PART XXV

OFFICE OR PLACE OF PROFIT

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Important Provisions at a Glance

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1. Definition

As per section 314(3), a director is said to be holding 'Office or Place of Profit' in a company, if he obtains from the company in addition to the remuneration to which he is entitled as a director any salary, fees, commission or any other perquisites while holding the office of a director.

An individual other than a director or any firm, private company or body corporate is said to be holding office or place of profit in a company, if they obtain from the company, by way of remuneration, any salary, fees, commission or any other perquisites while holding the office or place of profit in the company.

2. Applicability

Section 314 is applicable to both public and private companies.

3. Office or Place of Profit held by director in the company

As per section 314 certain persons cannot be appointed or allow to hold an office or place of profit in the company unless, they comply with the requirement of the provisions of this section. If any person is proposed to hold such office or place of profit in the company then company has to take consent of the shareholders by passing special resolution in the general meeting of the company.

No such consent is required, if a director receiving remuneration by holding such office or place in subsidiary of the company returned such remuneration to the subsidiary or its holding company.

4. Scope of the term 'Office or Place of Profit' in a company

The section 314 regulates all such kinds of office or place of profit where any of the persons mentioned therein is required to perform functions on behalf of a company under the control, direction and supervision of the company. In general, there should be employer-employee relationship or that of principal-agent. The person appointed to the office should be required to render duties, services and functions under the instructions of the company concerned. Accordingly, just because some remuneration like fees or other sums are received from the company, will not make such transactions fall under the prohibition under the section.

The words 'office or place of profit' occurring in section 314(1) include selling and buying agents receiving commission and/or salary. [*CIT* v *Principal Officer C/o Arkay Wires* (*P*.) *Ltd.* (2005) 58 SCL 97 (All.)].

The DCA has given clarification *vide* Circular No. 14 of 1975, dated 5-6-1975 to clarify various doubts on the scope of the provisions of section 314(1B) of Companies Act, 1956, as under:—

> Section 314 of the Companies Act, 1956, applies to public as well as private companies. Sub-section (1) of this section provides that no director of the company and no partner or relative of such director shall hold any office or place of profit, except, that of managing director or manager, banker or trustee for the holders of debentures of the company, carrying a total monthly remuneration of Rs. 500 or more, under the company unless a special resolution according the consent of the company is passed at the general meeting of the company held for the first time after the holding of such office or place of profit. The new sub-section (1B) says that notwithstanding anything contained in the aforesaid sub-section (1), no such office or place of profit carrying a monthly remuneration of not less than Rs. 3,000 shall be held except with the prior consent of the company by a special resolution and the approval of the Central Government. The proviso to the sub-section (1B) provides that in the case of an appointment to such office of profit having been made prior to the coming into force of the Companies (Amendment) Act, 1974, the approval of the company in general meeting and of the Central Government for holding by such person of the office of profit shall be obtained within a period of six months from the commencement of the Companies (Amendment) Act, 1974.
>
> A question has been raised whether a special resolution under section 314(1B) is necessary for the appointment of managerial persons who may be relatives of directors and whose appointments are already regulated by section 269, etc. of the Act. This query arises with reference to public companies to which the said section 269 applies and, strictly, will have to be answered in the affirmative. But in the interests of administrative convenience, it has been decided that the approval of the Central Government once again, under section 314(1B) will not be necessary in the cases where the Central Government's approval has already been taken under sections 198, 269, 309, 310 and 311, as the case

may be. Irrespective of the question of Central Government's approval, the special resolution required under section 314(1B) will have to be passed whether by a public company or a private company.

Further, consistently with the reference to the special resolution in the main part of sub-section (1B) it is necessary to understand the reference in the proviso of the sub-section to the approval of the company in general meeting as meaning the approval by a special resolution of such meeting. But in a case where the special resolution was passed in terms of sub-section (1), it will not be necessary to have another resolution, ordinary or special once again and only the approval of the Central Government in terms of the proviso to sub-section (1B) will be necessary.

Another question raised is whether approval of the general meeting and of the Central Government is necessary for an employee drawing salary exceeding Rs. 3,000 per month who is a relative of an existing director but the appointment of such employee was made before his relative became a director *i.e.* whether the exemption under section 314(1A) ensures under section 314(1B) as well. It is considered that sub-section (1) and sub-section (1A) should be read together before applying sub-section (1B) and inasmuch as there is nothing in sub-suction (1B) to affect the operation of the principle underlying sub-section (1A), the exemption under sub-section (1A), continues to apply even with reference to a case concurrently falling under sub-section (1B).

In the case of a private company (not governed by section 269, etc. of the Companies Act, 1956) a question has arisen whether the appointment of a person as a managing director who is related to a director of the company will attract the provisions of section 314(1B) where the remuneration payable to such managing director is in excess of the limit envisaged in sub-section (1B). This question is answered in the affirmative. The circumstances that for the purpose of sub-section (1), which deals with appointments to an office of profit carrying less than a total monthly remuneration of Rs. 500 or more (*i.e.* up to Rs. 3,000), an exception is made in respect of an appointment of managing director or manager is not considered relevant because sub-section (1B) expressly overrides sub-section (1) and call for the exercise of a greater vigilance against the likelihood of the abuse of patronage in a case where the remuneration proposed is of the order of Rs. 3,000 per month and more.

A question has also been raised whether provisions of section 314(1B) are applicable where a company proposes to appoint a firm of solicitors and advocates, etc. to help the company in its work. It is considered that an advocate or solicitor appears in a court of law as an officer of the court in pleading the cause of justice and hence, such appearance and receiving fees of that account cannot lead to an inference of an offence or place of profit in or under the company under section 314 of the Act. However, if such a solicitor/advocate, etc. is appointed on a regular retainer basis from rendering legal advice other than appearance in courts, the provisions of section 314 will be applicable.

A question has also been raised whether provisions of section 314(1B) will be applicable to selling arrangements entered into by the company with a partner or relative of directors or with private companies of which such a partner or relative is a director or member. It is considered that these arrangements represent contracts, which fall under section 297 and so far as selling arrangements are concerned they may also attract section 294AA if the conditions for its operation are attracted; but section 314(1B) is not attracted.

Few cases of appointment of relatives of directors as statutory auditors of the company managed by such directors have come to the notice of the Department. It is conceded that there is no legal bar to such appointments so long as the provisions of section 314 and those relating to appointment of auditor are complied with the appointments are to be regarded as legally valid. It is, however, felt that it would be in the large interests of the profession, if the auditors were to avoid any conflict between their duties as statutory auditors of companies and their personal interest in the management of such companies. As a matter of general principle, a Chartered Accountant, who was a near relation of a director of a company or a partner of a firm in which such director is a partner, should refrain from accepting the appointment of auditor of the company. As regards other categories or relatives of directors, a healthy convention should be established by such persons should not audit or sign the balance sheets of companies managed by their relatives or associates, even though the firms of which they were partners happened to be the auditors of these companies. [*Source*: Seventh Annual Report on the Working and Administration of the Companies Act, 1956—Year ended 31 March, 1963.]

5. Circumstances under which a special resolution is required to be passed

As per section 314(1) certain persons as given below cannot hold office or place of profit carrying the remuneration of Rs. 10,000 p.m. or more in the company, unless a special resolution to that effect has been passed in the general meeting of the company:—

1. Any partner of the firm in which director of the company is also a partner;
2. Any relative of a director of the company;
3. Any firm in which a director or his relatives or both are partner;
4. Any private company in which director of the company is holding office of director or member;
5. Any director/manager of a private company in which director of the company is holding office of director or member.

For computing the limit of Rs. 10,000 per month, bonus, leave encashment, reimbursement of medical expenses, etc., which are not events of monthly regularity or occurrence cannot be taken into account.

Where relative of any director or any of the person mentioned above is or appointed to an office or place of profit without the knowledge of director of the company, such appointment shall require the approval of the members in the general meeting by way of special resolution within 3 months of the date of appointment. (See Appendix 1 for specimen of resolutions)

6. Consent of members may be taken subsequently

The appointment of such person under section 314 may be made by the Board at its meeting and may take consent of the company by passing special resolution in a general meeting held for the first time after the said appointment. However, if the remuneration is more than Rs. 50,000 p.m. (Limit raised from Rs. 20,000 by the Director's Relatives (Office or Place of Profit) Rules, 2003 notified on 5-2-2003) (Appendix 2) prior approval of members by way of special resolution and the Central Government is required.

7. Increase in the remuneration of a person appointed in the Office or Place of Profit

If the remuneration of a person appointed in the office or place of profit needs to be increased than the approval of the members of the company by passing special resolution in the general meeting is to be taken, for each time the remuneration is so increased. However, if the appointment is made under time scale in the first instance, there will be no need for further approval of members.

Relative of director or firm in which such relative is a partner, appointed to office or place of profit before a person hold the office of director in a company.

As per section 314(1A) if a relative of a director or firm in which such relative is partner is appointed to office or place of profit in a company before the appointment of such person as a director in the company, it will not effect the continuance of the holding of an office or place of profit by a relative of such director or by a firm in which such a relative is a partner.

8. Circumstances u/s 314(1) under which special resolution is not applicable

Under the following circumstances, the special resolution shall not be required for appointment of a person on the office or place of profit:—

1. If the monthly remuneration is less than Rs. 10,000 p.m.;
2. If the office or place of profit held by such person(s) in the capacity of managing director/whole-time director/manager/banker/debentureholder trustee;
3. If relative of director has been appointed before becoming director in the company;
4. If director of subsidiary company hold office or place of profit in holding company;

5. If such person is rendering professional advice to the company including director who is consulted or who gives his professional advice to the company occasionally and receive remuneration for such service;
6. If a company purchases or sell materials from or to a director of the company or any of the persons mentioned above to which section 297 will apply. Any person appointed to an office of agent for the sale of the output of the company will be deemed to be holding an office or place of profit under section 314(1).

9. Circumstances under which section 314(1B) is applicable and consent of Central Government is required

As per section 314(1B) certain persons as given below cannot hold office or place of profit carrying the remuneration of Rs. 50,000 p.m. or more in the company, unless special resolution (*See* Appendix 3) to that effect has been passed in the general meeting of the company and prior approval of the Central Government has been obtained:—

1. any partner of the firm in which director of the company is also a partner;
2. any relative of a director of the company;
3. any firm in which a director or his relative or both are partner;
4. any private company in which director of the company is holding office of director or member;
5. any director/manager of a private company in which director of the company is holding office of director or member.

Provision of section 314(1B) shall not apply to any appointment of firm of solicitors/advocates, if they are appointed to give advise and are consulted by the company in its work on case to case basis. Therefore, any remuneration or fee received by a professional director as advocates/solicitors for appearing in a Court of Law or Company Law Board/Tribunal in pleading on behalf of the company will not come under the provisions of the section as mentioned above.

10. Does the appointment of director to the office of secretary also or *vice versa* require the approval of the Central Government?

The Department has instructed that any appointment of director of the company as also its secretary, without any managerial power or *vice versa* shall not require approval of the Central Government. However, special resolution under section 314(1) to that effect is need to be passed if remuneration is in excess of Rs. 10,000 p.m.

11. Procedure to be followed for appointment of a person on office or place of profit, requiring approval of the Central Government

If a company appoint a director or concerned persons on office or place of profit on a total monthly remuneration of Rs. 50,000 or more, it has to obtain consent of the members of the company by way of special resolution in the general meeting and with the prior approval of the Central Government for the first time after the holding of such office. The following procedure has to be complied with:—

1. Hold a Board meeting, considering appointment under section 314 and approve notice for convening general meeting for passing special resolution by the members. Explanatory statement furnishing full particulars thereof has to be sent to the members with the notice of the meeting;
2. Obtain approval of selection committee for appointment of relative to office or place of profit before getting approval of members in general meeting;
3. Hold a general meeting and pass a special resolution for getting approval to the appointment under section 314(1) or (1B);
4. Particulars of such appointment shall be filed electronically with the Registrar of Companies in the e-Form 23 alongwith the copy of such resolution and prescribed fees within thirty days of the passing of special resolution;

5. Prepare and file an application electronically to the Central Government for its approval in the e-Form 24B alongwith prescribed fee; (Appendix 4)
6. The Central Government may vary the terms and conditions of appointment while according its approval. On obtaining approval from the Central Government, the Company should enter into a contract with the concerned person.

12. Documents and particulars to be furnished in the application to the Central Government

The following information shall be given in the application:—

(*i*) An undertaking from the appointee that he/she will be in the exclusive employment of the company and will not hold a place of profit in any other company.

(*ii*) The monetary value of all allowances and perquisites and of total remuneration package (monthly/annually) proposed to be paid to the appointee and details of the services that will be rendered by him to the company.

(*iii*) Shareholding pattern particularly the shareholding of the directors along with his/her/their relatives, the public holding, institutional holding (each institution separately).

(*iv*) The educational qualification/experience, pay scale, allowances and other benefits of similarly placed executives. In case of the appointment of a relative, then, an undertaking from the director/Company Secretary of the company that the similarly placed employees are getting the comparable salary shall also be enclosed along with the application.

(*v*) List/Particulars of all the employees who are in receipt of remuneration of Rs. 50,000 or more per month.

(*vi*) The total number of relatives of all the directors either appointed as Managing/Whole-time director, Manager or in any other position in the company; the total remuneration paid to each relative and the total remuneration paid to them altogether as a percentage of profits as calculated for the purpose of section 198 of the Companies Act, 1956.

(*vii*) The selection and appointment of a relative of a director for holding office or place of profit in the company shall be approved by adopting the same procedure applicable to non-relatives. However, in the case of public companies, the selection of a relative of director for holding place of office or profit in the company shall have to be also approved by a Selection Committee.

13. Declaration to be made by a person who is appointed to an office or place of profit

When a person is proposed to be appointed to an office or place of profit, he is required to file a declaration in writing of his connection, if any, with the director of the company as prescribed in section 314(1)/(1B). No declaration need to be filed if the person so appointed is connected to the manager in the company.

14. Particulars relating to the remuneration to be furnished in the application to be filed with the Central Government

The Department has advised all companies *vide* its Letter No. 1/12/CL.IX/88, dated 21-4-1988 to furnish all the particulars, in the application made to the Central Government, regarding the nature and quantum of perquisites decided in the special resolution passed under section 314(1B) by the company. The text of the above-mentioned letter is given below:

> "I am directed to say that under the provisions of section 314(1A) of the Companies Act, 1956, the Central Government's approval is *inter alia* required to be obtained in cases where relatives of directors, etc. are appointed in a company in an office or place of profit which carries monthly remuneration of not less than Rs. 3,000 (now raised to Rs. 20,000). While scrutinising applications seeking such approvals, it has been noticed that perquisites proposed to be granted to such employees are not clearly spelt out in the special resolution approving the appointments of the concerned person and in the applications made to the Central Government. This entails needless correspondence with the

applicant companies causing avoidable delay in the processing of applications. In order to avoid this, it is suggested that the companies should clearly spell out in the special resolution passed in pursuance of section 314(1B), the nature and quantum of perquisites proposed to be allowed. It is needless to add that the nature and quantum of perquisites to be allowed in the case of a relative of a director should be of the same kind and at the same rate as allowed to other employee of equivalent grade in the company. Scrutiny of applications sent under section 314(1B) would be facilitated if evidence such as copies of rules framed by the company or auditors' certificates, etc. are furnished alongwith the applications to show that the benefits proposed to be allowed to the appointees are also applicable to other employees of equivalent grade of the company."

15. Consequences on non-complying with the provisions of section 314

If any office or place of profit is held by certain persons which is not as per the provisions of the section mentioned above then any appointment made under contravention of the section will be held invalid from the date next following the date of holding the general meeting in which the special resolution is passed or from the date of expiry of three months referred to in the second proviso thereunder. Any remuneration received by such persons who were holding the office or place of profit as such shall pay back the remuneration received by them from the company.

As the proviso under sub-section (1B) has been deleted w.e.f. 15-6-1988 the automatic ceasing of office referred to in sub-section 2(C) has been taken to be effective from the date of appointment. The company is not under an obligation to waive the refund of any amount unless the Central Government, on application, waives such refund.

Appendix 1

Specimen of Special resolutions for appointment u/s 314(1)

I. For appointing a firm of Chartered Accountants as Consultants of which a director of the company is a partner

RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 the company hereby consents to the firm of *M/s* .... *& Co*, Chartered Accountants, ... a firm in which *Shri* ...., a Director of the company, is a partner continuing to hold office as Consultants and Advisers on taxation, finance, company law and such other matters upon the following terms and conditions:—

(*i*) That the said firm will continue to attend to such matters as may be assigned to it by the company from time to time.

(*ii*) That the company shall pay to the said firm the remuneration not exceeding Rs. 60,000 per annum exclusive of all out of pocket expenses in respect of the financial year ....onwards.

(*iii*) This arrangement shall be in force for a period of 5 years from .... subject to termination by either party by one month's notice in writing to the other of them.

RESOLVED FURTHER THAT the company in General Meeting also consents to the said firm holding such office or place of profit in the subsidiary company, ... *Ltd*, on the increased remuneration not exceeding Rs. .... per annum for a period of 5 years from the financial year ....

Explanatory Statement

M/s ……….. in which Shri ….., a Director of the Company is a partner, one of the reputed consultants and advisers on Taxation, Finance, Company Law and other allied matters. The resolution will enable the Company to engage the services of the said firm for the solution of specific problems pertaining to the aforesaid matters as and when they arise. The proposed special resolution is intended to obtain the approval of the Company under section 314 of the Companies Act, 1956, in respect of the said firm holding or continuing to hold office or profit under the Company.

The directors recommend the special resolution for your approval.

II. For appointment of a firm of Chartered Accountants (of which a director is the proprietor) as Internal Auditors

RESOLVED THAT subject to the consent of Central Government, the Company do hereby accord its approval and consent under section 314 and/or other applicable provisions, if any, of the Companies Act, 1956 to the appointment of M/s. .... & Company, Chartered Accountants, a firm of which Shri........, a director of the Company is a Sole Proprietor, as one of the Internal Auditors of the Company and on payment of remuneration and/or charges payable by the Company to them, as such Internal Auditors for Internal Auditing and other certification work as may be entrusted to them from time to time to be done by them for a period of 5 years commencing from the year .... and onward on a remuneration and/or charges to be charged by M/s. .... & Co., Chartered Accountants, subject to the condition that the total remuneration and/or charges payable to them by the Company for such Internal Audit and other Certification work shall not in any financial year of the Company exceed Rs. .... (Rupees .... only) *plus* reimbursement of actual out of pocket expenses.

Explanatory Statement

The Special Resolution relates to reappointment of M/s. .... & Co. as internal auditors of the Company. The Company had approved the appointment of M/s. .... & Co. in their Annual General Meeting held on ...... for a period of 5 years commencing from the year .... on the terms and conditions as stipulated in the said resolution and the explanatory statement thereto. The said appointment was subject to the approval of the Central Government in view of the fact that Shri ...., a Director of the Company, was the proprietor of M/s. ..... & Co. The Central Government in its letter dated ...... had approved the said appointment for a period of 5 years.

The appointment of M/s. .... & Co. as one of the Internal Auditors of the Company expires at the end of the financial year, ... It would be advisable and in the interest of the Company if M/s. ...... & Co. of which Shri ...., a Director of the Company, is the proprietor, are continued as one of the Internal Auditors of the Company for a further period of 5 years, subject to the approval of the Central Government in this behalf. Shri ..... being Director of the Company and also proprietor in M/s. ...... & Co., the Company would require prior approval of the Central Government for entrusting him the said assignment of one of the Internal Auditors of the Company in accordance with the provisions of section 297 and also section 314 of the Companies Act, 1956. In view of the facts stated above and also as stated in the resolution, the special resolution is being placed for your approval. None of the Directors, except Shri ..... to the extent of remuneration payable to him, is concerned or interested in the said resolution.

The letter and relevant correspondence as referred above is open for inspection at the registered office of the Company during business hours on any working day.

III. For appointment of relative of managing director u/s 314(1)(*b*)

RESOLVED THAT pursuant to the provisions of section 314(1)(*b*) and other applicable provisions if any of the Companies Act, 1956, consent of the Company be and is hereby accorded to appoint Mr. BG as Marketing Manager - Aerospace at ABC Ltd., with effect from 1st August, 2006 on remuneration and terms mentioned below:

(*a*) Remuneration shall not exceed Rs. 6,00,000 Per Annum.

(*b*) During his tenure, he will be governed by the Rules and Regulations of the Company as may be applicable to the employees of the Company from time to time including change in designation and responsibilities.

(*c*) The revision of remuneration will be effective only after obtaining all necessary approvals in this regard.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard.

Explanatory Statement

Mr. BG, S/o. Mr. BV, Chairman & Managing Director is working as Business Development Manager - Engineering Services and Embedded Systems, w.e.f 1st November, 2001, at ABC Ltd., UK, a Wholly Owned Subsidiary of the Company. Mr.BG is a graduate in Electrical Engineering from Purdue University, USA.

Earlier he worked with M/s. XYZ Corporation, USA from August 1998 to July 2001 as Product Marketing Engineer.

It is now proposed to appoint Mr. BG at ABC Ltd as Marketing Manager - Aerospace, as the experience and knowledge of Mr. BG would be more useful for the Company.

As per the Provisions of section 314(1)(*b*) of the Companies Act, 1956 the appointment of a Relative of a Director drawing a monthly remuneration of Rs. 10,000 (Rupees Ten Thousand only) or more shall not be made except with the approval of shareholders by a special resolution passed at the General Meeting of the Company.

Your Directors commend the resolution for your approval.

Except Mr. BV none of the other Directors of your Company is concerned or interested in this resolution.

Appendix 2

Director's Relatives (Office or Place of Profit) Rules, 2003[1]

1. Short title and commencement.—(1) These rules may be called Director's Relatives (Office or Place of Profit) Rules, 2003.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Applicability.—These rules shall apply to all companies registered under the Companies Act, 1956 except as provided in these rules.

3. Approval of the Central Government in case of appointment of relatives etc. of directors.—No appointment for an office or place of profit in a company shall take effect unless approved by the Central Government on an application, in respect of—

(*a*) Partner or relative of a director or manager; or

(*b*) Firm in which such director or manager, or relative of either is a partner; or

(*c*) Private company of which such director or manager or relative of either is a director or member, which carries a monthly remuneration exceeding Rs. 50,000 p.m.

4. Procedure of examination of applications.—The application under rule 3 shall be examined with respect to the following, in addition to all other requirements under the Companies Act, 1956: —

(1) An undertaking from the appointee that he/she will be in the exclusive employment of the company and will not hold a place of profit in any other company.

(2) The monetary value of all allowances and perquisites and of total remuneration package (monthly/ annually) proposed to be paid to the appointee and details of the services that will be rendered by him to the company.

(3) Shareholding pattern particularly the shareholding of the directors along with his/her/their relatives, the public holding, institutional holding (each institution separately).

1 Notification No. GSR 89(E), dated 5th February, 2003.

(4) The educational qualification/experience, pay scale, allowances and other benefits of similarly placed executives. In case of the appointment of a relative, then, an undertaking from the director/Company Secretary of the company that the similarly placed employees are getting the comparable salary shall also be enclosed along with the application.

(5) List/Particulars of the employees who are in receipt of remuneration of Rs. 50,000 or more per month.

(6) The total number of relatives of all the directors either appointed as Managing/Whole time director, Manager or in any other position in the company; the total remuneration paid to each relative and the total remuneration paid to them altogether as a percentage of profits as calculated for the purpose of section 198 of the Companies Act, 1956.

(7) The selection and appointment of a relative of a director for holding office or place of profit in the company shall be approved by adopting the same procedure applicable to non-relatives. However, in the case of public companies, the selection of a relative of director for holding place of office or profit in the company shall have also to be approved by a Selection Committee.

Explanation.—For the purposes of sub-rule (7) of rule 4, the expression "Selection Committee" means a committee, the majority of which shall consist of independent directors and an expert in the respective field from outside the company.

Appendix 3

Specimen of appointment of relative of managing director u/s 314(1B)

RESOLVED THAT pursuant to the provisions of Sections 314(1), 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to Mr. BJ, a relative of Mr. AJ, Chairman and Managing Director of the Company, to hold an office or place of profit as the Financial Controller (US Operations) of the Company for a period of three years commencing from 1st April 2007 or from such date as the Central Government may approve, on the following terms and conditions:

(1) Salary: US$ 12,100 per month, with a provision for increase in salary of not more than 25% per annum over the previous year.

(2) Annual bonus: not exceeding US$ 20,000.

(3) Perquisites and Allowances:

(*a*) Medical and accident insurance premium as per company rules.

(*b*) Provision of car on lease.

(*c*) Leave in accordance with the leave rules of the Company from time to time.

Profile of Mr. BJ

Name: Mr. BJ

Father's Name: Mr. MJ

Date of Birth: 27th February 1956

Explanatory Statement

Mr. BJ is an MBA from Pace University, New York. Mr. BJ was employed at Jefferson Screw and Bolt Industries Inc, New Jersey as an Asst. Controller from 1978-83 and thereafter at M/s M Eagles Tool Warehouse Inc, New Jersey as an Asst. Controller from 1983. He joined Polaris Software Lab Ltd, Iselin, New Jersey in June 2001 as Financial Controller and was made responsible for the complete supervision of Accounts & Finance of US Operations of the Company. Since he is relative of Mr. AJ, Chairman and Managing Director of the Company and his remuneration was exceeding the limits prescribed under

Section 314(1B) of the Companies Act, prior approval of the shareholders at their AGM held on 16th June 2001 and also the approval of the Central Government vide its letter No.XXXX/2001-CL. VII dated 14.11.2002 were obtained by the Company for his appointment upto 31.3.2004. Thereafter, he was re-appointed in the same position for a further period of 3 years commencing from 1.4.2004 and ending on 31.3.2007, and prior approval of the shareholders at their EGM held on 12th March 2004 and also approval of the Central Government vide its letter no. XXXX/2004-CL-VII dated 13.08.2004 were obtained by the Company.

The business of Polaris in the United States has been growing over the years. This growth would need to be supported by efficient controls and processes. Mr. BJ with his vast experience has developed good understanding of the business of the Company and set in place processes and systems for the business of the Company in that region. His scope of work would cover complete control over the financial transactions of the Company in the US, banking, treasury, accounting, MIS, tax and legal compliance. In addition, he would also be in charge of operations on the back office support for sales and marketing. In the light of explanations and justifications given above, it is proposed to re-appoint Mr. BJ as the Financial Controller for its US Operations for period of 3 years commencing from 01.04.2007. The remuneration proposed to be paid to Mr. BJ is commensurate with his experience and is in line with industry standards prevalent in the United State of America. The Board recommends this resolution.

In view of the applicability of the provisions of Section 314 of the Companies Act, 1956, the resolution is required to be passed as a Special Resolution and Mr. BJ's reappointment shall be subject to approval of the Central Government which shall take effect from such date as may be approved by the Central Government in this regard.

The resolution is required to be passed as a Special Resolution and none of the Directors except Mr. AJ, Chairman & Managing Director who is a relative of Mr. BJ, is interested in this resolution.

Appendix 4

Specimen of e-Form 24B

Form of application to the Central Government for obtaining prior consent for holding of any office or place of profit in the company by certain persons

[Pursuant to section 314(1B) of the Companies Act, 1956]

Note.—All fields marked in * are to be mandatorily filled.

PART A

Particulars of company

1. (*a*)*Corporate identity number (CIN) of company	XXXXXXXXXXXXX
(*b*) Global location number (GLN) of company	
2. (*a*) Name of the company	GCL
(*b*) Address of the registered office of the company	1234, M.G. Road, Indore (M.P.) 452001

PART B

The proposal for which the Central Government's approval is sought

3. (*a*) *Proposal for which Central Government's approval is sought

For appointment of Shri GS as the Chief Financial Officer of the Company, who is a relative of Shri HSS, one of the directors of the company.

(*b*) *Period of appointment From 01/06/2006 (DD/MM/YYYY)
To 31/05/2011 (DD/MM/YYYY)

(*c*) (*i*) *Remuneration per month/per annum ○ Per month ☑ Per annum

(*ii*)	Salary (in Rs.)	5,40,000
(*iii*)	Commission (in Rs.)	
(*iv*)	Perquisites (in Rs.)	5,05,800
(*v*)	Others (in Rs.)	
(*iv*)	Total cost to the company (in Rs.)	10,45,800

4. Name(s) of the directors or managing directors or whole-time directors to whom the proposed appointee is related and the nature of relationship

4.1

(*a*)	*Name	Shri HSS
(*b*)	*Designation	Managing Director
(*c*)	**Inter-se* relationship	Son

4.2

(*a*)	*Name	
(*b*)	*Designation	
(*c*)	**Inter-se* relationship	

5. *Appointee is ☑ Individual ○ Company ○ Partnership

(*a*) (*i*)	CIN of company	
(*ii*)	GLN of company	
(*iii*)	*Name	GS
(*b*)	*Designation	CHIEF FINANCIAL OFFICER
(*c*)	Father's name	SHRI HSS
(*d*)	Nationality	INDIAN
(*e*)	Date of birth (DD/MM/YYYY)	12/12/1978 (DD/MM/YYYY)
(*f*)	Qualification	CHARTERED ACCOUNTANT
(*g*)	Experience	7 YEARS
(*h*)	Remuneration drawn during last three years	
(*i*)	Name of organisation	ABC BANK LTD.
	Designation	MANAGER
	Date From 01/04/2003 (DD/MM/YYYY) To	31/03/2004 (DD/M M/YYYY)
	Total cost to the company (in Rs.)	7,20,000
(*ii*)	Name of organisation	ABC BANK LTD.
	Designation	MANAGER
	Date From 01/04/2004 (DD/MM/YYYY) To	31/03/2005 (DD/M M/YYYY)
	Total cost to the company (in Rs.)	7,20,000
(*iii*)	Name of organisation	XYZ LTD.

Designation: SR. MANAGER

Date From 01/04/2005 (DD/MM/YYYY) To 31/03/2006 (DD/M M/YYYY)

Total cost to the company (in Rs.): 8,40,000

6. Statement of similarly placed employees or executives with details of their educational qualification or experience, pay scale, allowances and other benefits proposed

*Whether any similarly placed employee or executive exists in the company

(✓) Yes ( ) No

If yes, provide the details

6.1 (*a*) Name of employee: GSM

(*b*) Designation and/or nature of employment: VICE PRESIDENT

(*c*) Date of birth: 01/04/1956 (DD/MM/YYYY)

(*d*) Qualification: CHARTERED ACCOUNTANT

(*e*) Experience: 20 YEARS

(*f*) Remuneration

(*i*) Salary (in Rs.): 8,00,000

(*ii*) Commission (in Rs.):

(*iii*) Perquisites (in Rs.): 4,00,000

(*v*) Others (in Rs.):

(*vi*) Total cost to the company (in Rs.): 12,00,000

6.2 (*a*) Name of employee: VPB

(*b*) Designation and/or nature of employment: DIRECTOR FINANCE

(*c*) Date of birth: 01/04/1956 (DD/MM/YYYY)

(*d*) Qualification: CHARTERED ACCOUNTANT

(*e*) Experience: 22 YEARS

(*f*) Remuneration

(*i*) Salary (in Rs.): 9,00,000

(*ii*) Commission (in Rs.):

(*iii*) Perquisites (in Rs.): 6,00,000

(*v*) Others (in Rs.):

(*vi*) Total cost to the company (in Rs.): 15,00,000

7. Statement showing the details of the relatives of the director who have been either appointed as managing or whole-time director, manager or in any other position in the applicant company indicating clearly the remuneration paid to each relative and total remuneration paid to them as percentage of profit as computed under section 198 of the Companies Act, 1956:

7.1 (*a*) Name of relative:

(*b*) Nature of relation:

(*c*) Designation:

(*d*) Remuneration

Salary (in Rs.):

Commission (in Rs.)

Perquisites (in Rs.)

Others (in Rs.)

Total (in Rs.)

(*e*) Percentage of profit as computed under section 198 of the Companies Act, 1956

7.2 (*a*) Name of relative

(*b*) Nature of relation

(*c*) Designation

(*d*) Remuneration

Salary (in Rs.)

Commission (in Rs.)

Perquisites (in Rs.)

Others (in Rs.)

Total (in Rs.)

(*e*) Percentage of profit as computed under section 198 of the Companies Act, 1956

7.3 (*a*) Name of relative

(*b*) Nature of relation

(*c*) Designation

(*d*) Remuneration

Salary (in Rs.)

Commission (in Rs.)

Perquisites (in Rs.)

Others (in Rs.)

Total (in Rs.)

(*e*) Percentage of profit as computed under section 198 of the Companies Act, 1956

8. (*a*) *Reference number of Form 23 filed Z99999999

(*b*) *Date of filing Form 23 01/04/2006 (DD/MM/YYYY)

(*c*) *Date of passing special resolution 01/04/2006 (DD/MM/YYYY)

Attachments

1.	*Copy of the resolution passed by the board of directors, relating to the proposed appointment.	Attach	
2.	*Copy of rules of the company relating to the terms and conditions in regard to perquisites as applicable to its employees. If there are no rules, a certificate from secretary or director of the company to the effect that similar perks at the same rate(s) are being paid to the other employees of the company in the equivalent grade.	Attach	
3.	*An undertaking from the appointee that he or she will be in exclusive employment of the company and will not hold a place of profit in any other company.	Attach	

4.	*Copy of the minutes of selection committee.	Attach	
5.	Share holding pattern of the company.	Attach	
6.	*Particulars of employees in receipt of remuneration of Rs. 50,000 or more per month.	Attach	
7.	Optional attachment(s) - if any.		

Declaration

To the best of my knowledge and belief, the information given in this application and its attachments is correct and complete.

I have been authorised by the board of directors' resolution dated* 31/03/2006 (DD/MM/YYYY) to sign and submit this application.

To be digitally signed by

Managing director or director or manager or secretary of the company VPB

For office use only

Digital signature of the authorising officer

This e-Form is hereby approved

This e-Form is hereby rejected

Annexure 1 to Appendix 4

Specimen of Resolutions

I. Board resolution for appointment of relative of director under section 314(1B)

The Chairman informed the Board that looking into the expansion of the business activities and increase in the financial activities of the Company, it is advisable to appoint some responsible and fully qualified officer for discharging the duties of financial officer. He placed before the Board the particulars of Shri GS, the Chartered Accountant, who is also son of Shri HS, the Promoter Director for his appointment as the Chief Financial Officer of the Company. It was also noted that appointment of a relative of Director on a remuneration exceeding Rs. 50,000 p.m. requires approval of the members by way of special resolution subject to approval of the Central Government.

The Board discussed over the matter and considered that the above said matter cannot be put on hold till the next Annual General Meeting, therefore, it would be appropriate to call and hold an Extra Ordinary General Meeting on a shorter notice. The Chairman also placed before the Board, a draft notice of convening the Extra Ordinary General Meeting of the members together with the Explanatory Statement for approval of the Board.

The Board considered the same and being interest in the resolution, Shri HS did not participated in the discussion and decision being interested director. All other directors thereafter, passed the following resolution unanimously:

RESOLVED THAT pursuant to section 314(1B) read with the Director's Relatives (Office or Place of Profit) Rules, 2003 and other applicable provisions of Companies Act, 1956, if any, and subject to the approval of the members of the Company in the General Meeting and the Central Government, and upon the approval of the Selection Committee of the Company to appoint Shri GS as the Chief Financial Officer of the Company on the terms and conditions as placed before the Board and duly initialed by the Chairman for the purpose of identification, w.e.f. 1st June,, 2006.

RESOLVED FURTHER THAT subject to the consent of the members of the Company, the Extra Ordinary General Meeting of the Company be convened on shorter notice at the Registered Office of the Company on 25th July, 2005 at 10.00 A.M. and that the draft notice together with the Explanatory Statement in respect thereof as placed before the Meeting be approved and that Shri VP, the Director of the Company be and is hereby authorised to issue the notice of the Extra-Ordinary General Meeting, as per the draft placed before the Board to the Members of the Company.

II. Selection committee resolution for appointment of relative of director under section 314(1B)

The Chairman informed the members that the Board of Directors at their meeting held on 19.07.2005 has made a reference to the Selection Committee for consideration and approval of the appointment of Shri GS, Chartered Accountant who is son of Shri HS, the Director, as a Chief Financial Officer of the Company.

The Committee considered the matter relating to the terms, conditions and remuneration payable to Shri GS. The Committee considered the various matters relating thereto including, the profitability of the Company, qualification and experience of Shri GS, existing remuneration payable to similar placed executives in the Company, future business prospects and his role and responsibilities in the Company.

After due discussion the Committee passed the following resolution unanimously:

RESOLVED THAT pursuant to the provisions of section 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 approval of the Selection Committee be and is hereby accorded for the appointment of Shri GS as the Chief Financial Officer of the Company w.e.f. 1-6-2006 on the salary, allowances and perquisites as under:

(*a*)	Basic salary	: Rs.5,40,000 p.a. Rs.45,000 p.m. (in the scale of 45,000-9,000-72,000-15,000-1,00,000)
(*b*)	House Rent Allowance	: Maximum of 50% of the salary
(*c*)	Medical Allowance	: Rs.15,000 p.a.
(*d*)	Leave Travel Allowance	: Maximum 10% of the Salary
(*e*)	Employer's PF Contribution	: Maximum 12% of the Salary
(*f*)	Transport Allowance	: Rs.30,000 p.a.
(*g*)	Uniform Allowance	: Rs.18,000 p.a.
(*h*)	Performance Bonus	: Maximum 10% of the Salary

FURTHER RESOLVED THAT the Company shall provide a Car with Driver and Telephone/Cell for discharging his duties, which shall not be considered as perquisites for the above said purposes.

RESOLVED FURTHER THAT Shri GS shall also be entitled for the reimbursement of actual traveling, boarding and lodging expenses and other amenities as may be incurred by him, from time to time, in connection with the Company's business and any other allowances, benefits and perquisites as are provided to the senior executives of the Company and/or which may become applicable in the future and/or any other allowance, perquisites as the Board may decide from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby empowered to sanction/withhold at their discretion annual increments due to Shri GS as it may consider in the best interest of the Company from time to time.

RESOLVED FURTHER THAT the remuneration payable to Shri GS as aforesaid shall be subject to such modification as the Central Government may suggest or require which the directors are hereby authorized to accept on behalf of the Company and which may be acceptable to Shri GS.

RESOLVED FURTHER THAT Shri GS shall be in the exclusive employment of the Company and will not hold a place of profit in any other Company during the period of his tenure.

RESOLVED FURTHER THAT the Chairman of the Committee be and is hereby authorised to submit the proceedings of the Committee to the Board of Directors for consideration and further needful.

Annexure 2 to Appendix 4

Specimen of the Shareholding Pattern for last three financial years as on 31st March

Name	*Address*	*No. of Shares as on 31-3-2003*	*%*	*No. of Shares as on 31-3-2004*	*%*	*No. of Shares as on 31-3-2005*	*%*
Mr. AKK							
Mr. AKK(I)							
Mr. AKK							
AKK(HUF)							
PCK(HUF)							
AK K (S) (HUF)							
AK K (HUF)							
Mr. HAS							
Mr. HSS							
Mr. HSS(J)							
Mr. HSS (HUF)							

Annexure 3 of Appendix 4

Specimen of undertaking from the appointee to the Board of Directors

I, **GS** do hereby undertake that on being appointed as the Chief Financial Officer of the Company, I will be in the exclusive employment of the Company and will not hold an office or place of profit in any other Company during the period of my tenure.

Thanking You

Yours Faithfully

GS

Annexure 4 to Appendix 4

Specimen of Abstracts of the Minutes of the Selection Committee

The Chairman informed the members that the Board of Directors at their meeting held on 19-7-2005 has made a reference to the Committee for consideration and approval of the appointment of Shri GS, Chartered Accountant who is son of Shri HSS, the Director, as a Chief Financial Officer of the Company. The Committee considered the various matters relating thereto including, the profitability of the Company, qualification and experience of Shri GS, existing remuneration payable to similar placed executives in the Company, future business prospects and his role and responsibilities in the Company.

After due discussion the Committee passed the following resolution unanimously:

RESOLVED THAT pursuant to the provisions of section 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 approval of the Selection Committee be and is hereby accorded for the appointment of Shri GS as the Chief Financial Officer of the Company w.e.f. 01.06.2006 on the salary, allowances and perquisites as under:

(*a*) Basic salary : Rs.5,40,000 p.a. Rs.45,000 p.m. (in the scale of 45,000-9,000-72,000- 5,000-1,00,000)

(*b*) House Rent Allowance : Maximum of 50% of the salary

(*c*) Medical Allowance : Rs.15,000 p.a.

(*d*) Leave Travel Allowance : Maximum 10% of the Salary

(*e*)	Employer's PF Contribution	: Maximum 12% of the Salary
(*f*)	Transport Allowance	: Rs.30,000 p.a.
(*g*)	Uniform Allowance	: Rs.18,000 p.a.
(*h*)	Performance Bonus	: Maximum 10% of the Salary

RESOLVED FURTHER THAT the Company shall provide a Car with Driver and Telephone and Cell for discharging his duties, which shall not be considered as perquisites for the above said purposes.

RESOLVED FURTHER THAT Shri GS shall also be entitled for the reimbursement of actual traveling, boarding and lodging expenses and other amenities as may be incurred by him, from time to time, in connection with the Company's business and any other allowances, benefits and perquisites as are provided to the senior executives of the Company and/or which may become applicable in the future and/or any other allowance, perquisites as the Board may decide from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby empowered to sanction/withhold at their discretion annual increments due to Shri GS as it may consider in the best interest of the Company from time to time.

RESOLVED FURTHER THAT the remuneration payable to Shri GS as aforesaid shall be subject to such modification as the Central Government may suggest or require which the directors are hereby authorized to accept on behalf of the Company and which may be acceptable to Shri GS.

RESOLVED FURTHER THAT Shri GS shall be in the exclusive employment of the Company and will not hold a place of profit in any other Company during the period of his tenure.

RESOLVED FURTHER THAT the Chairman of the Committee be and is hereby authorised to submit the proceedings of the Committee to the Board of Directors for consideration and further needful.

Annexure 5 to Appendix 4

Specimen of General Meeting Resolutions under section 314(1)/(1B)

RESOLVED THAT pursuant to the provisions of section 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to the approval of the Central Government, the Company hereby give consent for the appointment of Shri GS, a relative of a director of the Company as the Chief Financial Officer of the Company w.e.f. 1-6-2006 on the salary, allowances and perquisites as under:

(*a*)	Basic salary	: Rs.5,40,000 p.a. Rs.45,000 p.m. (in the scale of 45,000-9,000-72,000-15,000-1,00,000)
(*b*)	House Rent Allowance	: Maximum of 50% of the salary
(*c*)	Medical Allowance	: Rs.15,000 p.a.
(*d*)	'Leave Travel Allowance	: Maximum 10% of the Salary
(*e*)	Employer's PF Contribution	: Maximum 12% of the Salary
(*f*)	Transport Allowance	: Rs.30,000 p.a.
(*g*)	Uniform Allowance	: Rs.18,000 p.a.
(*h*)	Performance Bonus	: Maximum 10% of the Salary

RESOLVED FURTHER THAT the Company shall provide a Car with Driver and Telephone and Cell for discharging his duties, which shall not be considered as perquisites for the above said purposes.

RESOLVED FURTHER THAT Shri GS shall also be entitled for the reimbursement of actual traveling, boarding and lodging expenses and other amenities as may be incurred by him, from time to time, in connection with the Company's business and any other allowances, benefits and perquisites as are provided to the senior executives of the Company and/or which may become applicable in the future and/or any other allowance, perquisites as the Board may decide from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby empowered to sanction at their discretion increments to Shri GS and the Board be and is hereby further empowered to withhold the annual increment as it may consider in the best interest of the Company from time to time.

RESOLVED FURTHER THAT the remuneration payable to Shri GS as aforesaid shall be subject to such modification as the Central Government may suggest or require which the directors are hereby authorized to accept on behalf of the Company and which may be acceptable to Shri GS.

RESOLVED FURTHER THAT Shri GS shall be in the exclusive employment of the Company and will not hold a place of profit in any other Company during the period of his tenure.

RESOLVED FURTHER THAT Shri VP, the Director of the Company be and is hereby authorized to submit an application to the Central Government alongwith all the necessary enclosures and give any statement, declaration, undertaking and do all such acts, deeds and things as are necessary to give effect to the aforesaid resolution.

Explanatory Statement

Looking into the expansion of the business activities of the Company, the Board of Directors at their meeting held on 19th July, 2005 has considered that the Company should appoint a qualified dynamic officer for discharging the duties of financial officer in the Company. The Board proposed the name of Shri GS, son of Shri HS, the Executive Director of the Company for appointment as the Chief Financial Officer w.e.f. 1-8-2005.

The Board considered that Shri GS, aged 26 years is a qualified Chartered Accountant, having practical experience of more than four years in financial field. He has worked with LLLL, Chartered Accountants as an Associate from Oct., 2001 to Sept., 2002 at a salary of Rs.3.00 Lacs p.a. Further, he has worked with IDBI Bank as a Bank Manager from Oct., 2002 to Feb., 2004 at a salary of Rs. 5.50 Lacs p.a.

The Board considers that looking into his dynamic education background and his experience will strengthen the management in controlling financial activities of the Company in more proper manner.

He shall be the Chief Financial Officer of the Company and will be responsible for all the financial affairs of the Company, risk management, internal audits, reporting to members and maintaining communication with bankers of the Company.

The terms of remuneration, as set out in the resolution are considered to be just, fair and reasonable and are in accordance with the remuneration paid to other similar placed executives in the Company as well as in the Industry.

The Selection Committee of the Independent Directors approved the proposed appointment of Shri GS at their meeting held on 19th July, 2005.

In terms of the provisions of section 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003, the appointment of relative of Director of the Company on a remuneration exceeding Rs. 50,000 p.m. requires the approval of the members by way of special resolution and the Central Government. Accordingly, the resolution mentioned in Item No. 1 of the notice is being proposed for approval accordingly.

Except, Shri HS, being the relative of the proposed appointee, none of the Directors of the Company is concerned or interested in the above said resolution.

Annexure 6 to Appendix 4

Specimen of Certificates and Undertaking to be Submitted with the Application under section 314(1B)

I, VP, being the Director of the Company do hereby undertake and confirm that the remuneration payable to Shri GS, Chartered Accountant, the relative of a Director of the Company, on his being appointed as the Chief Financial Officer of the Company shall be at the similar rate as are being paid to other similar placed employees of the Company.

Annexure 7 to Appendix 4

Specimen of Statement for Relative of all the Directors Appointed as MD/WTD and Total Remuneration Paid to them

The total remuneration paid to each of them as on 31st March, 2006 is as follows:

Name	*Designation held*	*Relationwith each other*	*Relation with the proposed appointee*	*Remuneration (including perquisites, allowances etc.)*	*Commissio n based on net profit*	*Total remuneration including commission*	*% of Net profit calculate d u/s198*
Shri AK	Chairman (Executive)	Brother In law	Maternal Uncle	369750	477054	846804	4.34
Shri HS	Executive Director	Brother in law	Father	369750	477054	846804	4.34
Total				739500	954108	1693608	8.68

It is hereby confirmed that except the abovesaid directors none of the director or other employees are relative of any Directors of the Company and is not holding any office or position in the Company.

Annexure 8 to Appendix 4

Specimen of the agreement to be executed between the Company and the appointee

THIS AGREEMENT made this ….. day of ………, 2006 ETWEEN **ABC LIMITED**, a company incorporated under the Companies Act, 1956 and having its registered office at xxxxxxxxxxxxxxxxxxxxx hereinafter called "**the Company**" (which expression shall, unless repugnant to the context or meaning thereof, include its successors) of the one part and **MR.GS** S/o Shri HS, Indian Inhabitant residing at xxxxxxxxxxxxxxxxxxxxxxxxx (hereinafter called "The Chief Financial Officer") of the Other Part:

WHEREAS

A. At the meeting of the Board of Directors of the Company (hereinafter refererd as "Board") held on 19th July, 2006 Mr. GS was appointed as the Senior executive of the Company and designated as the Chief Financial Officer (CFO) with effect from 1st August, 2006

B. The parties hereto are desirous of entering into an Agreement being these presents to set out the terms and conditions of appointment of CFO as hereinafter contained.

NOW IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. That subject to the Company's approval in general meeting and the approval of the Central Government, the Company hereby appoints Mr. GS as the Chief Financial Officer and the CFO accepts such appointment to serve the Company as the Chief Financial Officer, of the Company in pursuance this Agreement.
2. That during the continuance of this Agreement, the CFO shall, except during the periods of his leave as hereinafter provided or when he shall be indisposed by sickness, ill-health or incapacitating accident or when he shall have obtained the prior written consent in that behalf of the Board or as may be otherwise agreed upon between the Company and the CFO, devote his

whole time and attention to the business and affairs of the Company and shall utilise his best endeavors in promoting the interests thereof and shall, except as aforesaid, attend his place of employment at all proper times during the usual and customary working hours of the Company.

3. The CFO shall be Responsible for all the financial affairs of the Company, risk management, internal audits, reporting to Board of Directors and liasoning with bankers of the Company and Financial Institutions, SEBI, Stock Exchange and activities relating to the proposed public issue activities and for that purposes he shall exercise such powers and duties as the Board may from time to time determine impose upon him.

4. The CFO shall undertake such travelling in and outside India as may be necessary in the interest of the Company's business or as may from time to time be required or directed by the Board in connection with or in relation to the business of the Company.

5. The CFO shall comply with all the policies, rules and regulations of the Company from time to time in force.

6. As the CFO of the Company, Mr. GS will receive the following remuneration:

   (*a*) Basic salary: Rs. 5,40,000 p.a. Rs. 45,000 p.m. (in the scale of 45,000-9,000-72,000-15,000-1,00,000)

   (*b*) House Rent Allowance: Maximum of 50% of the salary

   (*c*) Medical Allowance: Rs. 15,000 p.a.

   (*d*) Leave Travel Allowance: Maximum 10% of the Salary

   (*e*) Employer's PF Contribution: Maximum 12% of the Salary

   (*f*) Transport Allowance: Rs.30,000 p.a.

   (*g*) Uniform Allowance: Rs.18,000 p.a.

   (*h*) Performance Bonus: Maximum 10% of the Salary.

7. That the Company shall provide a Car with Driver and Telephone and Cell to CFO for discharging his duties, which shall not be considered as perquisites for the above said purposes.

8. That the CFO shall also be entitled for the reimbursement of actual traveling, boarding and lodging expenses and other amenities as may be incurred by him, from time to time, in connection with the Company's business and any other allowances, benefits and perquisites as are provided to the senior executives of the Company and/or which may become applicable in the future and/or any other allowance, perquisites as the Board may decide from time to time.

9. That if the Chief Financial Officer shall at any time be prevented by ill-health or accident from performing his duties hereunder, he shall inform the Board and supply it with such details as it may reasonably require and if he shall be unable by reason of ill-health or accident for a period of six months in a period of twelve consecutive calendar months to perform his duties hereunder, the Board shall be entitled to forthwith terminate his employment hereunder.

10. That if the CFO is found guilty of in attention to, or negligence in the conduct of, the business or of any other act or omission interfering with or inconsistent with his duties as the CFO or any breach of this agreement, the Company may by ninety days' notice in writing to the CFO terminate his employment

11. Notwithstanding anything contained herein to the contrary, the Board on behalf of the Company shall be entitled to pay to the CFO in lieu of any notice of termination provided under this Agreement, the compensation subject to the prescribed limits.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first hereinabove written.

SIGNED AND DELIVERED by the	)	For **ABC Ltd.**
in the presence of ……………	)	
		Director

SIGNED AND DELIVERED by the	)
withinnamed Mr. GS	)
in the presence of Mr. …………..	)
The Common Seal of ABC Ltd.	)
was pursuant to the resolution	)
passed by its Board of Directors	)
on …. day of …….2006 affixed	)
in the presence of Mr ………….	)