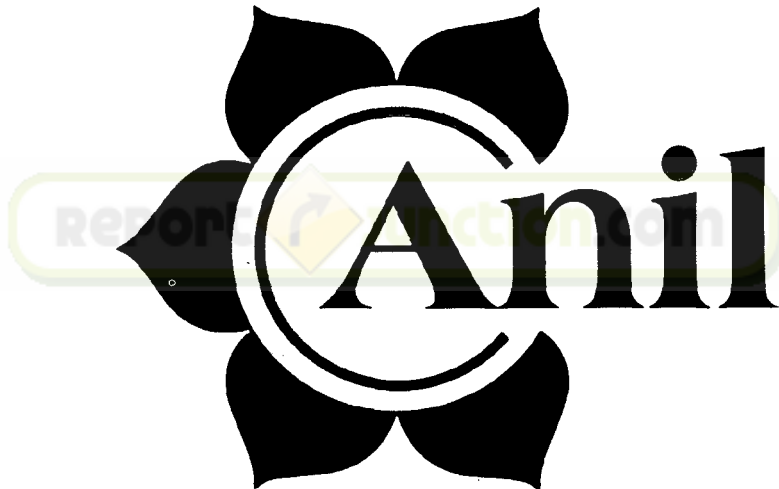


Annual Report 2008-2009



Excellence Defined

Anil Products Limited

ANIL PRODUCTS LIMITED

BOARD OF DIRECTORS

- Shri Shripal C. Sheth - Chairman & Managing Director
Shri Amol S. Sheth - Managing Director
Shri Kamal R. Sheth - Director
Shri Anish K. Shah - Director
Smt. Indira J. Parikh - Director

AUDITORS

M/s. Parikh & Majmudar
Chartered Accountants
Ahmedabad

Report Junction.com

BANKERS

Bank of India
Punjab National Bank
HDFC Bank
Allahabad Bank

ISIN No.: INE125E01019

REGISTRAR & SHARE TRANSFER AGENT

M/s. Pinnacle Share Registry Pvt. Ltd.
Ashoka Mills Compound, Naroda Road, Ahmedabad - 380 025
Phone: 079-22200338
Fax No.: 079 - 22202963
Email: investor.service@psrpl.com

REGISTERED OFFICE

P. O. Box - 10009,
Anil Road,
Ahmedabad - 380 025



ANIL PRODUCTS LIMITED

NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held on Friday, the 25th day of September, 2009 at 9.45 a.m. at Ahmedabad Textile Mills Association (ATMA) Hall, Ashram Road, Ahmedabad – 380 009, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet and Profit & Loss Account for the year ended 31st March 2009 together with the Reports of the Board of Directors and the Auditors.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Smt. Indira J. Parikh, who retires by rotation under provisions of Articles of Association of the Company and being eligible, offers herself for re-appointment.
4. To appoint M/s. Parikh & Majmudar, the Chartered Accountants, Ahmedabad, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**:
 "RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or reenactment thereof) as also the provisions of the SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009 and subject to the provisions in the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to the approval, consent, permission and/or sanction, as may be necessary of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and all other appropriate authority as may be required, and subject to such terms conditions alterations, corrections, changes, variations and/or modifications, if any, as may be prescribed by any one or more or all of them in granting such approval, consent, permission and/or sanction, consent of the Company be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee duly constituted by the Board of Directors or any Committee which the Board of Directors may hereafter constitute, to exercise one or more of its powers including the powers conferred by this resolution), the Board be and is hereby authorized to create, offer, issue and allot, Equity Shares or other securities convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities") to be subscribed by qualified institutional Byers as defined in SEBI (ICDR) Regulations, 2009, whether or not such investors are Members of the Company, under as preferential issue through a placement document, offer letter and/ or circular and / or information memorandum, provided that the price of the equity shares so issued shall not be less than the price determined in terms of clause 85 of SEBI (ICDR) Regulations, 2009 with respect to the Relevant Date as defined in Chapter VIII of the Securities and Exchange Board of India SEBI (ICDR) Regulations, 2009 and the aggregate amount of the Securities so issued shall not exceed Rs 150 Crores.

RESOLVED FURTHER THAT the equity shares allotted in terms of this resolution shall rank pari passu in all respects with the then existing shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the company to take all actions and do all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of aforesaid Securities and listing thereof with the stock exchanges(s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment if any of the said securities, utilization of the issue proceeds and to do all acts, deeds, and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or other wise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any committee of Directors or the Chairman or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**:
 RESOLVED THAT the Board of directors (hereinafter referred to as " the Board" which term shall be deemed to include any committee which the Board may constitute for this purpose), be and is hereby authorised, in accordance with section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money (including non fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed upto a sum of Rs.500 Crores (Rupees Five Hundred Crores) over and above the aggregate of the then paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.



ANIL PRODUCTS LIMITED

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.

**By Order of the Board of Directors
FOR ANIL PRODUCTS LIMITED**

**Place : Ahmedabad
Dated : 30/06/2009**

**Amol S. Sheth
Managing Director**

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on a poll only, instead of himself. A proxy so appointed need not be a member of the company.
2. The Proxies should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. Members / Proxies should bring the Attendance Slips duly completed for attending the Meeting.
4. Members are requested to bring their copy of the notice to the meeting.
5. The Register of Members and the Share transfer books of the Company will remain closed from 19th September 2009 to 25th September 2009 (both days inclusive).

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 5

The Company is presently engaged in the activity of manufacturing of starch and other allied products. However, as a matter of Expansion in the present line of business by value added products, the Company intends to increase its capacities of production. Similarly the company also requires funds for general Corporate Purposes as well as for its working capital requirements and the Board of Directors consider that the total financial requirements will be funded by raising Equity as well as borrowing from the Institutions/ Bank in such a manner, as stated in the resolution.

The proposed special resolution seek the enabling authorization of the Members of the Company to the Board of Directors, without the need of any further approval from members, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB") in accordance with the provisions of chapter VIII of the SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009.

Pursuant to the above, the Board may, in one or more tranches, issue and allot Shares or other securities convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment.

The Said QIP by the Board shall be subject to the provisions of the SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009 (as amended from time to time) including the pricing, as set out in the resolution. For reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The securities issued pursuant to the offering would be listed on the Indian Stock exchanges. The proposed issue of Securities as above may be made in one or more tranches.

Section 81(1A) of the Companies Act, 1956 and listing Agreement entered with Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the company by allotment of further shares shall be offered to the persons who on the date of the offer are holders of equity shares of the Company, in proportion to the capital paid –up on those shares of that date unless the Members decided otherwise. The Special Resolution seeks the Consent and authorization of the Members to the Board of Directors to make the proposed issue of Securities, in consultation with the Lead Mangers, Legal Advisors, and other intermediaries and in the event it is decided to issue Securities convertible into equity shares to the holders of such convertible Securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue, keeping in view the then prevailing market conditions and in accordance with applicable provisions of rules, regulations or guidelines.

The Board of Directors recommends the Resolutions set out at Item No.5 of the accompanying Notice for the approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolutions, except to the extent of their shareholding.

Item No 6:

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company, cannot, except with the consent of the company in general meeting, borrow money, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves that is to say reserves not set apart for any specific purpose.

The Board of Directors accordingly recommends the resolution set out at item No. 6 of the accompanying Notice for the approval of the Members. Your approval is sought by passing an Ordinary Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

**By Order of the Board of Directors
FOR ANIL PRODUCTS LIMITED**

**Place : Ahmedabad
Dated : 30/06/2009**

**Amol S. Sheth
Managing Director**



ANIL PRODUCTS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March 2009.

1. FINANCIAL RESULTS

Particulars	(Rupees in Lacs)	
	2008-09	2007-08
Profit before Depreciation and tax	1966.93	1591.55
Less: Depreciation	422.65	366.44
Profit Before Tax	1544.28	1225.11
Less: Provision for Taxation		
Current Tax	300.25	346.17
Fringe Benefit Tax	9.50	10.51
Deferred tax	182.21	139.42
Short Provision for earlier years	0.00	5.00
Profit After Tax	1052.32	724.01
Add: Balance of Profit of previous year	1810.49	1155.60
Less: Proposed Dividend	74.00	55.50
Tax on dividend	12.58	9.43
Balance carried to Balance Sheet	2308.11	1810.49

2. DIVIDEND

Considering various factors such as requirement of funds, present market conditions etc., for the year under review, your Directors have recommended a dividend of 10.00% on equity shares of the Company. The Company is liable for tax @ 17 % on distribution of dividend. The dividend and tax thereon will absorb Rs. 86.58 lacs for which necessary provision has been made in the accounts.

3. OPERATIONS

During the year under review, better monitoring & systemic controls in various functional areas has ensured greater operational efficiency. There has been a focus on improving efficiency in the utilization of Manpower, Machinery, Money and Material. There has been a conscious effort to control expenses, curb wastage of material and to improve overall efficiency and productivity in all the departments and functional areas. The improvement in demand supply position, change in product mix and focused cost reduction measures have lead to improvement in overall profitability and productivity. All these measures have manifested in better functioning of the Company with improvement in the bottom line.

During the year under report, the Company has achieved a gross turnover of Rs. 28732.28 lacs as compared to Rs. 23924.76 lacs during the previous year and the operations for the year under review have resulted into a net profit of Rs.1051.17 lacs as against Rs. 723.99 lacs in the previous year. The net sales and net profit of the Company for the year under review increased by about 20.09% and 45.19% respectively in comparison to the previous year. Your Directors expect even better results for the current year.

4. INDUSTRIAL RELATIONS

Relations with the Staff members and the workmen continued to be cordial and satisfactory during the period under review. The Directors acknowledge and appreciate the determination and sincere efforts of all their employees.

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of the Report.

6. INSURANCE

The Company's buildings, plant and machineries, stocks and other properties wherever necessary and to the extent required have been adequately insured.



ANIL PRODUCTS LIMITED

7. DIRECTORS

Under Article 129 of the Articles of Association of the Company, Smt. Indira J. Parkh retires by rotation and being eligible offers herself for re-appointment.

8. PUBLIC DEPOSITS

Deposits accepted by the Company as at 31st March 2009 aggregated to Rs. 483.01 Lacs. Your Company has no over due deposits but deposits aggregating to Rs. 21.55 Lacs from 174 depositors though matured, had neither been claimed nor renewed until 31st March, 2009.

9. RELATED PARTY TRANSACTIONS

As a matter of policy, the Company enters into transactions with related parties on an arms-length basis. The details of related party transactions are given in notes forming part of accounts.

10. CORPORATE GOVERNANCE

The Company adheres to sound Corporate Governance practices as per clause 49 of the Listing Agreement. The philosophy of the Company on Corporate Governance is to ensure the long term interest of the Shareholders, creation of transparency, maintaining management ethics and developing good corporate culture. The Management Discussion and Analysis Report as well as report on Corporate Governance are attached hereto as a part of this Annual Report.

11. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of section 217(2AA) of the Companies Act, 1956, your Directors confirm:

1. that in preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from it;
2. that we have selected such accounting policies and applied them consistently and made judgments 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 ended on 31st March, 2009 and for the profit of the Company for that period;
3. that we have taken proper and sufficient care 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 and
4. that we have prepared the annual accounts on a going concern basis.

12. PARTICULARS OF EMPLOYEES

The Company has not employed any person drawing remuneration aggregating not more than Rs. 2,00,000/- per month; hence information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not applicable.

13. AUDITORS AND AUDITORS' REPORT

M/s. Parikh & Majumdar, the Chartered Accountants, Ahmedabad, retire as auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their appointment as the Statutory Auditors of the Company. The specific notes forming part of the Accounts referred to in the Auditors Report are self explanatory and do not call for any further explanation under section 217 (3) of the Companies Act, 1956.

14. COST AUDITOR

As per the Order of the Central Government to appoint Cost Auditor pursuant to Section 233B of the Companies Act, 1956, your Company has appointed M/s. R. Nanabhoy & Co., the Cost Accountants, Mumbai as the Cost Auditor of the Company for the financial year 2008-09.

15. ACKNOWLEDGEMENTS

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Creditors, Banks, Government Authorities, Customers and Shareholders during the year under review. Your Directors also wish to place on record its deep sense of appreciation for the committed services of all the employees of the Company.

For and on behalf of the Board

Date : 30th June, 2009
Place : Ahmedabad

Shripal C. Sheth
Chairman & Managing Director

ANIL PRODUCTS LIMITED



ANNEXURE TO THE DIRECTORS' REPORT

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

(a) Energy Conservation measures taken:

The conservation of energy resources is an ongoing process at the Plant and the Company is constantly striving to improve the performance so as to reduce energy consumption. The Company lays great emphasis on the conservation of energy and as part of continuous efforts for conservation of energy, several measures were taken such as: (i) Installation of Variable frequency drives at various places (ii) Installation of condensate recovery system at various place (iii) New technology for online steam leakages.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Energy conservation measures have been given topmost priority across all the plants. A specific task force team has been formed to identify areas for saving in the steam and power cost. The team has been identifying areas for reduction in steam and power consumption as well for bringing in efficiencies in steam generation. Help of external experts in the field of energy has also been taken to identify areas and ways of reducing cost of energy. A study had been conducted across the entire factory to identify areas having a scope of energy saving.

(c) Impact of the measures taken at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The adoption of energy conservation measures have resulted in more efficient utilization of steam as well as power.

(d) Total energy consumption per unit of Production:

FORM A

I. POWER AND FUEL CONSUMPTION:		2008-09	2007-08
Sr.	Particulars		
1.	ELECTRICITY:		
	Purchased		
	Unit '000 KWH	29665.98	27593.14
	Total Amount (Rs. in Lacs)	1331.05	1054.88
	Rate per unit	4.49	3.82
2.	COAL-GRADES B TO E:		
	Quantity (M.T.)	20299.95	1218.71
	Total Cost (Rs. in Lacs)	721.53	61.01
	Average Rate (Rs. per M.T.)	3554.34	5006.11
3.	FURNACE OIL:		
	Quantity (K.L.)	99.08	379.02
	Total Amount (Rs. in Lacs)	27.05	89.95
	Average Rate (Rs. per K.L.)	27301.17	22149.23
4.	LIGNITE & OTHERS:		
	Quantity (M.T.)	34276.52	46000.77
	Total Cost (Rs. in Lacs)	838.38	831.84
	Average Rate (Rs. per M.T.)	2445.94	1808.32

II. CONSUMPTION PER M.T. OF PRODUCTION

Particulars	ELECTRICITY		STEAM	
	STD	Current Year KWH	STD	Current Year M.T.
Chemicals	—	208 (206)	—	1.556 (1.361)
Processed Foods	—	127 (120)	—	3.036 (2.946)

NOTE: Figures in brackets relates to previous year.



ANIL PRODUCTS LIMITED

B. TECHNOLOGY ABSORPTION

FORM B

RESEARCH AND DEVELOPMENT:

(a) Specific Areas in which Research & Development carried out by the Company:

The Company's Research & Development Center has been approved by the Department of Science & Technology since 1974 and it has been actively engaged in carrying out Research & Development in several areas including process and Product improvement. It has also been working on development of new products and newer applications for specific customers. The Research & Development efforts of the Company are directed towards quality control and improvement of in-house expertise.

(b) Benefits derived as a result of R&D

- (i) The Company has been able to develop and manufacture speciality starches suitable for specific end use and finding specific applications in the targeted industries.
- (ii) Reduction of cost of production and improvement in the quality of the products.

(c) Future plan of action

The Company will continue to lay emphasis on the main areas of Research & Development set out under para (a) above.

(d) Expenditure on R&D Particulars	(Rs. in Lacs)	
	2008-2009	2007-2008
Capital	-	-
Recurring	20.09	20.38
Total	20.09	20.38
Total R&D Expenditure as percentage of total turnover	0.07%	0.09%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Through continuous interaction with Research & Development Center, efforts are made towards technology absorption, adoption and innovation. The thrust areas have been the increase in productivity through cost effective programs, improvement of quality of all the products and development of related products for various end uses.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information is given in Notes forming part of the accounts. Members are requested to refer the said notes.

ANIL PRODUCTS LIMITED

REPORT ON CORPORATE GOVERNANCE

Your Company has implemented the Code of Corporate Governance in terms of Clause 49 of the Listing Agreement executed with the Stock Exchanges.

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance encompasses the goal of achieving transparency, accountability, compliance in all spheres of its operations and in dealing with the shareholders, employees, the Government and the creditors. The Company believes in establishing a framework which would enable in strengthening the decision making processes and enhance the overall effectiveness of the organization.

2. Board of Directors

(i) Composition

There are five members on the Board of the Company comprising of two Executive Directors and three Non Executive and Independent Directors. There is no institutional nominee on the Board of Directors of the Company.

The list of composition and categories of Directors are:

Sr	Name of director	Category	No. of other Directorship in other public limited companies	No. of Committee position held in other public companies	
				Member	Chairman
1.	Mr. Shripal C. Sheth	C.M.D.	2	-	1
2.	Mr. Amol S. Sheth	M.D.	1	1	-
3.	Mr. Kamal R. Sheth	N E D (I)	4	-	-
4.	Mr. Anish K. Shah	N E D (I)	-	-	-
5.	Dr. Indiraben J. Parikh	N E D (I)	2	-	-

CMD – Chairman cum Managing Director – Executive & Non Independent.

MD – Managing Director – Executive & Non Independent. NED (I)– Non-Executive Director (independent)

(ii) Board procedure:

Board meetings are governed by a structured agenda and any Director may bring up any matter for consideration of Board at the meeting, in consultation with the Chairman. Agenda papers are generally circulated to the members of the Board well in advance.

(iii) Board meetings and attendance

During the year, the Board of Directors met Seven times, on May 24, 2008, June 28, 2008, July 31, 2008, September 22, 2008, October 31, 2008, December 23, 2008 and January 29, 2009.

The details of attendance at the meetings of the Board of Directors and at the previous Annual General Meeting are as given below:

Name of Directors	No. of Meetings held	No. of meetings attended	Whether present at previous AGM
Shri Shripal C. Sheth	7	7	No
Shri Amol S. Sheth	7	7	Yes
Smt. Indira J. Parikh	7	-	No
Shri Kamal R. Sheth	7	3	Yes
Shri Anish K. Shah	7	3	No

Details of the various committees constituted by the Board of Directors of the Company are as mentioned below. The terms of reference of these committees have been determined by the Board from time to time. The Board has laid down the Code of Conduct for all the Board members and the Senior Management Personnel of the Company. The same has been posted on the website of the Company.

(iv) Details of Directors seeking Appointment/Reappointment at the Annual General Meeting:

Smt. Indira J. Parikh retires by rotation and being eligible offers herself for re-appointment. Smt. Indira J. Parikh aged about 62 years and by qualification she is M.A., Ed.(University of Rochester, NV) and Ph.D. She was the Dean in Indian Institute of Management, Ahmedabad (IIM-A) and has specialization in Organization Development. She is having wide experience in the Organization development. She is on the Board of various companies and institutions. She was appointed as Director on the Board of Directors of the Company w.e.f 31st October, 2003.

ANIL PRODUCTS LIMITED

3. Audit Committee:

(i) Composition, Meeting and Attendance during the year

The Audit Committee comprises of three Independent and Non-Executive Directors. During the financial year ended March 31, 2009, the Committee met four times, on June 28, 2008, July 31, 2008, October 31, 2008 and January 29, 2009. The attendance of the each member of the Committee is given below:

Directors	Chairman / Member	Category	No. of meetings Attended
Shri Kamal R Sheth	Chairman	I & N. E. D.	2
Smt. Indira J Parikh	Member	I & N. E. D.	-
Shri Anish K Shah	Member	I & N. E. D.	2

The composition of the Audit Committee meets the stipulated minimum requirement of independent Directors. CFO and Company Secretary, General Manager- Finance, Statutory Auditors and Internal Auditors are invitees to the meeting. The Company Secretary acts as the secretary of the committee. The quorum is either two members or one third of the members of the audit committee whichever is higher with a minimum of two independent Directors.

(ii) Terms of reference

The Terms of Reference of this committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956, and are as follows:

- (a) Supervision of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (c) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - 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 i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.
- (d) Reviewing, with the management, the quarterly financial statement before submission to the Board for approval.
- (e) Reviewing with the management, external and internal auditors the adequacy of internal control system;
- (f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (g) Reviewing with management, Management Discussion and Analysis of financial condition and results of operation.
- (h) Discussions with internal auditors any significant findings and follow up thereon.
- (i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (j) Discussions with external auditors before the audit commence, about the nature and scope of the audit as well as have post-audit discussions to ascertain any area of concern.