



VST INDUSTRIES LIMITED

ANNUAL REPORT 2000





CONTENTS

	Page
Notice of Meeting	4
Report of the Board of Directors	12
Report of the Auditors	17
Balance Sheet	18
Profit and Loss Account	19
Schedules to the Balance Sheet	20
Schedules to the Profit and Loss Account	27
Significant Accounting Policies	33
Cash Flow Statement	34
Balance Sheet Abstract and Company's General Business Profile ..	36
Statement Regarding Subsidiary Companies	37
Report & Accounts of Subsidiaries :	
Hallmark Tobacco Company Limited	38
Hallmark Investments Limited	44
Tobacco Leaf Investments Limited	49
Vazir Investments Limited	54
VST Distribution, Storage & Leasing Company Limited	59
Tobacco Diversification Investments Limited	65
Annexure to the Directors' Report	72
Intimation to Shareholders	74
Operating Results	76



VST Industries Limited

BOARD OF DIRECTORS

Chairman
ABHIJIT BASU

Managing Director
RAYMOND S. NORONHA

Deputy Managing Director & Secretary
SAMPATHKUMARAN THIRUMALAI

Directors
GARY ARMSTRONG
S.K. ARORA I.A.S.
AIR CHIEF MARSHAL IDRIS HASAN LATIF, P.V.S.M. (Retd.)
T. LAKSHMANAN
R.V.K.M. SURYARAU

Auditors
Lovelock & Lewes
Chartered Accountants
Hyderabad - 500 082

Registered Office
1-7-1063/1065, Azamabad
Hyderabad - 500 020
Andhra Pradesh

Registrars and Share Transfer Agents
Sathguru Management Consultants Private Limited
Plot No. 15, Hindi Nagar
Near Sai Baba Temple, Punjagutta
Hyderabad - 500 034

Public Deposits
Sathguru Management Consultants Private Limited
Plot No. 15, Hindi Nagar
Near Sai Baba Temple, Punjagutta
Hyderabad - 500 034



VST Industries Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Sixty-ninth 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 **Tuesday, September 26, 2000 at 10.30 a.m.** for transaction of the following business :

1. To receive and consider the Audited Balance Sheet as at March 31, 2000, the Statement of Accounts, Auditors' Report and Directors' Report for the Company's year ended March 31, 2000.
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. T. Lakshmanan who was appointed a Director of the Company with effect from May 16, 2000, under Article 98 of the Articles of Association of the Company in the casual vacancy arising out of the demise of Shri M.V. Purohit and who holds office upto the date of this Annual General Meeting, and in respect of whom the Company has received notice in writing from a shareholder proposing him as a candidate for the office of a director under the provisions of Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500 and who is eligible for reappointment be and is hereby appointed a Director of the Company whose period of office is liable to determination by retirement of Directors by rotation."

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

"RESOLVED pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956, subject to such approvals as may be necessary and further to the Resolution passed at the 68th Annual General Meeting of the Company held on September 27, 1999, in respect of the terms of appointment and remuneration of Mr. Raymond S. Noronha as the Managing Director of the Company, approval be and is hereby accorded to vary, alter and modify the terms of the appointment and remuneration of Mr. Raymond S. Noronha, with effect from April 1, 2000, for the period of his office upto October 31, 2003, on such consolidated salary, performance bonus and perquisites as have been set out in the Statement (a copy whereof initialled by the Chairman for the purpose of identification is placed before this meeting), consent of Mr. Raymond S. Noronha having been obtained in respect of such variation, alteration and modification, with liberty to the Board to vary, alter and modify such consolidated salary, performance bonus and perquisites so as not to exceed the limits specified in 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. Raymond S. Noronha."

RESOLVED FURTHER that where in any financial year of the Company during the aforesaid period of Mr. Raymond S. Noronha's office as Managing 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. Raymond S. Noronha."

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

"RESOLVED pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314, Schedule XIII and other applicable provisions of the Companies Act, 1956, subject to such approvals as may be necessary and further to the Resolution passed at the 68th Annual General Meeting of the Company held on September 27, 1999, in respect of the terms of appointment and remuneration of Mr. S. Thirumalai as the Deputy Managing Director of



the Company, approval be and is hereby accorded to vary, alter and modify the terms of the appointment and remuneration of Mr. S. Thirumalai with effect from April 1, 2000, for the period of his office upto October 28, 2003, on such consolidated salary, performance bonus and perquisites as have been set out in the Statement (a copy whereof initialled by the Chairman for the purpose of identification is placed before this meeting), consent of Mr. S. Thirumalai having been obtained in respect of such variation, alteration and modification, with liberty to the Board to vary, alter and modify such consolidated salary, performance bonus and perquisites so as not to exceed the limits specified in 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. S. Thirumalai.

RESOLVED FURTHER that where in any financial year of the Company during the aforesaid period of Mr. S. Thirumalai's office as Deputy Managing 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. S. Thirumalai".

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

"RESOLVED pursuant to the provisions of Section 309(4), and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals in law as may be necessary, the Company hereby accords its approval to the payment of commission to the Non-Executive Directors of the Company, with effect from April 1, 1999 for each of the five financial years of the Company, not exceeding one percent of the net profits of the Company, as provided under Section 309(4) of the Companies Act, 1956, or any amendment or modification thereof and computed in the manner referred to in Section 198(1) of the Companies Act, 1956 or any amendment or modification thereof, subject to a ceiling of Rupees Ten lakhs, in the aggregate or such amount as may be determined by the Board of Directors, to be divided amongst the Directors aforesaid in such manner

as the Board of Directors of the Company may from time to time determine and in default of such determination equally, provided that the payment of the sum in the manner aforesaid shall be in addition to the sitting fee per meeting of the Board of Directors and its Committee which the Directors aforesaid are entitled to receive under the Articles of Association of the Company.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution the Directors be authorised to take necessary steps and give such directions as they may in their absolute discretion deem necessary to settle any question, difficulty or doubt that may arise in regard to the determination and payment of the said amount as they may think fit and that the Directors be hereby further empowered to accept on behalf of the Company modifications, if any, relating to the determination and payment of the said amount as may be proposed by any Authority from whom approval will have to be obtained and which the Directors in their discretion think fit and proper."

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 accordance with the provisions of Section 163 of the Companies Act, 1956, the Registers and Index of Members of the Company and copies of Annual Returns together with copies of the certificates and documents required to be annexed thereto under Sections 159 and 161 of the Companies Act, 1956, be kept at the office of Sathguru Management Consultants Private Limited at Plot No. 15, Hindi Nagar, Near Sai Baba Temple, Punjagutta, Hyderabad - 500 034, with effect from September 26, 2000 or such other date as may be approved upon by the Board of Directors."

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

"RESOLVED pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314, Schedule XIII and other applicable provisions of the Companies Act, 1956, subject to such approvals in law as may be necessary, the Company hereby accords its approval to the payment of an additional ad hoc Performance Linked Bonus of Rs.4.75 lakhs (Rupees Four Lakhs Seventy Five Thousand) for the Financial Year 1999-2000 upon receipt of necessary approval from the Central Government to



VST Industries Limited

Mr. S. Thirumalai, Deputy Managing Director of the Company. Provided however, the aggregate of the total remuneration paid by the Company in respect of Mr. S. Thirumalai shall always be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution the Directors be authorised to take necessary steps and give such directions as they may in their absolute discretion deem necessary to settle any question, difficulty or doubt that may arise in regard to the determination and payment of the said amount as they may think fit and that the Directors be hereby further empowered to accept on behalf of the Company modifications, if any, relating to the determination and payment of the said amount as may be proposed by any Authority from whom approval will have to be obtained and which the Directors in their discretion think fit and proper."

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

"RESOLVED pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956, subject to such approvals in law as may be necessary, the Company hereby accords its approval to the payment of an additional ad hoc Performance Linked Bonus of Rs. 1.0 lakh (Rupees One Lakh) for the Financial Year 1999-2000 upon receipt of necessary approval from the Central Government to Mr. Raymond S. Noronha, Managing Director of the Company. Provided however, the aggregate of the total remuneration paid by the Company in respect of Mr. Raymond S. Noronha shall always be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution the Directors be authorised to take necessary steps and give such directions as they may in their absolute discretion deem necessary to settle any question, difficulty or doubt that may arise in regard to the determination and payment of the said amount as they may think fit and that the Directors be hereby further empowered to accept on behalf of the Company modifications, if any, relating to the determination and payment of the said amount as may be proposed by any Authority from whom approval will have to be obtained and which the Directors in their discretion think fit and proper."

The Register of Members will remain closed from September 20, 2000 to September 26, 2000 (both days inclusive) for payment of Dividend, if approved.

Transfers of shares received in order by the Company's Registrars and Share Transfer Agents, Sathguru Management Consultants Private Limited, Plot No. 15, Hindi Nagar, Near Sai Baba Temple, Punjagutta, Hyderabad - 500 034, before the close of business on September 19, 2000, will be registered in time for the transferees to become eligible for Dividend, if approved.

Dividend, if approved, will be paid on October 25, 2000 to those shareholders whose names appear in the Register of Members of the Company on September 26, 2000 or to their Mandatees.

By Order of the Board,
S. THIRUMALAI
Secretary

Dated this 26th day of July, 2000.
Azamabad, Hyderabad - 500 020,
Andhra Pradesh.

NOTES :

- 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.**
- In accordance with Section 173 of the Companies Act, 1956, an Explanatory Statement in respect of items 5, 6, 7, 8, 9, 10 and 11 being items of Special Business is annexed to the Notice of the Meeting.
- In accordance with the provisions of Article 93 of the Articles of Association of the Company, Air Chief Marshal I.H. Latif (Retd.) and Mr. S. Thirumalai will retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.
- Shareholders should inform the Company's Registrars and Share Transfer Agents, Sathguru Management Consultants Private Limited of any change in their registered address, before September 20, 2000.
- Shareholders who have multiple folios in identical names or joint names in the same order are requested to intimate to the Registrars and Share Transfer Agents, Sathguru Management Consultants Private Limited, these folios to enable consolidate all such shareholdings into one folio.
- Shareholders are requested to refer to the Annexure titled "Intimation to the Shareholders" which inter-alia contains intimation pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.
- Shareholders are requested to bring their copies of the Annual Reports to the Meeting.



VST Industries Limited

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-ninth Annual General Meeting of the Company to be held at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Bashirbagh-King Kothi Road, Hyderabad-500 001, Andhra Pradesh, on Tuesday, September 26, 2000.

Item No. 5

Your Company had been requested by General Insurance Corporation of India on its own behalf and on behalf of the other Investment Institutions such as Life Insurance Corporation of India and Unit Trust of India who collectively hold 22.44% of the equity capital of the Company to appoint Mr. T. Lakshmanan, General Manager of the General Insurance Corporation of India, Mumbai as their nominee on the Board of Directors of the Company, whose period of office will be liable to determination by retirement of Directors by rotation.

Your Board of Directors appointed Mr. T. Lakshmanan as a Director with effect from May 16, 2000, pursuant to the provisions of Article 98 of the Articles of Association of the Company in the casual vacancy arising out of the demise of Shri M.V. Purohit. In terms of Article 98, Mr. T. Lakshmanan, holds office upto the date of the forthcoming Annual General Meeting and being eligible, offers himself for appointment as a Director whose period of office is liable to determination by retirement of Directors by rotation under the provisions of the Companies Act, 1956.

Notice, along with a deposit of five hundred rupees, as required under Section 257 of the Companies Act, 1956, has been received by the Company from a Member proposing the appointment of Mr. T. Lakshmanan as a Director of the Company.

The resolution relates to the appointment of Mr. T. Lakshmanan as a Director of the Company and hence he will be deemed to be concerned or interested in the resolution. No other Director of your Company is in anyway concerned or interested in this Resolution.

Your Directors commend the appointment of Mr. T. Lakshmanan as a Director of the Company.

Item No. 6

At the Sixty-eighth Annual General Meeting of your Company on September 27, 1999, approval was accorded to the appointment of Mr. Raymond S. Noronha, Director and Managing Director of your Company, with effect from November 1, 1998 for the period of his office upto October 31, 2003, on such consolidated salary, performance linked bonus and perquisites as had been set out in

the Explanatory Statement annexed to the Notice dated May 27, 1999, convening the Sixty-eighth Annual General Meeting with liberty to the Board to vary, alter and modify such consolidated salary, performance linked bonus and perquisites so as not to exceed the limits specified in 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. Raymond S. Noronha.

Your Board of Directors at their meeting held on July 26, 2000, subject to the approval of the Members, have with the consent of Mr. Raymond S. Noronha varied, altered and modified with effect from April 1, 2000, the terms of appointment and remuneration paid or payable to Mr. Raymond S. Noronha, for the period of his office upto October 31, 2003. This variation, alteration and modification in the terms of appointment and remuneration in respect of Mr. Raymond S. Noronha is within the limits specified in Part II of Schedule XIII to the Companies Act, 1956.

Accordingly, with effect from April 1, 2000, Mr. Raymond S. Noronha is entitled to the remuneration stated below which was approved by your Board in pursuance of Sections 198, 269, 309, 310 and 311 of the Companies Act, 1956, read with Schedule XIII thereof :

I. Consolidated Salary :

At the rate of Rs.2,30,000/- per month in the scale of Rs.1,95,000 - Rs.2,30,000.

II. Performance Bonus :

Payable annually for each financial year ending 31st March, 2001 and thereafter, not exceeding 50% of Consolidated Salary per annum after approval of the Accounts as may be determined by the Board of Directors of the Company.

In addition to the aforesaid Consolidated Salary and Performance Bonus, Mr. Raymond S. Noronha shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the 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 absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit :-

- (a) Rent free furnished accommodation owned/leased/rented by the Company, or Housing Allowance in lieu thereof, as per the Rules of the Company.



- (b) Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
- (c) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- (d) Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- (e) Long service award as per the Rules of the Company.
- (f) Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

The aggregate of the remuneration and perquisites/benefits including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to Mr. Raymond S. Noronha shall not exceed 10% of the profits of the Company calculated in accordance with the provisions of 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. Raymond S. Noronha as Managing 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 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. Raymond S. Noronha.

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 appointment and remuneration of Mr. Raymond S. Noronha within the limits specified in 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. Raymond S. Noronha.

Your Directors consider that it would be appropriate and desirable to vary, alter and modify the terms of appointment and remuneration in respect of Mr. Raymond S. Noronha as set out in the Resolution and commend passing of the Resolution.

The resolution relates to the remuneration of Mr. Raymond S. Noronha and hence he would be deemed to be concerned or interested in the resolution. No other Director of your Company is in anyway concerned or interested in this Resolution.

This may also be treated as the Memorandum issued pursuant to the provisions of Section 302 of the Companies Act, 1956.

Item No. 7

At the Sixty-eighth Annual General Meeting of your Company on September 27, 1999, approval was accorded to the appointment of Mr. S. Thirumalai, Deputy Managing Director of your Company, with effect from October 29, 1998 for the period of his office upto October 28, 2003, on such consolidated salary, performance linked bonus and perquisites as had been set out in the Explanatory Statement annexed to the Notice dated May 27, 1999, convening the Sixty-eighth Annual General Meeting with liberty to the Board to vary, alter and modify such consolidated salary, performance linked bonus and perquisites so as not to exceed the limits specified in 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. Thirumalai.

Your Board of Directors at their meeting held on July 26, 2000, subject to the approval of the Members, have with the consent of Mr. S. Thirumalai varied, altered and modified with effect from April 1, 2000, the terms of appointment and remuneration paid or payable to Mr. S. Thirumalai, for the period of his office upto October 28, 2003. This variation, alteration and modification in the terms of appointment and remuneration in respect of Mr. S. Thirumalai is within the limits specified in Part II of Schedule XIII to the Companies Act, 1956.

Accordingly, with effect from April 1, 2000, Mr. S. Thirumalai is entitled to the remuneration stated below which was approved by your Board in pursuance of Sections 198, 269, 309, 310, 311 and 314 of the Companies Act, 1956, read with Schedule XIII thereof :

I. Consolidated Salary :

At the rate of Rs.1,90,000/- per month in the scale of Rs.1,50,000 - Rs.1,90,000.

II. Performance Bonus :

Payable annually for each financial year ending 31st March, 2001 and thereafter, not exceeding 50% of Consolidated Salary per annum after approval of the Accounts for the said financial year as may be determined by the Board of Directors of the Company.



VST Industries Limited

In addition to the aforesaid Consolidated Salary and Performance Bonus, Mr. S. Thirumalai shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the 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 absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit :-

- (a) Rent free furnished accommodation owned/leased/rented by the Company, or Housing Allowance in lieu thereof, as per the Rules of the Company.
- (b) Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 8.33% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
- (c) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- (d) Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- (e) Long service award as per the Rules of the Company.
- (f) Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

The aggregate of the remuneration and perquisites/benefits including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to Mr. S. Thirumalai shall not exceed 10% of the profits of the Company calculated in accordance with the provisions of 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. S. Thirumalai as Deputy Managing 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 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. S. Thirumalai.

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 appointment and remuneration of Mr. S. Thirumalai within the limits specified in 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. S. Thirumalai.

Your Directors consider that it would be appropriate and desirable to vary, alter and modify the terms of appointment and remuneration in respect of Mr. S. Thirumalai as set out in the Resolution and commend passing of the Resolution. Mr. S. Thirumalai continues to hold office as Company Secretary. As appointment and remuneration are subject to compliance with the requirements of Section 314 and other applicable provisions of the Companies Act, 1956, your Directors commend passing of the Special Resolution set out in the Notice of Meeting.

The resolution relates to the remuneration of Mr. S. Thirumalai and hence he would be deemed to be concerned or interested in the resolution. No other Director of your Company is in anyway concerned or interested in this Resolution.

This may also be treated as the Memorandum issued pursuant to the provisions of Section 302 of the Companies Act, 1956.

Item No. 8

At the Sixty-fourth Annual General Meeting of the Company held on July 7, 1995, Members had approved payment of remuneration to the Non-Executive Directors of the Company, by way of commission not exceeding 1% of the net profits of the Company, subject to a ceiling of Rs. 5,00,000/- (Rupees Five lakhs) for each financial year, for a period of five years from April 1, 1994. During the said period payment of commission to the Non-Executive Directors was made for the financial years 1994-95 and 1995-96. However, no payment by way of commission could be made for the financial years 1996-97, 1997-98 and 1998-99 owing to absence or inadequacy of profits. The said approval expired on March 31, 1999.

The Board of Directors recommend the extension of the said approval, for the payment of remuneration to Non-Executive Directors, by way of commission not exceeding 1% of the net profits of the Company which will be determined in accordance with the provisions of Section 198 read with Sections 349 and 350 and other applicable provisions, if any, of the Companies