CHAPTER III-

A STUDY OF PHYSICAL STRUCTURE OF IOC
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A STUDY OF PHYSICAL STRUCTURE OF IOC

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1.2- Company Structure and Developments
1.3- Capital structure
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1.1- BOARD MEETINGS

India’s flagship national oil company and downstream petroleum major, Indian Oil Corporation Ltd. (IOC) is celebrating the Golden Jubilee of its incorporation this year. The Corporation was incorporated on 30th June, 1959 as Indian Oil Company Limited to market petroleum products. The name of the Company was changed to Indian Oil Corporation Limited on 1st September, 1964 upon merger of Indian Refineries Limited, which was earlier established in August, 1958 to set up refineries and pipelines. From a fledgling company, the Corporation has grown several folds to attain a sales turnover of Rs. 2,85,337 crore and a net profit of Rs. 2,950 crore during 2008-09. Corporation has grown to emerge as the country’s largest commercial enterprise and India’s highest ranked company in the prestigious Fortune ‘Global 500’ listing ranked at 105th position.

The Board of Directors is the apex body which oversees the overall functioning of the Company. The Board of Indian Oil has set strategic goals in order to achieve its Vision and Mission Statement. The Board defines the Company’s policy and oversees its implementation in attaining its goal. The Board has constituted various committees to facilitate the smooth and efficient flow of decision making process.

The Board of Indian Oil consists of an optimum complement of executive and non-executive Directors. Part-time non-executive Independent Directors are persons with a proven record in diverse areas like energy policy, academics, finance, marketing, Government and public sector, etc.

The dates of the Board Meetings are fixed well in advance and intimated to the Board members so as to enable the Directors to plan their schedule accordingly. The meetings of the Board of Directors are generally held once
in a month mostly at the Corporate Office of the Company at New Delhi. We are discussing here the details of board meetings of the Company from last three years.

Details of the Board Meetings held during the year 2006-07, 2007-08 and 2008-09 are as under:

2006-07 –

Table III.1

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Date</th>
<th>Board Strength</th>
<th>No. of Directors Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>28.04.2006</td>
<td>15</td>
<td>11</td>
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<tr>
<td>2</td>
<td>26.05.2006</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
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</tr>
<tr>
<td>4</td>
<td>31.07.2006</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>28.08.2006</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>6</td>
<td>21.09.2006</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>7</td>
<td>28.10.2006</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>8</td>
<td>29.11.2006</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>9</td>
<td>22.12.2006</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>10</td>
<td>29.01.2007</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>11</td>
<td>27.02.2007</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>12</td>
<td>17.03.2007</td>
<td>14</td>
<td>12</td>
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<tr>
<td>13</td>
<td>29.03.2007</td>
<td>14</td>
<td>13</td>
</tr>
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</table>
The strength of the Board of Indian Oil was 16 directors as on 31.03.08 comprising of 8 executive (Whole-time Functional) Directors (including Chairman) and 8 part-time non-executive Directors, out of which 6 are Independent Directors & 2 are Govt. Nominee Directors. Enchasing new growth opportunities in India and abroad... The Company has not been able to comply with the requirement of 50% Independent Directors on its Board. Indian Oil being a Government Company under the administrative control of the Ministry of Petroleum & Natural Gas (MoP&NG), the Directors are nominated by the Government of India.

The agenda placed before the Board inter alias includes the following:-

- Annual operating plans of the divisions and capital and revenue budgets.
- Quarterly and Annual Financial results of the Company.
- Dividend declaration.
- Quarterly report on borrowings and treasury operations.
- Terms of reference of Board Committees.
- Minutes of meetings of Audit Committee and other Committees of the Board, as also resolutions passed by circulation.
- Proposals for amalgamation, mergers and acquisitions.
- Details of investment in any joint venture / subsidiary.
- New projects and expansion plans.
- Status of various projects.
- Risk management and minimization process.
- HR related issues.
- General notices of interest of Directors.
Details of the Board Meetings held during the year 2007-08 are as under:

Table III.2

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Date</th>
<th>Board Strength</th>
<th>No. of Directors Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>28.05.2007</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>21.06.2007</td>
<td>15</td>
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<tr>
<td>3</td>
<td>30.07.2007</td>
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<td>14</td>
</tr>
<tr>
<td>4</td>
<td>27.08.2007</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>24.09.2007</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>30.10.2007</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>7</td>
<td>28.11.2007</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>8</td>
<td>28.12.2007</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>9</td>
<td>30.01.2008</td>
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<td>13</td>
</tr>
<tr>
<td>10</td>
<td>01.03.2008</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>11</td>
<td>31.03.2008</td>
<td>16</td>
<td>13</td>
</tr>
</tbody>
</table>

2008-09- During the financial year 2008-09, 12 such Board Meetings were held. The agenda papers are circulated to the Directors well in advance before the meeting. However, certain exigent matters are tabled at the Board Meeting with the approval of the Chairman. The agenda items are comprehensive and informative in nature to facilitate deliberations and appropriate decision at the Board Meeting. Presentations are made to the Board on various functional and operational areas of the Company like
Refinery, Pipelines and Marketing operations, major projects, financial highlights etc. The agenda placed before the Board inter alias includes the following:

- Annual operating plans and Capital and Revenue budgets.
- Quarterly and Annual Financial results of the Company.
- Dividend declaration.
- Quarterly report on borrowings and treasury operations.
- Terms of reference of Board Committees.
- Minutes of meetings of Audit Committee and other Committees of the Board also resolutions passed by circulation.
- Proposals for amalgamation, mergers and acquisitions.
- Details of investment in any joint venture / subsidiary.
- New projects and expansion plans.
- Status of various projects.
- Risk management and minimization process.
- HR related issues.
- General notices / matters of interest of Directors.
Details of the Board Meetings held during the year 2008-09 are as under:

Table III.3

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Date</th>
<th>Board Strength</th>
<th>No. of Directors Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29.04.2008</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>25.05.2008</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>19.06.2008</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>30.07.2008</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>5</td>
<td>27.08.2008</td>
<td>16</td>
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<td>6</td>
<td>19.09.2008</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>7</td>
<td>31.10.2008</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>8</td>
<td>27.11.2008</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>9</td>
<td>29.12.2008</td>
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<td>11</td>
<td>28.02.2009</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>12</td>
<td>27.03.2009</td>
<td>16</td>
<td>13</td>
</tr>
</tbody>
</table>

1.2- COMPANY STRUCTURE AND DEVELOPMENTS

An effective Industry structure shall facilitate working relationships between various entities in the organization and may improve the working efficiency within the organizational units. Organization shall retain a set order and
control to enable monitoring the processes. Organization shall support command for coping with a mix of orders and a change of conditions while performing work. Organization shall allow for application of individual skills to enable high flexibility and apply creativity. When a business expands, the chain of command will lengthen and the spans of control will widen. When an organization comes to age, the flexibility will decrease and the creativity will fatigue. Therefore organizational structures shall be altered from time to time to enable recovery. If such alteration is prevented internally, the final escape is to turn down the organization to prepare for a re-launch in an entirely new set up. The slowdown of the advanced economies last year, was just the tip of the iceberg. Post second quarter of 2008-09, the world economy plunged further down, for the first time since the Great Depression of 1930s. The advanced economies across the globe slipped into recession, the emerging economies, which until last year were soaring, slowed down abruptly and the underdeveloped economies of Asia & Africa too were not spared. The second quarter of 2008-09 saw a significantly slow pace of world trade and financial flows. The credit markets remained cold in the wake of the deliberating process. International commodity prices, which had peaked owing to the strong economic growth and increased investor interest in them, have fallen low post July 2008. This has sparked worries of price deflation, which could exacerbate the downturn in activity. Major fluctuations in exchange rates were also witnessed; almost every currency in the world has depreciated against the dollar, reflecting a “flight to quality” into U.S. Treasury securities. Governments across the globe have been at the helm with large scale policy interventions via monetary policy, bailout packages for the financial institutions and fiscal stimulus. These interventions have been implemented with great vigor. The
fact that policy action was coordinated across developed & emerging economies through several rounds of discussions has made it more significant in speeding up the recovery process. Although the effect of some of these policy interventions is expected to be felt with elapse of time, the absence of these would have made the crisis more long-drawn and painful. Indian economy too was affected by the global slowdown, despite strong dominance of domestic sources of growth. The Balance of Payments through contraction in exports, reversal of portfolio flows and decline in long-term and short-term debt flows was the main channel of transmission. There was deceleration in growth by the third quarter of 2008-09, mainly due to varied domestic factors and an adverse external environment. In fact, the slowdown in industry was the severest, with Index of Industrial Production recording negative growth in the latter part of the year. While a sharp drop in external demand was the direct fallout of the global trade contraction, domestic demand in the form of private consumption and investment also received a jolt. In such a crisis, monetary policy was used as the first line of defense, with cuts in major policy rates. Fiscal stimulus in the form of increased expenditure and tax cuts has provided the much needed support to aggregate demand. Even before these formally announced fiscal stimulus measures, the Sixth Pay Commission recommendations and the Agriculture Loan Waiver have provided cushion to the aggregate demand. The resultant increase in fiscal deficit raises concern about its sustainability. On the flip side, despite a severe impact of the global turmoil, the Indian economy still fared quite well. Indian banking system & credit markets although not unscathed were not deluged. In fact, Indian banks had only limited or no exposure to malignant sub prime assets and all banks were adequately capitalized. The tight liquidity conditions that ensued were promptly managed by the Reserve
Bank of India (RBI). India’s strong foreign exchange reserve position, acted as a buffer and helped contain the adverse effects of the external shocks to the balance of payments. Confidence in India as a long-term investment destination remains unshaken with FDI reaching record levels during the year. Inflation after touching record highs in the earlier part of the year due to flared international commodity prices, in the latter part, fell and reached a record low. The fact that the Indian economy grew at 6.7% amidst this crisis reflects the resilience of the Indian economy. In fact, most macro economists believe that while the impact of economic crisis on world economic growth will be more prolonged than earlier expected, emerging economies like India & China will lead the recovery and will return to considerable growth in the long term. The Indian economy is expected to recover early, with strong domestic fundamentals.

On the policy front, the intended medium term reform measures of the government particularly, for energy sector, indicate a thrust on some areas viz. gradual removal of subsidies and market distortion, increase competition, encourage private sector entry and promote renewable resources especially solar energy as a means of removing energy poverty. Some of the major industry specific announcements of Budget 2009-10 are:

- Reduction in customs duty on bio-diesel from 7.5% to 2.5%
- Full exemption of excise duty of petro-diesel blended with bio-diesel
- Extension of tax holiday to commercial production of natural gas
- Expansion of LNG infrastructure and proposal to develop a blueprint for National gas Grid.

Introduction of investment linked tax incentives for laying and operating Cross country natural gas, crude and product pipelines on common carrier Principle.
Indian Oil believes in running its operations responsibly today to build a dependable and sustainable energy system for tomorrow. Development of techno-economically viable and environment-friendly products and services for the benefit of its consumers is another challenge for the Corporation. To this end, energy conservation, hydrocarbon loss reduction, water & waste management and auto fuel quality improvement projects are underway at our various locations. Significant investments have been made in various quality upgradation projects at all our refineries. Presently, quality improvement projects are underway at the Corporation’s refineries to meet Euro III/IV fuel quality norms, which will become effective from April 2010. In the long term, climate change concerns and a shift favoring renewable energy in the policies of major consuming countries will act as a major challenge to the traditional oil and gas industry. The Corporation with the vision of diversification across the energy sector and commitment to sustainable practices, views renewables as an area of immense opportunity. Already, it has made headway into some of these. IOC has a well laid out plan for its biofuels business. During the year, it formed a joint venture company for its biofuels activity in Chhattisgarh. Also the Corporation commissioned a 21 MW wind power project and ventured into solar energy business. Servicing the rural sector has been a priority for the Corporation. The network touches the remotest corners of the country and specially designed Kisan Seva Kendras cater to the rural fuel demand. It also provides non-fuel conveniences to the rural population. The Corporation views the rural market as an area of enormous opportunity and innovation. The structure of the rural economy is changing, the share of industry and services in the rural income has been rising and huge sums are being spent by the Government for development of rural infrastructure. Today, many private sector
manufacturers are entering the rural market. The resilience exhibited by rural India in face of the global economic crisis raises our confidence further in its potential. The Corporation in the recent years has been making efforts to tap opportunities across the entire value chain of oil & gas business. It has forged strategic alliances in the E&P and gas sector. Having successfully entered the petrochemicals sector, it has ambitious plans for the future. Challenges and opportunities both abound in these new fields. The availability of skilled E&P professionals in the market is low, as we expand our E&P portfolio, meeting our manpower requirements will be a big challenge. In the present international scenario of gas business both high prices and low availability pose a major challenge. Moreover, getting into long-term gas sourcing agreements has become increasingly difficult in recent times. The global petrochemicals industry is going through a down-cycle and this has coincided with the global economic meltdown. However, the Indian market has remained somewhat insulated, though the situation has warranted a revision in growth projections. The Indian market is expected to grow faster and further.

1.3- CAPITAL STRUCTURE.- A company's proportion of short and long-term debt is considered when analyzing capital structure. When people refer to capital structure they are most likely referring to a firm's debt-to-equity ratio, which provides insight into how risky a company is. Usually a company more heavily financed by debt poses greater risk, as this firm is relatively highly levered. Capital Structure of a Company refers to the composition or make up of its Capitalization and it includes all long term Capital resources i.e. loans, reserves, shares and bond. It shows the mix of a company's long-term debt, specific short-term debt, common equity and
preferred equity. The capital structure is how a firm finances its overall operations and growth by using different sources of funds. In finance, capital structure refers to the way a corporation finances its assets through some combination of equity, debt, or hybrid securities. A firm's capital structure is then the composition or 'structure' of its liabilities. The Indian Oil Corporation’s Capital structure is as follows:

**Table III.4**

**Capital structure of IOC**

<table>
<thead>
<tr>
<th>Year</th>
<th>Instrument</th>
<th>Authorized Capital (Rs.)</th>
<th>Issued Capital (Rs.)</th>
<th>Paid-up Capital (No. of shares)</th>
<th>Face value</th>
<th>Capital (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>Equity Share</td>
<td>214.75</td>
<td>214.75</td>
<td>1168012200</td>
<td>10</td>
<td>214.75</td>
</tr>
<tr>
<td>2007-08</td>
<td>Equity Share</td>
<td>214.75</td>
<td>214.75</td>
<td>1192374306</td>
<td>10</td>
<td>214.75</td>
</tr>
<tr>
<td>2008-09</td>
<td>Equity Share</td>
<td>214.75</td>
<td>214.75</td>
<td>1192374306</td>
<td>10</td>
<td>214.75</td>
</tr>
</tbody>
</table>

**Table III.5**

**Debt and Equity of IOC**

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt (Rs.)</th>
<th>Equity (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>27183</td>
<td>34857</td>
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<tr>
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<td>2008-09</td>
<td>44972</td>
<td>43998</td>
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</table>
Debt-to-Equity indicates the relationship between the external equities or outsiders funds and the internal equities or shareholders funds. It is determined to ascertain soundness of the long term financial policies of the company. Debt to equity ratio indicates the proportionate claims of owners and the outsiders against the firm’s assets. The purpose is to get an idea of the cushion available to outsiders on the liquidation of the firm.

1.4- SHAREHOLDING PATTERN

Categories of Shareowners as on 31st March 2007:
The shares of the Company are compulsorily traded in dematerialized form. In order to facilitate the shareholder to dematerialize the shares, the Company has entered into an agreement with NSDL and CDSL. The President of India holds 82.03 % of the total equity share capital in the physical form and out of the balance 17.97 % equity, 95.08% is in dematerialized form as on 31st March 2007.

Table III.6

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Category</th>
<th>No. of Shareholders</th>
<th>No. of Shares</th>
<th>% of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>President of India</td>
<td>1</td>
<td>958077855</td>
<td>82.03</td>
</tr>
<tr>
<td>2</td>
<td>Governor of Gujarat</td>
<td>1</td>
<td>1350000</td>
<td>0.12</td>
</tr>
<tr>
<td>3</td>
<td>Government Company(ONGC Ltd.)</td>
<td>1</td>
<td>106453095</td>
<td>9.11</td>
</tr>
<tr>
<td>4</td>
<td>Corporate Bodies</td>
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<td>2966403</td>
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</tr>
<tr>
<td>Sr. No.</td>
<td>Category</td>
<td>No. of Shareholders</td>
<td>No. of Shares</td>
<td>% of Shares</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------------------------------------</td>
<td>---------------------</td>
<td>-----------------</td>
<td>-------------</td>
</tr>
<tr>
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<td>President of India</td>
<td>1</td>
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<td>80.35</td>
</tr>
<tr>
<td>2</td>
<td>Governor of Gujarat</td>
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<td>1350000</td>
<td>0.11</td>
</tr>
<tr>
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<td>Government Company(ONGC Ltd.)</td>
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<td>8.93</td>
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<td>Corporate Bodies</td>
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<td>980</td>
<td>20386397</td>
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<td>6</td>
<td>Banks</td>
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<td>Mutual Funds</td>
<td>70</td>
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<td>8</td>
<td>Insurance Companies</td>
<td>9</td>
<td>37975243</td>
<td>3.18</td>
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<tr>
<td>9</td>
<td>Public</td>
<td>109688</td>
<td>33283306</td>
<td>2.79</td>
</tr>
</tbody>
</table>

Categories of Shareowners as on 31st March, 2008:

Table III.7
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Category</th>
<th>No. of Shareholders</th>
<th>No. of Shares</th>
<th>% of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>President of India</td>
<td>1</td>
<td>958077855</td>
<td>80.35</td>
</tr>
<tr>
<td>2</td>
<td>Governor of Gujarat</td>
<td>1</td>
<td>1350000</td>
<td>0.11</td>
</tr>
<tr>
<td>3</td>
<td>Government Company (ONGC Ltd.)</td>
<td>1</td>
<td>106453095</td>
<td>8.93</td>
</tr>
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<td>4</td>
<td>Corporate Bodies</td>
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<td>7035907</td>
<td>0.59</td>
</tr>
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<td>12003887</td>
<td>1.01</td>
</tr>
<tr>
<td>6</td>
<td>Banks</td>
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<td>Insurance Companies</td>
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<td>39664717</td>
<td>3.33</td>
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<td>Public</td>
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<td>2.68</td>
</tr>
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<td>Trusts</td>
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<td>13083628</td>
<td>1.10</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
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<td>249578</td>
<td>0.02</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>109694</strong></td>
<td><strong>1192374306</strong></td>
<td><strong>100.00</strong></td>
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</table>
1.5- **HUMAN RESOURCE DEVELOPMENT**

A fifty-year young corporate, IOC has lived up to its entrusted mandate of providing energy security to the country. In the last five decades, while IOC evolved from a fledgling company to a confident conglomerate straddling the entire spectrum of the hydrocarbon value chain, the oil & gas industry in India and abroad matured and metamorphosed. We perceived a need to revisit and redefine our corporate vision to uphold and protect IOC’s leadership position. The exercise of recreating the Vision was completed during the year with the new vision having been approved by the IOC Board. With business interests traversing the core areas of refining & marketing and extending to newer verticals such as exploration & production, petrochemicals, natural gas, bio-fuels, etc., there is a mounting need for manpower in IOC, especially in the new and emerging areas. During 2008-09, we recruited over 900 engineering & management graduates and CAs, the highest ever in a year, through open and campus recruitment. To immediately bridge the gap between skills requirement and availability in areas such as petrochemicals and bio-fuels, 23 executives were also recruited at the mid-level during the year. The marketing operations of Assam Oil Division (AOD) and IOC’s Marketing Division were amalgamated. A series of confidence-building measures ensured that the sensitive people-related issues were ironed out to ensure a smooth, organization-benefiting fusion. The process of integration of IBP, which started in the year 2007-08, was also completed during the year. Consequent upon the merger of BRPL with IOC effective 25th March 2009, activities are currently underway to ensure its seamless integration as our eighth refinery. The Government of India had set up the second Pay Revision Committee for Public Sector Enterprises on 30th November 2006 under the chairmanship of
Justice **MJ Rao** to give recommendations in respect of pay revision for Board & below Board level executives and nonunionised supervisors. Based on the recommendations of the Committee, the Department of Public Enterprises has advised the revision of pay scales w.e.f 1st January 2007 in Central Public Sector Enterprises. The revised scales are currently under implementation at IOC.

The industrial relations climate in the Corporation generally remained harmonious and peaceful during the year, although the Officers had struck work for 3 days. This was in response to a call given by the Officers’ Association on issues related to pay revisions, which were beyond the jurisdiction of the Corporation and needed redressed by Government of India. IOC continued its efforts to promote employees’ participation in various activities by way of information sharing, suggestion scheme, rewards, recognitions, etc. HRn Index, which was designed with an objective to facilitate effective implementation of HR policies and practices and to create an environment of belonging and team work at the operating units, has contributed in ensuring corrective action / improving HR climate in the locations / units. The employee strength of IOC as on 31st March, 2009 was 33,998 including 13,716 officers.

**1.6- AUDIT COMMITTEE-**

The Audit Committee has been constituted in line with the provisions of Clause 49 of the Listing Agreement and also meets the requirements of Section 292A of the Companies Act, 1956. The members of the Audit Committee have requisite financial and management expertise. The Audit Committee comprises of three Part-time Non-Executive Independent Directors as members. The Terms of Reference of Audit committee covers...
all matters specified under Clause 49 of the Listing Agreement of the Stock Exchanges which inter alia includes the following:

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with management the quarterly and annual financial statements before submission to the Board.
- Reviewing with the management and statutory and internal auditors, the adequacy of internal control systems.
- Discussion with internal auditors on Annual Internal Audit Program, Significant Audit Findings and follow up on such issues.
- Discussion with statutory auditors before the audit commences on the nature and scope of audit, as well as having post audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.

The Audit Committee meetings are also attended by the Director (Finance) and the head of Internal Audit as special invitees. The representatives of the Statutory Auditors are invited to the meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee. The minutes of the meetings of the Audit Committee are circulated among members of the Audit Committee and the special invitees and are also submitted to the Board.

1.7-REMUNERATION COMMITTEE-

IOC being a Government Company, the remuneration of the whole-time Functional Directors is decided by the Government of India. The Part-time
Non-Executive Independent Directors are not paid any remuneration except sitting fees for attending the meetings of the Board or Committees thereof. However, the Board has constituted a Remuneration Committee to approve certain perquisites for whole-time Functional Directors and below Board level Executives, which are within the powers of the Board. Consequent upon cessation of Shri Vineet Nayyar and Shri V.K.Agrawal as Directors, the Remuneration Committee was reconstituted on 30.07.08 with the induction of Prof (Dr) Indira Parikh & Shri Anees Noorani and subsequently on 29.05.09 with the induction of Shri Michael Bastian. The Committee comprises of following Directors:

1. Prof (Dr) Indira Parikh - Chairperson
2. Shri Anees Noorani - Member
3. Shri Michael Bastian - Member
4. Shri P. K. Sinha - Member
5. Shri V. C. Agrawal - Member
6. Shri S.V. Narasimhan - Member
Remuneration paid to whole-time Functional Directors during the financial year 2008-09 is as under:

**Table III.9**

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Destination</th>
<th>Salaries &amp; allowances</th>
<th>Contribution to PF and Other Funds</th>
<th>Other benefits and perquisites</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shri S. Behuria</td>
<td>Chairman</td>
<td>11.92</td>
<td>0.97</td>
<td>6.01</td>
<td>18.90</td>
</tr>
<tr>
<td>Shri B. M. Bansal</td>
<td>Director (Plng. &amp; Business Development)</td>
<td>14.35</td>
<td>1.08</td>
<td>4.08</td>
<td>19.51</td>
</tr>
<tr>
<td>Shri S. V. Narasimhan</td>
<td>Director (Finance)</td>
<td>12.83</td>
<td>1.02</td>
<td>3.46</td>
<td>17.31</td>
</tr>
<tr>
<td>Shri V. C. Agrawal</td>
<td>Director (Human Resources)</td>
<td>17.04</td>
<td>1.06</td>
<td>3.66</td>
<td>21.76</td>
</tr>
<tr>
<td>Shri G. C. Daga</td>
<td>Director (Marketing)</td>
<td>15.99</td>
<td>0.98</td>
<td>2.57</td>
<td>19.54</td>
</tr>
<tr>
<td>Shri B. N. Bankapur</td>
<td>Director (Refineries)</td>
<td>14.16</td>
<td>1.04</td>
<td>5.15</td>
<td>20.35</td>
</tr>
<tr>
<td>Shri Anand Kumar</td>
<td>Director (Research &amp; Development)</td>
<td>16.63</td>
<td>1.00</td>
<td>4.88</td>
<td>22.51</td>
</tr>
<tr>
<td>Shri P. K. Chakraborti</td>
<td>Director (Pipelines)</td>
<td>14.65</td>
<td>0.95</td>
<td>0.96</td>
<td>16.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>117.57</strong></td>
<td><strong>8.10</strong></td>
<td><strong>30.77</strong></td>
<td><strong>156.44</strong></td>
</tr>
</tbody>
</table>
1.8- SHAREHOLDER’S / INVESTOR’S GRIEVANCE COMMITTEE-

The Shareholders’/Investors’ Grievance Committee (SIGC) examines the grievances of shareholders / investors and the system of redressed of the same. The Company accords top priority to resolve complaints/grievances/queries of shareholders within a reasonable period of time. The SIGC comprises of three members with a Part-time Non-executive Independent Director as Chairman and Director (Finance) and Director (Human Resources) as members. The SIGC was reconstituted on 30.07.08 upon cessation of Shri V. K Agarwal as Director and induction of Shri Anees Noorani. The Committee comprises of following Directors:

1. Shri Anees Noorani - Chairperson
2. Shri S. V.Narasimhan - Member
3. Shri V. C.Agrawal - Member

1.9- OTHER COMMITTEES OF BOARD-

In addition to the above Committees, the Board has delegated certain powers to various committees with distinct roles and responsibilities, the details of which are as under:

Table III.10

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of Committee</th>
<th>Role and Responsibilities</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Planning &amp; Projects Committee</td>
<td>For approval of capital investment upto Rs. 100 Crores.</td>
<td>Chairman and all Whole-time Functional Directors.</td>
</tr>
<tr>
<td>No.</td>
<td>Committee Name</td>
<td>Purpose</td>
<td>Members</td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>Contracts Committee</td>
<td>For award of contracts.</td>
<td>Chairman and all Whole-time Functional Directors</td>
</tr>
<tr>
<td>3</td>
<td>Projects Evaluation Committee</td>
<td>For evaluating and recommending for Board approval, projects costing over Rs. 250 Crores.</td>
<td>Three Part-time Non-Executive Independent Government Director and Director(Finance)</td>
</tr>
<tr>
<td>4</td>
<td>Establishment Committee</td>
<td>To take decisions in respect of creation, selection, appointment and promotion to the posts of General Managers and above an Conduct, Discipline and Appeal Rules.</td>
<td>Chairman and all Whole-time Functional Directors, one part time non-executive government director and one part-time non-executive independent director.</td>
</tr>
<tr>
<td>5</td>
<td>Committee for Deleasing of Immoveable Properties</td>
<td>To consider request for Deleasing of Company leased immoveable properties</td>
<td>Chairman, Director (Human Resources), Director</td>
</tr>
</tbody>
</table>
Indian Oil Signs MoU with Government of India for 2009-10

The MoU was signed here today by Mr. RS Pandey, Secretary, Ministry of Petroleum and Natural Gas, on behalf of the Government of India, and Mr. Sarthak Behuria, Chairman, on behalf of IOC. Mr Pandey, while complimenting IOC on its remarkable organisational structure, and wide reach across every nook & corner of India, was of the view that the public sector units in the oil & gas sector must aim to achieve 100 % customer satisfaction in all aspects. Mr Behuria said, “We continue to see high growth in demand of petroleum and diesel products and our endeavor remains to meet the total requirement. He added, that despite the downturn in the economy, IOC continues with its planned projects on schedule, which will help to boost the Indian economy.

To ensure optimum utilisation of resources and increased operational efficiency in both Refineries and Marketing divisions, substantial cost reduction at the operational level is a major thrust area of the MoU. IOC's efforts to usher in cleaner fuels continue to remain in sharp focus with major ongoing projects like the residue upgradation project at Koyali Refinery in Gujarat and petrol quality upgradation projects at Panipat, Mathura, Barauni, Guwahati and Digboi refineries. The MOU also lays due emphasis on physical parameters like crude oil throughput, energy factor,
project milestones, etc. IOC will commission projects worth Rs. 30,000 crore during the year 2009-10, including the Naphtha Cracker at Panipat; residue upgradation project at Koyali Refinery; once-through Hydrocracker at Haldia; and Panipat Refinery additional expansion project (12 to 15 MMTPA). An interesting case-specific life-cycle assessment study of Jatropha bio-diesel has been assigned to IOC's R&D Centre, which would help compare the impact of Jatropha bio-diesel on the environment vis-à-vis petro diesel for various transportation modes.

New parameters included in the MoU relate to Corporate Social Responsibility (CSR) initiatives, e-procurement and setting up of a network and infrastructure for polymer marketing. The Corporation also plans to commission more than 200 Kisan Seva Kendra (special format retail outlets) as one-stop shops for rural customers.

The MoU also gives due weightage to the performance of IOC's refining subsidiary, Chennai Petroleum Corporation Ltd., New Delhi, March 28, 2009

12. MAJOR AMALGAMATION OF IOC WITH BRPL

Scheme of Amalgamation Under Sections 391-394 of the Companies Act 1956 for the amalgamation of BRPL with IOC

SCHEME OF AMALGAMATION
UNDER SECTIONS 391-394 OF THE COMPANIES ACT 1956
FOR THE AMALGAMATION OF BONGAIGAON REFINERY AND PETROCHEMICALS LIMITED WITH INDIAN OIL CORPORATION LTD.
PART-1

WHEREAS:

A. Indian Oil Corporation Limited ("IOC" or the "Transferee Company") is a public limited company incorporated under the Companies Act, 1956, having its registered office at Indian Oil Bhavan, G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai - 400051. IOC is a government company within the meaning of Section 617 of the Companies Act, 1956 and is under the administrative control of the Ministry of Petroleum and Natural Gas, Government of India.

B. IOC is primarily engaged in the business of refining, pipeline transportation and marketing of petroleum products.

C. Bongaigaon Refinery And Petrochemicals Limited ("BRPL" or the "Transferor Company") is a public limited company registered under the Companies Act, 1956, having its registered office at P.O. Dhaligaon, Dist. Chirang, Assam - 783385. BRPL is a subsidiary company of IOC and consequently is a government company within the meaning of Section 617 of the Companies Act, 1956 and is under the administrative control of the Ministry of Petroleum and Natural Gas, Government of India.

D. BRPL is primarily engaged in the business of refining of crude oil.

E. This Scheme proposes the amalgamation of BRPL with IOC, which would result in consolidation of the business of refining of petroleum products in one entity and would strengthen the position of the merged entity i.e. IOC, by enabling it to harness and optimize the synergies of the two companies. Accordingly, it would be in the best interests of BRPL, IOC and their respective shareholders. The proposed amalgamation of BRPL into
IOC is in line with the global trends to achieve size, scale, integration and greater financial strength and flexibility, in the interests of maximizing shareholder value. The merged entity i.e. IOC is likely to achieve higher long-term financial returns than could be achieved by the companies individually. IOC and BRPL believe that the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of IOC and BRPL pooled in the merged entity, will lead to increased competitive strength, cost reduction and efficiencies, productivity gains, and logistic advantages, thereby significantly contributing to future growth.

F. The restructuring and vesting of BRPL into IOC, with effect from the Appointed Date is in the interest of the shareholders, creditors, stakeholders and employees, as it would enable a focused business approach for the maximization of benefits to all stakeholders and for the purposes of synergies of business of IOC and BRPL.

G. The amalgamation of BRPL with IOC shall be in accordance with Section 2 (1 B) of the Income Tax Act, 1961.

H. IOC and BRPL now propose by this Scheme of Amalgamation (the "Scheme") to amalgamate BRPL with IOC.

PART II

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the same meanings given to them below: -

(a) "Act" means the Companies Act, 1956.

(b) "Appointed Date" means April 1, 2006.
(c) "Effective Date" shall have the meaning given to it in Clause 5.9.

(d) "Scheme" means the Scheme of Amalgamation as set out herein.

(e) "Transferor Company" or "BRPL" means Bongaigaon Refinery And Petrochemicals Limited, a government company registered under the Companies Act, 1956, having its registered office P.O. Dhaligaon, Dist. Chirang, Assam-783385 and includes:-

(i) any and all immovable property, land, buildings, movable assets including plant, machinery and equipments, whether leased or otherwise, any and all rights, title, interest, covenant, undertakings, liabilities including continuing rights, title and interest in connection with the immovable properties whether leasehold or otherwise comprised in this business undertaking together with all present and future liabilities including contingent liabilities and debts appertaining to this business undertaking, as per the records of BRPL;

(ii) any and all permits, quotas, rights, entitlements, licenses, tenancies. trademarks, servicemarks, patents, copyrights, privileges and benefits of all contracts, agreements and all other rights including lease rights, licenses, powers and facilities of every kind and description whatsoever appertaining to this business undertaking, as per the records of BRPL;

(iii) any and all debts, borrowings and liabilities, present or future, whether secured or unsecured, pertaining to the business undertaking, as per the records of BRPL.

(iv) any and all permanent employees of BRPL engaged in or in relation to this business undertaking at their respective offices, branches, factories,
depots, or otherwise at their current terms and conditions, as per the records of BRPL;

(v) any and all earnest monies and/or security deposits, or other entitlements in connection with or relating to this business undertaking, as per the records of BRPL;

(vi) any and all investments and loans and advances including accrued interest, in connection with or relating to this business undertaking, as per the records of BRPL.

(f) “Transferee Company” means Indian Oil Corporation Limited, a government company incorporated under the Companies Act, 1956, and having its registered office at IOC Bhawan, G-9, Ali Yavar Jung Marg, Bandra (E), Mumbai - 400051, Maharashtra.

1.2 In this Scheme, unless the context otherwise requires:

(a) references to persons shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

(b) the headings are inserted for ease of reference only and shall not affect the construction or interpretation of this scheme.

(c) reference to one gender include all genders; and

(d) words in the singular shall include the plural and vice versa.

1.3 Any references in the Scheme to "upon the Scheme becoming effective" or "effectiveness of the Scheme" shall mean the Effective Date.

1.4 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning
ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.

2. SHARE CAPITAL

The capital structure of the Transferee and Transferor Company as on March 31, 2006 is as under:

**IOC AMOUNT (Rs.)**

AUTHORISED SHARE CAPITAL 250,00,00,000 equity shares of Rs. 10/- each 2500,00,00,000

ISSUED SUBSCRIBED & PAID UP SHARE CAPITAL 1,16,80,12,200 equity share of Rs 10/- each 1168,01,22,000

**BRPL AMOUNT (Rs.)**

AUTHORISED SHARE CAPITAL 20,00,00,000 equity share of Rs. 10/- each 200,00,00,000

ISSUED SUBSCRIBED & PAID UP SHARE CAPITAL 19,98,17,900 equity share of Rs. 10/- full paid up 199,81,79,000

PART III

3. AMALGAMATION OF BRPL INTO IOC

A. Transfer and Vesting of the Transferor Company

3.1 With effect from the Appointed Date and upon the Scheme becoming effective, the Transferor Company shall be vested in and/or be deemed to have been vested in and managed by the Transferee Company, as a going
concern, without any further deed or act, together with all its properties, assets, rights, benefits and interest therein, subject to existing charges thereon in favour of banks and financial institutions or otherwise, as the case may be and as may be modified by them, subject to the provisions of this Scheme, in accordance with Sections 391-394 of the Act and all other applicable provisions of law, if any.

3.2 Without prejudice to Clause 3.1 above in respect of such of the assets of the Transferor Company as are movable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and delivery including plant, machinery and equipments, the same shall be so transferred to the Transferee Company and shall upon such transfer become the property and an integral part of the Transferee Company. In respect of such of the said assets other than those referred hereinabove, the same shall, without any further act, instrument or deed, be vested in and / or be deemed to be vested in the Transferee Company in accordance with the provisions of Section 394 of the Act.

3.3 With effect from the Appointed Date and upon the Scheme becoming effective, the land, together with the buildings standing thereon held by the Transferor Company, and any documents of title / rights and easements in relation thereto shall be vested in and / or be deemed to have been vested in the Transferee Company and shall belong to the Transferee Company. With effect from the Appointed Date, the Transferee Company shall in relation to such properties, be liable for ground rent and municipal taxes. The mutation of title to the immovable properties shall be made and duly recorded by the appropriate authorities pursuant to the sanction of the Scheme and upon the
Scheme becoming effective in accordance with the terms hereof in favour of the Transferee Company.

3.4 (a) With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, duties and obligations, secured or unsecured, and whether or not provided for in the books of accounts of the Transferor Company, whether disclosed or undisclosed in the balance sheet, shall be the debts, liabilities, duties and obligations of the Transferee Company and the Transferee Company undertakes to meet, discharge and satisfy the same.

(b) Where any of the liabilities and obligations attributed to the Transferor Company on the Appointed Date has been discharged by the Transferor Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on behalf of the Transferee Company.

3.5 All loans raised and used and liabilities incurred by the Transferor Company after the Appointed Date but before the Effective Date for operations of the Transferor Company shall be loans and liabilities of the Transferee Company.

3.6 (a) With effect from the Appointed Date and upon the Scheme becoming effective, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Transferor Company, or to the benefit of which the Transferor Company may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect on or against or in favour of the Transferee Company and may be enforced as fully and
effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligee thereto.

(b) With effect from the Appointed Date and upon the Scheme becoming effective, all rights and licenses relating to trademarks, know-how, technical know-how, trade names, descriptions, trading style, franchises, labels, label designs, colour schemes, utility models, holograms, bar codes, designs, patents, copyrights, privileges and any rights, title or interest in intellectual property rights in relation to the Transferor Company to which the Transferor Company is a party or to the benefit of which the Transferor Company may be entitled / eligible shall be in full force and effect on, or against, or in favour of, the Transferee Company as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligee thereto.

3.7 With effect from the Appointed Date and upon the Scheme becoming effective, all permits, quotas, rights, entitlements, licenses including those relating to tenancies, trademarks, patents, copyrights, privileges, powers, facilities of every kind and description of whatsoever nature in relation to the Transferor Company, to the benefit of which the Transferor Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be and remain in full force and effect in favour of or against the Transferee Company, and may be enforced fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a beneficiary or obligee thereto.
3.8 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions, approvals, exemption schemes, or consents required to carry on operations in the Transferor Company, respectively, shall stand vested in or transferred to the Transferee Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Transferee Company. The benefit of all statutory and regulatory permissions, factory licenses, environmental approvals and consents including the statutory licenses, permissions or approvals or consents required to carry on the operations of the Transferor Company shall vest in and become available to the Transferee Company pursuant to the Scheme.

3.9 The Transferee Company, at any time after the Scheme becoming effective in accordance with the provisions hereof, if so required under any law or otherwise, will execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to the Transferor Company to which the Transferor Company is a party in order to give formal effect to the above provisions. The Transferee Company shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of the Transferor Company and to carry out or perform all such formalities or compliances, referred to above, on behalf of the Transferor Company.

3.10 With effect from the Appointed Date and upon the Scheme becoming effective, the Transferee Company undertakes to have such legal, quasi judicial or other proceedings initiated by or against the Transferor Company, transferred in its name and to have the same continued, prosecuted and enforced by or against the Transferee Company to the exclusion of the
Transferor Company, as the case may be. The Transferee Company also undertakes to deal with all legal or other proceedings which may be initiated against the Transferor Company after the Effective Date relating to the Transferor Company in respect of the period up to the Effective Date, in its own name and account and to the exclusion of the Transferor Company, and further undertakes to pay all amounts including interest, penalties, damages, etc. which the Transferor Company may be called upon to pay or secure in respect of any liability or obligation relating to the Transferor Company for the period up to the Effective Date.

3.11 (a) With effect from the appointed date and upon the scheme becoming effective, any and all whole-time Directors including the Managing Director of the Transferor Company as on the effective date shall cease to be a Director on the Board of the Transferor Company. They would be reverted to their substantive positions in the Transferor Company and would become the employees of the Transferee Company on existing or similar terms & conditions as to remuneration and without any break or interruption of service. In the event of any of the whole-time Directors either not having occupied substantive position in the transferor company prior to his appointment as a Director or not willing to continue in the employment of the Transferee company post-merger, then such whole-time Director shall be entitled to compensation from the Transferee company an amount that is equivalent to the amount of remuneration for the balance period remaining of their term of employment under the terms & conditions of employment issued by the Ministry of Petroleum & Natural Gas, Govt. of India.

(b) With effect from the Appointed Date and upon the Scheme becoming effective, any and all employees of the Transferor Company as on the
Effective Date shall become employees of the Transferee Company employed on existing or similar terms and conditions as to remuneration, and without any break or interruption of service.

(c) With regard to Provident Fund, Gratuity Fund, Superannuation Fund or any other special fund created or existing for the benefit of such employees of the Transferor Company, it is the aim and intent of the Scheme that all the rights, duties, powers and obligations of the Transferor Company in relation to such schemes or funds shall become those of the Transferee Company. Upon the Scheme becoming effective, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever relating to the obligation to make contributions to the said funds in accordance with the provisions of such schemes or funds in the respective trust deeds or other documents. The existing Provident Fund, Gratuity Fund and Superannuation Fund trusts created by the Transferor Company for its employees shall be continued for the benefit of such employees on the same terms and conditions till such time that they are transferred in the relevant funds of the Transferee Company. It is clarified that the services of all employees of the Transferor Company transferred to the Transferee Company will be treated as having been continuous and uninterrupted for the purpose of the aforesaid schemes or funds.

(d) The Transferee Company undertakes to continue to abide by any agreement(s) / settlement(s) entered into with any labour unions / employees by the Transferor Company. The Transferee Company agrees that for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits, the past services of such permanent employees, if any,
with the Transferor Company, as the case may be, shall also be taken in to account, and agrees and undertakes to pay the same as and when payable.

3.12 Subject to the other provisions contained in this Scheme, all contracts, business / asset purchase agreements, memoranda of undertakings, memoranda of agreement, memoranda of agreed points, letters of agreed points, arrangements, undertakings whether written or otherwise, lease rights, deeds, bonds, other agreements and instruments of whatsoever nature to which the Transferor Company is a party or having effect immediately before the Effective Date, shall remain in full force and effect against and in favour of the Transferee Company and may be enforced fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party thereto.

3.13 The Transferee Company shall be entitled to use the labeling and marking materials for the goods manufactured and packaged which the Transferor Company is entitled to use pursuant to the packing laws and Weights & Measures Laws and other similar laws till such times such packaging materials, labels, wrappers, boxes carrying such labeling rights and disclosures and information in accordance with these laws are exhausted.

3.14 With effect from the Appointed Date in accordance with the CENVAT Credit Rules 2002 framed under the Central Excise Act, 1944 as are prevalent at the time of sanction of the Scheme, the CENVAT Credit lying unutilized in the Transferor Company, shall stand transferred to the Transferee Company as if the same were the CENVAT credit unutilized in the Transferee Company’s accounts. It is declared that the transfer of the
CENVAT Credit stands allowed as stock of inputs as such or in process, including capital goods are also transferred by the Transferor Company to the Transferee Company. The inputs or capital goods on which the credit has been availed of have been duly accounted for.

3.15 The Transferor Company is entitled to various benefits under incentive schemes and policies under various laws, regulations and notifications. Pursuant to this Scheme it is declared that the benefits under all of such schemes and policies shall be transferred to and vest in the Transferee Company and all benefits, entitlements and incentives of any nature whatsoever including sales tax concessions and incentives shall be claimed by the Transferee Company and these shall relate back to the Appointed Date as if the Transferee Company was originally entitled to all benefits under such incentive scheme and policies, subject to continued compliance by the Transferee Company of all the terms and conditions subject to which the benefits under the incentive schemes and policies were made available to the Transferee Company.

3.16 Since each of the permissions, approvals, consents, sanctions, remissions, special reservations, backward area sales tax remissions, holidays, incentives, concessions and other authorizations of the Transferor Company, shall stand transferred by the order of the Ministry of Company Affairs, Government of India to the Transferee Company, the Transferee Company shall file the relevant intimations, for the record of the statutory authorities who shall take them on file, pursuant to the vesting orders of the Ministry of Company Affairs, Government of India.
3.17 For the purpose of giving effect to the vesting order passed under Section 391 and 394 in respect of this Scheme, the Transferee Company shall at any time pursuant to the orders on this Scheme be entitled to get the recordable of the change in the legal right(s) upon the vesting of the Transferor Company in the Transferee Company, in accordance with the provisions of Section 391 and 394 of the Act.

3.18 With effect from the Appointed Date and up to and including the Effective Date:

(a) The Transferor Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Transferor Company respectively, for and on behalf of and in trust for the Transferee Company.

(b) All profits accruing to the Transferor Company and all taxes thereof or losses arising or incurred by it relating to the Transferor Company shall, for all purposes, be treated as the profits, taxes or losses as the case may be of the Transferee Company.

(c) The Transferor Company shall carry on their business activities with reasonable diligence and business prudence and shall not undertake any additional financial commitments of any nature whatsoever, borrow any amounts or incur any other liabilities or expenditure, issue any additional guarantees, indemnities, letters of comfort or commitment either for itself or on behalf of its subsidiaries or group companies or any third party, or sell, transfer, alienate, charge, mortgage or encumber or deal, save and except, in each case, in the following circumstances:
(i) if the same is in the ordinary course of business as carried on by it as on the date of filing this Scheme with the Ministry of Company Affairs, Government of India; or

(ii) if the same is expressly permitted by this Scheme; or

(iii) if written consent of the Transferee Company has been obtained.

B. Dissolution of the Transferor Company:

3.19 Upon the Scheme becoming effective, and from the Appointed Date, the Transferor Company shall stand dissolved without being wound up.

C. General Terms and Conditions:

3.20 The Transferor Company has declared and paid dividend on the equity shares of the Transferor Company for the year ending March 31st, 2006 on 15th September, 2006 to the then existing shareholders of the Transferor Company. The Transferee Company has declared and paid dividend on the equity shares of the Transferee Company for the year ending March 31st, 2006 on 28th September, 2006 to the then existing shareholders of the Transferee Company. Any dividend for the current year declared by the Transferee Company prior to the Effective Date of this Scheme shall be paid only to the equity shareholders of the Transferee Company, who are registered as members in the Register of Members of the Transferee Company on the record date determined by the Transferee Company in relation to the payment of such dividend. It is hereby clarified that the equity shareholders of the Transferor Company that become equity shareholders of the Transferee Company upon this Scheme becoming effective and with
effect from the Appointed Date, shall not be entitled to claim any such dividend declared by the Transferee Company.

3.21 Upon the coming into effect of this Scheme the resolutions, if any, of the Transferor Company, which are valid and subsisting on the Effective Date shall continue to be valid and subsisting and be considered as resolutions of the Transferee Company and if any such resolutions have upper monetary or other limits being imposed under the provisions of the Act, or any other applicable provisions, then the said limits shall be added and shall constitute the aggregate of the said limits in the Transferee Company.

PART IV

4. ISSUE OF SHARES AND MATTERS RELATING TO ACCOUNTS

4.1 The Transferee Company may, on the Effective Date, transfer all the shares of the Transferor Company held by it on such date (the “Trust Shares”) to an individual trustee or a board of trustees (including the survivors or survivor of any of the trustees comprising such board of trustees) or a corporate trustee (hereinafter referred to as the "Trustees"), to have and to hold the Trust Shares in trust together with all additions or accretions thereto upon trust exclusively for the benefit of Transferee Company and its successor subject to the powers, provisions, discretions, rights and agreements contained in the instrument (the "Trust Deed") establishing the aforesaid trust (the "Trust"). The constitution of the Trust, and the functions and powers of the Trustee shall be set forth in the Trust Deed. The obligations of the Trustees shall stand discharged and the Trust shall stand terminated in accordance with the provisions of the Trust Deed.
For the purpose of this clause, it is hereby clarified that the procedural requirements of the Act, including the passing of resolutions by the Board of Directors, need not be separately complied with/obtained and the required consents shall be deemed to have been given on the sanction of this Scheme.

4.2 Upon this Scheme coming into effect and upon vesting of the Transferor Company in the Transferee Company, the Transferee Company shall determine a record date ("Record Date") being a date post filing of the sanction order of the Scheme with the Registrar of Companies, Mumbai for ascertaining the eligibility of equity shareholders of Transferor Company to whom fully paid up equity shares of the face value of Rs. 10/- each, at par are to be issued and allotted by the Transferee Company in the following manner:

(a) The Transferee Company shall (without further application, act or deed) issue at par and allot to the shareholders of the Transferor Company, equity shares in the Transferee Company in the proportion of 4 (four) equity shares of Rs 10/- each in the Transferee Company credited as fully paid up for every 37 (thirty-seven) equity shares of Rs.10/- each held by them in the Transferor Company as on the Record Date.

(b) No equity shares shall be issued by the Transferee Company to any equity shareholder of the Transferor Company in respect of fractional entitlements, if any, of such equity shareholder, at the time of issue and allotment of equity shares by the Transferee Company. The board of directors of the Transferee Company shall instead consolidate all such fractional entitlements, ignoring any fraction remaining after such consolidation, and thereupon shall issue and allot equity shares in lieu thereof to a director or officer of the Transferee Company or such other
person as the board of directors of the Transferee Company shall appoint in this behalf who shall hold such equity shares in trust for all such equity shareholders of the Transferor Company who are entitled to such fractional balances, with the express understanding that such director, officer of the Transferee Company or such other person, who is allotted such consolidated shares, be bound by the express understanding to cause the sale of such shares by a committee of directors, acting in trust on behalf of the equity shareholders of the Transferor Company entitled to the fractional balances. Such sale of shares in the market shall be by the committee of directors at such time(s), at such price(s) and to such person(s) as the committee of directors may deem fit and the net sale proceeds thereof, deposited with the Transferee Company (i.e., after deduction there from of expenses incurred in connection with the sale), shall be distributed by the Transferee Company to the equity shareholders of the Transferor Company (as on the Record Date) in proportion to their respective fractional entitlements.

(c) The said equity shares in the Transferee Company to be issued to the shareholders of the Transferor Company shall rank pari passu in all respects, except in relation to any dividends declared by the Transferee Company in the manner stated in clause 3.20 above, to the existing equity shares of the Transferee Company from the Appointed Date. Such shares in the Transferee Company to be issued to the shareholders of the Transferor Company will, for all purposes, save as expressly provided otherwise, be deemed to have been held by each such member from the Appointed Date.

(d) All shareholders of the Transferor Company, whose names shall appear on the Register of Members of the Transferor Company on the Record Date, shall surrender their share certificates for cancellation thereof to the
Transferee Company. In default, upon the issue and allotment of new shares to the shareholder of the Transferor Company, whose names shall appear on the Register of Members of the Transferor Company on such date as aforesaid, the share certificates in relation to the shares held by them in the Transferor Company shall be deemed to have been cancelled. All certificates for the new shares shall be sent by the Transferee Company to the shareholders of the Transferor Company at their respective registered addresses as appearing in the Register of Members (or in the case of joint holders to the address of that joint holder whose name stands first in such Register in respect of such joint holding) and the Transferee Company shall not be responsible for any loss in transmission.

(e) All equity shareholders of the Transferor Company holding their equity shares in the Transferor Company in dematerialized form, as on the Record Date, shall be issued fresh equity Shares in the Transferee Company in dematerialized form.

(f) On the approval of the Scheme by the members of the Transferee Company pursuant to section 391 of the Act, it shall be deemed that the said members have also accorded their consent under Section 81 (1A) of the Act or other provisions of the Act as may be applicable.

4.3 In so far as the issue of shares of the Transferee Company to the shareholders of the Transferor Company pursuant to Clause 4.2 is concerned, each shareholder of the Transferor Company shall have the option, to be exercised by way of giving a notice to Transferee Company, on or before such date as may be determined by the Board of Directors of the Transferee Company, to receive the shares either in certificate form or in
dematerialized form. In the event that such notice has not been received by Transferee Company in respect of any shareholder of the Transferor Company by the specified date, the shares shall be issued to such members in certificate form. In respect of those shareholders of the Transferor Company exercising the option to receive the shares in dematerialized form, such members shall have opened and maintained an account with a depository participant, and shall provide such other confirmation, information and details as may be required, to the Transferee Company.

4.4 The new equity shares of the Transferee Company issued in terms of the Scheme shall, subject to applicable regulations, be listed/admitted to trading on the relevant stock exchange(s) where the equity shares of the Transferee Company are listed/admitted to trading.

4.5 The exchange ratio stated in Clause 4.2(a) herein, has been determined by the Board of Directors of the Transferee Company and the Transferor Company based on their independent judgment and on the independent valuation.

4.6 Accounting Treatment on the Scheme becoming effective, the Transferee Company shall account for the merger in its books as specified hereunder:

(i) All the assets and liabilities recorded in the books of the Transferor Company shall stand transferred to and vested in the Transferee Company pursuant to the Scheme and shall be recorded by the Transferee Company at their respective book values as appearing in the books of the Transferor Company;

(ii) On and from the Appointed Date, and subject to any corrections and adjustments as may, in the opinion of the Board of Directors of the
Transferee Company, be required the reserves, both capital and revenue, of the Transferor Company, will be merged with those of the Transferee Company, in the same form as they appear in the financial statements of the Transferor Company.

(iii) After the reserves of the Transferor Company are merged with the respective balances of the Transferee Company as aforesaid, the Board of Directors of the Transferee Company may adjust from such of the merged reserves of the Transferee Company, whether capital or revenue, including share premium, as it deems fit:

a. Cost of investments of the Transferee Company in the equity share capital of the Transferor Company, which is settled on the Trust in pursuance of Clause 4.1 of the Scheme;

b. the difference, if any, between the amount of share capital of the Transferor Company and the amount recorded as fresh share capital issued by the Transferee Company on amalgamation.

(iv) In case of any difference in accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the amalgamation will be quantified and adjusted in the reserves of the Transferee Company to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.
PART V

GENERAL TERMS AND CONDITIONS

(5.1) The revised accounts of the Transferee Company, as on the Appointed Date, shall be reconstructed in accordance with the terms of the Scheme.

(5.2) The Transferee Company is expressly permitted to revise its Income Tax returns and related TDS certificates and the right to claim refund, advance tax credits etc. upon this Scheme becoming effective and have expressly reserved the right to make such revisions in the Income Tax returns and related TDS certificates and the right to claim refund, advance tax credits etc. pursuant to the sanction of this Scheme.

(5.3) With effect from the Appointed Date and upon the Scheme becoming effective, the unabsorbed depreciation and losses of the Transferor Company shall be treated as the unabsorbed depreciation and losses of the Transferee Company as on the Appointed Date and the Transferee Company shall be entitled to carry forward the losses and unabsorbed depreciation of the Transferor Company.

(5.4) It is clarified that all taxes payable by the Transferor Company from the Appointed Date onwards, including all or any refunds and claims shall, for all purposes, be treated as the tax liabilities or refunds and claims of the Transferee Company. Accordingly, upon the Scheme becoming effective, with effect from the Appointed Date, the Transferee Company, if required, is expressly permitted to revise its sales tax returns, excise, CENVAT returns and other tax returns, and to claim refunds and / or credits, pursuant to the provisions of this Scheme.
(5.5) Upon the Scheme becoming effective, the Transferee Company, if required, is also expressly permitted to revise its income-tax returns, and to claim the advance tax, withholding tax credits, and such 'other relevant credits of the Transferor Company, pursuant to the provisions of this Scheme.

(5.6) The Transferee Company and the Transferor Company shall make necessary applications before the Ministry of Company Affairs, Government of India for sanction of this Scheme and any disputes arising out of this agreement shall be subject to the jurisdiction of the Ministry of Company Affairs, Government of India only.

(5.7) All costs, charges, taxes, including duties, levies and fees and all other expenses, if any, arising out of or incurred in carrying out and implementing the terms and conditions or provisions of this Scheme and incidental to the completion of the amalgamation in pursuance of this Scheme, shall be borne by the Transferee Company.

(5.8) The Transferee Company and the Transferor Company, through its directors or authorized persons, may in their full and absolute discretion, assent to any alteration or modification to which the Ministry of Company Affairs, Government of India and / or any other Authority may deem fit to approve or impose and may consider necessary to settle any question or difficulty arising under the Scheme or in regard to its implementation or in any matter connected therewith. The Transferee Company and the Transferor Company, through its directors or authorized persons, may also in their full and absolute discretion, withdraw or abandon this Scheme at any stage of the proceedings.
(5.9) **The Scheme is conditional and is subject to-a.** All necessary certified copies of the orders of the Ministry of Company Affairs, Government of India referred to in this Scheme being filed with the Registrar of Companies, Mumbai, Maharashtra and Registrar of Companies, Guwahati, Assam.

b. The Scheme being agreed to by the respective requisite majorities of the members (either by way of a meeting or a letter of consent from the shareholders) (on behalf of the Transferor Company and the Transferee Company) and the creditors of the Transferor Company and the Transferee Company (except where exempted by the Ministry of Company Affairs, Government of India) under Section 391 of the Act:

c. Any other sanction or approval of any statutory or regulatory authorities, as may be considered necessary by the board of directors of the Transferor Company or the Transferee Company, being obtained.

The last of the date on which any of the above three events occur shall be the Effective Date.

5.10 In the event of this Scheme failing to take effect finally, this Scheme shall become null and void and in that case, no rights and liabilities whatsoever shall accrue to or be incurred inter-se by the parties or their shareholders or creditors or employees or any other person.

5.11 No stamp duty is payable on the amalgamation contemplated herein as no stamp duty is payable on an order of the Ministry of Company Affairs, Government of India, sanctioning a scheme of amalgamation.

(Updated on February 04, 2008)
REFERENCES-

1. Annual reports


