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TATA CHEMICALS LIMITED

Fifty-Ninth Annual Report 1997-98

D.S. Seth
Chairman – Emeritus

BOARD OF DIRECTORS

R.N. Tata	*Chairman*
Harshavadan Mangaldas	
Keshub Mahindra	
D.M. Ghia	
Nusli N. Wadia	
F. J. Heredia	
R.C. Khanna	
A.N. Lalbhai	
Dr. Manu Seth	*Managing Director*
Dr. D.V. Kapur	
N.A. Soonawala	
T.S. Srinivasan	*Nominee of IDBI*
Mrs. Lalita D. Gupte	*Nominee of ICICI*
G.N. Bajpai	*Nominee of LIC* *Appointed on 20 January 1998*

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REGISTERED OFFICE :
Bombay House, 24, Homi Mody Street, Mumbai - 400 001.

REGISTRARS & TRANSFER AGENTS :
Tata Share Registry Limited
Army & Navy Building,
148, Mahatma Gandhi Road,
Fort, Mumbai 400 001.
Shalaka, 1st Floor,
Plot No. 9, Queens Barrack Area,
Near Cooperage Telephone Exchange,
Maharshi Karve Road,
Mumbai 400 021.

WORKS:
Chemicals Complex and Cement Plant – Mithapur, Gujarat
Fertiliser Complex – Babrala, Dist. Badaun, U.P.
Detergent Plant – Pithampur, Dist. Dhar, Madhya Pradesh

BANKERS:
Bank of Baroda
State Bank of India
State Bank of Bikaner & Jaipur
Citibank N.A.
Bank of America
HDFC Bank Limited

SOLICITORS:
Messrs Mulla & Mulla and Craigie, Blunt & Caroe, Mumbai.
Mr. S.R. Vakil

AUDITORS:
Messrs S.B. Billimoria and Company, Mumbai,
Chartered Accontants.
Messrs. N.M. Raiji and Company, Mumbai,
Chartered Accountants.

ANNUAL GENERAL MEETING
Thursday, 17 September, 1998 - 4 p.m.
at Birla Matushri Sabhagar,
Mumbai - 400 020.

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MANAGEMENT

R. N. Tata ..... *Chairman*

Dr. Manu Seth ..... *Managing Director*

MUMBAI

B.R. Bahl ..... *Company Secretary*
S.U.K. Menon ..... *Vice President – Finance & Accounts*
V.K. Gondhalekar ..... *Vice President – Purchase*
K. Mehan ..... *Vice President – Sales & Marketing*
B.P. Chinoy ..... *Controller of Finance*
J.D. Thanawalla ..... *Corporate Accounts Manager*
F.M. Gotla ..... *Marketing Manager - Chemicals*
S.C. Kalani ..... *Manager - Taxation, Insurance & Funds*
S.V. Patankar ..... *Purchase Manager*

MITHAPUR

R.L. Kaul ..... *President – Chemicals Division*
A.M. Vaidya ..... *Vice President – Projects*
V.P. Damodaran ..... *Vice President - Services*
M. Hariharaswamy ..... *Vice President – Production*
C. Neelkantan ..... *Vice President – HRD & Administration*
T.V. Rao ..... *Corporate Manager – MIS*
I.L. Momin ..... *Manager – Cement Plant*
G.J. Adroja ..... *Manager – Materials*
P.M. Khanderia ..... *Manager – Research & Development*
R.V. Chaudhary ..... *Manager – Soda Ash*
H.P. Pota ..... *Manager – Administration & Personnel*
S.K. Syan ..... *Manager – Power Plant*
B.T. Gajjar ..... *Manager – Maintenance*
H.A. Patel ..... *Manager – Procurement & Construction*
Dr. A.M. Gandhe ..... *Chief–Medical & Health Services*
V.D. Sharma ..... *Manager – Chlor Caustic & Marine Group*
K.M. Chauhan ..... *Manager – Process Equipment*
D.D. Kumta ..... *Manager – Salt*
I.A. Vayani ..... *Manager – Electrical & Instrumentation*
S. Sain ..... *Manager – HRD*
D.V. Gandhi ..... *Manager – Accounts*

BABRALA

S. Ganapathy ..... *President*
P.J. Parekh ..... *Vice President – Services*
S. Mohan ..... *Corporate Manager – Electrical*
K.V. Sundaravadanan ..... *Marketing Manager – Fertilisers*
A.J. Gupta ..... *Manager – Ammonia*
V.K. Bhatia ..... *Manager – Urea*
C.P. Chhabra ..... *Manager – Maint. & Tech. Services*
S.G. Chaudhuri ..... *Manager – Offsites and Utilities*
O.P. Tripathi ..... *Manager – Instrumentation*
S. Chandrashekharan ..... *Accounts Manager*

PITHAMPUR

M.V. Rao ..... *Manager – Pithampur Operations*

AHMEDABAD

K. Garg ..... *Marketing Manager – Cement*

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TATA CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the FIFTY-NINTH ANNUAL GENERAL MEETING of TATA CHEMICALS LIMITED will be held at the Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, on Thursday, 17 September, 1998 at 4.00 P.M. to transact the following business:-

1. To receive and adopt the Directors' Report and Audited Profit and Loss account for the year ended 31st March 1998, and the Balance Sheet as at that date.
2. To declare a dividend on Ordinary Shares.
3. To appoint a Director in place of Mr. Nusli N. Wadia, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. F.J. Heredia, who retires by rotation and is eligible for re- appointment.
5. To appoint a Director in place of Mr. D.M. Ghia, who retires by rotation and is eligible for re-appointment.

ADDITIONAL DIRECTOR

6. To appoint a Director in place of Mr. G.N. Bajpai who was appointed an Additional Director of the Company by the Board of Directors pursuant to Article 133 of the Articles of Association of the Company on 20 January 1998; and who, under Section 260 of the Companies Act, 1956, holds office upto the date of the forthcoming Annual General Meeting, but who is eligible for appointment and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Act.

REVISION IN THE TERMS OF REMUNERATION OF THE MANAGING DIRECTOR

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

   "RESOLVED that in accordance with the provisions of Sections 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves, in modification of Resolution No.9 passed at the Annual General Meeting of the Company held on 12 August 1996 and in partial modification of Resolution No.9 passed at the Annual General Meeting of the Company held on 18 September 1997, of the change in the salary scale applicable to Dr. Manu Seth, Managing Director of the Company, with authority to the Board of Directors to fix his salary within that scale increasing thereby proportionately all benefits related to the quantum of salary for the period 01 April 1998 to 30 June 1998 and for the period 01 July 1998 to 30 June 2003, as set out in the draft Supplemental Agreements submitted to this meeting and initialled by a Director for the purpose of identification, which Supplemental Agreements are hereby specifically sanctioned."

COMMISSION TO NON WHOLE-TIME DIRECTORS

8. 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 sub-section (4) of Section 309 and other applicable provisions of the Companies Act, 1956, a sum not exceeding one per cent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Act be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing and Whole-time Directors, if any) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company pro-rata for the period 01 October, 1998 to 31 March, 1999 and thereafter for each year of the four year period commencing 01 April, 1999."

CREATION OF CHARGES

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

   "RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company in such form and manner as the Board may direct on such of the assets of the Company wherever situate, both present and future, and together with power to take over the management of the Company in certain events, to or in favour of The Industrial Credit and Investment Corporation of India Limited (ICICI) or any other agency appointed as Trustees to secure —

   (a) 12.5% Non-Convertible Debentures privately placed with State Bank of India aggregating Rs.50 crores and

   (b) Non-Convertible Debentures aggregating Rs. 200 crores proposed to be privately placed with banks, financial institutions, mutual funds and other agencies at such rate of interest and on such other

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terms and conditions as may be approved by the Board of Directors

together with interest, at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, cost, charges, expenses and all other moneys payable by the Company to the lenders in terms of the Debenture Trust Deed to be entered into by the Company with the Debenture Trustees in respect of the said Debentures.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the terms and conditions of the Debentures and the documents for creating the mortgages/charges/ hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

AMENDMENTS T0 ARTICLES OF ASSOCIATION.

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered as follows:-

(A) Insert the following Article as Article 9A after Article 9:-

9A In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such shares upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.

Issue of shares without voting rights

(B) Insert the following Article as Article 66A after Article 66:-

66A Notwithstanding anything contained in these Articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by the law.

Buy Back of Shares

(C) Insert the following Article 73A after Article 73:-

Article 73A

(i) *Definitions:*

For the purpose of this Article:-

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities and Exchange Board of India;

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

Dematerialisation of Securities

'Security' means such security as may be specified by the SEBI Board from time to time.

(ii) *Dematerialisation Of Securities.*

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

(iii) *Options for Investors*

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the Securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

(iv) *Securities in Depositories to be in fungible form*

All securities held by a depository shall be de-materialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(v) *Rights of depositories and Beneficial Owners*

(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of

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effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save and otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

(vi) *Service of Documents*

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

(vii) *Transfer of Securities*

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer or securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

(viii) *Allotment of Securities dealt with in a Depository*

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

(ix) *Distinctive numbers of Securities held in a depository*

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

(x) *Register and Index of beneficial owners*

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

BUY-BACK OF SHARES/SECURITIES

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

"RESOLVED that if and when permitted by the law and subject to all applicable provisions of the law and subject to such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to purchase such number of Ordinary Shares or other Securities specified by the Government, of the Company, as may be thought fit, from the holders of the Ordinary Shares or other Securities of the Company in such proportion and manner as may be permitted by the law, not exceeding such percentage of the capital of the Company as may be permitted by the law, from such funds of the Company, as are permitted to be used for this purpose or out of the proceeds of any issue made by the Company, on such terms and subject to such conditions as may be prescribed by the law.

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the said purchase of Ordinary Shares or other Securities.

"RESOLVED FURTHER that nothing hereinabove contained shall confer any right on any shareholder to offer, or any obligation on the Company or the Board, to buy back any Ordinary Shares or securities."

EMPLOYEES' STOCK OPTION SCHEME

12. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

"RESOLVED that in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue, allocate or allot, in one or more tranches, at the sole discretion of the Board, to such persons who are in the permanent employment of the Company at the time the issue is made and to the Managing/Whole-time Directors (if any) of the Company such number of Ordinary Shares of the Company of the face value of Rs.10/- each, not

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exceeding such percentage of the capital of the Company as may be permitted by the law, as the Board may deem fit, for subscription for cash or allocated as an option to subscribe, on such terms and at such price as may be fixed and determined by the Board prior to the issue and offer thereof in accordance with the applicable guidelines and provisions of law and otherwise ranking *pari passu* with the Ordinary Shares of the Company as then issued and in existence and on such other terms and conditions and at such time or times as the Board in its absolute discretion and in the best interest of the Company deem fit; provided that the aforesaid issue of Ordinary Shares may instead be in the form of fully or partly Convertible Debentures, Bonds, Warrants or other securities as may be permitted by the law, from time to time.

"RESOLVED FURTHER that the Board be and is hereby authorised to issue, allocate and allot such number of Ordinary Shares as may be required in pursuance of the above issue, and that the Ordinary Shares so issued, allocated or allotted shall rank in all respects *pari passu* with the existing Ordinary Shares of the Company save and except that such Ordinary Shares which may be with our without voting rights, if permitted by the law, shall carry the right to receive either the full dividend or a pro-rata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the Shares shall become effective.

"RESOLVED FURTHER that the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the above mentioned securities to be issued, by the creation of mortgages and/or charges on all or any of the Company's immovable and/or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the Issue, the issue price and all other terms and matters connected therewith including the creation of mortgages and/or charges and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the Issue."

APPOINTMENT OF AUDITORS

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 Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs S.B. Billimoria and Company and Messrs N.M. Raiji and Company, the retiring auditors of the Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting of the Company and to examine and audit the accounts of the Company for the financial year 1998-99 on a remuneration of Rs.8.00 lacs each, plus out-of-pocket, travelling and living expenses in connection with the work of audit to be carried out by them."

Notes:—

(a) The relative Explanatory Statements, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 6 to 13 set out above are annexed hereto.

(b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

(c) The Register of Members of the Company will remain closed from 7 July 1998 to 24 July 1998 (both days inclusive). The Transfer Books of the Company will also remain closed for the aforesaid period.

(d) The dividend as recommended by the Directors, if declared at the Annual General Meeting, will be paid on or after 18 September 1998, to the Members whose names are on the Company's Register of Members on 24 July 1998.

(e) With a view to provide protection against fraudulent encashment of dividend warrants, the Shareholders were requested by the Company to provide their Bank Account numbers, names and addresses of the Bank Branches to enable the Company to incorporate the said details in the dividend warrants. Although several Shareholders responded to this request, a large number have not yet provided such information. These Members are once again requested to provide to the Company the above mentioned details quoting their folio numbers so as to reach the Company as early as possible to enable the Company to incorporate the same in the dividend warrants. Members will appreciate that the Company will not be responsible for any loss arising out of fraudulently encashed dividend warrants.

(f) Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's Registrars enclosing their share certificates to enable the Company to consolidate their holdings into one folio.

(g) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended

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31 March 1994, have been transferred to the General Revenue Account of the Central Government. Members who have not claimed the dividend for the aforesaid period are requested to claim the amount from the office of the Registrar of Companies, Mumbai.

(h) Members desiring any information on Accounts are requested to write to the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.

(i) Members/Proxies should bring the attendance slips sent herewith, duly filled in, for attending the Meeting.

(j) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting . Shareholders are requested to kindly bring their copies to the Meeting.

By Order of the Board of Directors
TATA CHEMICALS LIMITED

R.N. TATA
Chairman

Mumbai, 18 June 1998

Registered Office:
Bombay House
24, Homi Mody Street
Fort,
Mumbai 400 001.

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EXPLANATORY STATEMENT as required by Section 173 of the Companies Act, 1956.

The following Explanatory Statement sets out all material facts relating to the business mentioned in the accompanying Notice dated 18 June 1998.

2. **Item No.6:** Mr. G.N. Bajpai was appointed an Additional Director of the Company by the Board of Directors of the Company with effect from 20 January 1998 in accordance with Section 260 of the Companies Act, 1956 and Article 133 of the Articles of Association of the Company. He holds office only upto the date of the forthcoming Annual General Meeting of the Company and is eligible for appointment.

3. The Company has received a Notice from a member under Section 257 of the Act, signifying his intention to propose the appointment of Mr. G.N. Bajpai as a Director of the Company.

4. Mr. G.N. Bajpai is the Zonal Manager of Life Insurance Corporation of India and has wide and varied experience in the Insurance Industry.

5. The Board of Directors commends to the members his appointment as a Director of the Company.

6. **Item No.7:** At the Annual General Meeting of the Company held on 12 August 1996, members had approved of the revision in the terms of remuneration payable to Dr. Manu Seth, Managing Director, for a period upto 30 June 1998. At the Annual General Meeting of the Company held on 18 September 1997, the Members had approved of the re-appointment of the Managing Director of the Company in the salary scale of Rs.35,000 – Rs.75,000 per month together with such perquisites and commission as specified in the Explanatory Statement annexed to the Notice of the Meeting.

7. As the Shareholders are aware, the Government had liberalised Schedule XIII to the Act in 1994, enhancing the limits of managerial remuneration, but the Company had set for itself certain limits in this regard. The salary scale applicable to the Managing Director was based on the internal limits of the Company as framed in 1996 and as approved by the Shareholders. It is now proposed to revise the salary scale of the Managing Director for the period 01 April 1998 to 30 June 1998 and for the period 01 July 1998 to 30 June 2003 as follows:—

> The salary scale of Dr. Manu Seth be enhanced to Rs. 35,000 – Rs. 1,50,000 p.m. (with proportionate increases in the value of the benefits related to salary) with the authority to the Board to fix his salary within the scale from time to time. The annual increments will be merit based and take into account the Company's performance.

8. All other terms and conditions of the appointment of Dr. Manu Seth as approved by the Shareholders, will remain unchanged. The Resolution for the change in the scale of remuneration payable to the Managing Director is commended for acceptance by the Shareholders.

9. The draft Supplemental Agreements between the Company and Dr. Manu Seth are available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

10. Dr. Manu Seth is concerned or interested in the Resolution at Item No.7 of the Notice.

11. This may be treated as an abstract of the draft Supplemental Agreement between the Company and Dr. Manu Seth pursuant to Section 302 of the Act.

12. **Item No.8:** Section 309(4) of the Companies Act, 1956, provides that in the case of the Directors who are neither Managing Director nor in the Whole-time employment of the Company, the shareholders, may by Special Resolution, authorise the payment of commission for a period of five years.

13. Taking into account the increase in the responsibilities shouldered by Directors, it is proposed that the Directors other than the Managing Director be paid commission not exceeding 1% of the net profits of the Company calculated in accordance with the provisions of the Act, in the manner set out in the Resolution. This amount will be distributed amongst all or some of the Directors in accordance with the directions given by the Board.

14. All the Directors of the Company except Dr. Manu Seth, Managing Director, are concerned and interested in the Resolution at Item No.8 of the Notice to the extent of the amount that may be received by them.

15. **Item No.9:** For the purpose of meeting the enhanced working capital requirements of the Company and for financing a part of the ongoing capital expenditure, the Company made arrangements with State Bank of India for the issue of Non-Convertible Debentures on a private placement basis aggregating Rs.50 crores. These Debentures will be redeemed on completion of 18 months from the date of allotment.

16. Subject to the necessary approvals, the Company also proposes to issue shortly Non-Convertible Debentures aggregating Rs.200 crores on private placement basis with banks, financial institutions, mutual funds and other agencies on such terms and conditions as may be negotiated and found mutually acceptable between the lenders and the Company. These Non-Convertible Debentures are also required to be issued for meeting the enhanced working capital requirements

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of the Company and for financing a part of the on-going capital expenditure of the Company.

17. Both the series of Non-Convertible Debentures indicated above are to be secured by a *pari passu* first mortgage/charge on the fixed assets of the Company and hypothecation of movables (subject to the prior charge of the Bankers for working capital arrangements).

18. As the documents to be executed for securing the above mentioned Non-Convertible Debentures may contain the power to take over the management of the Company in certain events, it is necessary for the shareholders to pass a Resolution under Section 293(1)(a) of the Companies Act, 1956, for the creation of these mortgages/charges.

19. Copies of the Letters of sanction and the relevant documents executed between the Company and the lenders are open for inspection by the members of the Company at the Registered Office of the Company between the hours of 11.00 a.m. and 1.00 p.m. on any working day of the Company.

20. **Item No.10:** The issue of shares without voting rights by companies is presently not permitted under the Act. The Companies Bill, 1997, however, proposes to lay down the operative provisions to regulate the issue of shares without voting rights. It is expected that, in course of time, the law will be amended to permit issue of shares without voting rights by companies. Hence it is proposed to introduce a new Article 9A in the Articles of Association as set out in the Resolution at Item No.10(A) to enable the Company to issue shares without voting rights, as may be permitted by law.

21. Article 66 of the Articles of Association of the Company prohibits the Company from buying its own shares. It is proposed to introduce a new Article 66A in the Articles of Association as set out in the Resolution at Item No.10(B) to enable the Company to purchase any of its own shares or securities as proposed in the Resolution at Item No.11 of the Notice, in the event it is permissible by the law.

22. With the introduction of the Depositories Act, 1996, and the introduction of the Depository System, some of the provisions of the Companies Act, 1956 relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository System of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a company. Your Company has also joined a Depository and its Securities can be dematerialised and it is, therefore, proposed that the Company's Articles of Association be suitably altered as set out in Resolution at Item No.10(C) to reflect the provisions introduced by the Depositories Act, 1996, and to spell out the rights of the beneficial owners of the Securities in such a system.

23. The Board commends the Resolution for acceptance by the Members.

24. A copy of the Articles of Association of your Company together with the proposed alterations is available for inspection by the members of the Company at its Registered Office between the hours of 11.00 a.m. and 1.00 p.m. on any working day of the Company.

25. **Item No.11:** The Companies Act, 1956 presently prohibits a company from purchasing its own Shares and securities. However, it is anticipated that the law may in future permit a company to buy back its own securities (buy-back of securities).

26. Subject to the buy-back of securities being legally permissible, it is proposed to enable the Company to buy-back its Ordinary Shares or such other permissible securities not exceeding such percentage of the capital of the Company as may be permitted by the law from the Members, either from the open market or from the holders of odd lots or from the holders of the Ordinary Shares that may be issued under the Employees' Stock Option Scheme or as permitted by the law. The buy-back of shares or securities would be at the rate and from the funds permitted by the law as set out in the Resolution.

27. The Resolution, if approved, will be operative for and will be given effect to within a period of 15 months from the date of passing of the Resolution or such other time limit laid down by the law.

28. The Directors commend the Resolution for acceptance by the Members.

29. **Item No.12:** In the present competitive environment in the country and in the long term interest of the Company and its Shareholders, it is necessary that the Company adopts measures for attracting and retaining qualified, talented and competent personnel. Stock Option Schemes, designed to foster a sense of ownership and belonging amongst personnel, are a well-accepted approach to this end. It is, therefore, appropriate to consider introducing a Stock Option Scheme in the sole discretion of the Board for such persons who are in the Company's permanent employment and for its Managing/ Wholetime Director (if any). The shares may be allotted directly to employees or allocated in accordance with a Stock Option Scheme framed in that behalf, in accordance with the provisions of the prevailing law, and guidelines issued by the Securities and Exchange Board of India as made from time to time as set out in the Resolution and will not exceed an issue/allocation of shares/options representing such percentage of the Company's capital as may be permitted by the law.

30. Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the Subscribed Capital of a Company by the allotment of further shares, such further shares shall be offered to the existing Shareholders of the Company in the manner laid down in the said Section unless

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