



TATA INVESTMENT CORPORATION LIMITED

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66th Annual Report
2002-03


TATA INVESTMENT CORPORATION LIMITED

Sixty-sixth annual report 2002-2003

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BOARD OF DIRECTORS :

Dr. F.A. Mehta (*Chairman*)
 Mr. N.A. Soonawala (*Vice-Chairman*)
 Mr. Pratap Bhogilal
 Mr. P.S. Mistry
 Mr. V.C. Vaidya
 Mr. B.L. Paranjape (*Expired on 19th March, 2003*)
 Mr. A.B.K. Dubash
 Mr. K.N. Suntook
 Mr. M. J. Kotwal (*Executive Director & Secretary*)
 Mr. A. T. Contractor (*Executive Director – Investments*)

Registered Office :

Ewart House,
 22, Homi Mody Street,
 Mumbai 400 001.
 (Tel: 56658282 – Fax: 22652629)
 e-mail: ticl@tata.com

Bankers :

Bank of India
 Catholic Syrian Bank
 Central Bank of India
 Citibank N.A.
 ICICI Bank Ltd.
 HDFC Bank Ltd.
 Hatton National Bank Ltd., Colombo

Auditors :

Messrs A.F. Ferguson & Co.
 Chartered Accountants.

Solicitors :

Messrs Mulla & Mulla and Craigie, Blunt & Caroe

Registrars & Share Transfer Agents :

Tata Share Registry Limited.

Annual General Meeting on Wednesday, the 30th day of July, 2003 at Bombay House Auditorium at 4.00 p.m.

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**TATA INVESTMENT CORPORATION LIMITED
NOTICE**

THE SIXTY-SIXTH ANNUAL GENERAL MEETING OF TATA INVESTMENT CORPORATION LIMITED will be held at Bombay House Auditorium, Homi Modi Street, Fort, Mumbai 400 001, on Wednesday, the 30th day of July, 2003, at 4.00 p.m. to transact the following business :-

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March, 2003, and the Balance Sheet as at that date.
2. To appoint a Director in the place of Mr. A.B.K. Dubash, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Mr. K.N. Suntook, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

NOTES :

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- b) Pursuant to Section 205C of the Companies Act, 1956 the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1996 onwards, are requested to make their claims to the Company accordingly, without any delay.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M.J. KOTWAL

Executive Director & Secretary.

Mumbai, 12th June, 2003.

Registered Office :

Ewart House, Homi Modi Street, Mumbai 400 001.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned in Item Nos. 2 & 3 of the accompanying Notice dated 12th June, 2003.

Item No.2 : Mr. A.B.K. Dubash joined the Board of Directors of Tata Investment Corporation Limited on 28th August, 1984. Mr. Dubash is a leading businessman and a Director of several companies and a Trustee of various charitable organisations & NGO's. He has wide experience in business and industry. The Directors commend his re-appointment as a Director.

Item No.3 : Mr. K.N. Suntook joined the Board of Directors of Tata Investment Corporation Limited on 5th March, 1997. Mr. Suntook is a Law Graduate and a Fellow Member of the Institute of Company Secretaries of India. He was earlier the Whole-time Director of Lakme Ltd. and subsequently the President of Tata Services Ltd. Mr. Suntook has vast legal and financial knowledge and has considerable amount of business experience. The Directors commend his re-appointment as a Director.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M.J. KOTWAL

Executive Director & Secretary.

Mumbai, 12th June, 2003.

Registered Office :

Ewart House, Homi Modi Street, Mumbai 400 001.

DIRECTORS' REPORT

TO

THE MEMBERS,

The Directors present their Sixty-Sixth Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2003.

2. FINANCIAL RESULTS :

	Rupees (in lacs)	Previous year Rupees (in lacs)
Total Income	5280.11	5032.73
Profit before tax	4938.90	4511.72
Less : Provision for tax (net)	364.81	182.61
Add: Amount transferred to Deferred Tax Asset	8.29	67.62
Profit after tax	4582.38	4396.73
Balance brought forward from the previous year	1212.72	1117.01
Amount available for appropriation	5795.10	5513.74
The Directors have made the following appropriations -		
Value previously written down on shares sold, now written back, taken to Capital Reserve	—	5.81
Interim dividend	1181.51	984.60
Tax on dividends	—	100.43
Debenture Redemption Reserve	—	328.18
Reserve Fund	918.00	882.00
General Reserve [including Rs. 437.00 lacs on declaration of Interim dividend during the year (Previous Year Rs. 422.00) pursuant to Section 205(2A) of the Companies Act, 1956]	2000.00	2000.00
	4099.51	4301.02
leaving a balance to be carried forward of	1695.59	1212.72

3. DIVIDEND :

An Interim dividend of Rs.6.00 per share i.e. 60% (previous year : 60%) was paid on 14th February, 2003, on the Company's then increased Ordinary Share capital of Rs.19.69 crores (previous year's capital – Rs.16.41 crores), to those shareholders whose names stood on the Register of Members on the Record Date i.e. 4th February, 2003. The Directors have decided not to recommend any final dividend for the year 2002-2003.

4. OPERATIONS :

The total income of the Company during the year was Rs.52.80 crores against Rs.50.33 crores in the previous financial year. The total expenditure during the year was however lower at Rs.3.41crores against Rs.5.21 crores in the previous year mainly because of the change in accounting treatment in respect of the provision for long term diminution in the value of investments, debited directly to the Securities Premium Account.

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The profit before tax increased by almost 10% i.e. from Rs.45.12 crores in the previous year to Rs. 49.39 crores for the year under review. The profit after tax for the year under review at Rs.45.82 crores was also higher than that of the previous year i.e. Rs. 43.97 crores.

The Company's dividend income which accounts for half of the Company's total income was taxable during the financial year, as a result of which, the Company had to bear a higher tax burden than in the previous year, when dividends were tax-free. The net provision for tax at Rs.3.65 crores for the year under review (against Rs.1.83 crores in the previous year) includes Rs.0.20 lac for wealth-tax (previous year: Rs.0.29 lac) and as reduced by Rs.2.06 crores of tax refunds/excess provisions (net) of earlier years written back.

The basic earnings per share (Basic EPS) computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India was Rs.21.71 on the increased capital as against Rs.24.49 computed likewise for the previous year. However, the EPS for 2002-2003 calculated according to the conventional method works out to Rs.23.29 (instead of Rs.21.71 under the accounting standard) on the increased capital as against Rs.26.78 for the previous year.

The net asset value (NAV) of the share as on 31st March, 2003 works out to Rs.235 per share on the increased capital, as against Rs.233 per share as on 31st March, 2002. The NAV has been calculated after taking into account the increase in the share capital by Rs.3.28 crores, as a result of the second conversion of the Zero Coupon Convertible Debentures on 31st March, 2003, the last day of the accounting year.

5. INVESTMENT PORTFOLIO :

The Company continued its efforts to reduce the number of companies invested in its portfolio throughout the year, so that the total number of companies invested in was reduced from 322 in March 2002 to 267 in March 2003, and this trend will continue in the coming years.

A summarised position of the Company's portfolio of investments on 31st March, 2003, as against that at the end of the previous year, is given below :-

	31.3.2002	31.03.2001
	(Rs. in crores)	
BOOK VALUE -		
I. Long Term Investments		
Quoted investments	240.87	219.61
Unquoted investments	80.70	86.59
	<hr/> 321.57	<hr/> 306.20
Less : Provision for long term diminution in value of investments	17.22	14.08
	<hr/> 304.35	<hr/> 292.12
II. Current Investments		
Quoted Equity shares (net of diminution)	12.58	7.91
Total book value of investments	<hr/> 316.93	<hr/> 300.03
Book value of quoted long term and current investments only	<hr/> 255.21	<hr/> 227.52
Market value of quoted long term and current investments only	<hr/> 467.21	<hr/> 417.67
Percentage appreciation in value of quoted investments over book value (net of long term diminution)	94%	92%

The Directors confirm that most of the investments held by the Company are long term investments and would normally be held for more than one year from the date of acquisition, unless otherwise decided in specific cases. A small part of the portfolio is in the category of 'Current Investments' which, for accounting and other purposes, are so classified at the time of making such investments and are indicated separately in the list of investments shown in the Balance Sheet.

6. MANAGEMENT DISCUSSION & ANALYSIS :

The stock market continued its downward trend for the third straight year in succession. The BSE Sensex declined from 3469 on 30th March, 2002 to 3048 on 31st March, 2003, coming down 12% from the previous year. This decline during the year was caused by a combination of some major factors namely the worst drought in the last decade, continuous selling of stocks by some institutional investors to meet their own commitments and the volatile situation in the Middle East which adversely affected oil prices and sent all equity markets into a downward spiral. The Indian economy has shown itself to be fairly resilient and has weathered the adverse internal factors reasonably well. However, since recent years, the Indian stock markets are no longer insulated from developments in international markets and were also affected by the decline in those markets.

The depressed business environment in the earlier financial year 2001-2002 resulted in relatively lower dividends paid by companies during the year 2002-2003 and this affected the Company's total dividend income. At the same time, the declining stock market did not make it easy to realize profits on sale of investments. Despite these difficult conditions, the Company was able to increase its total income from Rs.50.33 crores in 2001-2002 to Rs.52.80 crores in 2002-2003 and to achieve an increase in profit after tax from Rs.43.97 crores in 2001-2002 to Rs.45.82 crores in 2002-2003. Under these circumstances, your Directors hope that the shareholders would consider this to be a satisfactory performance.

The process of restructuring the investment portfolio continued by divesting the non-performing scrips and increasing exposure in growth sectors. The emphasis on buying good dividend yield scrips continued, and it is proposed to continue this process in the current year. The total provision for diminution in the value of investments now stands at Rs.18.97 crores, which represents about 6% of the book value of our portfolio of Rs.317 crores. It may be noted that the book value of our portfolio increased from Rs.300 crores in March 2002 to Rs.317 crores in March 2003 and that this was after selling investments (other than mutual funds) of a book value of Rs.29 crores during the year on which the Company realized profits of Rs.22 crores.

The Union Budget for 2003-2004 has given two major concessions, which should positively impact the Company. The tax exemption of dividend income and the partial abolition of long term capital gains tax will reduce the future tax liability of your Company.

7. ZERO COUPON PARTLY CONVERTIBLE DEBENTURES :

In accordance with the terms of the Rights Issue of Zero Coupon Partly Convertible Debentures (ZCCD) Part 'B' of Rs.40 of each ZCCD was automatically converted into one Ordinary share of Rs.10 each at a premium of Rs.30 on 31st March, 2003. As a result of this conversion, the paid-up capital of the Company went up by Rs.3.28 crores to Rs.22.97 crores and Rs.9.85 crores was credited to the Securities Premium Account as on 31st March, 2003. The shares arising from this conversion would be eligible for dividend, if any, that may be declared for the current financial year which commenced on 1st April, 2003. Part 'C' of Rs.20 of the ZCCD has been redeemed at Rs.25 per debenture (i.e. at a premium of Rs.5) on 31st March, 2003.

The Directors are gratified that the shareholders have benefited considerably from this Rights Issue of Partly Convertible Debentures, both through an appreciation in the value of their investment as well as an attractive dividend yield.

8. PRIVATE PLACEMENT OF NON-CONVERTIBLE DEBENTURES :

With a view to augment the long term financial resources of the Company for its normal operating requirements, the Board of Directors has, after March 2003, made a private placement of a low coupon non-convertible debentures of Rs.30 crores at a redemption yield of 6.5% per annum, repayable over a period of five years in three annual instalments.

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Tata Investment Corporation Limited**9. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS :**

At the Annual General Meeting held on 7th August, 2002, the shareholders had approved of the utilization of the Securities Premium Account in accordance with the provisions of Section 78 read with Section 100 of the Companies Act, 1956, towards adjustments of future provision for diminution in value of investments upto Rs.20 crores. The High Court of Judicature at Bombay, on an application made by the Company in compliance with the Act, has confirmed the same, vide its Order dated 27th September, 2002. Accordingly, an amount of Rs.4.89 crores has been debited to the Securities Premium Account towards provision for diminution in value of investments for the year ended 31st March, 2003.

10. FIXED DEPOSITS :

Fixed Deposits from 136 parties amounting to Rs.15.32 lacs which had matured during the year under report but were not claimed by the depositors, were outstanding at the end of the year. Out of these, 73 deposits aggregating Rs. 8.03 lacs remain outstanding to date. The Company has sent reminder letters by Registered Post to all the depositors whose deposits have remained unclaimed upto the date of the Report.

CRISIL has, for the Fixed Deposit programme of our Company, reaffirmed the 'FAAA' rating which indicates highest safety in timely payment of interest and principal amount of deposits. The Company is not taking fresh deposits but only renewing existing deposits on present terms.

11. DIRECTORS :

The Directors report with regret the sad demise of Mr. B.L. Paranjape, a Director of the Company, on 19th March, 2003. Mr. Paranjape was appointed a Director of the Company on 28th August, 1984 and his advice and guidance were always very useful to the Board. Mr. Paranjape was also the Chairman of the Audit Committee and a Member of the Asset Liability Management Committee of the Board. The Directors place on record the valuable contribution made by Mr. Paranjape to the Company during his tenure as a Director of the Company.

Pursuant to the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. A.B.K. Dubash and Mr. K.N. Suntook, retire by rotation and are eligible for re-appointment. A brief resume of the Directors who are to be re-appointed is furnished in the Explanatory Statement to the Notice of the ensuing Annual General Meeting.

12. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors based on the representations received from the Operating Management confirm that, to the best of their knowledge -

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period;
- (iii) they have taken proper and sufficient care to the best of their ability for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

13. REPORT ON CORPORATE GOVERNANCE :

A report on Corporate Governance is set out for the information of the shareholders.

14. COMMENTS ON CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

Being an investment company, these provisions are not applicable to the Company.

15. COMMENTS ON FOREIGN EXCHANGE EARNINGS AND OUTGO :

There were no foreign exchange earnings and outgo other than those mentioned in Notes 4 & 6 to the Accounts.

16. GENERAL :

In accordance with Section 205C(1) of the Companies Act, 1956, an amount of Rs.23.80 lacs was transferred to the Investors' Education & Protection Fund during the year.

In accordance with Section 217(2A) of the Companies Act, 1956, it is reported that there were no employees in receipt of remuneration of more than Rupees twenty-four lacs per annum or Rs.two lacs per month, during the year under review.

17. AUDITORS :

Shareholders are requested to appoint Auditors for the current year and to fix their remuneration. Messrs A.F. Ferguson & Company have, under Section 224(1) of the Companies Act, 1956, furnished a certificate of their eligibility for the appointment.



On behalf of the Board of Directors,

F.A. MEHTA
Chairman

Mumbai, 12th June, 2003.

HIGHLIGHTS FOR THE LAST 5 YEARS

	Year ended 31st March,				
	1999	2000	2001	2002	2003
	—	(Rs.	in	lacs)	—
Total Income	2832	4673	4481	5033	5280
Total expenses (excluding diminution in value of investments and investments written off)	223	331	280	296	341
Diminution in value of investments and investments written off, debited to the P&L A/c	175	380	118	225	—
Profit before tax	2434	3962	4083	4512	4939
Provision for tax (net of credit for deferred tax assets)	166	241	(30)	115	357
Profit after tax	2268	3721	4113	4397	4582
Ordinary share capital	1243	1641	1641	1969	2297
Reserves	16991	21331	24416	28620	32516
Net worth per ordinary share (Rs.)	146.68	139.99	158.79	155.34	151.54
Basic earnings per ordinary share (Rs.)	18.24	20.65	22.92	24.49	21.71
Dividend per ordinary share (%)	50	60	60	60	60
Book value of investments	18848	26882	27323	30003	31693
Realisable value of investments	41707	72170	46401	49982	54475
Debt/Equity ratio	0.12:1	0.15:1	0.05:1	0.10:1	0.03:1
Number of companies invested in	440	422	367	322	267

Note: Previous year's figures have been re-grouped wherever necessary.

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Tata Investment Corporation Limited**REPORT ON CORPORATE GOVERNANCE**

The Company seeks to adopt good corporate governance practices and to ensure compliance with all relevant laws and regulations. The Company conducts its activities in a manner that is fair and transparent and perceived to be such by others.

BOARD OF DIRECTORS :

The Board of Directors of the Company comprised almost throughout the year of 10 members, of whom 8 were Non-Executive Directors and 2 Executive Directors. One of the Non-Executive Directors, Mr. B.L. Paranjape expired on 19th March, 2003. Dr. F.A. Mehta and Mr. N.A. Soonawala are the Chairman and Vice-Chairman of the Board respectively. The Board consists of eminent persons with considerable professional expertise and experience in investment, finance and other fields. Three Directors viz., Dr. F.A. Mehta, Mr. N.A. Soonawala and Mr. P.S. Mistry are also Directors on the Board of the promoter company, Tata Sons Ltd. Dr. F.A. Mehta however, resigned as a Director of Tata Sons Ltd. with effect from 19th September, 2002. All the other non-executive Directors are independent Directors.

BOARD MEETINGS :

22 Board/Committee Meetings were held at Mumbai during the year under review of which 9 were Board Meetings and 13 various Committee Meetings. The Board Meetings were held on 18.06.2002, 04.07.2002, 26.07.2002, 07.08.2002, 29.08.2002, 22.10.2002, 26.11.2002, 23.01.2003, and 26.03.2003. Mr. B.L. Paranjape expired on 19th March, 2003. He had attended all Board Meetings during the year prior to his demise. Details of the attendance at Board Meetings by the other Directors, together with the number of their Directorships and memberships of the SEBI-designated Board Committees of companies are as follows :

Name of Directors	Category of Director	Board Meetings attended during 2002-2003	No. of Directorships of other Indian Companies as on 31st March, 2003		Membership of Board Committees of other Companies as on 31st March, 2003	
			Chairman	Member	Chairman	Member
Dr. F.A. Mehta	N.I. & N.E. #	9	5	3	3	3
Mr. N.A. Soonawala	N.I. & N.E. #	9	-	12	2	5
Mr. Pratap Bhogilal	Independent	8	1	2	-	2
Mr. P.S. Mistry	NI & NE#	8	2	10	-	5
Mr. V.C. Vaidya	Independent	9	-	10	5	4
Mr. A.B.K. Dubash	Independent	4	-	7	-	-
Mr. K.N. Suntook	Independent	9	-	4	-	2
Mr. M.J. Kotwal	Executive	9	-	1	-	-
Mr. A.T. Contractor	Executive	9	-	-	-	-

Non Independent & Non-Executive

All the Directors had attended the last Annual General Meeting held on 7th August, 2002.

COMMITTEES OF DIRECTORS :

The Board has constituted the following Committees of Directors :

AUDIT COMMITTEE :

The Audit Committee constituted in accordance with the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions 1998 as also in compliance with the listing guidelines on Corporate Governance, as mandated by the Stock Exchange, comprised 3 independent Directors, viz. Mr. B.L. Paranjape (Chairman of the Committee), Mr. V.C. Vaidya and Mr. K.N. Suntook. The Audit Committee had 5 meetings during the year viz. on 30.04.2002, 18.06.2002, 25.07.2002, 22.10.2002 & 23.01.2003. The meetings were attended by all the Directors of the Committee except Mr. K.N. Suntook who could not attend the meeting on 30.04.2002 as he was out of India.

As Mr. B.L. Paranjape expired on 19th March, 2003, the Board of Directors has appointed Mr. A.B.K. Dubash, an independent Director, as a member of the Audit Committee with effect from 25th April, 2003. Mr. K.N. Suntook has been appointed as the Chairman of the Audit Committee.

The Audit Committee reports its findings to the full Board at the subsequent meeting and its recommendations are dealt with by the management.

REMUNERATION COMMITTEE :

The Remuneration Committee comprising Mr. K.N. Suntook, (Chairman of the Committee), Dr. F.A. Mehta and Mr. N.A. Soonawala met twice during the year. The Committee has been authorised to determine the remuneration package for the Executive Directors as well as the remuneration payable to the non-executive Directors from year to year and to distribute the same amongst all or some of the Directors in such proportion or manner as the Committee may decide.

REMUNERATION OF DIRECTORS :

A total remuneration of Rs.17.10 lacs was paid to the non-Executive Directors during the year ended 31st March, 2003 comprising fees for attendance at Board/Committee meetings of Rs.5.35 lacs and commission of Rs.11.75 lacs. The remuneration paid to each of the Directors is given below :

Name of the Director	Sitting fees paid during 2002-2003	Commission for 2001-2002 paid in 2002-2003
	Rs.	Rs.
Dr. F.A. Mehta	85,000	2,25,000
Mr. N.A. Soonawala	80,000	2,25,000
Mr. Pratap Bhogilal	40,000	75,000
Mr. P.S. Mistry	65,000	1,25,000
Mr. V.C. Vaidya	85,000	1,50,000
Mr. B.L. Paranjape	70,000	1,50,000
Mr. A.B.K. Dubash	20,000	75,000
Mr. K.N. Suntook	90,000	1,50,000
TOTAL	5,35,000	11,75,000

Commission of Rs.14.65 lacs has been provided in the accounts for the year 2002-2003, which will be paid to the non-Executive Directors after the Annual General Meeting as may be decided by the Remuneration Committee.

REMUNERATION OF EXECUTIVE DIRECTORS :

The members had, at the Annual General Meeting held on 7th August, 2002, approved of the appointment and the terms of remuneration of Mr. M.J. Kotwal and Mr. A.T. Contractor as Executive Directors of the Company for a period of 3 years with effect from 4.9.2001. The appointment could be terminated by either party giving the other party six months notice or the Company paying six months remuneration in lieu of the notice.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. Salary is paid within the range approved by the Shareholders. Annual increments effective 1st April each year, as recommended by the Remuneration Committee, are approved by the Board. The ceiling on perquisites and allowances as a percentage of salary, is fixed by the Board. Within the prescribed ceiling, the perquisites package is approved by the Remuneration Committee. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendation of the Remuneration Committee, within the limits fixed by the Board and subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act. The specific amount payable to each of the Executive Directors is based on the performance criteria laid down by the Board, which broadly takes into account the profits earned by the Company for the year. The remuneration paid to the Executive Directors during the year 2002-2003 is as under :-