



Report

81ST ANNUAL REPORT 2000-2001

GOODLASS

PAINTS LTD.



VISION

It is our vision to leverage global technology, for serving our customers with superior coating systems built on innovative and superior products and world class solutions, to strengthen our leadership in Industrial coatings and propel for leadership in Architectural coatings, all to the delight of our stakeholders.

GOODLASS NEROLAC PAINTS LTD.

GOODLASS NEROLAC PAINTS LIMITED

EIGHTY - FIRST ANNUAL REPORT 2000-2001

DIRECTORS:

DR. F. A. MEHTA, *(Chairman)*
D. M. KOTHARI, *(Vice Chairman)*
V. C. VAIDYA
S. K. KOBAYASHI
Y. KAWAMORI
K. C. MEHRA
H. M. BHARUKA, *(Managing Director)*
P. S. KHANOLKAR, *(Director — Industrial Marketing & Refinishing)*
S. M. DATTA
S. ARAI
K. MORIMOTO, *(Deputy Managing Director)*
Y. TAJIRI

COMPANY SECRETARY:

G. T. GOVINDARAJAN

BANKERS:

UNION BANK OF INDIA
STANDARD CHARTERED BANK
THE BANK OF TOKYO - MITSUBISHI LTD.
PUNJAB NATIONAL BANK
BNP PARIBAS

AUDITORS:

A. F. FERGUSON & CO., MUMBAI

SOLICITORS:

KANGA & 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.
F/2, MIDC, LOTE PARSHURAM, TALUKA KHED,
DISTRICT RATNAGIRI, MAHARASHTRA.

Annual General Meeting will be held on Friday, the 17th August, 2001 at the Bombay House Auditorium, Bombay House, Homi Mody Street, Fort, Mumbai 400 001 at 3.30 P.M. (S.T.)

GOODLASS NEROLAC PAINTS LTD.
SALES OFFICES AND FACTORIES



GOODLASS NEROLAC PAINTS LIMITED

NOTICE

NOTICE is hereby given that the Eighty- first 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 Friday, the 17th August, 2001, at 3.30 p.m. (S.T.) to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
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. V. C. Vaidya, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S. K. Kobayashi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Y. Kawamori, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr. K. Morimoto, who was appointed as an Additional Director of the Company, pursuant to 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 some Shareholders proposing his candidature for the office of Director.
8. 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 authorise the Board of Directors to fix their remuneration.
9. 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. H. M. Bharuka as Managing Director of the Company for a period of five years commencing from 1st April, 2001, and ending on 31st March, 2006 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. H. M. Bharuka 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 an Agreement on behalf of the Company with Mr. Bharuka in terms of the aforesaid draft Agreement."

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, and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded to the appointment of Mr. K. Morimoto as a Wholtime Director designated as Deputy Managing Director for a period of five years commencing from 1st April, 2001, and ending on 31st March, 2006 (both days inclusive) on the remuneration and perquisites as set out in the draft Agreement to be entered into between the Company and Mr. K. Morimoto 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 an Agreement on behalf of the Company with Mr. Morimoto in terms of the aforesaid draft Agreement."

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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 revision in terms of remuneration of Mr. P. S. Khanolkar, Wholtime Director of the Company, from 1st April, 2001, as set out in the draft Supplemental Agreement to be entered into by the Company with Mr. P. S. Khanolkar placed before this meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into a Supplemental Agreement on behalf of the Company with Mr. Khanolkar, in terms of the aforesaid draft.”

Registered Office :
“Nerolac House”,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400 013.

For and on behalf of the Board

F. A. MEHTA
Chairman

Dated : 26th June, 2001

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. 7, 9,10 and 11 is annexed hereto.

ANNEXURE TO NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956

Items No. 7 and 10

At the meeting of the Board of Directors of the Company held on 23rd February, 2001, Mr. K. Morimoto was appointed as an Additional Director of the Company from 1st April, 2001. Pursuant to Section 260 of the Companies Act, 1956, (“the Act”) read with Article 113 of the Articles of Association of the Company, Mr. Morimoto holds the office only upto the date of the forthcoming Annual General Meeting.

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

Mr. Morimoto, was also appointed, on 1st April, 2001, as a Wholtime Director designated as Deputy Managing Director of the Company for a period of five years commencing from 1st April, 2001, and ending on 31st March, 2006 (both days inclusive).

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 Agreement between the Company and Mr. Morimoto.

Clause 1 (e) of Part I of Schedule XIII to the Act, specifies that the appointee must be a resident in India. As Mr. Morimoto is not a resident in India, Clause 1 (e) of Part I of Schedule XIII to the Act is not satisfied. The Company has accordingly sought the approval of the Central Government, which approval is awaited.

The remuneration and perquisites proposed to be paid to him as set out in the draft Agreement are in conformity with the provisions and requirements of the Act. The appointment of Mr. Morimoto as Deputy Managing Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is also subject to the approval of the Shareholders in general meeting pursuant to Sections 198, 269 and 309 of the Act. Hence the Resolution at Item No. 10 of the Notice.

Mr. Morimoto, aged 55, graduated from the Science Department of Nagoya University, Japan. Mr. Morimoto had been the General Manager of the Nagoya Technical Department of Kansai Paint Company Limited (Kansai) and has vast experience of 33 years in Research and Development and in the Automotive Coatings Division of Kansai.

The material terms of the draft Agreement referred to in the Resolution at Item No. 10 are as follows:

1. The appointment of Mr. K. Morimoto as Deputy Managing Director of the Company shall be for a period of five years commencing from 1st April, 2001, and ending on 31st March, 2006 (both days inclusive), subject to the same being previously determined as provided for in the Agreement.
2. Mr. Morimoto's position and designation shall be that of Deputy Managing Director.
3. Mr. Morimoto shall be in charge of the technical functions of the Company and shall exercise all such powers and perform all such functions and duties as may be entrusted or assigned to him from time to time by the Managing Director and/or Board of Directors and be subject to such restrictions as the Managing Director and/or Board of Directors may from time to time specify.
4. Mr. Morimoto shall report to the Managing Director.
5. Mr. Morimoto shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavours to promote the interest and welfare of the Company.
6. Remuneration: Mr. Morimoto 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.90,000 per month, in the scale Rs.90,000 per month - Rs.1,50,000 per month. Increments will be decided upon from time to time by the Board each year and will be merit based and will take into account the Company's performance.
 - (b) Commission: Upto 150% of the annual salary
Subject to the overall ceiling in Section 198 and Section 309 of the Companies Act, 1956, Mr. Morimoto will be paid remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.
 - (c) House Rent Allowance : 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
 - (d) Leave Travel Allowance :
 - (i) Upto 10% of annual salary for leave to be spent in India; OR
 - (ii) Return passage for self and family by business class once in a year from India to the home country or vice versa, as applicable, in which case, the ceiling of 10% of annual salary will not apply.
 - (e) Other Perquisites and Allowances :
 - (i) Mr. Morimoto shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs, medical reimbursement or allowance, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.
 - (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

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(iii) Encashment of leave at the end of the tenure and reimbursement of actual expenses incurred for self and family for travel and shipment of personal effects for joining duty in India and at the time of returning from India on the expiry or earlier termination of the appointment as may be permitted by the rules of the Company, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(iv) Mr. Morimoto shall not be entitled to Provident Fund, Superannuation Fund and Gratuity.

The payment of remuneration as aforesaid and deduction of tax thereon will be as per the laws applicable in India, from time to time.

Minimum Remuneration :

In the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances (including Leave Travel Allowance and House Rent Allowance, where applicable) as specified above, not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956.

7. Mr. Morimoto shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
8. Mr. Morimoto will be eligible for Privilege Leave, Sick Leave and Casual Leave in accordance with the rules and regulations of the Company.
9. Mr. Morimoto will abide by the administrative instructions and rules and regulations as in force from time to time for the effective and smooth working of the organisation.
10. In case of death of Mr. Morimoto during the course of his employment, the Company will pay to his legal personal representatives, the salary and other emoluments payable for the then current month.
11. Mr. Morimoto 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.
12. Mr. Morimoto shall not become interested or otherwise concerned directly or through his wife and / or minor children in any agency of the Company without the prior approval of the Central Government.
13. Mr. Morimoto 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.
14. Mr. Morimoto'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 Director of the Company.
15. 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 six months' salary in lieu of notice. It would not be necessary for either of the parties to give a notice of not less than 180 days to the other or for the Company to pay any salary in lieu of notice, if the termination of employment is on the instructions of Kansai Paint Company Limited, Japan.
16. 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. Morimoto.
17. The Agreement with Mr. Morimoto shall be the entire Agreement between the parties and shall supersede and cancel all prior arrangements, agreements and understandings, oral or written, on the subject matter.

Your Directors consider the aforesaid remuneration to be commensurate with the duties and responsibilities of Mr. Morimoto as a Wholtime Director designated as Deputy Managing Director.

The draft Agreement between the Company and Mr. Morimoto referred to in the Resolution at Item No. 10 of the Notice will be open for inspection by the Shareholders at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Saturday.

The above Explanatory Statement relating to Item No. 10 concerning the appointment of Mr. Morimoto as a Wholtime Director designated as Deputy Managing Director may be treated as an abstract of the terms of the draft Agreement and the memorandum of concern or interest under Section 302 of the Companies Act , 1956.

The Board commends the Resolutions at Items No. 7 and 10 for acceptance by the Shareholders.

Mr. Morimoto is interested in the Resolutions at Items No. 7 and 10 of the Notice since it relates to his own appointment.

Mr. S. K. Kobayashi, Mr. Y. Kawamori, Mr. S. Arai and Mr. Y. Tajiri, Directors of the Company, are nominees of Kansai Paint Company Limited, Japan and accordingly, may be deemed to be concerned or interested in the Resolutions at Items No. 7 and 10 of the Notice. None of the other Directors of the Company is in anyway concerned or interested in the Resolution.

Item No. 9

As Shareholders are aware, the Board of Directors appointed Mr. H. M. Bharuka as Deputy Managing Director of the Company for a period of five years commencing from 1st April, 1999, and ending on 31st March, 2004 (both days inclusive). The appointment was subject to the approval of the Shareholders in general meeting. The approval of the Shareholders was obtained to the aforesaid appointment at the 79th Annual General Meeting of the Company held on 22nd July, 1999.

At the meeting of the Board of Directors of the Company held on 23rd February, 2001, Mr. Bharuka was appointed as the Managing Director of the Company for a period of five years commencing from 1st April, 2001, and ending on 31st March, 2006 (both days inclusive) on the remuneration and perquisites to be paid or granted to him as set out in the draft Agreement between the Company and Mr. Bharuka referred to in the Resolution at Item No.9 of the Notice.

The appointment of Mr. Bharuka as Managing Director of the Company and the remuneration and perquisites proposed to be paid or granted to him as set out in the aforesaid draft Agreement are in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956. Accordingly, no approval of the Central Government is required to be obtained to the appointment of Mr. Bharuka as Managing Director of the Company or the proposed remuneration.

The appointment of Mr. Bharuka as Managing Director of the Company on the remuneration and perquisites as set out in the aforesaid draft Agreement is however subject to the approval of the Shareholders in general meeting pursuant to Sections 198, 269 and 309 of the Companies Act, 1956. Hence the Resolution at Item No.9 of the Notice.

Mr. Bharuka, aged 41, B. Com., A.I.C.W.A., with a varied experience of around 21 years, joined the Company on 1st October, 1985. Mr. Bharuka was appointed on the Board of Directors on 1st April, 1999, and was Deputy Managing Director, prior to his appointment as the Managing Director as aforesaid.

The material terms of the draft Agreement referred to in the Resolution at Item No. 9 are as follows:

1. The appointment of Mr. H. M. Bharuka as Managing Director of the Company shall be for a period of five years commencing from 1st April, 2001, and ending on 31st March, 2006 (both days inclusive), subject to the same being previously determined as provided for in the Agreement.
2. Mr. Bharuka's position and designation shall be that of Managing Director.
3. Mr. Bharuka shall have the day-to-day management of the Company, subject to the superintendence, control and direction of the Board of Directors.
4. Mr. Bharuka shall devote his whole time, attention and abilities during business hours to the business of the Company and use his best endeavours to promote the interest and welfare of the Company and conform to and comply with the directions and regulations of the Company and all such orders and directions as may from time to time be given by the Board of Directors of the Company.
5. Mr. Bharuka shall be a member of all Committees appointed by the Board consisting of some of the Members of the Board.
6. Mr. Bharuka shall not have the powers to make calls on shares and to issue debentures.
7. Mr. Bharuka shall have the following powers, subject to the prior sanction of, and such restriction imposed by the the Board :

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- (a) To invest the funds of the Company in Government Securities, Municipal bonds and bonds issued by statutory corporations and public authorities, whether Indian or foreign; debentures, preference shares and equity shares of any private, public and/or Government Companies registered in India or elsewhere; call deposits or fixed deposits with companies, banks and other institutions;
 - (b) To borrow money otherwise than on debentures for the purpose of the business of the Company;
 - (c) To accept call deposits and/or fixed deposits;
 - (d) To sell any of the assets or investments of the Company;
 - (e) To purchase assets for the Company;
 - (f) To appoint or engage staff and terminate their employment.
8. Remuneration: Mr. Bharuka shall be entitled to the following emoluments, benefits, perquisites, subject to the limits laid down under Sections 198, 309 and Schedule XIII to the Companies Act, 1956:
- (a) Salary: Rs.90,000 per month, in the scale Rs.90,000 per month - Rs.1,50,000 per month. Increments will be decided upon from time to time by the Board each year and will be merit based and take into account the Company's performance.
 - (b) Commission: Upto 150% of the annual salary
Subject to the overall ceiling in Section 198 and Section 309 of the Companies Act, 1956, Mr. Bharuka will be paid remuneration by way of commission based on net profits of the Company for each financial year as the Board may in its absolute discretion determine, depending on performance.
 - (c) House Rent Allowance : 40% of annual salary. In case Company accommodation is provided, no House Rent Allowance will be paid.
 - (d) Leave Travel Allowance: Upto 10% of annual salary.
 - (e) Other Perquisites and Allowances:
 - (i) Mr. Bharuka shall be entitled to perquisites and allowances like bonus, reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishing, hard furnishings and repairs, medical reimbursement or allowance, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company, applicable from time to time, or as may be agreed to by the Board of Directors, the value of which shall not in the aggregate exceed 75% of the annual salary.
 - (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
 - (iii) Company's contribution to Provident Fund shall be at 12% of Salary (including Commission). Company's contribution to Superannuation Fund shall be at 15% of Salary (including Commission). Company's contribution to Provident Fund and Superannuation Fund as aforesaid, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration:

In the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances (including Leave Travel Allowance and House Rent Allowance, where applicable) as specified above, not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956.

- 9. Mr. Bharuka shall not be paid any sitting fees for attending the meetings of the Board of Directors or committees thereof.
- 10. Mr. Bharuka will be granted Privilege leave, Sick leave and Casual leave in accordance with the rules and regulations of the Company.