaid draft Agreements."

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

"RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, the consent of the Company be and is hereby accorded to the revision in terms of the remuneration of Mr. S. Venkataraman for the period 1st April, 1997 to 31st March, 1998 and to his re-appointment as a Wholetime Director of the Company for a period of one year commencing 1st April, 1998 and ending on 31st March, 1999 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. Venkataraman, placed before the Meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Venkataraman in terms of the aforesaid draft Agreement."

Registered Office:

"Nerolac House"
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400 013.

For and on behalf of the Board

F. A. MEHTA
Chairman

Dated: 12th June, 1997.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to Items No. 5, 6, 7, 8, 10 and 11, is annexed hereto.
3. The Register of Members and the Transfer Books of the Company will remain closed from FRIDAY, the 25TH JULY, 1997 to FRIDAY, the 1ST AUGUST, 1997, both days inclusive.
4. The dividend, when declared, will be payable on or after 29TH AUGUST, 1997, at Union Bank of India, Industrial Finance Branch, Mumbai and/or at its Branches in India, to those Shareholders, whose names appear in the Register of Members on 1ST AUGUST, 1997.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto 55th Dividend for the year ended 31st March, 1993, have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai, by submitting an application in Form No. II to the aforesaid authority.

ANNEXURE TO NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956.

Item No. 5

Mr. K. Ohira, was appointed a Director of the Company on 25th March, 1997 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. M. Yamada. Pursuant to Section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Ohira holds the office only upto the date of the forthcoming Annual General Meeting because Mr. Yamada in whose place he was appointed would have held the office upto the date of the forthcoming Annual General Meeting, had he not resigned.

Notice in writing has been received from a Shareholder of the Company, pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Ohira as a candidate for the office of the Director. As required by the said Section 257, the Shareholder giving notice has deposited a sum of Rs. 500 with the Company which shall be refunded to him if Mr. Ohira is elected as a Director.

Mr. Ohira, is the Director - Automotive Coatings Division at Kansai Paint Co. Ltd., Japan. The services of Mr. Ohira have been and will be very useful to the Company. The Directors, therefore, recommend that he be appointed a Director of the Company.

Mr. Ohira is interested in the Resolution at Item 5 of the accompanying Notice since it relates to his own appointment.

Item No. 6

Mr. M. Homma was appointed a Director of the Company on 12th June, 1997 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr. T. Kotake. Pursuant to Section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Homma holds the office only upto the date of the forthcoming Annual General Meeting because Mr. Kotake in whose place he was appointed would have held the office upto the date of the forthcoming Annual General Meeting, had he not resigned.

Notice in writing has been received from a Shareholder of the Company, pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Homma as a candidate for the office of the Director. As required by the said Section 257, the Shareholder giving notice has deposited a sum of Rs. 500 with the Company which shall be refunded to him if Mr. Homma is elected as a Director.

Mr. Homma, is the Managing Director - Production Department at Kansai Paint Co. Ltd., Japan. The services of Mr. Homma will be very useful to the Company. The Directors, therefore, recommend that he be appointed a Director of the Company.

Mr. Homma is interested in the Resolution at Item 6 of the accompanying Notice since it relates to his own appointment.

Items No. 7 and 10

At the Meeting of the Board of Directors held on 25th September, 1996, Mr. T. R. Venkatesh was appointed as an Additional Director of the Company, with effect from 1st October, 1996.

Pursuant to Section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Mr. Venkatesh holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a Shareholder of the Company pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Venkatesh as a candidate for the office of Director alongwith a deposit of Rs. 500 which will be refunded to the shareholder if Mr. Venkatesh is elected as a Director.

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Mr. Venkatesh was also appointed at the aforesaid Board Meeting as a Wholetime Director designated as Deputy Managing Director of the Company with effect from 1st October, 1996, for a period of five years commencing from 1st October, 1996, and ending on 30th September, 2001 (both days inclusive).

At the meeting of the Board of Directors of the Company held on 25th March, 1997, subject to the approval of the Shareholders, Mr. Venkatesh was appointed Managing Director of the Company from 1st April, 1997, for a period of five years, commencing from 1st April, 1997, and ending on 31st March, 2002 (both days inclusive). The earlier appointment as a Wholetime Director designated as Deputy Managing Director for a period upto 30th September, 2001 thus stands superseded by his subsequent appointment as Managing Director for a period upto 31st March, 2002.

The remuneration and perquisites to be paid or granted to him, referred to in the Resolution at Item No. 10 of the Notice, are set out in the draft agreements between the Company and Mr. Venkatesh.

The appointment of Mr. Venkatesh, i) initially as a Wholetime Director designated as Deputy Managing Director and ii) later as Managing Director, and the remuneration and perquisites proposed to be paid or granted to him as set out in the aforesaid draft Agreements are in conformity with the provisions and requirement of Schedule XIII to the Companies Act, 1956. Accordingly no approval of the Central Government is required to be obtained. These are however, subject to the approval of the shareholders in general meeting, pursuant to Sections 198, 269 and 309 and other applicable provisions of the Companies Act, 1956. Hence, the resolution at Item No. 10 of the Notice.

Mr. Venkatesh, aged 40, B.A. (Eco.), PGDBM (IIM, Calcutta), with a varied experience of around 18 years, joined the Company on 8th March, 1996, and was Deputy Managing Director - Designate, prior to his appointment on the Board as Additional Director and Wholetime Director as aforesaid.

The material terms of the draft Agreements referred to in the resolution at Item No. 10 of the Notice are as follows:

- I. The agreement referred to in Resolution at Item 10 of the Notice to be entered into for the term as a Wholetime Director designated as Deputy Managing Director, inter alia provides for the following:
 1. The appointment of Mr. T. R. Venkatesh as Wholetime Director of the Company (designated as Deputy Managing Director) shall be for the period commencing from 1st October, 1996, and ending on 30th September, 2001, subject to the same being previously determined as provided for in the agreement.
 2. Mr. Venkatesh shall exercise such powers and performance of such duties as may be entrusted to him by the Managing Director and/or Board of Directors of the Company.
 3. Mr. Venkatesh shall report to the Managing Director and shall be responsible for his actions to the Board as well as to the Managing Director. Management of the whole or substantially the whole of the affairs of the Company will not vest in Mr. Venkatesh.
 4. Mr. Venkatesh will devote his wholetime and attention and ability during the business hours to the business of the Company and undertake travelling in India and abroad for the same.
 5. Mr. Venkatesh shall be entitled to the following emoluments, benefits and perquisites, subject to the limits laid down under Sections 198 and 309 and Schedule XIII to the Companies Act, 1956:
 - a) Salary:
 - Rs. 25,000 per month in the scale of Rs. 25,000 to Rs. 35,000 as follows:
 - Rs. 25,000 per month from 1st October, 1996 to 31st March, 1997.
 - Rs. 27,500 per month from 1st April, 1997 to 31st March, 1998.
 - Rs. 30,000 per month from 1st April, 1998 to 31st March, 1999.
 - Rs. 32,500 per month from 1st April, 1999 to 31st March, 2000.
 - Rs. 35,000 per month from 1st April, 2000 onwards.

b) Perquisites:

In addition to the above, Mr. Venkatesh shall be entitled to perquisites restricted to an amount equal to 125% of the annual salary. Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C' as follows:

CATEGORY 'A':

This will comprise house rent allowance, leave travel concession, medical reimbursement, fees of clubs and personal accident insurance. These will be provided for as under:

- i) Housing I : The expenditure by the Company on hiring furnished accommodation for Mr. Venkatesh will be subject to a ceiling of 60% of salary.
- Housing II : In case the accommodation is owned by the Company, no recovery shall be made from the salary of Mr. Venkatesh towards Housing.
- Housing III : In case no accommodation is provided by the Company, Mr. Venkatesh shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishings will 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 Mr. Venkatesh.

- ii) Medical Reimbursement: Expenses incurred for Mr. Venkatesh and his 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: Leave on full salary and allowance for a period of 30 days for every 11 months of service. Accumulation of leave as per Company's Rules.
- iv) Leave Travel Concession: For Mr. Venkatesh and his family once in a year incurred in accordance with any rules specified by the Company.
- v) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- vi) Personal Accident Insurance: Premium not to exceed Rs. 4,000 per annum.

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

CATEGORY 'B':

- i) Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent, these either singly or put together, are not taxable under the Income-tax Act, 1961. Gratuity payable will not exceed half a month's salary for each completed year of service.
- ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C':

The Company shall provide a car with driver, and telephone facility at the residence of Mr. Venkatesh. Provision of a car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to Mr. Venkatesh.

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c) Minimum Remuneration:

Notwithstanding anything herein contained, where in any financial year, during the tenure of Mr. Venkatesh, the Company has no profits or its profits are inadequate, the Company will pay him remuneration by way of Salary and Perquisites specified above.

d) 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 of the Companies Act, 1956. The amount of commission will be such as may be determined at the discretion of the Board of Directors of the Company, at the end of the financial year.

OTHER TERMS:

6. Mr. Venkatesh shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
7. Mr. Venkatesh shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling, incurred in the course of the Company's business.
8. In case of death of Mr. Venkatesh during the course of employment, the Company will pay to his legal personal representatives, the salary and other emoluments payable for the then current month.
9. Mr. Venkatesh shall not directly or indirectly engage himself in any business or activity substantially similar to or competing with the business or activity of the Company during the term of the Agreement.
10. Mr. Venkatesh shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
11. Mr. Venkatesh shall not divulge or disclose any information or knowledge obtained by him during his employment as to the business or affairs of the Company or any trade secrets or secret processes of the Company.
12. Mr. Venkatesh's employment shall be determined forthwith if he commits a breach of any of the aforesaid terms, disqualifies himself to act as a Director for any reason except inadvertent breach of Section 283 of the Companies Act, 1956 or becomes insolvent, makes any composition or arrangement with his creditors or ceases to be a Director of the Company.
13. Either party shall be entitled to terminate the Agreement at any time, by giving to the other not less than 180 days' notice in writing in that behalf, provided that the Company shall be entitled to terminate the Agreement by giving 6 months' salary in lieu of notice.
14. All Notices shall be in writing and shall be sent to the Company's Registered Office and to the last known residential address of Mr. Venkatesh.

Your Directors considered the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Venkatesh as a Wholtime Director (designated as Deputy Managing Director).

The foregoing material terms may also be treated as an abstract of the terms of the aforesaid draft agreement for the purpose of Section 302 of the Companies Act, 1956.

II. The agreement to be entered into with Mr. Venkatesh as Managing Director *inter alia* provides for the following:

1. The appointment of Mr. Venkatesh as Managing Director shall be for a period of five years commencing from 1st April, 1997 and ending on 31st March, 2002, superseding the earlier Agreement appointing him as a Wholtime Director designated as Deputy Managing Director and subject to the same being previously determined as provided in the earlier Agreement.