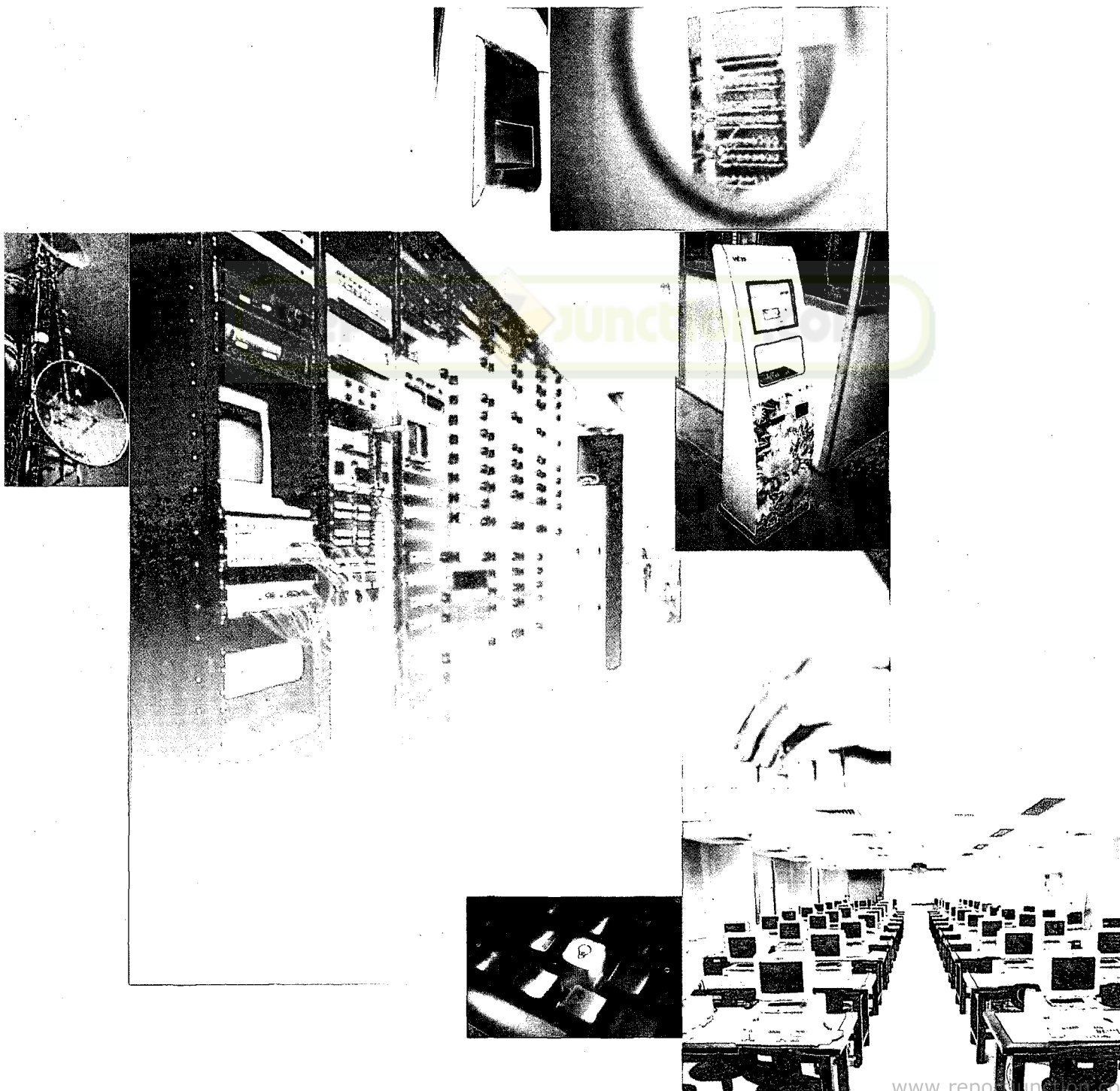


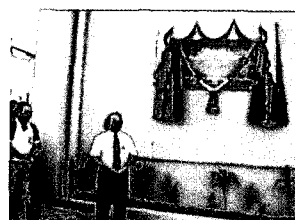
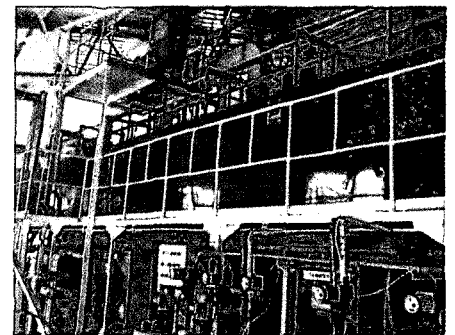
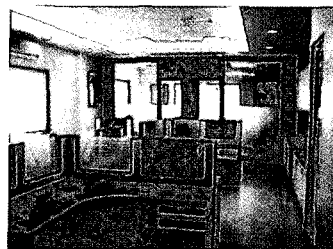
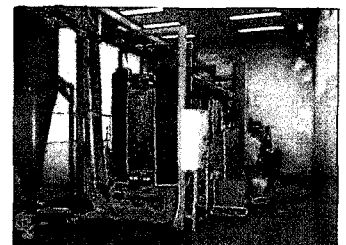
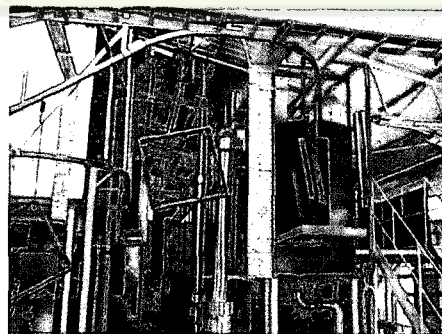
## Annual Report 2006-07



Front view of the new building.



Our new manufacturing facility.



**Information to Share Holders**

<b>Board Of Directors</b>	LAKSHMAN BHATIA (Chairman) SUDHIR SETH MARC RUTTY MADHAV JOSHI MS. SHEFALI SHAH	ELIJAH A. ELIAS (Vice Chairman and Managing Director) ASHOK D. KUNTE SHAILESH HEMANI RAJESHWAR BAJAJ
<b>Company Secretary</b>	K. K. BHAVSAR	
<b>Registered Office</b>	<b>R-2, TECHNOPOLIS KNOWLEDGE PARK</b> Mahakali Caves Road, Andheri East, Mumbai 400 093	
<b>Works</b>	<b>PUNE</b> Plot S-73/74, MIDC, Bhosari, Pune 411 026	<b>BANGALORE</b> Plot 5, 5A, 5C/1, KIADB Industrial Area, Attibele, Bangalore 562 107
<b>Main Bankers</b>	Syndicate Bank	
<b>Auditors</b>	Messrs. Price Waterhouse - Chartered Accountants	
<b>Listing Details</b>	Company's Equity Shares are listed at: Pune Stock Exchange Ltd. Bangalore Stock Exchange Ltd. Shivleela Chambers, 752, Sadashiv Peth, Stock Exchange Towers R. B. Kumthekar Marg, Pune 411 030 51, 1st Cross, J.C. Road, Bangalore 560 027  Listing fees up to the year 2007-2008 have been paid to the concerned stock exchanges. Company's shares are also traded at BSE under IndoNEXT category (Scrip Code 590033)	
<b>Registrar &amp; Transfer Agent</b>	Mondkar Computers 21, Shakil Nivas, Mahakali Caves Road, Andheri (E), Mumbai 400 093 Tel.: (022) 2836 6620, 2826 2920	
<b>ISIN No.</b>	INE 155 D 01018	

**23RD ANNUAL GENERAL MEETING****DATE : FRIDAY, SEPTEMBER 21, 2007****TIME : 3:30 P.M.****VENUE : Maple Hall, Hotel Mirador New Link Road,  
Chakala, Andheri East, Mumbai 400 099****CONTENTS**

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview and Competition

India is the fourth largest telecom market in Asia after China, Japan and South Korea. The Indian telecom network is the eighth largest in the world and the second largest among emerging economies. At current levels, telecom intensiveness of the Indian economy measured as the ratio of telecom revenues to GDP is 2.1 percent as compared with over 2.8 percent in developed economies. (CRISIL, www.ibef.com) The growth trend in the telecom sector is expected to continue unabated at current rate for next decade at least. There are confident predictions from the telecom majors that the current tele-density (15%) will be doubled in the next 4 years.

The Information Technology industry has grown its revenues ten fold in the past decade from USD 4.8 billion in 1997-98 to USD 47.8 billion in 2006-07. The contribution of IT-ITES industry to GDP rose from 1.2% in 1999-2000 to 4.8% in 2005-06 and is expected to rise to 7% by 2007-08 which will definitely boost the demand for the company's products in the coming years.

During the year the Company scaled new peaks and set several new records. The Cabinet and Rack division achieved Sales of Rs. 882 millions i.e. 21% growth over previous year. The Technology Products Division achieved Rs.76 millions sales, which is almost 76% growth over last year sales.

The Company is the only manufacturer offering enclosures to every segment of the electronics industry. It is also equipped to design and deliver application-specific enclosures for various segments. The demand for electromechanical components is growing as the industry is itself growing and the acceptability of the products is increasing day-by-day. Increased activity in the banking sector has also led to high off-take of products related to ATM parts. Since the Company's business spread is across different segments of the user industry, a downturn in one segment is cushioned by off-take in other segments. The Company also has the benefit of regular exports to markets in the Middle East, Singapore, Australia and USA over the last several years.

### Opportunities and Threats

The Company will continue to maintain its leadership position in the Indian enclosure industry going forward. The Company has expanded its capacity last year and is further investing to meet the demands of significant growth in business. The demonstrated global competitiveness and international quality of products, and its superior logistic capabilities, provide the Company with new opportunities in domestic as well as international markets. The Company will keep examining and pursuing these new opportunities for growth.

The Company faces normal market competition from Indian as well as international companies. The sound business strategies and competitive costs have enabled the Company to retain its leading market position. The Company endeavours to enhance its competitive advantage through a process of continuous improvements in products and processes, cost reduction, enhancing product utility value and by implementing appropriate coherent business strategies. The disciplined financial framework provides stability and a platform for growth of the Company.

### Segment wise Performance

#### Cabinet Division

The Cabinet Division has achieved 21% increase in turnover. During last two months of the year the Company benefited from the increased production capacity of the Cabinet division. The increased turnover of negotiated deals contributed significant business and provided a stream of orders to keep plants busy but resulted in lower margins. Management has to overcome this dilemma by investing in process improvements and cost reduction programs to improve profitability of this business.

#### Technology Product Division (TPD)

TPD has grown significantly during the year. It achieved 76% growth in turnover. The Company was awarded the 'The Top Sales Growth' Trophy for Asia Pacific region by Avocent, who are the world-wide market leaders for KVM Products and Server management solutions for large enterprise networks.

### Outlook

The significant growth in the Telecom Sector is expected to be maintained during the year 2006-07. Opportunities arising from outsourcing of parts and components by other multi-national companies are also growing significantly. The Computer Networking sector is also growing rapidly and promises to increase at 15% or more per annum. In view of this the Company has expanded its capacity at Pune. The Company will continue to focus on its core business and develop manufacturing capabilities as required.

### Quality Management and Design development

#### Quality Management Systems

The Company has an integrated computer-aided manufacturing set up. Laced throughout this is our Quality Management System (QMS), which is another customized software package created especially for the Company. Our QMS covers all aspects of the manufacturing cycle, from incoming inspection, in-process inspection, to final quality assurance checks prior to dispatch. It also covers

the calibration of all equipment used for manufacturing and inspection, as well as monitoring all customer complaints, transportation damage instances and corrective and preventive action. In the event of a complaint from a customer, or a failure report from the field, our QMS provides traceability through various stages of the manufacturing cycle.

#### Design Development

The Company constantly carries out research for design and development of new products and accessories. The design styling, look and feel of our products is always current and in step with practices worldwide. The Company has computer-aided design facilities in-house and employs experienced design personnel as well.

As an ISO 9001:2000 certified organization, the Company takes the ratification of all its designs seriously. All new products and accessories are extensively tested in order to ensure that they exceed their rated specification by a comfortable safety margin.

#### Risk and Concerns

**Competition:** There is a risk of rising competition due to cloning of our product range by smaller companies in the unorganized sector.

**Mitigants:** The Company has built a large and established distribution network that should be difficult to replicate by potential competitors.

**Supply Profile:** The recent increase in the prices for Steel and other components is an area of great concern to the Company.

**Mitigants:** The Company continues to develop and maintain wide suppliers network. It also makes continuous efforts to develop alternative sources for major components and strives to develop substitutes wherever possible for reducing the material cost content of the product.

#### Internal Control System and their Adequacy

The Company has a proper and adequate system of internal controls commensurate with its nature and size of its business to ensure that its assets are safeguarded and protected against loss from unauthorized use or disposition and that the transactions are authorized, recorded and reported correctly.

During the year the Company undertook an independent IT Audit of its systems and security and has implemented and is in the process of implementing the recommendation of this IT Audit to further improve the quality and effectiveness of its controls and internal checks.

During the year the Company had also commissioned an independent assessment and evaluation of the adequacy and effectiveness of internal control over financial reporting of the company to assist the CEO/CFO in their responsibility for establishing and maintaining internal controls for financial reporting as require under clause V(c) of clause 49.

The internal control systems are supported and supplemented by an extensive program of internal audits, review by management and established policies, guidelines and procedures. The systems are designed to generate accurate financial statements and other data and for maintaining accountability of assets.

#### Discussion on Financial Performance with respect to Operational Performance

The profit before tax for the year under review is Rs. 112.5 millions. The increase in fixed expenses due to expansion and delay in commencing expanded capacity resulted in lower profits than expected. Also increase in average prices of major raw materials affected the profitability adversely. Management has taken steps to meet the this challenge by developing substitute suppliers and taking steps to reduce the material cost.

#### Material development in Human Resource / Industrial Relations Front

At the factory locations, several activities are undertaken by the Personnel Department on industrial safety and production related aspects. The industrial relations at both units during the year under review were cordial.

There have been some changes in the senior management team during the year.

The Company had 340 employees on its roll as on 31<sup>st</sup> March 2007 at its production facilities and offices across the country.

#### Cautionary Statement

The Management Discussion and Analysis Statements made above are on the basis of available data as well as certain assumptions as to Government policies, economic and political developments. The Company cannot guarantee the accuracy of the assumptions and expectation of future events. The Company's actual results, performance or achievements could thus differ materially from projected performance in future.

**DIRECTORS REPORT****The Members****APW PRESIDENT SYSTEMS LIMITED**

Your Directors take pleasure in presenting the Twenty-third Annual Report together with audited accounts for the year ended 31st March 2007.

**FINANCIAL RESULTS**

	Rs. in Lacs	
	31.03.2007	31.03.2006
<b>Gross Sales</b>	<b>11323.12</b>	<b>9168.03</b>
<b>Net Sales</b>	<b>9580.62</b>	<b>7713.86</b>
<b>Earning before interest and Depreciation (EBIDT)</b>	<b>1437.82</b>	<b>1345.25</b>
<b>Less: Interest</b>	<b>87.36</b>	<b>98.66</b>
<b>Depreciation</b>	<b>224.96</b>	<b>202.68</b>
<b>Profit before Tax</b>	<b>1125.50</b>	<b>1043.91</b>
<b>Less: Provision for Tax</b>	<b>331.00</b>	<b>360.00</b>
<b>Less: Provision for Tax for Earlier Years</b>	<b>-</b>	<b>43.28</b>
<b>Less: FRINGE Benefit Tax</b>	<b>16.00</b>	<b>15.45</b>
<b>Add : Deferred Tax Liability</b>	<b>54.68</b>	<b>3.13</b>
<b>Profit After Tax</b>	<b>723.82</b>	<b>628.31</b>
<b>Add : Balance brought forward</b>	<b>1148.79</b>	<b>683.76</b>
<b>Profit available for distribution</b>	<b>1872.61</b>	<b>1312.07</b>
<b>APPROPRIATION</b>		
<b>Proposed Dividend</b>	<b>120.96</b>	<b>90.72</b>
<b>Corporate Tax on Dividend</b>	<b>20.56</b>	<b>12.72</b>
<b>Transfer to General Reserve</b>	<b>70.35</b>	<b>60.00</b>
<b>Add: Excess provision for proposed dividend written back</b>		<b>0.16</b>
<b>Total Balance carried forward</b>	<b>1660.74</b>	<b>1148.79</b>

**Dividend:**

After considering the performance of your Company, your Directors are pleased to recommend a dividend of 20% being Rs.2.00 per Equity Share.

**Financial Results :**

The Net Sales (net of duties and taxes) during the year were Rs.9580.70 Lacs as against Rs. 7713.86 Lacs in the previous year, an increase of 24%. EBIDT earning before interest, depreciation and income tax was higher at Rs. 1437.82 Lacs as against Rs. 1345.25 Lacs in the previous year, an increase of 7%. Interest charges were lower at Rs. 87 Lacs (Rs.98.66 Lacs in the previous year) on account of improved fund management and repayment of part of the Term Loan. Depreciation for the year was Rs.224.96 Lacs (previous year Rs. 202.68 Lacs). After provision for Tax and Deferred Tax liability, Profit for the year was Rs.723.82 Lacs as against Rs. 628.31 Lacs for the previous year.

**OPERATIONS:****Racks and Cabinets :**

During the year the Telecom Industry and IT industry continued its growth trend unabated. Increased activity in the banking sector also led to high off take of products related to ATM parts. Additionally the overall increased industrial activity in India has resulted in a stream of orders that have kept the Company's plants busy throughout the year. The expansion at Pune was completed three months behind the schedule due to heavy rains and was formally inaugurated on 14th January 2007.

The year 2006-07 witnessed substantial growth in the Telecom and IT industry in the Middle East. This has contributed to the growth of the Company's exports also. Your Company also achieved during the year export sales of Rs.796 lacs. The majority of export sales has come from the Middle East and USA and the same is expected to increase in the coming years. In order to tap market potential of Middle-East market, the Company has floated a 96% subsidiary in Sharjah Airport International Free Zone (SAIF) under the name APW Systems MEA (FZC). This company will be promoting sales of our Company, as well as other APW Companies, that are still functional and operational.

**Technology Product**

Technology Products Division has also grown significantly. The domestic sales of Technology Products were Rs.762.00 Lacs as against Rs.432.00 Lacs during previous year while Commission earned on direct sales almost doubled to Rs.244.10 Lacs as against Rs.125.20 Lacs during the previous year due to better market conditions.

**New Products development:**

The Company has maintained its market leadership position during the year and has introduced new products, as well as several variants to its existing products. These product variants are now being promoted vigorously and the Company expects that they will contribute to the overall revenues in the near future.

The Company's new Website contains comprehensive information on all new developments and products and is very user friendly and easy to navigate. The Website serves as a valuable sales aid for our customers, as well as the Company's sales personnel.

#### **Directors :**

As per Articles of Association Mr. Marc Rutty, Mr. Shailesh Hemani and Mr. Lakshman Bhatia retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Rajeshwar Bajaaj was appointed as an additional director with effect from October 27, 2006 pursuant to section 260 of the Companies Act, 1956 and Article 144 of the Articles of Association of the Company. He shall hold office upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

#### **Auditors:**

The auditors M/s. Price Waterhouse, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

#### **Deposits:**

There were no deposits outstanding as on 31st March 2007.

#### **Subsidiary Companies:**

Your Company has floated a limited liability Subsidiary Company with the name of APW Systems MEA (FZC) LLC in Sharjah Airport International Free Zone (SAIF) to tap the market potential of Middle-East region. The Company has subscribed to 144 equity shares in APW Systems MEA (FZC) out of its equity capital of 150 equity shares of Dhs 1000 each. The subsidiary Company was registered on 20th March 2007, and the shares were allotted on 6th June 2007. Also, the subsidiary Company has not commenced any operations till 31st March 2007 and its first financial year will close on 31st March 2008. Hence the Accounts of the subsidiary Company are not attached to the Annual Report of the Company.

#### **Personnel:**

The Industrial relations have been generally cordial. List of employees covered under Section 217 (2A) of the Companies Act, 1956 is given in Annexure 'A' forming part of this report.

#### **Technical Knowhow:**

The Company's financial and technical collaborator APW Electronics Group Ltd. and its subsidiary APW Enclosures Systems (UK) Ltd. both based at Chandlers Ford, United Kingdom, went into receivership in March 2007 and September 2006 respectively. Hence the Company will now not have access to any technical knowhow from its collaborator. However, the Company has fully absorbed the Technology received by it from its collaborators from 1996 onwards and its own design group is capable of providing the support required for the operations of the Company. Your Management is scouting for new financial and technical partners for increasing its market reach and future growth.

#### **Fraud:**

During the year the Management discovered an instance of fraud by an employee of the Company of approximately Rs.3,42,173 and took effective steps to recover Rs.2,75,237. The unrecovered amount suffered by the Company on account of the fraud is estimated at Rs.66,936. The Company has since discharged the employee and taken steps to further strengthen internal control procedures.

#### **Directors' Responsibility Statement:**

Pursuant to sub-section 2A of Section 217 of the Companies Act, 1956, the Directors hereby confirm:

That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

That they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

That they have prepared the annual accounts on a going concern basis.

#### **Conservation of Energy etc.:**

Your Company has voluntarily undertaken the Energy Audit at its Bangalore Plant to initiate the conservation and savings in Power Consumption. Your Company has also set up a state of art Solar Heating Plants at its Pune Plant to be energy efficient.

Information as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'B' forming part of this report.

#### **Corporate Governance:**

Your Company believes in good corporate governance and has initiated several proactive steps in this regard. A separate section on Corporate Governance forms part of the Annual Report. A certificate from practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is given in Annexure 'C'.

**FOR AND ON BEHALF OF THE BOARD**

**E. A. ELIAS**  
**MANAGING DIRECTOR**

PLACE: MUMBAI

DATED: June 15, 2007



**Annexure A**

Name	Age	Designation Nature of Duties	Remuneration Received/Receivable (Rupees)	Net Take Home Pay After Tax & P.F. Deduction	Qualifications	Experience Years	Date of Employment	Previous Employment Held
ELIJAH A. ELIAS	64	MANAGING DIRECTOR	4,875,600	3,128,508	BE TECH (ELECT)	40	1982	Manager Market Support Tata Unisys

**Annexure B****A. Conservation of Energy**

1. The Company's Production activity is not energy intensive however, all measures are being taken for optimizing energy usage.
2. Additional investments and proposals for reduction in consumption of energy.
3. Total energy consumption is 1,697,549 kwh. Consumption per unit is not possible to give as the products are not standardized.

**B. Technology Absorption**Report made in Technology Absorption**I Research & Development**

1.	Specific areas in which R & D carried by the Company	This is an on going process in the Company.
2.	Benefits derived as a result of the above R & D	Improving quality and product reliability keeping to the international market demands.
3.	Future plan of action	Development of new products, to improve product range and products application for other fields.
4.	Expenditure on R & D a) Capital b) Recurring c) Total	Development work on product is continuous and is debited to Profit & Loss Account under respective heads therein.

**II. Technology, Absorption, Adoption & Innovation**

1.	Efforts made towards technology absorption, adoption, & innovation	The Company has in-house R & D facilities, in which new products development and improvements in processes are carried out.
2.	Benefits derived due to above	All products are designed in-house. Prototypes are then developed and tested before introducing these products into the manufacturing range. The process of manufacturing established based on the product features.

**C. Foreign Exchange Earnings & Outgo :**

a)	i) Activity relating to exports ii) Initiative taken to increase exports iii) Development of new exports market for products and services iv) Exports Plans	The Company expects to increase its exports substantially during the year. Company has set up subsidiary company in the Middle East to promote and market its products there.
----	--	---

Sr. No.	Particulars	31.03.2007 Rupees	31.03.2006 Rupees
i)	Foreign Exchange earned		
	a) Export (FOB)	77,760,428	82,397,254
	b) Commission	24,409,523	12,519,299
	c) Reimbursement of expenses	1,721,497	365,562
ii)	Foreign Exchange outgo :		
	a) Import of Capital Goods	25,688,399	3,789,423
	b) Import of Raw Materials & Components	60,345,211	71,749,754
	c) Import of Traded Goods	49,165,334	27,483,637
	d) Dividend	3,475,200	3,475,200
	e) Foreign Travel	1,701,832	1,200,587
	f) Exhibition & Advertisements	835,710	284,176
	g) Other Expenses	226,358	230,251
	h) Maintenance Spares	790,770	-



## Compliance Report on Corporate Governance for the year 2006-2007

### 1. Company's philosophy on code of governance

The Company always strives to achieve optimum performance at all levels by adhering to corporate governance practices and

- to strive towards enhancement of shareholder value through prudent business management, sound business decision and high standards of ethics with attendant transparency
- to achieve excellence in Corporate Governance by complying in all respects with the mandatory guidelines in this respect and also regularly reviewing management systems for further improvement.

### 2. a. Board of Directors

Composition of the Board of Directors and other details as on March 31, 2007 are as under

Name of Director	Category of Directorship	No. of Board meetings attended	Attendance at the AGM	No. of Committee position held in other companies		Directorship other companies incorporated in India	Number of shares held as on 31 <sup>st</sup> March 2007
				Chairman	Member		
Mr. E. A. Elias	MD	5	Yes	-	-	-	328,480
Mr. Sudhir Seth	NED	5	Yes	-	-	4	494,680
Mr. Ashok Kunte	NED	4	Yes	-	-	3	366,131
Mr. Marc Rutty <sup>3</sup>	NED	1	No	-	-	1	663,360
Ms. Shefali Shah	NED	5	No	-	-	6	-
Ms. Samantha Kirby <sup>1</sup>	NED	None	N.A.	-	-	-	-
Mr. Shailesh Hemani	NED - I	4	No	-	-	-	500
Mr. Lakshman Bhatia	NEC - I	3	Yes	-	-	-	500
Mr. Madhav Joshi	NED - I	5	Yes	-	-	-	-
Mr. Rajeshwar Bajaaj <sup>2</sup>	NED - I	1	N.A.	1 <sup>4</sup>	4	-	-

1. Resigned with effect from October 31, 2006

2. Appointed with effect from October 27, 2006

3. Shares held in the name of his Company M. Rutty & Co. Pty. Ltd.

4. Chairman in Pvt. Ltd. Company

MD Managing Director

NEC - I Non Executive Chairman – Independent

NED Non Executive Director

NED - I Non-executive - Independent

### b. Meetings of the Board

The Board of Directors of the Company met five times during the year i.e. on April 19, 2006; June 29, 2006; July 31, 2006; October 27, 2006; and January 31, 2007 respectively.

The Agenda for the Board Meeting is circulated well in advance to the Directors. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary. The Managing Director, at the Board Meetings, keeps the Board apprised of the overall performance of the Company.

### c. Code of Conduct

The Company has adopted the Code of Conduct for all the Directors of the Board and its Senior Management Personnel of the Company and the same has been uploaded on the website of the Company viz., [www.apwpresident.com](http://www.apwpresident.com).

Mr. E A Elias, Managing Director of the Company has made a declaration dated June 15, 2007 to the effect that all the Directors of the Company and the Senior Management Personnel to whom the code is applicable have affirmed compliance with the Code of Conduct, for the year ended March 31, 2007.

### 3. Audit Committee

The Audit Committee of the Board comprises of 4 non-executive directors, namely, Mr. Shailesh Hemani, Chartered Accountant acting as Chairman, Mr. Lakshman Bhatia, Mr. Madhav Joshi and Mr. Ashok D. Kunte. Mr. K. K. Bhavsar, Company Secretary is the Secretary of the Committee. The Committee met five times on May 30, 2006; June 29, 2006; July 31, 2006; October 27, 2006 and January 31, 2007 during the financial year 2006-07.

Members	Meetings held during the tenure of Directors	Meetings attended
Mr. Shailesh Hemani	5	5
Mr. Lakshman Bhatia	5	4
Mr. Ashok D. Kunte	5	4
Mr. Madhav Joshi	5	5

The terms of reference to the Committee as stipulated in Clause 49 of the Listing Agreement are as follows:

- (a) Over viewing the Company's financial reporting process and the disclosure of its financial information.
- (b) Recommending the appointment and removal of internal and external auditor, fixation of audit fee and also approval for payment for any other services.
- (c) Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
  - Any changes in accounting policies and practices;
  - Major accounting entries based on exercise of judgment by management;
  - Qualifications in draft audit report;
  - Significant adjustments arising out of audit;
  - The going concern assumption;
  - Compliance with accounting standards;
  - Compliance with Stock Exchange and legal requirements concerning financial statements;
  - Any related party transactions;
- (d) Reviewing with management, external and internal auditors, the adequacy of internal control systems, internal audit coverage and frequency of internal audit report.
- (e) Review management and internal auditor, any significant findings of internal/external auditors or any other investigation and report the matter to the Board.

The Audit Committee has the following powers:

- To invite any of the executives of the Company, as it considers appropriate to be present at the meetings of the committee.
- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### 4. Remuneration Committee

The Remuneration Committee is constituted to formulate and recommend to the Board a compensation structure for the Managing Director of the Company. Presently, the Committee comprises of 3 non-executive independent directors, viz., Mr. Lakshman Bhatia acting as the Chairman, Mr. Shailesh Hemani and Mr. Madhav Joshi as its members. Meeting of the Remuneration Committee meeting was held on 15<sup>th</sup> April 2006 during the financial year under review.

The Managing Director is paid remuneration as per agreement entered into with the Company as approved by the Board and the shareholders within the limits prescribed under sections 198 and 309 of the Companies Act, 1956. His remuneration comprises of salary, perquisites and allowances and contribution to provident fund (a fixed component) and performance bonus (a variable component).

The Remuneration Committee at its meeting held on April 28, 2007 has after reviewing the performance of the Company recommended payment of incentive of Rs.900,000/- for the year 2006-07. At Board meeting held on January 31, 2007, the Board approved the re-appointment of Mr. E.A. Elias as his tenure as per the existing agreement would have ended as on March 31, 2007. Members approval for his reappointment and revised remuneration is sought at the ensuing Annual General Meeting.

The details of remuneration paid to Mr. E. A. Elias, the Managing Director of the Company during the financial year 2006-07 are as follows:

Details of Remuneration	
Salary (Rs.)	3,540,000
Contribution to Provident Fund (Rs.)	345,600
Performance Incentives (Rs.)	900,000
Perquisites (Rs.)	90,000
Total (Rs.)	4,875,600
Tenure	5 years w.e.f., April 1, 2002
Notice Period	6 months

Note: The above figures does not include provision for gratuity and leave encashment which is based on actuarial valuation done on an overall company basis.

The resident Non Executive Directors (NEDs) are paid remuneration by way of sitting fees. The resident non-Executive Directors viz., Mr. Sudhir Seth, Mr. Ashok D. Kunte, Ms. Shefali Shah, Mr. Shailesh Hemani, Mr. Lakshman Bhatia, Mr. Madhav Joshi and Mr. Rajeshwar Raj Bajaaj were paid sitting fees of Rs. 25,000/-, Rs. 30,000/-, Rs. 25,000/-, Rs. 50,000/-, Rs. 40,000/-, Rs. 55,000/- and Rs. 5,000/- respectively for attending the Board and Committee Meetings.

#### 5. Share Transfer and Investors' Grievances Committee

The Shareholders / Investors' Grievances Committee comprises of 3 non-executive independent directors, namely, Mr. Shailesh Hemani acting as the Chairman, Mr. Madhav Joshi and Mr. Lakshman Bhatia. Mr. K. K. Bhavsar, Company Secretary is the Compliance Officer of the Company in matters relating to Shareholders, Stock Exchanges, SEBI and other related regulatory matters. Six meetings of the committee were held during the year on the following dates:

May 31, 2006; June 15, 2006; August 26, 2006; September 25, 2006; October 10, 2006 and March 15, 2007.

The Company received 11 requests for transfers which were attended to within a period of thirty days from the date of receipt.

During the financial year, the Company has not received any complaint from SEBI as forwarded to it by the shareholders.

There was no request for share transfer, pending as on March 31, 2007.

The Company Secretary is also Compliance Officer of the Company.