

VST INDUSTRIES LIMITED

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CHARMINAR

ANNUAL REPORT 1998





“While the Company has consciously initiated a process of modernisation to position VST in the frontline of technology, we have not forgotten our abiding values. The commitment to provide greater value to the consumer. The commitment to our shareholders’ interests. The commitment to professionalism. The commitment to business ethics. The commitment to create a better future for our employees. And the commitment to fulfil obligations to society.

This is the soul of VST, and the Company is committed to preserving these values, above all.”



VST Industries Limited

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VST Industries Limited

BOARD OF DIRECTORS

Chairman

ABHIJIT BASU

Managing Director

MALCOLM FRY

Directors

AIR CHIEF MARSHAL IDRIS HASAN LATIF, P.V.S.M. (Retd.)

C.S. RAO, I.A.S.

D. SENGUPTA

R.V.K.M. SURYARAU

SAMPATHKUMARAN THIRUMALAI

Secretary

SAMPATHKUMARAN THIRUMALAI

Auditors

Lovelock & Lewes

Chartered Accountants

Hyderabad-500 029

Registered Office

1-7-1063/1065, Azamabad

Hyderabad-500 020

Andhra Pradesh

Share Transfer and Registration

Investors Services Department

VST Industries Limited

1-7-1063/1065

Azamabad

Hyderabad-500 020

Public Deposits

Integrated Enterprises (India) Limited

5-9-24/80, Palace Colony

Hill Fort Road

Basheerbagh

Hyderabad-500 063



VST Industries Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Sixty-seventh Annual General Meeting of VST INDUSTRIES LIMITED will be held at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Bashirbagh-King Kothi Road, Hyderabad-500 001, Andhra Pradesh, on

Thursday, September 17, 1998 at 10.30 a.m. for transaction of the following business :

1. To receive and consider the audited Balance Sheet as at March 31, 1998, the Statement of Accounts, Auditors' Report and Directors' Report for the Company's year ended March 31, 1998.
2. To declare a Dividend on the Ordinary Share Capital.
3. To elect Directors in place of those retiring by rotation.
4. To appoint Auditors and to fix their remuneration. In this connection to consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution :

"RESOLVED that Messrs Lovelock & Lewes, Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting at a remuneration of Rs. 4,00,000/- (Rupees Four lakhs only) payable in two equal instalments plus out of pocket expenses incurred."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following Resolution which will be proposed as an Ordinary Resolution:

"RESOLVED that Mr. Arun Chogle who was appointed a Director of the Company with effect from September 17, 1997, under Article 98 of the Articles of Association of the Company and holds office upto the date of this Annual General Meeting, be and is hereby appointed a Director of the Company whose period of office is liable to determination by retirement of Directors by rotation.

RESOLVED FURTHER that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 98 of the Articles of Association of the Company and subject to such other approvals in law and under the loan agreements with the Financial Institutions/Banks as may be required, Mr. Arun Chogle be and is hereby appointed Wholtime Director of the Company with effect from September 17, 1997 to hold office for a period of five years from 17.9.1997 to 16.9.2002 (both days inclusive) on such consolidated salary, performance linked bonus and perquisites as have been set out in the statement, a copy whereof initialled by the Chairman for purposes of identification is placed before this Meeting, with liberty to the Board to alter and vary such consolidated salary, performance linked bonus and perquisites so as not to exceed the limits specified in Section I Part II of Schedule XIII to the Companies Act, 1956, or any statutory modifications or re-enactments thereof as may be agreed to by the Board of Directors and Mr. Arun Chogle.

RESOLVED FURTHER that where in any financial year of the Company during the aforesaid period of Mr. Arun Chogle's office as Wholtime Director of the Company, the Company has no profits or its profits are inadequate, the Company may pay him remuneration by way of consolidated salary and perquisites in

accordance with the limits laid down in Section II Part II of Schedule XIII to the Companies Act, 1956, or any statutory modifications, substitutions or re-enactments thereof as may be agreed to by the Board of Directors and Mr. Arun Chogle."

6. To consider and, if thought fit, to pass with or without modification, the following Resolution which will be proposed as a Special Resolution:
"RESOLVED that pursuant to the provisions of Section 17 of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered in the manner following that is to say:-
i) In Clause 2, the words "H.E.H. the Nizam's Dominions" be substituted with the words "in the state of Andhra Pradesh";
ii) In Sub-clause (c) of Clause 3 the words "either in H.E.H. the Nizam's Dominions" be substituted with the words "either in the State of Andhra Pradesh" and the words "in H.E.H. the Nizam's Dominions" be substituted with the words "in the State of Andhra Pradesh and elsewhere";
iii) In Sub-clauses (d), (w) and (z) of Clause 3 the words "H.E.H. the Nizam's Dominions" be substituted with the words "the State of Andhra Pradesh";
iv) In Sub-clause (bb) of Clause 3 the words "H.E.H. the Nizam's Dominions, British India or any other Indian States" be substituted for the words "the State of Andhra Pradesh or any other State";
v) In Sub-clause (dd) of Clause 3 the words "H.E.H. the Nizam's Dominions" be substituted for the words "India";
vi) The existing sub-clause (tt) of Clause 3 thereof be deleted.
7. To consider and, if thought fit, to pass with or without modification, the following Resolution which will be proposed as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 17 of the Companies Act, 1956, Clause 5 of the Memorandum of Association of the Company be and is hereby substituted in the manner following, that is to say :

"The Authorised Capital of the Company is Rs. 100 crores (Rupees One Hundred crores) divided into 5,00,00,000 (Five crores) Equity Shares of Rs. 10/- (Rupees ten) each and 50,00,000 (Fifty lakhs) Preference Shares of Rs. 100/- (Rupees One Hundred) each, with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

8. To consider and, if thought fit, to pass with or without modification, the following Resolution which will be proposed as a Special Resolution :



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"RESOLVED that pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner following, that is to say :

- i) In Article 1 and marginal notes thereto, the words "Part I of Schedule A to the Hyderabad Companies Act No. IV of 1320 Fasli" be substituted with the words 'Schedule I - Table A of the Companies Act, 1956';
 - ii) In Article 2, the words "and includes where the context so admits any re-enactment or statutory modification thereof for the time being in force" be inserted after the words "The Act" means Companies Act, 1956";
 - iii) In Article 2 the following new clause shall be inserted between the clauses starting with the words "The Act" and "The Company":

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996" with the marginal note "Beneficial Owner";
 - iv) In Article 2 the following new clauses shall be inserted between the clauses starting with the words "The Company" and "The Directors":

"The Depositories Act" shall mean the Depositories Act, 1996, and shall include any statutory modification(s) or re-enactment thereof for the time being in force" with the marginal note "The Depositories Act";

"Depository" shall mean Depositories as defined in clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996," with the marginal note "Depository";
 - v) In Article 2, the words ""Dividend" includes bonus", along with the marginal note "Dividend" be deleted;
 - vi) In Article 4 the word "(Deccan)" be substituted with the words "Andhra Pradesh";
 - vii) Article 5 be substituted for the following:

The Authorised Share Capital of the Company as from September 17, 1998 is Rs.100,00,00,000 (Rupees One Hundred Crores) divided into 5,00,00,000 Equity Shares of Rs.10 each and 50,00,000 Preference Shares of Rs.100 each;
 - viii) The present Article 26 be renumbered as 26(a) and the following clauses be added thereafter as 26(b) and 26(c) respectively;
 - (b) "Nothing contained in the foregoing Article shall apply to transfer of securities effected by a transferor and a transferee, both of whom are entered as Beneficial Owners in the records of a Depository";
 - (c) "In the case of transfer of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply";
 - ix) In Article 31 the word "(Deccan)" be substituted by the words "Andhra Pradesh";
 - x) In Article 68 the word "Ordinary" be substituted by the word "Equity";
 - xi) Article 124 be deleted;
 - xii) Article 125 be substituted by the following:

"Unpaid dividends will be dealt with in accordance with the provisions of the Act";
 - xiii) Article 128 be deleted.
9. To consider and, if thought fit, to pass with or without modification, the following Resolution which will be proposed as a Special Resolution:
- "RESOLVED that in terms of Sections 80, 81 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted from time to time) and in accordance with the provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the consent of all concerned authorities, if and to the extent necessary and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed under applicable laws or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board") in its absolute discretion, the consent of the Company be and is hereby accorded to the Board to offer/issue/allot, in the course of domestic and/or international offering, redeemable preference shares of the face value of Rs. 100/- each, of an aggregate nominal amount not exceeding Rs. 50,00,00,000 (Rupees Fifty Crores) (hereinafter for brevity's sake referred to as "Securities"), to be subscribed in rupees/foreign currency(ies), by such person or persons, whether or not shareholders of the Company, as the Board may in its absolute discretion decide, including one or more of the members, promoters, debentureholders, employees, financial institutions, institutions, banks, mutual funds, foreign investors, non-resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), bodies corporate, companies, private or public and other entities, in one or more combinations thereof, whether through public issue, rights issue, private placement, preferential allotment or otherwise, in one or more tranches and on such terms and conditions including the rate of dividend, amount of premium, if any, on redemption, redemption period, manner of redemption and matters incidental thereto.
- RESOLVED FURTHER that such of these Securities to be issued as are not subscribed may be disposed of by the Board/Committee thereof to such persons and in such manner and on such terms as the Board/Committee in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/ Financial Institutions/Investment Institutions/Bodies Corporate/ such other persons or otherwise as the Board/Committee thereof may in its absolute discretion decide.
- RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to do



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all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit."

The Register of Members will remain closed from September 10, 1998 to September 17, 1998 (both days inclusive) for purposes of payment of dividend, if approved.

Transfers of shares received in order by the Company's Investors Services Department at its Registered Office upto the close of business on September 9, 1998, will be registered in time for the transferees to become eligible for dividend, if approved.

Dividend, if approved, will be paid on October 16, 1998 to those shareholders whose names appear in the Register of Members of the Company on September 17, 1998 or to their Mandatees.

By Order of the Board,

S. THIRUMALAI
Secretary

Dated this 8th day of May, 1998.
Azamabad, Hyderabad - 500 020
Andhra Pradesh.

NOTES

1. **A Member entitled to attend and vote at the General Meeting may appoint a proxy, who need not be a Member, to attend and on a poll, to vote on his behalf. Such proxies should be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.**
2. In accordance with Section 173 of the Companies Act, 1956, an Explanatory Statement in respect of items 5, 6, 7, 8, and 9 being items of Special Business is annexed to the Notice of the Meeting.
3. Shareholders should inform the Company's Investors Services Department at its Registered Office at Azamabad, Hyderabad 500 020 of any change in their registered address, before September 10, 1998.
4. Shareholders who have multiple folios in identical names or joint names in the same order are requested to intimate to the Company these folios to enable the Company to consolidate all such shareholdings into one folio.
5. Intimation to the shareholders pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 is annexed.
6. Shareholders are requested to bring their copies of the Annual Reports to the Meeting.



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EXPLANATORY STATEMENT

In accordance with Section 173 of the Companies Act, 1956, the following information is given in explanation of the items of Special Business set out in the attached notice of the Sixty-seventh Annual General Meeting of the Company to be held at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Bhashirbagh-King Kothi Road, Hyderabad-500 001, Andhra Pradesh, on Thursday, September 17, 1998.

Item No. 5

Mr. Arun Chogle, aged 43 years, is a B.Com. from Sydenham College and an M.M.S. from Jamnalal Bajaj Institute of Management Studies, Mumbai and has had several years of rich and varied experience in Marketing and General Management with multi-national companies both in India and abroad. He has experience as Marketing Manager, Middle East, responsible for British American Tobacco Company's Marketing Operations across 12 countries.

As Wholtime Director Mr. Arun Chogle is entitled to the remuneration stated below which was approved by the Board in pursuance of Sections 198, 269 and 309 of the Companies Act, 1956, read with Schedule XIII thereof:

I. **Consolidated Salary:** At the rate of Rs. 60,000 per month in the scale of Rs. 40,000 - Rs. 80,000 with such annual increment falling due on April 1, each year, as may be determined by the Board of Directors.

II. **Performance Linked Bonus:** Not exceeding 20% of the consolidated salary per annum mentioned above payable annually after approval of the accounts for the financial year as may be determined by the Board of Directors.

III. Perquisites:

- (i) In addition to the aforesaid consolidated salary and performance linked bonus, he shall also be entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with rules of the Company, the monetary value of such perquisites being limited to Rs. 4,50,000 per annum, for the purposes of which limit -

perquisites shall be evaluated as per Income Tax Rules wherever applicable, and in the absence of any such Rule, perquisites shall be evaluated at actual cost and

use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included.

- (ii) Company's contribution to Provident Fund and Superannuation Funds not exceeding 25% of the consolidated salary shall not be included in the computation of limits for perquisites or performance linked bonus aforesaid.
- (iii) Gratuity payable at a rate not exceeding half a month's consolidated salary for each completed year of service

and encashment of leave at the end of the tenure, to the extent the same are not taxable under the Income Tax Act shall not be included in the computation of limits for perquisites.

- (iv) The aggregate of the consolidated salary, performance linked bonus, perquisites and contribution towards Provident Fund and Superannuation Funds taken together in respect of Mr. Chogle, shall always be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956.

MINIMUM REMUNERATION

Notwithstanding anything herein, where in any financial year during the period of office of Mr. Chogle as a Wholtime Director, the Company has no profits or its profits are inadequate the Company may pay him remuneration by way of consolidated salary and perquisites in accordance with the limits laid down in Section II, Part II of Schedule XIII of the Companies Act, 1956, or any statutory modifications, substitutions, or re-enactments thereof, as may be agreed to by the Board of Directors and Mr. Chogle.

Power is also being taken in terms of this resolution for the Board to effect any variations, alterations, or modifications in future in respect of the appointments and remuneration of Mr. Arun Chogle within the limits specified in Schedule XIII to the Companies Act, 1956, or statutory modifications, substitutions, or re-enactments thereof, as may be agreed to by the Board of Directors and Mr. Arun Chogle.

No Director of your Company other than Mr. Arun Chogle is concerned or interested in this Resolution.

Your Directors commend passing of the Resolution set out in the notice convening the Annual General Meeting.

Item Nos. 6, 7 and 8

Certain expressions employed in the Memorandum and Articles of Association of the Company at the time of its incorporation over six decades ago have lost their relevance in the current context and therefore have to be suitably altered, modified, substituted or deleted as may be appropriate to meet the current requirements.

Opportunity is being taken to amend the Capital Clause in the Memorandum and Articles of Association, to provide for Preference Shares.

Definitions of Beneficial Owner, Depositories Act and Depositories and amendment to the Transfer of Shares in Article 26 are being made in view of enactment of The Depositories Act, 1996.

Article 124 is being deleted as under the present provisions of law a Company is not allowed to distribute its capital assets to its Members.

The amendment to Article 125 is being made to reflect the correct legal position in respect of unclaimed dividends.

Article 128 is being deleted as under the present provisions of law, a Company is not allowed to pay dividend, whether wholly or in part, by distribution of specific assets.



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Copy of the Memorandum and Articles of Association of the Company will be available for inspection by the Members of the Company at the Registered Office during normal business hours on any working day upto the date of the Annual General Meeting.

None of the Directors of your Company is interested in these Resolutions.

The Board recommends these Special and Ordinary Resolutions for approval.

Item No. 9

The said Resolution is an enabling resolution conferring authority on the Board to raise moneys by way of issues of preference shares so as to meet the present and any future requirements of long term funds to be used for the purposes of its Business.

Section 81 of the Companies Act, 1956, provides, inter alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in a General Meeting decide otherwise.

The Listing Agreements with the Stock Exchanges provide, inter alia, that the Company in the first instance should offer all the shares and

debentures to be issued for subscription pro-rata to the equity shareholders unless the shareholders in a General Meeting decide otherwise.

Accordingly, consent of the Shareholders is being sought pursuant to the provisions of Sections 80, 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the various Stock Exchanges in India where the Company's securities are listed to empower the Board of Directors to issue further securities in the manner proposed in the said Special Resolution.

The Directors recommend the Resolution for approval of the shareholders.

All the Directors of the Company may be deemed to be concerned or interested to the extent they may be entitled to the securities that may be offered to them on rights basis or otherwise and applied for and allotted to them.

By Order of the Board,

S. THIRUMALAI
Secretary

Dated this 8th day of May, 1998.
Azamabad, Hyderabad-500 020
Andhra Pradesh.

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