

23rd Annual Report 2003-2004



Elgitread (India) Ltd.

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With a vision to create a strong global brand, it has become a way of life for Elgitread to participate in international trade shows and exhibitions. A few of the exhibits from the trade shows held in 2003 - 2004.



◀ World Tire Expo, Louisville, USA.

Report



Tyrexpo, Singapore. ▶



◀ Tires and Rubber Fair, Moscow, Russia.

Elgitread (India) Limited

Annual Report 2003 - 2004

Directors

L.G.Varadarajulu
(Chairman)
Sudarsan Varadaraj
(Managing Director)
S.A.Subramanian
M.John Edward
T.Ashok Anand
C.Thyagarajan
Jairam Varadaraj
K.Jayaraman
Suresh Jagannathan
M.D.Selvaraj
Vijay Raghunath
C.N.Srivatsan

Key Executives

L.G.Varadarajulu
(Chairman)
Sudarsan Varadaraj
(President)
S.A.Subramanian
(Director - Company Secretary)
M.John Edward
(Director - Sales & Marketing)
T.Ashok Anand
(Director - Manufacturing)

Head Office

"Elgi House"
1789, Trichy Road
Ramanathapuram
Coimbatore - 641 045
Tamilnadu

Bankers

State Bank of India
Commercial Branch
Coimbatore

Registered Office

2000, Trichy Road
Singanallur
Coimbatore - 641 005
Tamilnadu

Auditors

Reddy, Goud & Janardhan
Chartered Accountants
Bangalore

Plants

Korkadu, Pondicherry
Kottayi, Palakkad
Kurichi, Coimbatore
Nairobi, Kenya
Coromandel, Mauritius
Arusha, Tanzania
Colombo, Sri Lanka
Lorena-SP, Brasil

External Internal Auditors

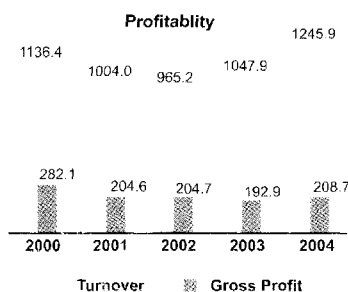
Delloitte Haskins & Sells
Chartered Accountants
Coimbatore

Historical Perspective - 10 Year Performance

(Rs. in Million)

| Particulars | 1994-1995 | 1995-1996 | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Sales & Other Income | 994.6 | 1307.6 | 1435.5 | 1461.3 | 1313.9 | 1136.4 | 1004.0 | 965.2 | 1047.9 | 1245.9 |
| Profit before Depreciation and Tax | 102.5 | 156.0 | 264.5 | 278.8 | 339.2 | 282.1 | 204.6 | 204.7 | 191.8 | 218.4 |
| Profit before Tax | 57.0 | 114.8 | 233.3 | 247.8 | 306.1 | 250.4 | 177.1 | 181.5 | 161.3 | 184.5 |
| Profit after Tax | 39.5 | 75.8 | 161.8 | 182.8 | 216.1 | 160.4 | 105.1 | 125.6 | 105.2 | 128.3 |
| Dividend % | 27 | 35 | 50 | 50 | 100 | 65 | 90 | 100 | 110 | 100* |
| Gross Fixed Assets | 270.0 | 308.2 | 324.5 | 389.2 | 423.3 | 439.9 | 439.1 | 456.1 | 573.1 | 571.7 |
| Net Fixed Assets | 120.8 | 135.4 | 126.5 | 163.0 | 167.1 | 162.4 | 153.5 | 148.4 | 238.6 | 223.1 |
| Investments | 16.4 | 38.4 | 73.0 | 34.4 | 32.9 | 160.8 | 278.4 | 342.4 | 454.1 | 355.5 |
| Net Working Capital | 313.2 | 376.7 | 458.8 | 471.0 | 611.4 | 612.2 | 562.5 | 499.2 | 414.5 | 611.5 |
| Total Capital Employed | 450.4 | 550.5 | 658.3 | 668.4 | 811.5 | 939.2 | 1001.2 | 1088.7 | 1140.6 | 1272.5 |
| Shareholders' Funds | 249.3 | 315.2 | 462.7 | 629.9 | 808.7 | 938.3 | 1001.0 | 1088.4 | 1140.6 | 1245.5 |
| Borrowed Funds | | | | | | | | | | |
| Bank Overdraft | 50.5 | 113.1 | 125.8 | — | — | — | — | — | — | — |
| Long Term Loans | 114.2 | 80.0 | 44.7 | 8.4 | — | — | — | — | — | — |
| Other borrowed funds | 36.4 | 42.2 | 25.1 | 30.1 | 2.8 | 0.9 | 0.2 | 0.2 | — | — |
| Total Funds | 201.1 | 235.3 | 195.6 | 38.5 | 2.8 | 0.9 | 0.2 | 0.2 | — | — |

* Subject to the approval in the Annual General Meeting.



Directors' Report

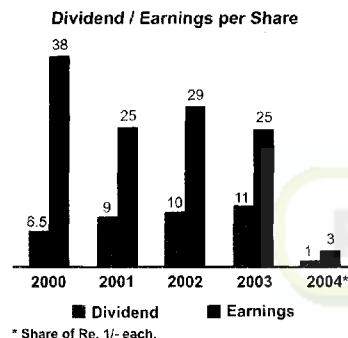
We take pleasure in presenting the 23rd Annual Report and Audited Accounts for the year ended March 31, 2004.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report is included at the appropriate places in this report so that duplication and overlap is avoided. In addition, the Chairman's letter to the members is merged into this report in order to have all the information pertaining to the industry is presented in a single report.

Financial Results

| | 2003 - 2004 | 2002 - 2003 |
|---|---------------|--------------|
| | Rs.in Million | |
| Profit Before Depreciation | 208.70 | 192.90 |
| Less: Depreciation | 33.88 | 30.55 |
| Profit Before Taxation | 174.82 | 162.35 |
| Less: Provision for Taxation | 51.02 | 60.01 |
| Less: Provision for Deferred Tax | 5.20 | (3.95) |
| Profit After Tax | 118.60 | 106.29 |
| Add: Balance from previous year | 73.24 | 31.71 |
| Add: Adjustment relating to earlier years | 9.73 | (1.08) |
| Profit available for appropriation | 201.57 | 136.92 |
| Appropriation | | |
| General Reserve | 100.00 | 10.63 |
| Interim Dividend @ 40% | 17.10 | --- |
| Proposed Final Dividend @ 60% | 25.65 | 47.03 |
| Total Dividend for the year | 42.75 | 47.03 |
| Dividend Distribution Tax | 5.48 | 6.02 |
| Balance Carried to Balance Sheet | 53.34 | 73.24 |



Dividend

We are pleased to recommend a final dividend of 60% on the equity shares. This, together with the interim dividend of 40% already paid, makes the total dividend of 100% for the year, and this along with the Dividend Distribution tax translates to a payout ratio of 37.6% of the profit after tax. The final dividend will be paid upon approval by the members in the ensuing Annual General Meeting to the registered members as on the book closure date. In respect of the de-materialised shares, dividend will be paid to the beneficial owners based on the list provided by the Depositories.

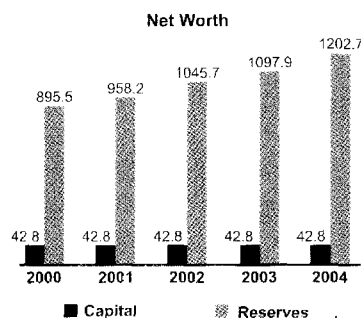
Industry Structure and Development

The Indian tyre retreading industry is highly competitive and fragmented and does not carry a positive image due to the peculiar way in which it is in the country. Though the size of the market for tyre retreading materials in India cannot be reliably assessed, it is estimated that the country is the fourth or the fifth largest market in the world. In other similar or larger markets there are no more than 10-12 manufacturers of retreading raw materials and a few hundred retreaders. By contrast in India there are over 1000 manufacturers of retreading raw materials and thousands of retreaders. The size of the retreader does not affect the quality of the retreading, whereas the quality of the inputs does. The manufacture of quality retreading materials is a capital intensive process, almost similar to the manufacture of automotive tyres. Over the past four decades the manufacture of retreading materials has gradually shifted from medium and large industry to small scale unorganised sector. This is mainly on account of fiscal concessions and reservation policies of the government which have driven manufacturers to remain small. This has resulted in little or no capital investment in the industry.

Opportunities and threats

The current investment in the National Highways, like the Golden Quadrilateral project, when completed, will bring stringent regulations with regard to loading and vehicle condition, opening up the market for newer and modern commercial vehicles. Further with continued pressure to deliver goods in time at very competitive prices, the transporters will be forced to adopt contemporary practices for vehicle maintenance. Price effectiveness of purchasing will far outweigh purchasing based on price. This will accelerate radialisation and as a consequence organised retreaders and branded material manufacturers will stand to benefit.

Radialisation in any form will benefit the company's core business - supply of precured retreading solutions, since this system is the preferred system for retreading radial tyres. More than 80% of truck tyres in the United States of America and close to 95% in Europe are radials. In India, radialisation is less than 2%.



Outlook

The market conditions in India have been very flat for the past 3-4 years and will continue to be so for the next 2 years. Given this and a very large presence of unorganised manufacturers, there is very little scope for the business to grow in this segment. This could change dramatically with radicalisation and strict implementation of the Motor Vehicles Act.

The company will continue to do well in the export segment.

The company has 7 wholly owned subsidiaries Bangladesh, Brazil, Kenya, Mauritius, Sri Lanka, Tanzania and the United States of America. Excepting the companies in the U.S.A. and Bangladesh, the others are manufacturing companies. It is the company's vision to create a very strong global brand. Currently only about 10% of the brand is sold outside India. Over the next 5 years it is expected to be close to 70% of the brand, accounting for 10% of the global market. In order to achieve this, the company will open up more subsidiaries and may even look for some strategic acquisitions and alliances.

Review of operations

Sales during the year registered a growth of 17% over the previous year to Rs.1,164 million. Other income amounted to Rs.82 million, compared to Rs.55 million. Cash profit was Rs.209 million as against Rs.193 million, an increase of about 8.3%. Despite the significant increase in the cost of raw material and other inputs coupled with the inability to pass on the cost increase to the customer, the strong and sustained cash flows registered by the company has been a result of focusing on improvement in operating efficiencies and cost reduction measures.

In terms of segment wise sales, the franchisee segment registered an increase of 6.0% during the year over the previous year. Sales to State Transport Undertakings increased by 28.0% mainly because of aggressive pricing albeit lower margins. Exports, the main focus segment registered an increase of 22.0%, over the previous year.

Sales of machinery accounted for Rs.18.6 million compared to Rs.17.1 million in the previous year.

The electric power generated by the Company's wind mills was 5.60 million units compared to 5.20 million units in 2002-03 and it recorded an income of Rs.16.60 million, an increase of 13%.

The company spent Rs.25 million on capital expenditure during the year mainly towards replacements/ renewals.

As disclosed in the earlier years, the company had extended financial support to Elgi Finance Ltd., to the tune of Rs.75 million. Out of this Rs.64 Million has been received so far and the balance has been written off as uncollectible.

The Company has continued to demonstrate its stable financial position despite unfavourable market conditions. The cash flows generated from the operations have enabled the company to fund the working capital requirements, capital expenditure including foreign investments and the dividend payment.

Risks and Concerns

The company has a responsible and responsive comprehension of the risks inherent in the business and has taken them seriously and addressed them properly. In this industry the main risk is in receivables and the company has very strong credit management systems in place.

The company has insured its assets and operations against a wide range of risks, as a part of its overall risk management strategies. With respect to imports, exports and foreign investments the company adopts prudent currency management policies to provide sufficient cover to the associated risks.

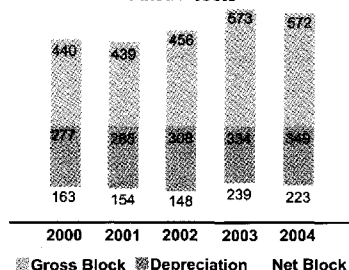
Internal Control Systems and their adequacy

The Company has sound internal control systems. The system ensures protection of assets against unauthorised use, proper recording of all transactions and diligent reporting, which is commensurate with its size and nature of business. Internal Audit conducted by an independent firm of Chartered Accountants and periodic review by the management supplement the internal control system. The Audit Committee of the board addresses significant issues raised by the Internal Auditors and the statutory Auditors.

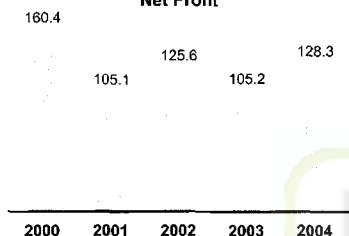
Human Resources and Industrial Relations

The company continues to have cordial and harmonious relationship with its employees. As at 31 March 2004, it had a strength of 472 employees.

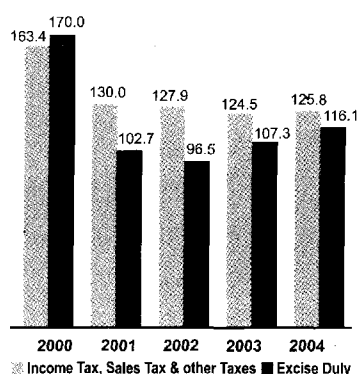
Fixed Assets



Net Profit



Contribution to Exchequer



Subsidiaries

The subsidiaries have enabled the company to expand the customer base and enter new markets by providing them exciting growth opportunities.

In line with the requirement to present consolidated accounts, the consolidated financials of the company has been included in this annual report.

During the year the following investments were made in the subsidiaries towards their capital for the expansions that are under progress.

| | |
|--|------------------|
| Elgitread Do Brasil Industria E Comercio De Artefatos De Borracha Ltda | Rs.63.01 Million |
| Elgitread (USA) LLC | Rs.11.15 Million |

Dematerialisation

The shares of the company are in compulsory demat segment and are available for trading in the depository systems of both National Securities Depository Ltd., and the Central Depository Services (India) Ltd. As on March 31, 2004, 22,908,590 Equity shares forming 54% of the Equity Share Capital of the company stand dematerialised.

Delisting

Consequent to the resolution passed at the Annual General Meeting held on 19 Aug 2003, the Company had preferred application for voluntarily delisting its shares from the Stock Exchanges at Chennai, Hyderabad and Mumbai. In response to our applications the Stock Exchanges at Chennai and Hyderabad had accorded their approval for voluntarily delisting and the approval from the Mumbai Stock Exchange is still awaited. The Equity Shares of the company are presently listed on the Stock Exchanges at Coimbatore and National Stock Exchange - Mumbai. The company confirms that it has paid the annual listing fees due to the above two stock exchanges viz - Coimbatore Stock Exchange Ltd., and National Stock Exchange of India Ltd.

Changes in the Capital Structure

During the year under review, the company has subdivided its shares into face value of Re.1/- each after obtaining the approval of the members at the Extraordinary General Meeting held on 25 February 2004 and the same has been effected from 12 March 2004.

Directors

In accordance with the provisions of the Articles of Association, Sri.C.Thyagarajan and Dr.Jairam Varadaraj retire by rotation and being eligible offer themselves for re-appointment.

Sri.K.J.Janakar had resigned from the directorship of the company with effect from 21 May 2004 due to his other preoccupations. He was a director of the Company from 01.04.1992. The Board of Directors wishes to place on record the valuable advice and guidance received from Sri.K.J.Janakar during his tenure as a director of the company.

Auditors

Reddy, Goud and Janardhan retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Directors' Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that they have:

- followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanations relating to material departures;
- selected suitable 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;
- 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
- prepared the Annual Accounts on a going concern basis.

Other information

Particulars as required by Section 217 (1)(e) of the Companies Act, 1956, relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are provided as an annexure to this report along with the Particulars of Employees as required under section 217 (2A) of the Companies Act, 1956.

Corporate Governance

A separate report on the compliance with clause 49 of the Listing Agreement with the Stock Exchanges and the Auditors' certificate on its compliance form part of this Report.

Cautionary Statement

Statements in this report, especially those relating to MD & A giving details of company's objectives, projections, estimates and expectations may be construed as "forward looking statements" within the realm of applicable laws and regulations. Actual results might be liable to differ materially from those either expressed or implied.

Acknowledgment

We are pleased to place on record the continued cooperation and support of our customers, suppliers, bankers and employees.

Annexure - 1**A. Conservation of Energy -****a) Energy Conservation measures taken**

- i. High pressure automatic steam boiler has been installed at our Palakkad Factory.
- ii. Stock blenders installed in Pondicherry factory to reduce mixing time and energy.

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy

- i. New tread sanding lines being developed for both Palakkad and Pondicherry plants to improve quality and reduce energy.
- ii. Hydraulic tread presses being automated with PLC's to reduce power consumption.
- iii. Curing cycles being optimised to save fuel.

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

- i. Significant reduction in the fuel consumption at Palakkad.
- ii. Improvement in the consistency of the product

d) Total energy consumption and energy consumption per unit of production.

Not applicable

B. Technology Absorption -**e) Efforts made in technology absorption****Research & Development (R&D)****1. Specific areas in which R & D is carried out by the company**

- i. New aluminium casting system for tread moulds developed.
- ii. New treads developed for Super Single Trailer axle tyres.
- iii. Automation of extrusion lines in the factories.
- iv. New types of tyre repair patches developed.

2. Benefit derived as a result of above R & D

- i. Better finish and consistency in the moulded tread.
- ii. Substantial orders received from US and European markets for Treads and Patches.

3. Future Plan of action

- i. To develop systems to control extrusion variations.
- ii. Ongoing development of new tread designs for overseas markets.

4. Expenditure on R & D

Rs. in million

- i. Capital : 1.63
- ii. Recurring : 5.82
- iii. Total : 7.45
- iv. Total R & D expenditure as a percentage of total turnover : 0.64

Technology absorption, adaptation and innovation**1. Efforts in brief, made towards technology absorption, adaptation and innovation.**

Not applicable

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.

Not applicable

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished

Not applicable

C. Foreign Exchange Earnings and Outgo -**(f) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services and export plans**

The Company has adopted a strategic market plan to exports its products by establishing marketing offices and warehousing the material in different regions. In addition to this the company will participate in more international trade fairs and exhibition. It has also developed newer products for meeting the market demands. It also has plans of entering new markets that are untapped for increasing the Company's share in the international market.

(g) Total Foreign Exchange earned and used

Foreign Exchange Earned Rs.146.08 Million
Foreign Exchange Used Rs. 53.55 Million

* vide The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Annexure - 2

Information pursuant to Sec.217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended 31st March 2004.

| Sl. No. | Name | Designation/ Nature of Duties | Age/Qualification & Experience | Total Remuneration (Rs.) | Date of Commencement of Employment | Previous Employer |
|---------|--------------------|----------------------------------|---|-----------------------------|---------------------------------------|---------------------------------------|
| 1 | Sudarsan Varadaraj | Managing Director | 46 years B.E.(Hons), M.S.(M.E) 22 years | 14,076,563 | 12.03.1988 | LSA Engineers Inc., Houston, U.S.A |

Note

1. The Managing Director was appointed for a period of five years.
2. Remuneration includes salary, company's contribution to Provident Fund, commission and reimbursement of medical expenses and other perquisites as applicable.
3. Sudarsan Varadaraj, Managing Director is related to Sri.L.G.Varadarajulu, Chairman and Dr.Jairam Varadaraj, Director of the Company.

For the Board of Directors

Coimbatore
21.05.2004

L..G.Varadarajulu
Chairman

Report on Corporate Governance**(In compliance with Clause 49 of the Listing Agreement)****I. Company's Philosophy on Corporate Governance**

The Company's philosophy on corporate governance is to ensure that its obligations are discharged in a fair and transparent manner and to enhance the value to all its stakeholders through sound and professional governance.

II. Board of Directors

The Board comprises of an Executive Chairman, a Managing Director, three Wholtime Directors and seven Non- Executive Directors of the Company.

The composition of the directors and their attendance at the board meetings during the year and at the last Annual General Meeting, and also the number of the other directorships are as follows:

| Name of the Director | Category of Directorship | No. of Board Meetings attended | Attendance at the last AGM | No. of other Directorship held in Public Companies | No. of membership in other Committees Member/Chairman |
|----------------------|-------------------------------|--------------------------------|----------------------------|--|---|
| L.G.Varadarajulu | Executive Chairman - Promoter | 3 | Yes | 14 | 2 / - |
| Sudarsan Varadaraj | Managing Director - Promoter | 4 | Yes | 12 | 1 / - |
| Jairam Varadaraj | Non - Executive - Promoter | 2 | Yes | 7 | 3 / - |
| S.A.Subramanian | Director - Company Secretary | 4 | Yes | 4 | - |
| T.Ashok Anand | Director - Manufacturing | 4 | Yes | 2 | - |
| M.John Edward | Director - Sales & Marketing | 4 | Yes | 1 | - |
| K.J.Janakar * | Non - Executive Independent | - | No | - | 1 / - |
| M.D.Selvaraj | Non - Executive Independent | 4 | Yes | - | 3 / 1 |
| Suresh Jagannathan | Non - Executive Independent | 3 | Yes | 3 | 2 / - |
| K.Jayaraman | Non - Executive Independent | 3 | Yes | - | - |
| C.Thyagarajan | Non - Executive Independent | 2 | Yes | - | 2 / 1 |
| Vijay Raghunath | Non - Executive Independent | 4 | No | - | - |
| C.N.Srivatsan * | Non - Executive Independent | - | No | 1 | - |

* Due to other preoccupations, Sri.K.J.Janakar resigned from the Board with effect from 21.05.2004. The Company inducted Sri.C.N.Srivatsan as an additional director with effect from 21.05.2004 till the conclusion of the ensuing Annual General Meeting.

Four Board Meetings were held during the year ending 31.03.2004. The dates on which the meetings were held are as follows:

| Date of Meeting | No. of Directors present |
|------------------|--------------------------|
| May 16, 2003 | 10 |
| July 23, 2003 | 8 |
| October 31, 2003 | 9 |
| January 20, 2003 | 10 |

III. Audit Committee

This Committee comprises of three non - executive independent directors. The terms of reference of this Committee are as required by SEBI under clause 49 of the Listing Agreement. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions, and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

The Committee met four times during the year. The composition of the Audit Committee and details of their attendance at the meetings are as follows:

| Name of the Member | Category | No. of meetings attended |
|-----------------------------|--|--------------------------|
| M.D.Selvaraj (Chairman) | Non - Executive Director - Independent | 4 |
| Suresh Jagannathan (Member) | Non - Executive Director - Independent | 3 |
| C.Thyagarajan (Member) | Non - Executive Director - Independent | 3 |

The Director-Company Secretary was the convener. The representatives of Statutory and the Internal Auditors of the Company had also attended the meeting. The minutes of the Audit Committee meetings were circulated to the Board, where it was discussed and taken note of. The Audit Committee considered and reviewed the accounts for the year 2003 - 2004, before it was placed before the Board.

IV. Remuneration Committee

The Remuneration Committee consists of the following Non - Executive Independent Directors, and met one time during the year.

| Name of the Member | Category | No. of meetings attended |
|------------------------|--|--------------------------|
| Sri.Suresh Jagannathan | Non - Executive Director - Independent | 1 |
| Sri.M.D.Selvaraj | Non - Executive Director - Independent | 1 |
| Sri.K.J.Janakar | Non - Executive Director - Independent | 1 |

The Committee is responsible for the appointment of and determining the compensation payable to the Executive and Non - Executive Directors.

Details of remuneration paid to the directors for the year ended March 31, 2004 are as follows:

(i) **Executive Directors**

| Name | Position | Total Remuneration (Rs.) |
|------------------------|------------------------------|--------------------------|
| Sri.L.G.Varadarajulu | Executive Chairman | 60,380 |
| Sri.Sudarsan Varadaraj | Managing Director | 14,076,563 |
| Sri.S.A.Subramanian | Director - Company Secretary | 560,400 |
| Sri.T.Ashok Anand | Director - Manufacturing | 488,400 |
| Sri.M.John Edward | Director - Sales & Marketing | 488,400 |

1. Remuneration includes salary, Company's contribution to Provident Fund, commission, reimbursement of medical expenses and other perquisites.

2. No sitting fees are paid.

(ii) **Non - Executive Directors**

Sitting fees for attending Board / Committee Meetings paid to Non - Executive Directors are as given below:

| Name of Directors | Sitting fees Paid (Rs.) |
|------------------------|-------------------------|
| Dr.Jairam Varadaraj | 10,000 |
| Sri.C.Thyagarajan | 25,000 |
| Sri.M.D.Selvaraj | 40,000 |
| Sri.Suresh Jagannathan | 30,000 |
| Sri.K.Jayaraman | 15,000 |
| Sri.Vijay Raghunath | 20,000 |
| Sri.K.J.Janakar | --- |

V. Investors' Relation Committee

The Committee had met twenty four times during the year 2003 - 04.

The functions of the Investors' Relation Committee are to review and redress Shareholder's / Investor's query / grievance / complaint on matters relating to transfer of shares, non-receipt of dividend warrants, etc., and to approve transfers, transmissions, consolidation and splitting of share certificates and to authorise officials to make necessary endorsements on the share certificates. The composition of Investors' Relation Committee and the attendance of the members in the meeting are given below:

| Name of the Member | Status | No.of meetings attended |
|------------------------------|------------------------------|-------------------------|
| Sri.C.Thyagarajan (Chairman) | Non - Executive Director | 24 |
| Sri.Sudarsan Varadaraj | Managing Director | 3 |
| Sri.M.D.Selvaraj | Non - Executive Director | 24 |
| Sri.S.A.Subramanian | Director - Company Secretary | 24 |

The Director and Company Secretary was designated as Compliance Officer. The Minutes of Investors' Relation Committee were placed at the Board Meetings.

Investors' complaints

The Company has attended to most of the investors' grievances and correspondence within a period of 5 days from the date of receipt of the same during the year 2003 - 2004.

No.of Shares received for transfer (Physical Shares) : Rs. 10/- paid-up - 8,874 shares.
during 2003 - 04 Re. 1/- paid-up - 2,350 shares.

No. of pending share transfers as on 31.03.2004 : Nil

Average turn around time : 10 days for transfer / transmission of physical shares.

VI(a). Annual General Meetings

The last three Annual General Meetings were held as under:

| AGM | Financial Year | Date | Time - Hr | Venue |
|------|----------------|--------------|-----------|-------------------------|
| 20th | 2000 - 2001 | 20 Aug, 2001 | 11.00 | Kirikera, Hindupur (AP) |
| 21st | 2001 - 2002 | 19 Aug, 2002 | 16.00 | Coimbatore, Tamilnadu |
| 22nd | 2002 - 2003 | 19 Aug, 2003 | 16.00 | Coimbatore, Tamilnadu |

The special resolutions as set out in the respective notices to the members were passed by the shareholders. No special resolution was put through postal ballot during last year.

VI(b). Extraordinary General Meeting

The company at the Extraordinary General Meeting of the members held on February 25, 2004, at 16.00 hours at Ardra Conventional Centre, North Huzur Road, Coimbatore 641 018, passed the resolution for the sub - division of the equity shares of the Company from the face value of Rs.10/- each to Re.1/- each and the same was effected from March 12, 2004, after duly approved by the members.

VI(c). Code of Conduct for prevention of Insider Trading

The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This Code is applicable to all directors / officers / designated employees. The Code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.