



GUJARAT POLY-AVX ELECTRONICS LIMITED

TWENTY SECOND ANNUAL REPORT 2010-2011

ANNUAL GENERAL MEETING

On Friday, the 29th July, 2011
at B-17/18, Gandhinagar Electronic Estate,
Gandhinagar, Gujarat at 1.00 p.m.

As a measure of economy, copies of the
Annual Report will not be distributed at the Annual
General Meeting. Shareholders are requested
to kindly bring their copies to the meeting.

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Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with M/s. Sharepro Services (India) Pvt. Ltd, Registrar and Share Transfer Agents of the Company.

Board of Directors

Mr. T. R. Kilachand (*Chairman*)

Mr. P. T. Kilachand

Mr. A. H. Mehta (*Executive Director-Finance & Legal*)

Mr. Chandrakant Khushaldas

Brig. K. Balasubramaniam

Mr. A.B.Shah (*GLIC Nominee*)

Mr. R. K. Jani (*GLIC Nominee*)

Company Secretary

Mr. J. M. Shah

Bankers

Bank of Baroda

Auditors

Messrs. C. C. Chokshi & Co.
(*Chartered Accountants*)

Solicitors and Legal Advisers

Crawford Bayley & Co.

Registered Office and Works

B-17/18, Gandhinagar Electronic Estate,
Gandhinagar 382 024, Gujarat.

Corporate Office

7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

TWENTY SECOND ANNUAL REPORT 2010-11

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of GUJARAT POLY-AVX ELECTRONICS LIMITED will be held at B-17/18, Gandhinagar Electronic Estate, Gandhinagar, Gujarat on Friday, the 29th July, 2011 at 1.00 p.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended 31st March, 2011.
2. To appoint a Director in place of Mr. P. T. Kilachand who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Brig. K.Balasubramaniam who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. H. Mehta who retires by rotation, but being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution for appointing Auditors for the current year.

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. C.C.Chokshi & Company, Chartered Accountants, Ahmedabad, (Registration No.101876W) be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company.

Further Resolved that the Board of Directors be and is hereby authorised to fix the remuneration of the Auditors and reimbursement of travelling and all other out of pocket expenses incurred in connection with the audit.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. A.H.Mehta, Executive Director (Finance & Legal) of the Company for a period of five years with effect from 1st July, 2011, upon the terms and conditions including remuneration as set out in the draft agreement placed before this meeting and initialed by the chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Mr. A.H.Mehta), in such manner as may be agreed to between Board of Directors and Mr. A.H.Mehta, provided however that the remuneration payable to Mr.A.H.Mehta shall not exceed the limits specified in the said agreement as also the limits prescribed under Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the terms of office of Mr. A.H. Mehta, the remuneration payable to him by way of salary, allowances and perquisites shall not, without the approval of

the Central Government (if so required), exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution."

By Order of the Board of Directors

J.M.SHAH
Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382024
Gujarat.
Dated: 31st May, 2011

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. The Proxies to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 21st June, 2011 to Tuesday, 28th June, 2011 (both days inclusive).
- (c) Members holding shares in the dematerialized mode are requested to intimate changes in their address, if any, to their Depository Participants and Members holding shares in physical form are requested to intimate the change of address, if any, immediately to the Registrar & Share Transfer Agents at Sharepro Services (India) Pvt. Ltd., 13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (E), Mumbai 400 072.

Telephone : 022-28215168 / 022-67720300

Fax : 022-28375646

Email : sharepro@vsnl.com

- (d) The Company's securities are listed on the following Stock Exchange :

Name & Address of the Stock Exchange	Nature of Security
Bombay Stock Exchange Limited Jeejeebhoy Towers Dalal Street Mumbai 400 023.	85,50,000 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees for 2010-11 to the above Stock Exchange.

- (e) **Members who have not yet exchanged the Share Certificates, are requested to exchange their Old Share Certificates with New Share Certificates, with the Company.**

GUJARAT POLY-AVX ELECTRONICS LIMITED



Information as required under Clause 49(IV)(G)(i) of the Listing Agreement, in respect of Directors being re-appointed/appointed.

Name of Director	Brig. K.Balasubramaniam	Mr.P.T.Kilachand	Mr. A.H.Mehta
Age	82 Years	44 Years	66 Years
Qualification	PTSc (Eq to ME) (Army), FIETE	Sc.B. 'Electrical Engg. & A.B' Engg & Economics from Brown University	B.Com, F.C.A., F.C.S.
Date of appointment	30.11.1994	11.03.1992	14.09.1989
Expertise	General Management	He served as an Executive Director of the Company for more than 7 years and has been actively involved and looking after all aspects of the various activities of the Company since inception. Experience in Management, Marketing and negotiation with varied authorities	Experience in Audit, Accountancy, Secretarial, Legal & Admn., Taxation etc. with Polychem Ltd., Sandeep Holdings Ltd. and Tandon Singapore Pte. Ltd. He has been involved with the Company since its incorporation and is familiar with all aspects of the Company. He has been serving as an Executive Director of the Company since 1.07.2001 and is responsible for Company's finance and legal functions and carries out duties as instructed to him from time to time by the Board of Directors.
Other Directorship in Public Companies (excluding Private Companies) as on 31st March, 2011.	-	Polychem Ltd, Ginnars and Pressers Ltd and Sun Tan Trading Co. Ltd.	Environmental Purifiers Ltd
No. of Equity Shares held	-	17,682	306

By Order of the Board of Directors

J.M.SHAH
Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382024, Gujarat.
Dated : 31st May, 2011

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

At the 17th Annual General Meeting of the Company held on 8th September, 2006, the members had accorded the approval to the appointment of Mr. A.H.Mehta, Executive Director (Finance & Legal) of the Company, for a period of five years with effect from 1st July, 2006, upon the terms and conditions, including remuneration, as set out in the draft agreement placed before the said meeting.

Mr. A.H.Mehta's present appointment shall expire on 30.06.2011. In view of his qualification, experience, improved conditions of the Company and efforts made by him for the overall improvement thereof subject to the approval of the members, the Board has re-appointed Mr. A.H.Mehta as an Executive Director of the Company for a further period of five years with effect from 1st July, 2011, subject to terms and conditions (including remuneration) as specified in Schedule XIII to the Companies Act, 1956, as amended from time to time.

The main terms of re-appointment of Mr. A.H.Mehta, Executive Director (Finance & Legal) of the Company as set out in the draft agreement placed before the meeting, are as follows:

- The period of re-appointment shall be for five years effective from 1st July, 2011.
- Salary payable shall be in the range of Rs.75,000/- to Rs. 1,50,000/- per month.
- Perquisites per annum shall not exceed the annual salary.
- Other benefits shall include use of car (with driver) and telephone for the Company's business at residence (the expenses whereof would be borne and paid by the Company).
- Mr. A.H.Mehta, Executive Director (Finance & Legal) shall be further eligible to the following perquisites also which shall not be included in the computation of the ceiling limit on remuneration by way of salary, perquisites, allowances etc.
 - The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund. The same will not be included in the computation of the ceiling limit to the extent of the same either singly or put together are not taxable under the Income Tax Act.
 - Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
 - Encashment of leave at the end of the tenure.

In accordance with the resolution, within the aforesaid limits of Schedule XIII of the Companies Act, 1956, the amount of salary and perquisites payable to Mr. A.H.Mehta (including the types and amount of each type of perquisites) will be decided by the Board of Directors at such time or times as it may deem fit in its absolute discretion. Further, Mr. A.H.Mehta shall be entitled to benefits as provided to other senior employees, in accordance with the schemes made by the Company, from time to time.

The valuation of perquisites will be as per the Income Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

The Board recommends passing of the resolution as set out at item No. 6 of the accompanying Notice.

This may be treated as an abstract of the terms and conditions governing the re-appointment and remuneration of the Executive Director, pursuant to Section 302 of the Companies Act, 1956. Mr. A.H.Mehta is interested in resolution at item No. 6.

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

By Order of the Board of Directors

J.M.SHAH
Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382024, Gujarat.
Dated : 31st May, 2011

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Twenty Second Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2011.

1. PRODUCTION ACTIVITIES

Your Company recorded an increase in production by 8.44% in the Financial Year 2010-11 over the previous year. The major increase in production was of Radials & SMDs. Production during the Financial Year was 1488.01 Lac pcs in comparison to 1372.13 Lac pcs in last year.

2. SALES

The total sales recorded during the Financial Year 2010-11 was Rs.912.90 Lacs against the sales of Rs.757.49 Lacs in the previous year, an increase of 20.51%. The product mix continue to change due to which the ASPs recorded lower than the last year. Major sales recorded were in the Industrial & Instrumentation, Automotive & EMS segments.

3. FINANCIAL RESULTS

The Company's operations for the year has resulted into profit of Rs.54.71 Lacs (Previous year Rs.2841.47 Lacs after interest write back of Rs.2893.19 Lacs). Before interest and depreciation & tax there is surplus of Rs165.12 Lacs (Previous year : Rs.100.49 Lacs).

In view of the accumulated loss, your Directors have not been able to recommend any Dividend for the year 2010-11.

4. FINANCE

The Company has not received any additional loans from the financial institutions during the year ended 31st March, 2011.

5. FIXED DEPOSITS

The Company has not received any deposits from Public during the year.

6. PARTICULARS OF EMPLOYEES

Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company.

7. PROCEEDINGS BEFORE THE AAIFR / BIFR

In compliance with the Order of the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) dated 27th March, 2002, the Company has substantially fulfilled its obligations as per the directions of AAIFR, as depicted hereunder:

- 1) The company has converted Rs.75 lacs into equity shares of cash value of Rs.10/- each.
- 2) The company also converted Rs.981.50 lacs into 0.5% non-cumulative redeemable preference shares and
- 3) Balance dues of Rs.861.41 lacs under One Time Settlement (OTS) to term lenders has been already paid in full.

Bank of Baroda has also been paid in full till 31.03.2011, Rs.83 lacs and Rs.90 lacs under FITL – I and FITL – II respectively. The Company has however, to pay to Bank of Baroda towards interest.

The Board for Industrial & Financial Reconstruction (BIFR) vide its Order dated 28.04.2009 had directed that the Company shall implement the provision of Sanctioned Scheme and redeem the non-cumulative redeemable preference shares. The Company thereafter, as legally advised, filed an appeal before AAIFR, against the said Order. AAIFR vide its order dated 22.02.2011, upheld the order of the BIFR. Company has filed a writ petition in the High Court of Gujarat, at Ahmedabad.

In the meanwhile, IFCI & IDBI have revoked the OTS. Company has suitably replied to IFCI and IDBI.

The Company has filed Miscellaneous Application on 09.09.2010 before the Board for Industrial and Financial Reconstruction (BIFR) for seeking an order for seeking discharge from the purview of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA 1985) in view of Company's net worth becoming positive as on 31.03.2010. The hearing of the said Application was fixed on 18th January, 2011. Subsequently, BIFR has postponed the said hearing

till further order.

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

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968, the Report of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo etc. is given in Annexure-I forming part of this report.

9. DIRECTORS

Brig. K. Balasubramaniam, Mr. Parthiv T. Kilachand and Mr. A.H. Mehta retire from office by rotation but being eligible, offer themselves for re-appointment.

Board of Directors have re-appointed Mr. A.H.Mehta as Executive Director (Finance & Legal) of the Company for a period of five years from 1.07.2011 at a remuneration to be decided by Board of Directors from time to time, subject to your approval as mentioned in the Notice of Annual General Meeting.

10. AUDIT COMMITTEE

Your Company has set-up an Audit Committee of Directors as mandated by section 292(A) of the Companies Act, 1956 as amended. Mr.Chandrakant Khushaldas,Brig.K.Balasubramaniam and Mr.T.R.Kilachand are the members of the Audit Committee.

11. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that :

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

12. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

13. AUDITORS' REMARKS

As regards the remarks in the Auditors' Report, please refer to the Notes on Accounts which are self-explanatory.

14. APPOINTMENT OF AUDITORS

You are requested to appoint Auditors. The retiring Auditors M/s.C.C.Chokshi & Co., Chartered Accountants, Ahmedabad are eligible for re-appointment.

15. ACKNOWLEDGEMENT

Your Directors express their sincere thanks to the Central and State Government authorities, including Gujarat Industrial Investment Corporation Ltd., Bank and Financial Institutions and the Collaborators Kyocera-AVX Corp of USA.

Sincere thanks are also due to the Management team, the staff and workers for their valuable contribution during this critical period of the Company.

On behalf of the Board of Directors

T.R.KILACHAND
Chairman

Registered Office:
Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382024, Gujarat.
Dated : 31st May, 2011



ANNEXURE I

A. CONSERVATION OF ENERGY

- a) Energy conservation steps taken:
 - i) Installed accurate controllers on equipment to obtain improved output on utility equipment.
 - ii) Improvement in Quality of Power by effective maintenance of power factor bank.
 - iii) Proper utilization of utility facility on production machinery.
- b) Additional Investments & Proposals being implemented:
 - i) Minimise use of utilities like Compressed Air and Chilled water with better productivity for low consumption of energy.
 - ii) Planned maintenance of all utility equipments like chiller dryer, compressor etc.
- c) Impact of measures at (a) & (b) above:
The above have resulted in cost savings, with better productivity as also the cost saving of the raw material and also in the energy conservation.
- d) Power & Fuel Consumption : Not Applicable

B. TECHNOLOGY ABSORPTION FORM - B

1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY

- i) Stream line Lead free product
- ii) Development of additional spares in place of imported
- iii) Developed lead free solder pot.

2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D

- i) Low down time of machines.
- ii) Reduction in level of stocking of machine spares
- iii) Commitment to improve environment.

3. FUTURE PLAN OF ACTION

- i) Indigenization of raw materials, tools and spares to continue.
- ii) Locally development of jigs and Fixtures to replace imported spares.
- iii) Continue the development of products similar to our present range of products.

4. EXPENDITURE OF R & D

Negligible

TECHNOLOGY-ABSORPTION ADAPTATION & INNOVATION

(1) (a) Technology Absorption

Technology absorption is complete in the areas commissioned

(b) Adaptation

As part of continuous quality improvement, alteration of process condition and parameters are being undertaken.

(c) Innovation

Systems adopted have led to improved processes.

(2) BENEFITS

- i) Consistency in the quality of our products resulting in negligible customer returns on technical grounds.
- ii) Improved process time and breakdown time of machine

(3) IMPORTED TECHNOLOGY

No additional import of Technology in the Financial Year 2010-11.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total Foreign Exchange used : Refer note of 15 (f) of Schedule 15(B)
- ii) Total Foreign Exchange earned : Rs. NIL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

Gujarat Poly-AVX Electronics Ltd (GPAEL) is a joint venture company set up in 1989 in collaboration with AVX LTD, USA. Your Company manufactures Multilayer Ceramic Capacitors in Radial, Axial, SMD Configuration as well as Singlelayer Disc Ceramic Capacitors both low and high voltage in the state of art facility in Gandhinagar, Gujarat. GPAEL is now one of the largest manufacturers of Ceramic Capacitors in India.

Industrial Structure and Development

Electronic Components are the building blocks of any Electronic System. Your company manufactures Passive Components which find major applications to Original Equipment Manufacturers (OEM's) which find use in the below segments:

- (1) Computer & Computer Peripherals
- (2) Instrumentation and Industrial Electronics
- (3) Consumer Electronics
- (4) Defence
- (5) Telecommunications
- (6) Dealers
- (7) Electronic Manufacturing Services (EMS)

GPAEL's products find use in the Electronic Industry which is one of the fastest growing industry worldwide.

Opportunities and Threats

- Ceramic Capacitors are immensely popular in the Electronic Industry due to their wide range and miniature size.
- Find application in any Electronic System
- Being an industrial product the marketing is directly to OEM's or through a Dealer Network.
- Also commenced Trading in other Components like TANCAPS etc.
- Volatility in the commodity prices are effecting the bottom lines.
- Electronic Passive Components are very easy to Import at zero duty and also in KIT form.
- Components are fiercely competitive.

Risks & Concerns

- Global sourcing by EMS Segments.
- Market volatility continues to stifle demand.
- Kitting continues to be popular particularly in New Technology areas.

Performance by Sector and Products

Major increase in sales during the Financial Year 2010-11 was recorded in the Instrumentation and Industrial Electronics, Consumer, EMS & Automotive Segments over previous year sales. Consequently Radials & SMD's sales were higher than previous year sales. However, the Telecommunication segment sales declined in comparison to previous year sales.

Overall, the sales recorded in Financial Year 2010-11 was Rs.912.90 Lacs in comparison to Rs.757.49 Lacs in the Financial Year 2009-10, an increase of 20.51%. Similarly, the production increased to 1488.01 Lacs pcs in Financial Year 2010-11 in comparison to 1372.13 Lacs pcs previous year.

Outlook

With the above possibilities, the Directors are hopeful of increasing the Sales Turnover of the Company.

The Company is cautiously optimistic about the growth prospects

for the current Financial Year.

Internal Control System and their Adequacy

Gujarat Poly-AVX Electronics Ltd has adequate system of internal controls to ensure all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

Your Company has nominated Internal Auditors who evaluate all financial and operating system control of the company. The Internal Auditors also review the internal controls to ensure Accounts of the Company are maintained and transactions are in accordance with the prevailing laws and regulations.

Internal Audit findings and recommendations are reviewed by the top management and the Audit Committee of the Board. The Committee reviews the quarterly, half yearly and annual financial statements before these are submitted to the Board and ensures compliance of internal control system.

FINANCIAL PERFORMANCE

Reserves & Surplus

During the year under review there has been no changes in the capital reserves of the company which stands at Rs.29,75,000/-

Secured Loans

As per Appellate Authority for Industrial & Financial Reconstruction (AAIFR) order dated 27th March 2002, the Company has paid in full one time settlement (OTS) due alongwith interest & interest on interest to term lenders including Bank of Baroda.

Fixed Assets (Net Block)

The Net Block as on 31.3.2011 is Rs.264.10 Lacs compared to Rs.361.81 Lacs for previous year. The net block has gone down due to depreciation / adjustment for the year.

Investments

The Company has not made any investments during the year.

Net Current Assets

The net current assets of the Company have increased from Rs.359.20 Lacs to Rs.394.64 Lacs.

Results of operations

The revenue during the year has increased from Rs.757.49 Lacs to Rs.912.90 Lacs mainly due to growth in the sale to Automotive, Telecom etc. There is a profit of Rs. 54.71 Lacs for the year against profit of Rs.2841.47 Lacs in the previous year. Provisions for the interest and financial charges are Rs.14.60 lacs compared to Rs.24.44 Lacs during the previous year.

Payment to and provision for employees amounts to 18.21% of sales compared to 17.80% in the previous year. Depreciation amounts to 10.50 % of sales during the year compared to 16.87 % in the previous year.

The Company cannot recommend dividend due to accumulated losses.

Material Development in Human Resources

In tune with company's vision to provide total quality environment which will delight our customers— both Internal & External, Human Resources play a very vital role in the company's growth. The Company empowers every employee to be a leader in its stride towards Total Quality.



CORPORATE GOVERNANCE REPORT

The Securities and Exchange Board of India (SEBI) ushered in a formal code of corporate governance (hereafter the code) through clause 49 in the listing agreement executed by the Company with a stock exchange. Clause 49 lays down several corporate governance practices which listed companies are required to adopt. The code has been periodically upgraded to ensure the adoption of best corporate governance practices by the corporates. While most of the practices laid down in clause 49 require mandatory compliance, few are recommendatory in nature. This report sets out the compliance status of the Company with the requirements of corporate governance, as set out in clause 49, for the financial year 2010-2011.

Company's Philosophy on Corporate Governance:

The Philosophy on Corporate Governance aims at attainment of the highest level of transparency, accountability and equity in the functioning of the Company vis-à-vis interactions with employees, shareholders, creditors and customers. The objective of the Company is not only to meet the statutory requirements of the code but also go well beyond it by instituting such systems and procedures as are required in accordance with the latest global trend of making management completely transparent and institutionally sound.

1. Board of Directors

The Company has 7 Directors including a Non-Executive Chairman. There are 6 Non-Executive Directors out of which 2 are Independent Directors. Board of Directors is responsible for management of the Company's business. The Board's role, functions, responsibility and accountability are clearly defined.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Chairmanships/Memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship/Membership of Board Committees includes only Audit and Shareholders'/Investors' Grievance Committees.

The table below provides the composition of the Board of Directors as on 31.03.2011

FY 2010-11 (April '10 to March '11)

Name of the Director	Attendance Particulars			Sitting fees Rs.	No. of other Directorship and Committee Membership/ Chairmanship	
	Category	Board Meetings	Last AGM held on 31.07.10		Other Directorship in Public Limited Companies	Committee Membership/ Chairmanship
Mr. T.R.Kilachand	Chairman	5	Yes	12,000/-	2	2
Mr. P.T.Kilachand	NED	3	No	7,000/-	3	1
Brig.K.Balasubramaniam	NED(I)	4	Yes	10,000/-	—	—
Mr.C.Khushaldas	NED(I)	5	Yes	12,000/-	2	—
Mr. A.B.Shah (Nominee of GIIC)	NED	3	Yes	7,000/-	4	2
Mr. R.K.Jani (Nominee of GIIC)	NED	3	No	7,000/-	—	—
Mr. A.H.Mehta	ED	5	Yes	—	1	—

Notes:

1. NED – Non-Executive Director.
2. NED (I) – Non-Executive and Independent Director.
3. ED – Executive Director
4. Mr.Tanil R. Kilachand and Mr.Parthiv T. Kilachand, are related. No other directors are related

Number of Board Meetings held and dates on which held

Five Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

15th April, 2010, 28th May, 2010, 31st July, 2010, 26th October, 2010 and 24th January, 2011.

2. Audit Committee

- The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956. Terms of reference of the Audit Committee are broadly include overseeing financial report processes, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the adequacy of internal audit function and discussion with internal auditors on any significant findings and follow-up thereon.
- Minutes of meetings of the Audit Committee are circulated to members of the Committee and the Board is kept apprised.
- Composition and Attendance

During the year under review, Five meetings of the Audit Committee were held on the following dates and the attendance of each member of the Committee is given below:

15th April, 2010, 28th May, 2010, 31st July, 2010, 26th October, 2010 and 24th January, 2011.