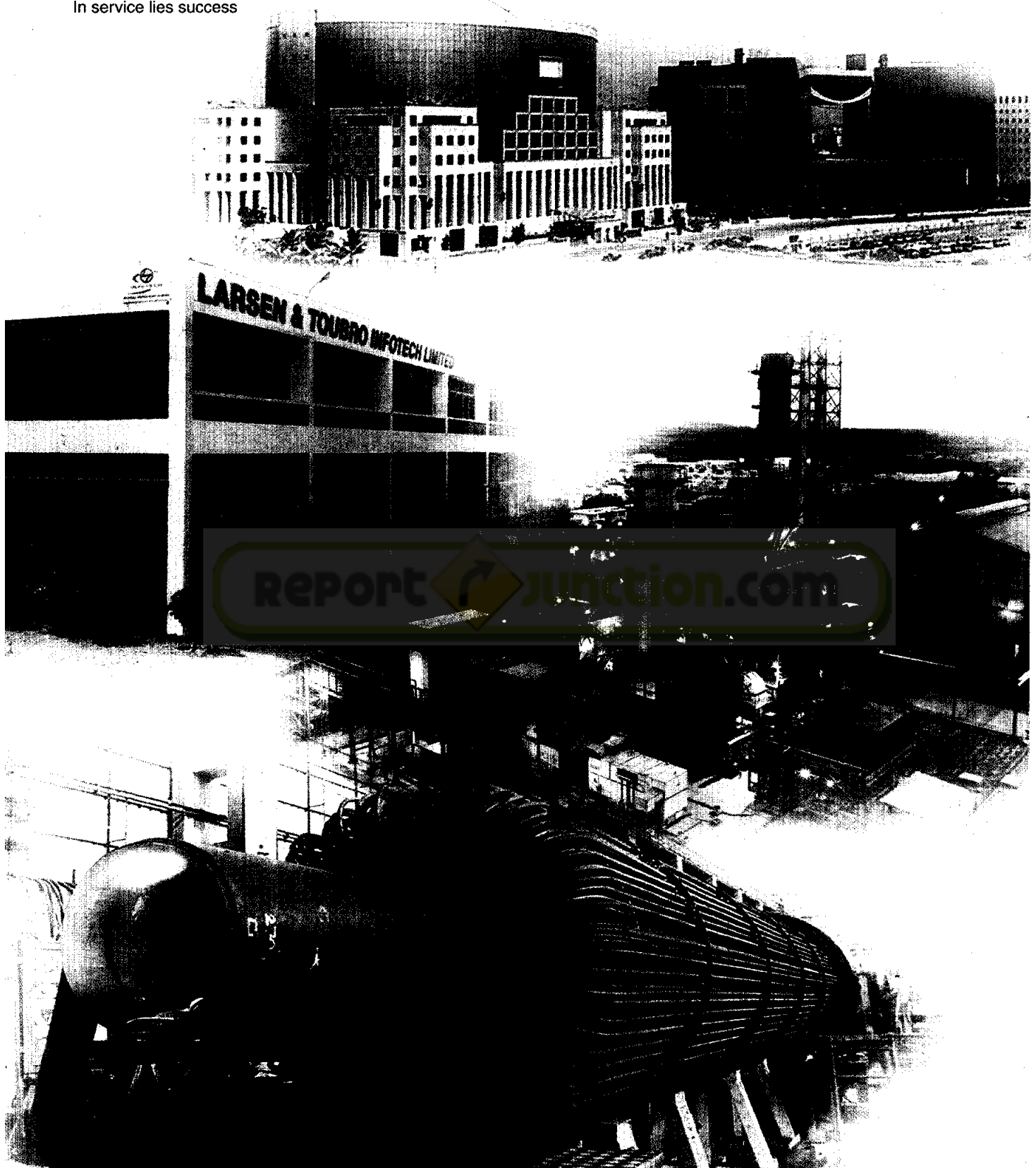




# LARSEN & TOUBRO LIMITED

## ANNUAL REPORT 2001-2002

In service lies success



# FIFTYSEVENTH ANNUAL REPORT 2001-2002



Mr. Henning Holck-Larsen, the Company's co-founder and Chairman Emeritus, being honoured by the President of India with the *Padma Bhushan*, one of India's most prestigious civilian awards, in recognition of his outstanding contribution to the growth of the Indian industry.

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## BOARD OF DIRECTORS

<i>Padma Bhushan</i> H. Holck-Larsen	<i>Chairman Emeritus</i>
A.M. Naik	<i>Managing Director &amp; Chief Executive Officer</i>
A. Ramakrishna	<i>Deputy Managing Director &amp; President - Operations</i>
J.P. Nayak	<i>Whole-time Director &amp; President - Operations</i>
Y.M. Deosthalee	<i>Whole-time Director &amp; Chief Financial Officer</i>
K. Venkataramanan	<i>Whole-time Director &amp; President - Operations</i>
R.N. Mukhija	<i>Whole-time Director &amp; Senior Vice President - Operations</i>
P.M. Mehta	<i>Whole-time Director &amp; Senior Vice President - Operations</i>

S.S. Marathe  
M.L. Bhakta  
D.V. Kapur  
G. Armbruster  
A. Ramamurthy  
S. Rajgopal  
Kumar Mangalam Birla  
Rajashree Birla  
B.P. Deshmukh  
A.K. Doda

## COMPANY SECRETARY

S.V. Subramanian

## AUDITORS

M/s. Sharp & Tannan

## SOLICITORS

M/s. Manilal Kher Ambalal & Co.

## REGISTERED OFFICE AND HEAD OFFICE

L&T House,  
Ballard Estate,  
Mumbai 400 001

## INVESTOR SERVICES CENTRE

Bakhtawar, Ground Floor,  
Nariman Point,  
Mumbai 400 021

**FIFTYSEVENTH ANNUAL GENERAL MEETING**  
at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020  
on 8th August, 2002 at 3.00 p.m.



A.M. Naik

Dear Shareholders,

The last few years, including the year 2001-02 that has gone by, have been the most challenging for the Indian industry. Excess capacity in core sectors, global slowdown, inadequate investment in infrastructure and chequered progress on economic reforms have all contributed to lack of growth opportunities. A meagre growth of 2% for core sector industries and a negative growth of 4% for capital goods industry in 2001-02 highlights the challenges of the industry and your Company. While on the one hand the Government is continuing with its reform program, the continuance of purchase preference for the public sector on the other hand, severely truncates the business opportunities of private sector companies like yours.

To overcome the constraints of the domestic markets, your Company, about 30 months ago, firmed up its strategy of increasing its international operations. Export revenues, which were about 2% of the Company's total sales, 3 years ago, have grown substantially to 13% of total sales by end March 2002. The transformation from a Company focused largely on domestic business to a Company seeking opportunities in international markets has contributed to make your Company more competitive and quality driven. Significant improvements have been made in internal processes enabling the company to meet stringent delivery schedules prescribed by international customers. The Company's domain knowledge in several critical areas, supplemented by usage of enterprise-wide IT solutions and cost-cutting initiatives, helped in meeting the quality and cost expectations of international clientele. Programmes such as TQM, Six Sigma, JIT, etc. have aided the Company in its quest for competitiveness. Advanced project monitoring modules, CRM initiatives, supply chain management, global sourcing and improved logistics management have all contributed to strengthening the capabilities of the Company.

As stated in my earlier communications, in line with our goal to become a knowledge based premium conglomerate, we have launched several people related initiatives. The Management Leadership Programme, which was initiated about two years ago, has matured to a stage where it is

playing a pivotal role in identification and grooming of potential leaders in the Company. With a view to build the reservoir of technocrats, we have also launched a Technologist Leadership Programme during the year. In our efforts to optimize the organisation, and improve its overall productivity, the Company has reduced its manpower by nearly 3000 employees over the past 3 years. All these initiatives, I believe, would improve the quality of the workforce and augment the intellectual capital of the Company.

#### Future Outlook

Looking ahead, the Company is well positioned to utilize any upturn in the domestic economy. The Government of India has committed significant resources to the road sector. Besides being an opportunity for the E&C Division of the Company, these programmes will increase consumption of cement and create demand for construction equipment. There are opportunities in the development of network of cross-country pipelines, modernization and upgradation of existing refineries as also in oil and gas exploration and production fields. While investment by the private sector in power plants continues to face difficulties, after a prolonged gap, NTPC and some State Electricity Boards have started work on upgradation as well as increase in their capacity. This augurs well for the Company. The Government's initiative to privatize defence sector has opened up unique opportunities for the Company. Aerospace and nuclear energy are other areas of potential growth considering the skill sets of your Company.

Meanwhile, the successful accreditation of the company as supplier of critical equipment to various global oil majors and EPC companies has opened up interesting avenues for expanding the Company's heavy engineering business overseas. The Company's track record in successful execution of power projects in Oman and Sri Lanka and many construction projects in Middle East would place the Company at an advantage to pursue international opportunities further. We expect, over the next three to five years, the Company's revenues to grow from its international business.

Your Company continues to discharge its responsibilities towards society and the environment through various programmes to promote community health and education. We are committed to contribute our part in the nation-building programme through excellence in operations, technology innovations and total customer satisfaction.

The Company won several awards for its performance and excellence during the year. You will be particularly pleased to note that your Company's Chairman Emeritus, Mr. H. Holck-Larsen was awarded "Padma Bhushan" by the Government of India early this year in recognition of his outstanding contribution to the development of Indian industry.

I take this opportunity to thank all the stakeholders for their continued support to the management.

**A. M. NAIK**

*Managing Director and Chief Executive Officer*

Mumbai : 14th June, 2002

## Notice

**NOTICE IS HEREBY GIVEN THAT** the Fifty Seventh Annual General Meeting of LARSEN & TOUBRO LIMITED will be held at Birla Matushri Sabhagar, 19 Marine Lines, Mumbai 400 020 on Thursday, 8<sup>th</sup> August, 2002 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2002, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. K. Venkataramanan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. A. Ramakrishna, who retires by rotation and is eligible for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :

**"RESOLVED THAT** the vacancy caused by the retirement by rotation of Mr M.L. Bhakta, who has not sought re-appointment, be not filled in at this meeting or at any adjournment thereof".

6. To appoint a Director in place of Mr. Kumar Mangalam Birla, who was appointed as a Director in a casual vacancy and holds office upto the date of the ensuing Annual General Meeting of the Company, and is eligible for re-appointment and in respect of whom the Company has received notices in writing from some members under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.
7. To appoint a Director in place of Mrs. Rajashree Birla, who was appointed as a Director in a casual vacancy and holds office upto the date of the ensuing Annual General Meeting of the Company, and is eligible for re-appointment and in respect of whom the Company has received notices in writing from some members under the provisions of Section 257 of the Companies Act, 1956 proposing her candidature for the office of a Director.
8. To consider and, if thought fit, to pass with or without modification, the following Resolution as an **ORDINARY RESOLUTION**:  
**"RESOLVED THAT** Mr. R. N. Mukhija who was appointed as a Director in a casual vacancy, and who is eligible for re-appointment, and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director."
9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:  
**"RESOLVED THAT** pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. R. N. Mukhija as a Whole-time Director of the Company for a period of five years with effect from 24<sup>th</sup> October, 2001 on the terms and conditions including remuneration as are set out in the Agreement dated 24<sup>th</sup> October, 2001 entered into by the Company with him, submitted to the Meeting and that the consent of the Company be and is hereby accorded to his holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be

nominated by the Company from time to time on the Boards of its subsidiary Companies."

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

**"RESOLVED THAT** pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. A. Ramakrishna as a Whole-time Director of the Company designated as "Deputy Managing Director" for a period of three years with effect from 1<sup>st</sup> January, 2002 on the terms and conditions including remuneration as are set out in the Agreement dated 23<sup>rd</sup> November, 2001 entered into by the Company with him, submitted to the Meeting and that the consent of the Company be and is hereby accorded to his holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Boards of its subsidiary Companies."

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

**RESOLVED THAT** the revision in the salary payable to Mr. Y. M. Deosthalee, Mr. J. P. Nayak and Mr. K. Venkataramanan, Whole-time Directors of the Company with effect from 23<sup>rd</sup> November, 2001 and the revision in the salary and perquisites with effect from 1<sup>st</sup> July, 2002 and commission payable for and from the year 2001-2002 to the Managing / Whole-time Directors viz. Mr. A. M. Naik, Mr. A. Ramakrishna, Mr. Y. M. Deosthalee, Mr. J. P. Nayak, Mr. K. Venkataramanan and Mr. R. N. Mukhija for the remaining part of their respective tenures, as set out in the supplemental agreements to be entered into by the Company with them, be and is hereby approved.

12. To consider and, if thought fit, to pass with or without modification, the following Resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. P.M. Mehta who was appointed as an additional Director and 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 under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director."

13. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

**"RESOLVED THAT** pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. P. M. Mehta as a Whole-time Director of the Company for the period from 14<sup>th</sup> June, 2002 to 30<sup>th</sup> April, 2004 on the terms and conditions including remuneration as are set out in the draft Agreement proposed to be entered into by the Company with him, submitted to the Meeting, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, as may be agreed to between the Directors and Mr. P.M. Mehta or as may be varied by the General Meeting, but so as not to exceed the limits, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto and further that the consent of the

Company be and is hereby accorded to his holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Boards of its subsidiary Companies."

14. To appoint Auditors and to fix their remuneration and for that purpose to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

**"RESOLVED THAT** the Company's Auditors, Messrs. Sharp & Tannan, who retire but, being eligible, offer themselves for re-appointment, be and are hereby re-appointed as Auditors of the Company including all its branch offices for holding the office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration of Rs.40,00,000/- (Rs.Forty Lakhs only) exclusive of service tax, travelling and other out of pocket expenses."

15. To consider the appointment of Mr V. Seshadri, who has given a notice in writing under the provisions of Section 257 of the Companies Act, 1956, as a Director liable to retire by rotation.

By Order of the Board of Directors  
for **LARSEN & TOUBRO LIMITED**

**S. V. SUBRAMANIAN**  
COMPANY SECRETARY

Mumbai, 14th June, 2002

**Registered Office:**  
L&T House, Ballard Estate,  
Mumbai 400 001.

**NOTES:**

- (a) The information required to be provided under the Listing Agreement entered into with various Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed and the relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item Nos. 5 to 15 set out above are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (c) The Register of Members and Transfer Books of the Company will be closed from Thursday, 25<sup>th</sup> July, 2002 to Thursday, 8<sup>th</sup> August, 2002.
- (d) Members are requested to furnish bank details by 24th July, 2002 in order to enable to the Company to print the same on the dividend warrants. In respect of members holding shares in electronic mode, bank details as are furnished by the depositories to the Company will be printed on the dividend warrant.
- (e) No tax will be deducted at source if the dividend amount payable to an individual shareholder does not exceed Rs. 1,000/-. Shareholders who are entitled to receive dividend/ interest in the aggregate not exceeding Rs.50,000/- during the Financial Year 2002-2003 and who desire to receive dividend without deduction of tax may file with the Company a declaration in Form 15 G, in duplicate, on or before 24 July, 2002.
- (f) In terms of Section 139A(5A) & (5B) of the Income Tax Act, 1961, the Company will be able to Issue Tax Deduction

Certificate wherever applicable, only if Permanent Account Number (PAN) together with designation and particulars of the Ward/Circle or Range of the Assessing Officer is furnished.

- (g) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
- (h) Members/proxies should bring their attendance slips duly completed for attending the Meeting.
- (i) As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, and in accordance with the Listing Agreement, abridged annual report containing the Directors' Report (except information u/s 217(1)(e) and 217 (2A) of the Companies Act, 1956), Auditors' Report and Statement containing salient features of Balance Sheet and Profit & Loss Account is sent to the Shareholders having the same address. These Shareholders will be furnished a copy of the unabridged Annual Report, on request.
- (j) The Company has already transferred the unclaimed Dividend, declared upto the financial year ended 31<sup>st</sup> March 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

Pursuant to the amendment to the Companies Act, 1956 the unpaid dividends that are due for transfer to the Investor Education and Protection Fund are as follows:

Dividend No.	Date of Declaration	For the Year ended	Due for Transfer on
64	02.08.1996	31.03.1996	13.09.2003
65	01.08.1997	31.03.1997	18.09.2004
66	06.08.1998	31.03.1998	16.09.2005
67	26.08.1999	31.03.1999	08.10.2006
68	08.05.2000	31.03.2000	20.06.2007
69	20.07.2001	31.03.2001	25.08.2008

Members who have not encashed their dividend warrants pertaining to the aforesaid years may approach the Company's Investor Services Centre at Bakhtawar, Ground Floor, Nariman Point, Mumbai 400 021 for obtaining payments thereof.

**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :**

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

1. **Name:** Mr. K. Venkataramanan  
**Age:** 57 years  
**Qualifications:** B. Tech - I.I.T., Delhi  
**Expertise:** Vast experience in Product Engineering and Project Management.  
Director of the Company since 28<sup>th</sup> May 1999.

**Other Directorships:**

Name of the Company	Committee	Status
1. L&T-Chiyoda Limited	...	...
2. L&T-Niro Limited	Audit	Chairman
3. L&T-Sargent & Lundy Limited	Audit	Member

- |     |  |       |          |
|-----|--|-------|----------|
| 4.  | L&TCement Limited                        | ...   | ...      |
| 5.  | Bhilai Power Supply Company Limited      | ...   | ...      |
| 6.  | HPL Cogeneration Limited                 | ...   | ...      |
| 7.  | India Infrastructure Developers Limited  | Audit | Chairman |
| 8.  | Raykal Aluminium Company Private Limited | ...   | ...      |
| 9.  | Simhagad Power Company Private Limited   | ...   | ...      |
| 10. | Raigad Power Company Private Limited     | ...   | ...      |
2. **Name:** Mr. A. Ramakrishna  
**Age:** 62 years  
**Qualifications:** B.E. Civil, M.Sc., Struc. Engg.  
**Expertise:** Vast experience in Engineering construction, Infrastructure development and Project Management.  
 Director of the Company since 1<sup>st</sup> January, 1992.

**Other Directorships:****Name of the Company**

- L&T Infocity Limited
- L&TCement Limited
- Voith Paper Technology (India) Limited
- L&T-Crossroads Private Limited
- L&T-ECC Construction (M) SDN. BHD
- Larsen & Toubro (Oman) LLC
- Larsen & Toubro (Saudi Arabia) LLC
- International Seaports Pte Limited
- The Dhamra Port Company Limited
- Kakinada Seaports Limited
- Hyderabad International Trade Exposition Centre Limited
- L&T Infocity Ascendas Private Limited

Mr A. Ramakrishna is not a member of any Committee of Directors of any Company.

3. **Name:** Mr. R. N. Mukhija  
**Age:** 58 years  
**Qualifications:** B.Tech. - I.I.T., Kharagpur  
**Expertise:** Vast experience in Electrical and Electronics engineering, process improvement, TQM and Customer Relationship Management.  
 Director of the Company since 24<sup>th</sup> October 2001.

**Other Directorships:****Name of the Company**

- | Name of the Company                   | Committee | Status   |
|---------------------------------------|-----------|----------|
| 1. L&T Netcom Limited                 | Audit     | Chairman |
| 2. L&T Communications Limited         | ...       | ...      |
| 3. Gujarat Leather Industries Limited | ...       | ...      |

4. **Name:** Mr. Kumar Mangalam Birla  
**Age:** 35 years  
**Qualifications:** B.Com., ACA, MBA (London Business School)  
**Expertise:** Industrialist  
 Director of the Company since 23<sup>rd</sup> November 2001.

**Other Directorships:****Name of the Company**

- Grasim Industries Limited
- Indian Rayon & Industries Limited
- Indo Gulf Corporation Limited
- Hindalco Industries Limited

- Indian Aluminium Company Limited
- Birla Sun Life AMC Limited
- Birla Sun Life Insurance Company Limited
- Tata Iron & Steel Company Limited
- PSI Data Systems Limited
- Trapti Trading & Investments Pvt. Limited
- Turquoise Investments & Finance Pvt. Limited
- Gwalior Properties & Estates Pvt. Limited
- Seshasayee Properties Pvt. Limited
- Birla Group Holdings Pvt. Limited
- Birla Management Centre Private Ltd.
- Birla Management Corporation Ltd.
- Alexandria Carbon Black Co. S.A.E. Egypt
- Thai Rayon Public Co. Limited, Thailand
- Indo Thai Synthetics Co. Limited, Thailand
- Thai Carbon Black Public Co. Limited, Thailand
- Century Textiles Co. Limited, Thailand
- Thai Polyphosphate & Chemicals Co. Limited, Thailand
- Thai Acrylic Fibre Co. Limited, Thailand
- Thai Peroxide Co. Limited, Thailand
- Thai Epoxy and Allied Products Co. Limited, Thailand
- Thai Sulphites & Chemicals Co. Limited, Thailand
- Thai Organic Chemicals Co. Limited, Thailand
- P.T. Elegend Textile Industry, Indonesia
- P.T. Indo Bharat Rayon, Indonesia
- P.T. Indo Liberty Textiles, Indonesia
- Pan Century Edible Oils Sdn. Bhd., Malaysia
- Pan Century Oleo Chemicals Sdn. Bhd., Malaysia
- Indo Phil Textile Mills Inc., Philippines
- Birla Sun Life AMC Mauritius Ltd.
- GD Birla Medical Research & Education Foundation

Mr Kumar Mangalam Birla is not a member of any Committee of Directors of any Company.

5. **Name:** Mrs. Rajashree Birla  
**Age:** 56 years  
**Qualifications:** B.A.  
**Expertise:** Industrialist  
 Director of the Company since 23<sup>rd</sup> November, 2001

**Other Directorships:****Name of the Company**

- Grasim Industries Limited
- Indian Rayon & Industries Limited
- Indo Gulf Corporation Limited
- Hindalco Industries Limited
- Trapti Trading & Investments Pvt. Limited
- Turquoise Investments & Finance Pvt. Limited
- Gwalior Properties & Estates Pvt. Limited
- Seshasayee Properties Pvt. Limited
- Birla Group Holdings Pvt. Limited
- Aditya Birla Health Services Limited
- Vikram Holdings (P) Limited

12. Alexandria Carbon Black Co. S.A.E., Egypt
13. Thai Rayon Public Company Limited, Thailand
14. Indo Thai Synthetics Co. Limited, Thailand
15. Thai Carbon Black Public Company Limited, Thailand
16. Century Textiles Co. Limited, Thailand
17. Thai Polyphosphate & Chemicals Company Limited, Thailand
18. Thai Acrylic Fibre Co. Limited, Thailand
19. Thai Peroxide Co. Limited, Thailand
20. Thai Epoxy and Allied Products Company Limited, Thailand
21. Thai Sulphites & Chemicals Company Limited, Thailand
22. Thai Organic Chemicals Limited, Thailand
23. P.T. Elegend Textile Industry, Indonesia
24. P.T. Indo Bharat Rayon, Indonesia
25. Pan Century Edible Oils Sdn. Bhd., Malaysia
26. Pan Century Oleo Chemicals Sdn. Bhd., Malaysia
27. Indo Phil Textiles Mills Inc., Philippines
28. GD Birla Medical Research & Education Foundation

Mrs. Rajashree Birla is not a member of any Committee of Directors of any Company.

6. **Name:** Mr. P. M. Mehta  
**Age:** 63 years  
**Qualifications:** B.E. (Mechanical)  
**Expertise:** Manufacture of Capital Goods in high technology areas including Nuclear, Defence and Aerospace.  
 Director of the Company since 14<sup>th</sup> June 2002.

**Other Directorships:**

Name of the Company	Committee	Status
1. Audco India Limited	Audit	Member
2. LTMLimited	Audit	Member
3. L&T Demag Plastics Machinery Private Limited ...	...	...

**EXPLANATORY STATEMENT**

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out material facts relating to the business under Item Nos. 5 to 15 of the accompanying Notice dated 14<sup>th</sup> June, 2002.

**Item No. 5**

Mr. M.L. Bhakta retires by rotation at this Annual General Meeting and is eligible for re-appointment. However, he has intimated the Company that he does not seek re-appointment. The Company does not propose to fill up this vacancy at this meeting or any adjournment thereof but will do so at a later date. Hence, as required by Section 256 of the Companies Act, 1956, a resolution is proposed not to fill up the vacancy caused by the retirement of Mr M.L. Bhakta at this meeting or any adjournment thereof.

None of the directors is concerned or interested in the resolution.

**Item No. 6**

Mr. Kumar Mangalam Birla was appointed as a Director of the Company on 23<sup>rd</sup> November, 2001 in the casual vacancy caused by the resignation of Mr. Mukesh D. Ambani. Pursuant to Section 262 of the Companies Act, 1956, Mr. Kumar Mangalam Birla will hold the office of a Director upto the date of the ensuing Annual General Meeting when Mr. Mukesh D. Ambani would have retired, had he continued as a Director. The Company has received Notices in writing from members proposing the candidature of Mr. Kumar Mangalam Birla for the office of a

director under the provisions of Section 257 of the Companies Act, 1956.

Mr. Kumar Mangalam Birla is interested in the resolution. Mrs. Rajashree Birla, being a relative of Mr. Kumar Mangalam Birla, is deemed to be concerned or interested in the resolution.

None of the remaining directors is concerned or interested in the resolution.

**Item No. 7 :**

Mrs. Rajashree Birla was appointed as a Director of the Company on 23<sup>rd</sup> November, 2001 in the casual vacancy caused by the resignation of Mr. Anil D. Ambani. Pursuant to Section 262 of the Companies Act, 1956, Mrs. Rajashree Birla will hold the office of a Director upto the date of the ensuing Annual General Meeting when Mr. Anil D. Ambani would have retired, had he continued as a Director. The Company has received Notices in writing from members proposing the candidature of Mrs. Rajashree Birla for the office of a director under the provisions of Section 257 of the Companies Act, 1956.

Mrs Rajashree Birla is interested in the resolution. Mr. Kumar Mangalam Birla, being a relative of Mrs. Rajashree Birla, is deemed to be concerned or interested in the resolution.

None of the remaining directors is concerned or interested in the resolution.

**Item Nos. 8 & 9 :**

The Board of Directors of the Company at its meeting held on 24<sup>th</sup> October, 2001 appointed Mr. R.N. Mukhija as a Director in the casual vacancy caused by the resignation of Mr. M. Karnani, consequent to the latter's retirement from the services of the Company. The Company has received a notice in writing from a member proposing the candidature of Mr. R.N. Mukhija for the office of a director under the provisions of Section 257 of the Companies Act, 1956.

Mr. R. N. Mukhija is a B.Tech (Hons.) - Electrical Engineering, from I.I.T., Kharagpur. He joined the Company in August 1965 and has handled several assignments in the areas of marketing, manufacturing, R&D. etc. He is currently in charge of the Company's Electrical and Electronics Division which has eight business units. He was an active member of the TQM Task Force and led the Change Management Process effectively. The SAP R3 Enterprise Resource Planning Implementation, which he spearheaded, became a reference for SAP worldwide. He has also laid emphasis on statistical process control leading to Six Sigma practices as a means to reduce errors and rework. Mr. R.N. Mukhija is also actively associated with various professional bodies. In view of his considerable experience, it will be in the interest of the Company that Mr. R.N. Mukhija be appointed as a Director of the Company.

At its meeting held on 24<sup>th</sup> October, 2001, the Board of Directors also appointed Mr. R.N. Mukhija as a Whole-time Director of the Company for a period of five years, subject to the approval of the Company in General Meeting. The terms and conditions of appointment are set out in the Agreement dated 24<sup>th</sup> October, 2001 entered into by the Company with Mr. R.N. Mukhija, which *inter alia* contain the following :

- 1) The Whole-time Director shall, subject to the supervision and control of the Board of Directors and / or Managing Director of the Company, manage the business and affairs of the Company.
- 2) Period of the Agreement :  
Five years with effect from 24<sup>th</sup> October, 2001.

## 3) Remuneration payable :

## (a) Salary:

Rs. 60,000/- per month with an annual increment of Rs. 5,000/-.

## (b) Commission:

Equivalent to 0.05% of profit after tax of the Company.

## (c) Perquisites:

1. The Whole-time Director shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, medical and personal accident insurance, etc. in accordance with the rules of the Company. The aforesaid perquisites may be in the form of reimbursement or allowance but will be restricted to Rs. 9 lakhs per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per Income-Tax Rules wherever applicable.
  2. The Whole-time Director shall be entitled to Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, benefits of Gratuity and Pension Scheme for Senior Management Staff, earned leave and encashment of earned leave at the end of the tenure and long service awards, as per the rules of the Company and these shall not be included in the computation of perquisites.
  3. Car for use on company's business, telephone and other communication facilities at residence, will not be considered as perquisites.
- (d) In the event of loss or inadequacy of profits in any financial year, the Whole-time Director shall be paid remuneration by way of salary and perquisites as specified above.
- (e) The Whole-time Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.
- (f) The Company shall reimburse to the Whole-time Director, entertainment, travelling and all other expenses incurred by him for the business of the Company.

The aforesaid agreement contains further terms and conditions as to the powers and duties of the Whole-time Director, provision for earlier determination of the appointment by either party by giving six months Notice in writing to the other party, non-participation in any selling agency of the Company, etc.

The appointment of Mr. R. N. Mukhija as a Whole-time Director on the terms and conditions set out in the aforesaid Agreement dated 24<sup>th</sup> October 2001 and payment of sitting fees as a Director on the Boards of Company's subsidiaries on which he is appointed as a Director are subject to the approval of the Company in General Meeting.

The Board recommends approval of the appointment of Mr. R. N. Mukhija as a Whole-time Director of the Company.

The Abstract of the terms and conditions governing the appointment and remuneration of Mr. R.N.Mukhija pursuant to Section 302 of the Companies Act, 1956 was mailed to the members in October 2001.

The Agreement dated 24<sup>th</sup> October, 2001 referred to in the Resolution contained in Item 9 of the Notice will be open for

inspection by members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m and 1.00 p.m. upto the date of the Annual General Meeting.

Mr. R. N. Mukhija is interested in the resolutions contained in Items 8 & 9 of the Notice.

None of the remaining directors is concerned or interested in the said resolutions.

**Item No. 10 :**

The Board of Directors of the Company at its Meeting held on 23<sup>rd</sup> November, 2001 re-appointed Mr. A. Ramakrishna as a Whole-time Director of the Company, designated as Deputy Managing Director subject to the approval of the Shareholders at the General Meeting. The terms and conditions of appointment of Mr. A. Ramakrishna are set out in the Agreement entered into by the Company with him on 23<sup>rd</sup> November, 2001, which *inter alia*, contain the following :

1. The Whole-time Director shall, subject to the supervision and control of the Board of Directors and / or Managing Director of the Company, manage the business and affairs of the Company.
2. Period of the Agreement :  
Three years with effect from 1<sup>st</sup> January, 2002.
- 3) Remuneration payable :
  - (a) Salary:  
Rs. 1, 20,000/- per month with an annual increment of Rs. 10,000/-.
  - (b) Commission :  
Equivalent to 0.075% of profit after tax of the Company
  - (c) Perquisites:
    1. The Whole-time Director shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, medical and personal accident insurance, etc. in accordance with the rules of the Company. The aforesaid perquisites may be in the form of reimbursement or allowance but will be restricted to Rs. 9 lakh per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per Income-Tax Rules wherever applicable.
    2. The Whole-time Director shall be entitled to Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, benefits of Gratuity and Pension Scheme for Senior Management Staff, earned leave and encashment of earned leave at the end of the tenure and long service awards, as per the rules of the Company and these shall not be included in the computation of perquisites.
    3. Car for use on company's business, telephone and other communication facilities at residence, will not be considered as perquisites.
- (d) In the event of loss or inadequacy of profits in any financial year, the Whole-time Director shall be paid remuneration by way of salary and perquisites as specified above.
- (e) The Whole-time Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.



- (f) The Company shall reimburse to the Whole-time Director entertainment, travelling and all other expenses incurred by him for the business of the Company.

The aforesaid agreement contains further terms and conditions as to the powers and duties of the Whole-time Director, provision for earlier determination of the appointment by either party by giving six months Notice in writing to the other party, non-participation in any selling agency of the Company, etc.

The re-appointment of Mr. A. Ramakrishna as a Whole-time Director of the Company designated as Deputy Managing Director on the terms and conditions set out in the aforesaid Agreement dated 23<sup>rd</sup> November, 2001 and payment of sitting fees as a Director on the Boards of Company's subsidiaries on which he is appointed as a Director are subject to the approval of the Company in General Meeting.

The Board recommends approval of the re-appointment of Mr. A. Ramakrishna as a Whole-time Director of the Company designated as Deputy Managing Director.

The Abstract of the terms and conditions governing the re-appointment of Mr. A. Ramakrishna pursuant to Section 302 of the Companies Act, 1956 was mailed to the members in November 2001.

The Agreement dated 23<sup>rd</sup> November, 2001 referred to in the Resolution contained in Item 10 of the Notice will be open for inspection by members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m and 1.00 p.m. upto the date of the Annual General Meeting.

Mr A. Ramakrishna is interested in the resolution. None of the remaining directors is concerned or interested in the resolution.

#### Item No.11

The Board of Directors at its meeting held on 23<sup>rd</sup> November, 2001, decided, on the recommendation of the Compensation Committee, that the salary payable to Mr Y.M. Deosthalee, Mr J.P.Nayak and Mr K. Venkataramanan, the Whole-time Directors, consequent to the increase in their responsibilities and their elevations as Chief Financial Officer and President (Operations) respectively, be revised to Rs.1 Lakh per month with an annual increment of Rs.7,500/-.

The need for restructuring the executive compensation at various levels of management was discussed by the Compensation Committee at their meeting held on 19<sup>th</sup> April, 2002, when a detailed presentation on the demand for leadership talent and prevailing compensation levels in various industries was made by external HR consultants.

The Company is engaged in diversified businesses in high technology areas. Some of the specialized businesses include manufacturing of equipment for nuclear power, aero-space & defence, execution of large turn-key projects, supply & installation of electronic systems, offering engineering solutions for sectors such as power, refinery, automobile, construction equipment, etc. Through these and other activities, the Company has contributed in the nation-building efforts. The growth and expansion of these businesses require high caliber management leadership talent. The Company has drawn plans in all its businesses to substantially increase the international operations either through exports or execution of projects or setting-up establishments in identified overseas markets. International business also requires leaders with energy, initiative and innovative approach.

With the change in the business environment over the last few years and especially after emergence of knowledge based businesses, it has become extremely difficult for the Company to attract and retain leadership talent. One of the main reasons for deterioration of talent is the low compensation levels across

the organisation, which are not in tune with the market conditions. The Company has launched special programmes for nurturing and developing internal talent in succession roles. These include management and technology leadership programmes, position clarification and evaluation, etc. The talent which is identified through these processes, will have to be 'ring-fenced' from being lured by competitors. Along with these initiatives, there is also an urgent need to revise the compensation structure for these high potential employees.

The inadequate compensation levels of the Managing / Whole-time Directors is proving to be a limitation for improving the compensation levels of the leadership talent within the organisation. The current level of compensation of the Managing Director and the Whole-time Directors is below the market standards and needs revision.

The Compensation Committee considered the proposals for revision in the compensation structure of the Managing/Whole-time Directors at its meetings held on 19<sup>th</sup> April, 2002 and 3<sup>rd</sup> May, 2002 and recommended to the Board the revised compensation payable to the Managing/Whole-time Directors.

The Board at its meeting held on 14<sup>th</sup> June, 2002, accepted the recommendations of the Compensation Committee subject to approval of the shareholders at the Annual General Meeting. The proposed revision is given hereunder.

	Salary p.m.	Annual Increment	Perks p.a	Commission As % of PAT	
				Stage I For 2001-02 & 2002-03	Stage II For 2003-04 onwards
	Rs. in Lakhs				
A.M. Naik	2.25	0.200	12.0	0.150	0.200
A. Ramakrishna	1.50	0.125	12.0	0.095	0.120
J.P. Nayak	1.35	0.100	12.0	0.085	0.100
Y.M. Deosthalee					
K. Venkataramanan	0.90	0.075	12.0	0.065	0.075
R.N. Mukhija					

The other terms and conditions of their appointment remain unchanged.

The respective supplemental agreements proposed to be entered into by the Company with Mr A.M. Naik, Mr A. Ramakrishna, Mr Y.M. Deosthalee, Mr. J.P. Nayak, Mr. K. Venkataramanan and Mr R.N. Mukhija are available for inspection of members at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.

Mr A.M. Naik, Mr A. Ramakrishna, Mr. Y.M. Deosthalee, Mr. J.P. Nayak, Mr. K. Venkataramanan and Mr R.N. Mukhija are interested in the resolution. None of the remaining directors is concerned or interested in the resolution.

#### Item Nos. 12 & 13 :

The Board of Directors of the Company at its meeting held on 14<sup>th</sup> June, 2002, appointed Mr. P.M. Mehta as an additional Director. The Company has received a notice in writing from a member proposing the candidature of Mr. P.M. Mehta for the office of a director under the provisions of Section 257 of the Companies Act, 1956.

Mr. P.M. Mehta is a graduate Mechanical Engineer from Gujarat University. He joined the Company in the year 1965. During the 37 years with the Company, he has handled several assignments and has acquired wide experience in manufacturing capital goods including critical equipment for Process, Nuclear and Defence sectors and other high technology products. He is currently in charge of the Company's Heavy Engineering Division which has nine business units. Mr. P.M. Mehta is also actively associated with various professional bodies. In view of his considerable experience, it will be in the interest of the Company that Mr. P.M. Mehta be appointed as a Director of the Company.

At its meeting held on 14<sup>th</sup> June, 2002, the Board of Directors also appointed Mr. P.M. Mehta as a Whole-time Director of the Company upto 30<sup>th</sup> April, 2004, subject to the approval of the Company in General Meeting. The terms and conditions of appointment are set out in the draft Agreement proposed to be entered into by the Company with Mr. P.M. Mehta, which inter alia contain the following :

- 1) The Whole-time Director shall, subject to the supervision and control of the Board of Directors and / or Managing Director of the Company, manage the business and affairs of the Company.
- 2) Period of the Agreement :  
From 14<sup>th</sup> June, 2002 to 30<sup>th</sup> April, 2004.
- 3) Remuneration payable :
  - (a) Salary:  
Rs. 90,000/- per month with an annual increment of Rs. 7,500/-.
  - (b) Commission:  
Equivalent to 0.065% of profit after tax of the Company, for the year 2002-03 and 0.075% of profit after tax of the Company, for the year 2003-04.
  - (c) Perquisites:
    1. The Whole-time Director shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, medical and personal accident insurance, etc. in accordance with the rules of the Company. The aforesaid perquisites may be in the form of reimbursement or allowance but will be restricted to Rs. 12 lakhs per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per Income-Tax Rules wherever applicable.
    2. The Whole-time Director shall be entitled to Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, benefits of Gratuity and Pension Scheme for Senior Management Staff, earned leave and encashment of earned leave at the end of the tenure and long service awards, as per the rules of the Company and these shall not be included in the computation of perquisites.
    3. Car for use on company's business, telephone and other communication facilities at residence, will not be considered as perquisites.
  - (d) In the event of loss or inadequacy of profits in any financial year, the Whole-time Director shall be paid remuneration by way of salary and perquisites as specified above.
  - (e) The Whole-time Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.
  - (f) The Company shall reimburse to the Whole-time Director, entertainment, travelling and all other expenses incurred by him for the business of the Company.

The aforesaid agreement contains further terms and conditions as to the powers and duties of the Whole-time Director, provision for earlier determination of the appointment by either party by giving six months Notice in writing to the other party, non-participation in any selling agency of the Company, etc.

The appointment of Mr. P. M. Mehta as a Whole-time Director on the terms and conditions set out in the aforesaid draft Agreement proposed to be entered into and payment of sitting fees as Director on the Boards of Company's subsidiaries on which he is appointed as a Director is subject to the approval of the Company in General Meeting.

The Board recommends approval of the appointment of Mr. P. M. Mehta as a Whole-time Director of the Company.

The draft Agreement referred to in the Resolution contained in Item 13 of the Notice will be open for inspection by members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m and 1.00 p.m. upto the date of the Annual General Meeting.

Mr. P. M. Mehta is interested in the resolutions contained in Items 12 & 13 of the Notice.

None of the remaining directors is concerned or interested in the said resolutions.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment of the Whole-time Director under Section 302 of the Companies Act, 1956.

**Item No. 14 :**

Section 224A of the Companies Act, 1956 provides that in the case of a Company in which not less than 25% of the subscribed share capital is held whether singly or in any combination, by:

- a) a public financial institution or a Government Company or Central Government or any State Government, or
- b) any financial or other institution established by any Provincial or State Act in which a State Government holds not less than 51% of the subscribed share capital, or
- c) a nationalised bank or an insurance company carrying on general insurance business;

the appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors shall be made by a Special Resolution.

The total share capital held by public financial institutions, nationalised banks and nationalised insurance companies is over 25% of the subscribed share capital of the Company. It is therefore necessary that the re-appointment of Auditors should be made by a Special Resolution.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is concerned or interested in the resolution.

**Item No. 15 :**

The Company has received a notice under Section 257 of the Companies Act, 1956, from Mr. V. Seshadri, E-139, Sector 21, Noida, Pin - 201301, U.P., proposing his candidature for the office of a Director, liable to retire by rotation.

The Board of Directors is not in favour of this proposal and do not recommend the same to the shareholders.

By Order of the Board of Directors  
for **LARSEN & TOUBRO LIMITED**

**S .V. SUBRAMANIAN**  
**COMPANY SECRETARY**

Mumbai, 14th June, 2002

**Registered Office :**  
L&T House  
Ballard Estate,  
Mumbai 400 001