

Celebrity Fashions Limited



**20th
ANNUAL REPORT 2008 - 2009**

C O N T E N T S

| | Page Nos. |
|--|-----------|
| Board of Directors | 1 |
| Manufacturing Facilities | 2 |
| Notice Convening AGM | 3 |
| Directors' Report | 6 |
| Report on Corporate Governance | 14 |
| Management Discussion and Analysis | 21 |
| Auditors' Report | 24 |
| Annexure to Auditors' Report | 25 |
| Balance Sheet | 27 |
| Profit & Loss Account | 28 |
| Schedules forming part of the accounts | 29 |
| Cash Flow Statement | 46 |
| Balance Sheet Abstract | 48 |



Celebrity Fashions Limited

BOARD OF DIRECTORS

| | |
|------------------------|---------------------------------------|
| Mr. V. Rajagopal | <i>Chairman and Managing Director</i> |
| Mrs. Rama Rajagopal | <i>Executive Director</i> |
| Mr. S. Surya Narayanan | <i>Executive Director</i> |
| Mr. P.S. Raman | |
| Mr. N.K. Ranganath | |
| Mrs. Nidhi Reddy | |

COMPANY SECRETARY

Mr. V.V. Naresh

MANAGEMENT TEAM

Executive Vice-President

| | |
|----------------------|---|
| Mr. Suresh Rajagopal | <i>Strategic Sourcing & Marketing</i> |
|----------------------|---|

Chief Executive Officer

| | |
|------------------------|----------------------------------|
| Mr. Charath Narasimhan | <i>Domestic - Indian Terrain</i> |
|------------------------|----------------------------------|

Senior Vice - Presidents

| | |
|---------------------|---|
| Mr. J.V.J. Franklin | <i>Operations</i> |
| Mr. Amitabh Suri | <i>Marketing & Product Design & Development</i> |

Vice President

| | |
|----------------------|----------------------|
| Mr. John Dulip Kumar | <i>Merchandising</i> |
|----------------------|----------------------|

General Managers

| | |
|-------------------|---------------------------------------|
| Mr. V. Sridharan | <i>Finance</i> |
| Mr. J.K. Kaushik | <i>Logistics & Administration</i> |
| Mr. A.M. Gopinath | <i>Commercial</i> |



Celebrity Fashions Limited

REGISTERED OFFICE & CORPORATE OFFICE

SDF - IV & C2, 3rd Main Road, MEPZ - SEZ,
Tambaram, Chennai 600 045

LEGAL ADVISORS

Dua Associates, Chennai 600 017

STATUTORY AUDITORS

M/s. Anil Nair & Associates,
Egmore, Chennai 600 008

M/s. CNGSN & Associates,
T.Nagar, Chennai 600 017

INTERNAL AUDITORS

M/s. R. Venkatakrishnan & Associates,
R.A.Puram, Chennai 600 028.

BANKERS

State Bank of India, Chennai 600 001
Citi Bank N.A., Chennai 600 002
Standard Chartered Bank, Chennai 600 001
HDFC Bank Limited, Chennai 600 002

MEDIA SOLUTIONS PARTNER

Bennett Coleman & Co Ltd (Times of India Group)
"Times House", 126/127, Chamiers Road,
Nandanam, Chennai 600 035

MANUFACTURING FACILITIES

No. 72/1, Senneerkuppam Village,
Poonamallee High Road,
Poonamallee,
Chennai 600 054

SDF- IV, III Main Road,
MEPZ - SEZ, Tambaram,
Chennai 600 045.

No. 70/2 & 3A, Selaiyur Agaram Road,
Thiruvanchery, Chennai 600 073

No. 208, Velachery Tambaram Road,
Narayanapuram,
Pallikaranai, Chennai 601 302.

Warehouses

No. 208, Velachery Tambaram Road,
Narayanapuram, Pallikaranai,
Chennai 601 302.

114/2, Anna Salai Extension,
Nagalkeni, Chrompet,
Chennai 600 044.

Washing Plant

No. 70/2 & 3A, Selaiyur Agaram Road,
Thiruvanchery, Chennai 600 073

SDF- IV, III Main Road,
MEPZ - SEZ, Tambaram,
Chennai 600 045.



NOTICE CONVENING THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth Annual General Meeting of Celebrity Fashions Limited will be held on Monday, the 27th day of July 2009 at 10.30 A.M. at the Registered Office of the Company, situated at, SDF - IV & C2, 3rd Main Road, MEPZ - SEZ, Tambaram, Chennai 600 045 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss account for the year ended 31st March 2009 and the Balance Sheet as on that date together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Nidhi Reddy, who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Mr.P.S.Raman, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Anil Nair & Associates, Chartered Accountants, Chennai and M/s. CNGSN & Associates, Chartered Accountants, Chennai as Joint Auditors of the Company 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 subject to the consent of the shareholders of the Company and pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force and in accordance with the relevant provisions prescribed by Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI (DIP) Guidelines), as in force and subject to other applicable rules, regulations and guidelines of Securities and Exchange Board of India (SEBI) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into between the Company and the Stock Exchanges, where the shares of the Company are listed and subject to requisite approvals, consents, permissions and/or sanctions if any of the SEBI, the Stock Exchanges and all other authorities, as may be required and subject to such conditions as may be prescribed by any of them while granting any such approvals, consents, permissions, and/or sanctions, the Company do create,

offer, issue and allot from time to time, in one or more tranches, not exceeding 3,00,000 (Three Lakhs Only) equity shares on a preferential basis to the promoter, Mr.V.Rajagopal, Chairman & Managing Director, in accordance with the SEBI (DIP) Guidelines or other provisions of law as may be prevailing at the time and at a price not **less than** :

- a. The average of the weekly high and low of the closing prices of the Company's shares quoted on the stock exchange (National Stock Exchange of India Limited) during the six months preceeding the 'Relevant Date';

OR

- b. The average of the weekly high and low of the closing prices of the Company's shares quoted on a Stock Exchange (National Stock Exchange of India Limited) during the two weeks preceding the 'Relevant Date', whichever is higher.

RESOLVED FURTHER THAT the Relevant Date for the preferential issue of equity shares, as per the SEBI (DIP) Guidelines, as amended up to date, for the determination of applicable price for the issue of the above mentioned equity shares is 30 days prior to the date of this Annual General Meeting i.e. 26th June, 2009.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted in accordance with the terms of the offer. The equity shares allotted in the terms of this resolution shall rank pari passu in all respects with the existing fully paid up equity shares of the Company, subject to the relevant provisions contained in the Memorandum and Articles of Association 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 such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable, incidental or expedient to the issue or allotment of aforesaid equity shares as appropriate and to clarify, resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment, the 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 may deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.



Celebrity Fashions Limited

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it, to any committee of directors, any other Director(s), or Officer(s) of the Company to give effect to the aforesaid resolution."

Date : 26th June 2009
Place: Chennai

For and On behalf of the Board

V.V. NARESH
Company Secretary

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE MEMBER OF THE COMPANY.** Proxies, in order to be effective must be received at the company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of Companies, Societies and Partnership firms etc must be supported by appropriate resolution/authority as applicable issued on behalf of the nominating organization.
- The Register of members and transfer books of the Company will be closed from Friday, the 24th day of July 2009 to Monday, the 27th day of July 2009 (both days inclusive).
- In terms of Clause 49 of the Listing Agreement entered with Stock Exchanges, a brief resume of the directors proposed to be reappointed in this meeting, nature of expertise in specific functional areas, their other directorship, committee membership and their Shareholdings in the Company are annexed to this notice.
- Members wishing to claim dividends, which remain unclaimed are requested to correspond with Mr. V.V. Naresh, Company Secretary at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's unpaid dividend account, will as per Section 205A of the Companies Act, 1956 be transferred to the Investors Education and Protection Fund.

ANNEXURE TO THE NOTICE CONVENING THE ANNUAL GENERAL MEETING

Additional information on directors seeking re-election at the Annual General Meeting

Mrs. Nidhi Reddy

Profile and expertise in specific functional areas

Born on 13th April 1956, Mrs. Nidhi Reddy holds a Master degree in Economics from Delhi School of Economics and a

Post Graduate diploma in Personnel Management and Industrial relations from XLRI.

Mrs. Nidhi Reddy is the sole proprietrix of Nidhi Reddy Consultants. She specializes in the field of human resource management, behavioral training and recruitment

She was co-opted as a director by the Board on 6th September 2005. She is not a director of any other company and does not hold any share in the Company.

Mr. P.S. Raman

Profile and expertise in specific functional areas

Born on 7th November 1960, Mr. P.S. Raman holds bachelor degree in commerce and Law. He is an advocate with more than twenty years of practice in Madras High court and in the Supreme Court. He is an additional Advocate General of Tamilnadu.

During the years of practice, he has gained valuable knowledge, experience and expertise in the field of law. He was co-opted as a Director by the Board on 6th September 2005.

Mr. P.S. Raman is also a Director in Sundaram Brake Linings Limited and does not hold any share in the Company.

ANNEXURE TO THE NOTICE

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

The following explanatory statement sets out all material facts relating to the business mentioned in the Notice.

Item No. 5

The Company had gone for a financial restructuring of its working capital facilities with its principal banker, State Bank of India, Overseas Branch, Chennai in August 2008. The Bank vide its sanction letter dated 23.12.2008, had approved the financial structuring subject to certain terms and conditions. One of the conditions is that the promoter / promoter directors need to bring in their share of money in the form of equity to the extent of Rs.50 Lakhs before 31st March, 2009. Considering the Company's need to strengthen its working capital requirements for its existing as well as future business needs, the company is raising funds through equity through preferential allotment. The Board of Directors of the Company at its meeting held on 26th June 2009, subject to necessary approvals has approved the proposal of issue of equity shares equivalent to Rs. 50 Lakhs through preferential offer to Promoter, Mr. V. Rajagopal.

The price at which the equity shares to be issued shall be the price determined as per the SEBI (DIP) Guidelines and the price arrived at as per the SEBI formula as on 26th June 2009.



The details of the issue and other particulars as required in terms of SEBI (DIP) Guidelines in relation to the resolution proposed under Item No.5 are given as under:

i. The Objects of the issue through preferential offer

The principal banker State Bank of India requires the promoters to bring in their share of margin towards Working Capital in the form of equity to provide financial support and hence has laid down as one of the conditions of the financial restructuring to the Working Capital limits of the Company.

ii. The intention of the promoters/directors/key management persons to subscribe to the offer

The preferential issue is being made to the Promoter, Mr.V.Rajagopal, Chairman and Managing Director of the Company. As such this resolution is being sought to approve allotment of equity shares to Promoter that are offered through this resolution.

iii. Relevant Date

The relevant Date for the purpose of determining the pricing of shares in accordance with Chapter XIII of SEBI (DIP) Guidelines is 26th June 2009.

iv. Terms of issue

The promoter Mr.V.Rajagopal has brought in Rs. 50 lakhs in the form of Share Application money on 31st March 2009.

v. Lock-in-period

The equity shares allotted on preferential basis to promoter / promoter Group shall be subject to lock-in-period for such period as specified under Chapter XIII of SEBI (DIP) Guidelines, 2000, relating to preferential issues.

vi. Shareholding pattern pre & post preferential offer

The Shareholding pattern giving the present position as also considering full allotment of equity shares to Mr.V.Rajagopal, Chairman & Managing Director as per the resolution is as follows:

| Particulars | Pre-Allotment holding | | Post-Allotment holding (after allotment of Preferential Issue) | |
|---------------------------|------------------------|----------------------|--|----------------------|
| | Total Number of Shares | % of paid up capital | Total Number of Shares | % of paid up capital |
| Promoter & Promoter Group | 7589661 | 42.539 | 7889661 | 43.489 |
| Public Shareholding | | | | |
| Trusts | 925 | 0.005 | 925 | 0.005 |
| Bodies Corporate | 3092925 | 17.335 | 3092925 | 17.049 |
| Resident Individuals | 3517429 | 19.715 | 3517429 | 19.389 |
| Clearing Members | 179528 | 1.006 | 179528 | 0.990 |
| Non Resident Indians | 60963 | 0.342 | 60963 | 0.336 |
| Foreign Companies | 3400000 | 19.056 | 3400000 | 18.741 |
| Foreign Nationals | 290 | 0.002 | 290 | 0.002 |
| Total | 17841721 | 100.00 | 18141721 | 100.00 |

vii. Proposed time within which the allotment shall be complete

As required under the SEBI (DIP) Guidelines, the Company shall complete the allotment of the aforesaid preferential issue of equity shares on or before the expiry of 15 days from the date of passing of this resolution by the shareholders granting consent for preferential issue or in the Central Government, within 15 (Fifteen) days from the date of the date of such approval(s), as the case may be.

viii. Identify the proposed allottees and the percentage of the post preferential issue capital that may be held by them

The percentage of post preferential issue capital that may be held by the proposed allottee(s) is as follows:

| Name of the proposed allottee | No. of Shares held (Pre-Allotment holding) | % of paid up capital (Pre-Allotment holding) | No. of Share held (Post-Allotment holding) | % of paid up capital (Post-Allotment holding) |
|---|--|--|--|---|
| Mr. Venkatesh Rajagopal Chairman & Managing Director | 3813200 | 21.3724 | 4113200 | 21.376 |

ix. Others

The Certificate of the Statutory Auditors to the effect that the present preferential offer is being made in accordance with the requirements contained in Chapter XIII of the SEBI (DIP) Guidelines, shall be placed before the shareholders at the meeting and will be open for inspection at the Registered Office of the Company on all working days except Saturdays and Sundays between 10.00 a.m. to 12.30 p.m. prior to the Annual General Meeting and will also be available for inspection at the Meeting.

As it is proposed to issue equity shares on preferential basis, special resolution is required to be approved by members pursuant to the provisions of Section 81(1A) and Section 81(3)(b)(i) of the Companies Act, 1956 and Chapter XIII of the SEBI (DIP) Guidelines. Your Directors therefore recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the above resolution except Mr.V.Rajagopal, Chairman and Managing Director to the extent of his shareholding.

Date : 26th June 2009
Place: Chennai

For and On behalf of the Board

V.V. NARESH
Company Secretary



DIRECTOR'S REPORT

Dear Shareholders,

Your Directors hereby present the 20th Annual Report along with the Audited Financial Statements of the Company for the year ended 31st March 2009.

Global Signs and Indian Scenario

The recession in US market and the global meltdown termed as Global recession have engulfed complete world economy with a varying degree of recessionary impact. World over the impact has diversified – down fall in one sector has led to a negative impact on the other sector.

India's economy grew at its slowest pace in nearly six years in the third quarter of fiscal year 2008-09 – a mere 5.3% expansion in the three months to December, down from 8.9% a year earlier; the expansion is projected to slow down further in the current year. Asia's giant economy, India, is expected to have grown about 7% in 2008-09.

Asian countries that rely heavily on manufactured exports have been hit hard by the global financial crisis that has prompted Western Consumers to curtail spending. The Domestic demand appears to be picking up. External demand, however, remains weak and contracted.

The textile and clothing industry of India is reeling under the pressure of the economic downturn. The Textile and Clothing export figures have dipped from \$22 billion in FY 2007-08 to \$20 billion in the FY 2008-09. The orders for textiles and garments have substantially fallen especially from US, European Union and even ASEAN as their economies are under severe financial crisis. The profitability of the Textile Sector has been falling since June 2007. The profitability declined by 99% in the quarter ending June 2008.

While the impact of economic slowdown on textile and garment industry is still relevant to large number of manufacturers and exporters, the focus has certainly moved on to far important area of their existence - survival. Whether it's small, medium or big business houses, they are closely monitoring the international market and maneuvering their strategies to keep their feet grounded. If some manufacturers have shelved their modernization projects, there are others who are exploring new avenues of export potential in other countries.

Financials (Rs. In Crs)

| | FY 2008-09 | FY 2007-08 |
|--|------------|------------|
| Income From operations | 230.04 | 332.34 |
| Gross Profit / (Loss) before interest and depreciation | (89.27) | 10.12 |
| Interest | 21.04 | 19.29 |
| Profit / (Loss) before depreciation and tax | (110.31) | (9.16) |
| Depreciation | 8.74 | 10.14 |
| Profit / (Loss) before tax | (119.05) | (19.30) |
| Provision for Taxation | 0.29 | 0.30 |
| Profit / (Loss) after tax | (119.34) | (19.60) |
| Balance brought forward from previous year | (3.06) | 16.54 |
| Balance carried to Balance Sheet | (122.40) | (3.06) |

Operational Review

The Company has recorded a net income from Operations of Rs.230 crs for FY 2008-09 as against Rs.332 crs in the previous year. The drop is mainly on account of reduction in capacities. In an effort to optimize the capacity utilization and overheads under the revised business atmosphere of global meltdown, the Company had sold its plant at Irrungattukottai, Jwala with effect from 1st April 2008. Further, the Company has reduced its operations base at its MEPZ, Chennai Plant by converting the same into single shift of operations from double shift of operations. Also, there has been a re-location of manufacturing facility into existing bigger manufacturing premises to avail optimization of establishment costs and factory overheads. The re-location has resulted in savings on account of rationalization of man power and production synergies.

Revenues from Exports for the year stood at Rs.156 crs and from Indian Terrain at Rs.74 crs. Indian Terrain has recorded a year-on-year growth of 25%, as compared to 17% in the previous year.

Loss after tax for the year stood at Rs.119.34 crs as against Rs.19.60 crs for the previous year.

With a clear target on the MEPZ-SEZ plant which was the single biggest factor for the losses in the previous two financial years, the Management of the Company undertook several initiatives, including conversion of Double shift of operations into Single Shift, Manpower rationalization especially at Managerial and Supervisory Staff Levels and



Celebrity Fashions Limited

reasonable increments to Workers. These actions were aimed at reducing the high level fixed costs base of the MEPZ plant. However, these initiatives were stifled by workers' non-co-operation and they have resorted to stoppage of work and have allegedly indulged in Low productivity resulting in Wastage of Raw Materials, Short Shipments and Production Delays following air freights. A section of the workers also resorted to illegal strike and the Company was forced to suspend the Operations at the MEPZ-SEZ plant during May-June 2008. The plant resumed operations from 4th June 2008.

The above actions resulted in financial losses to the Company on account of Airfreights due to production delays and Transfer of Orders to other Compliant Companies by the Customers to execute the pending shipments. The net realization to the Company in respect of materials transferred to other approved Companies, were at lower levels due to shorter lead times and differential margins.

Further a sharp appreciation in Rupee against USD during FY 2008 (~14%) left most textile firms with lower export realizations. In an attempt to hedge against further Rupee appreciation, most of the textile / garment sector companies entered into Derivative Contracts. The Company uses derivative financial instruments such as forward exchange contracts, currency swaps and interest rate swaps to hedge its risks associated with foreign exchange fluctuations and interest rates. However, the sudden unprecedented reverse movement (depreciation) of Rupee against USD and movement of USD against other currencies during FY 2009 has resulted in further losses to the Company.

During the year, the Company has sold Stock at lower values due to Order cancellations, Disruption in Operations (as mentioned above) among the Workforce and Sale of Jwala plant on a going concern basis.

The Garment industry has been witnessing a decline in realizations after the end of the Quota Regime in 2005 as it is facing increasing Competition from low cost countries like Sri Lanka, Pakistan, China, Indonesia, Turkey and Mexico. Bangladesh is also emerging as a major low cost producer especially after a recent legislation passed in the Country reducing the Minimum Wages. These have resulted in comparatively lower realizations and margins in India and the Company has witnessed the same.

Indian Terrain, the Company's national brand, has been doing well and has shown consistent growth, with the brand having being well-established and accepted. The brand has 30 Exclusive Stores across the Country with retail footprint at ~400 outlets. With the current market sentiments, being too weak, Indian Terrain has restricted its expansion mode on the Exclusive Branded Outlets and

is hammering more on a less expensive route to achieve an increased Sales / Sq. ft. Indian Terrain's Corporate Office has been shifted to the Head Office at MEPZ Premises for better management and administrative reasons and also for rationalization of staff costs.

The Company has a professional, well-experienced Management in place supported by a young and enthusiastic team which constantly strives to mitigate the problems, improve the financial health of the Company and meet the expectations of various stakeholders in the Company.

Financial Re-Structuring

The Company, in view of the losses incurred on account of multiple factors including as mentioned above and Slow down in US and Global Economy had to re-structure the Loans and other Working Capital Facilities with the Banks. The Company had approached its major Banker, State Bank of India (SBI) as well as other Bankers viz. HDFC Bank, Standard Chartered Bank and Citibank for a Financial Re-structuring Package. SBI had approved and sanctioned the Financial Re-Structuring Scheme on 23rd December 2008. The Scheme which was given effect from October 1, 2008 includes inter alia carving out Clean Term Loan from Working Capital Facilities, reduction of Interest Rates on loans, re-scheduling of all Term Loan Repayments with moratorium of 3 years and repayments in subsequent 7 years, deferment of interest repayments through Funded Interest Termloan of 2 years.

The Company has to comply with conditions laid by the Scheme which includes fresh infusion of additional equity by the Promoters to the extent of Rs.5 crores in two phases, deployment of funds in investments into Business, pledge of Equity Shares of Promoters to the extent of 30% of the Paid-up Capital and Personal Guarantee of the Promoters viz. Mr. V. Rajagopal, Chairman and Managing Director and Mrs. Rama Rajagopal, Executive Director.

The Company has approached its Other Bankers for Re-Structuring in similar terms and the same is in progress.

As at the year end, the accumulated losses have resulted in substantial erosion of the networth of the Company. However in view of the implementation of Re-Structuring Scheme as explained above, the Company is confident of being able to continue and operate the Business on a Going Concern basis and accordingly the financial statements have been prepared on the same lines.

Finance and Accounts

The Company has incurred business loss for the year and hence there is no provision for income tax.



Celebrity Fashions Limited

The Company has not availed any credit facilities from any institutions during the year. The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956.

Share Capital

During the year, the Company pursuant to ESOP 2005 Scheme has allotted 9,300 equity shares on conversion of options exercised by the employees. Consequently, the Share Capital has increased by Rs.0.93 lakhs.

Dividend

In view of the business loss for the year, no dividend is being recommended

Personnel

The Board wishes to place on record its appreciation to all the employees in the Company for their sustained efforts and contributions in the current Challenging Scenario.

Directors

The whole time Directors have been accorded approval for payment of minimum remuneration under Section 198(4) read with Section II of Part II of Schedule XIII of the Companies Act, 1956, consequent to which the terms of appointment has been fixed for 3 years effective from 1st April 2006. Due to inadequacy of profits, the Board of Directors at its Meeting held on 13th December 2007 approved on recommendation of the Remuneration and Compensation Committee and as approved by the Members in the Annual General Meeting held on 28th August 2008, modified the remuneration of the whole time Directors of the Company with effect from 01st January 2008 as Rs.24.00 lakhs per annum for each of the whole time Director as against Rs.42.00 lakhs per annum earlier.

Pursuant to Section 255 of the Companies Act, 1956, Mrs. Nidhi Reddy and Mr. P.S. Raman, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

M/s Anil Nair & Associates, Chartered Accountants, Chennai and M/s CNGSN & Associates, Chartered Accountants, Chennai, the Joint Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Corporate Governance Report and Management Discussion and Analysis Statement

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis statement.

Registrar and Transfer Agent

The name of the Company's Registrar and Transfer Agent – Intime Spectrum Registry Limited has been changed to Link Intime India Private Limited. However there is no change in the postal address of the agent.

Particulars as per Section 217 of the Companies Act, 1956

- A) Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956 and based on the representations received, your Directors hereby confirm that:
- i. In the preparation of the Annual Accounts for the year ended 31st March 2009, the applicable Accounting Standards have been followed and there are no material departures;
 - ii. The Directors 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 and of the profit or loss of the Company for that period;
 - iii. The Directors have taken proper and sufficient care for 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;
 - iv. The Directors have prepared the Annual Accounts on a going concern basis.
- B) The Particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956 are given in a separate statement attached to this Report and forms part of it.
- C) The information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given below:
- i. Conservation of Energy:

The operations of the Company are not energy-intensive. However, wherever possible, the Company strives to curtail the consumption of energy on a continuing basis.