



**23rd Annual Report**  
**2011 - 2012**

**GUJARAT POLY-AVX ELECTRONICS LIMITED**



# GUJARAT POLY-AVX ELECTRONICS LIMITED

## TWENTY THIRD ANNUAL REPORT 2011-2012

### ANNUAL GENERAL MEETING

On Friday, the 3rd August, 2012  
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.

### Contents

	Pages
Notice	1
Directors' Report	3
Management Discussion and Analysis Report	5
Corporate Governance Report	6
Auditors' Report	10
Annexure to the Auditors' Report	11
Balance Sheet	12
Profit and Loss Account	13
Cash Flow Statement	14
Notes to Financial Statements	15
Significant Accounting Policies	21
Attendance Slip & Proxy	27

## 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 (*GLC Nominee*)  
Mr. R. K. Jani (*GLC 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.

## NOTICE

Notice is hereby given that the Twenty Third 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 3rd August, 2012 at 1.00 p.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.Chandrakant Khushaldas who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R.K.Jani who retires by rotation, but being eligible, offers himself for re-appointment.
4. 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.

By Order of the Board of Directors  
**J. M. SHAH**  
Company Secretary

### Registered Office:

Plot No.B-17/18  
Gandhinagar Electronic Estate  
Gandhinagar 382 024  
Gujarat.  
Dated : 30th May, 2012.

### 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, 19th June, 2012 to Tuesday, 26th June, 2012 (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 : 022-67720300 / 022-67720400  
Fax : 022-28591568  
Email : sharepro@shareproservices.com

- (d) The Company has implemented the "Green Initiative" circulars issued by Ministry of Corporate Affairs (MCA) vide their Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively and effected electronic delivery of Notice of Annual General Meeting and Annual Report for the year ended March 31, 2011 to those shareholders whose email ids were registered with the respective Depository Participants and downloaded from the depositories viz National Securities Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL). Securities and Exchange Board of India (SEBI) have also in line with the MCA circulars and as provided in Clause 32 of the Listing Agreement executed with the Stock Exchanges, permitted listed entities to supply soft copies of full annual reports to all those shareholders who have registered their email addresses for the purpose. In terms of the Circular No. NSDL/CIR/II/10/2012 dated March 9, 2012 issued by National Securities Depository Limited, email addresses made available by the Depository for your respective Depository Participant accounts as part of the beneficiary position downloaded from the Depositories from time to time will be deemed to be your registered email address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956 read with Section 53 of the Companies Act, 1956. In light of the requirements prescribed by the aforesaid circulars, for those shareholders whose Depository Participant accounts do not contain the details of their email address, printed copies of the Notice of Annual General Meeting and Annual Report for the year ended March 31, 2012 would be dispatched. The Notice of Annual General Meeting and the copies of the audited financial statements, directors' report, auditors' report etc. will also be displayed on the website [www.polyavx.com](http://www.polyavx.com) of the Company and the other requirements of the aforesaid MCA circulars will be duly complied with. Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company at the address mentioned in (c) above quoting their folio number(s).

- (e) 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 2011-12 to the above Stock Exchange.

- (f) **Members who have not yet collected the Share Certificates issued in the year 2002, are requested to collect the New Share Certificates from the Company at the earliest.**

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

<b>Name of Director</b>	Mr. Chandrakant Khushaldas	Mr.R. K. Jani
<b>Age</b>	76 years	59 years
<b>Qualification</b>	M.Sc. (Pure Mathematics) Allahabad University M.Sc. (Fiscal Studies) University of Bath, United Kingdom	B.Sc. (Hons.) B.Sc (Tech.)
<b>Date of Appointment</b>	25.07.2003	31.10.2002
<b>Expertise</b>	Retired Member of Central Board of Direct Taxes, wide experience in Taxation and Company Law.	Entrepreneur counseling, Liaison and follow up with Industrialists and Associations, Technical appraisal and follow up.
<b>Other Directorship in Public Companies (excluding Private Companies) as on 31st March, 2012.</b>	1. Baroda Extrusion Ltd. 2. Gajra Differential Gears Ltd.	-
<b>No. of Equity Shares held</b>	-	-

By Order of the Board of Directors

**J. M. SHAH**  
Company Secretary

**Registered Office:**  
Plot No.B-17/18  
Gandhinagar Electronic Estate  
Gandhinagar 382 024  
Gujarat.  
Dated : 30th May, 2012.

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Twenty Third Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2012

### 1. PRODUCTION ACTIVITIES

During the Financial Year 2011-12 your Company recorded a Production of 1384.28 Lac pcs in comparison to 1488.01 Lac pcs in Financial Year 2010-11, a decrease of 7 %.

### 2. SALES

The total sales during the Financial Year 2011-12 was Rs.827.26 Lacs against sales of Rs. 912.90 Lacs in last Financial Year, a decrease of 9%. The market slow down was dominant in the 2nd & 3rd Quarters and signs of improvement have been observed in Quarter –IV. Due to change in product Mix the ASPs recorded were lower than last year. Major sales recorded were in the Instrumentation & Industrial Electronics, EMS and Automotive Segments.

### 3. FINANCIAL RESULTS

The Company's operations for the year has resulted into profit of Rs.48.36 Lacs (Previous year Rs. 54.91 Lacs). However, before interest, depreciation and tax there is Surplus of Rs.83.45 Lacs (Previous year Rs.165.32 Lacs). After debit of Rs.123.40 Lacs under exceptional items, there is loss of Rs.75.04 Lacs.

In view of the accumulated loss, your Directors have not been able to recommend any Dividend for the year 2011-12.

### 4. FINANCE

The Company has fully repaid term loans with interest to Term Lenders.

### 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/HIGH COURT OF GUJARAT.

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.

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 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.

The Company thereafter filed a writ petition in the High Court of Gujarat, at Ahmedabad, which granted Stay vide its Order dated 21.06.2011 against the order of AAIFR and the petition is pending in the High Court of Gujarat.

As informed to you in the previous year, the IFCI and IDBI had revoked the One Time Settlement Scheme Sanctioned by Appellate Authority for Industrial & Financial Reconstruction (AAIFR) due to alleged breach of Terms and conditions committed by the Company in payment/redemption of Preference share capital.

The Company negotiated with IFCI for one time settlement against their all dues, costs etc. The Company paid Rs.123.40 Lacs as agreed and has received "No due Certificate" from IFCI.

### 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

Mr. Chandrakant Khushaldas and Mr.R. K. Jani retire from office by rotation but being eligible, offer themselves for reappointment.

### 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 :

- in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- 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;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 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 Corpn 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 382 024  
GUJARAT.  
Dated : 30th May, 2012.

**ANNEXURE I****A. CONSERVATION OF ENERGY**

- a) Energy conservation steps taken :
  - i) Replacement of old control Instruments with more accurate instruments have increased the performance of the machines with better productivity.
  - ii) Resulting in low consumption of energy and better performance of the equipments
  - iii) Improve performance of utility equipments (chiller, compressor etc.)
- b) Additional Investments & Proposals being implemented
  - i) Effective utilization of all the installed equipments, thereby minimizing the energy consumption.
  - ii) Planned Preventive Maintenance schedule and monitoring for effective use of the Production machinery.
- c) Impact of measures at (a) & (b) above:  
The above implementation have resulted in achieving better productivity and reduce energy cost.
- d) Power & Fuel Consumption : Not Applicable

**B. TECHNOLOGY ABSORPTION****FORM - B****1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY**

- i) Replacing/Repairing of imported spares by local vendors.
- ii) Development of RTS Aluminum Track to increase the productivity.
- iii) Effective management of manufacturing processes to reduce the consumption of raw material.

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

- i) Increased in product range
- ii) Reduce the procurement of imported spares.

- iii) Consistent manufacturing process

**3. FUTURE PLAN OF ACTION**

- i) Continuous indigenization of machine tooling, jigs & fixtures and raw materials.
- ii) To develop jigs & fixtures to increase the product range.
- 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 on a regular basis.

**(c) Innovation**

Systems adopted have led to improved the process

**(2) BENEFITS**

- i) Increase in product range.
- ii) Reduction in down time and improve the processes of the equipment.

**(3) IMPORTED TECHNOLOGY**

No additional import of Technology in the Financial Year 2011-12.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- i) Total Foreign Exchange used : Rs. 3,05,37,944/-
- ii) Total Foreign Exchange earned : Rs. NIL



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview

Gujarat Poly-AVX Electronics Ltd (GPAEL) was established in 1989 & Commenced Commercial Production in 1993. This state of the art facility has been setup in the pollution free Electronic Estate in GANDHINAGAR, Gujarat in Collaboration with AVX Ltd., USA, a world leader in Passive Components. Your company manufactures Multilayer Ceramic Capacitors in Radial, Axial & SMD Configurations, Single Layer Ceramic Disc Capacitors both High & Low Voltage & Metal Oxide Varistors. The Complete Plant & Machinery has been imported, installed & setup with AVX Support. Over the Years GPAEL's Products have been well received in the market & is, today, one of the largest manufacturers of Ceramic Capacitors in India.

### Industrial Structure and Development

Electronics Components can be classified into Active & Passive Components. These Components are the building blocks of any Electronic Industry. Our Ceramic Capacitors are classified as Passive Components & find wide application due to their miniature size, wide range & low cost. They find applications primarily in the following Market segments:

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

Your Company supplies parts to the Original Equipment Manufacturers (OEM's) in the above segments. In addition to this our Components are also sold through a country-wide Dealer Network.

### Opportunities and Threats

- Ceramic Capacitors as elicited above are immensely popular in the Electronic Industry & find applications in any Electronic Circuit.
- Ceramic Capacitors due to its variable Dielectric constant exhibit superior Electrical properties & have a wide Range .
- The sales are directly to OEM's & is an Industrial Product.
- The company is also Trading in other Electronic components like TANCAP's Etc.
- Ceramic Capacitors are Fiercely Competitive & is very easy to import.
- The Customs Duty on our capacitors is NIL.
- These parts are also imported in KIT form.
- The Dollar & Commodity Price volatility directly effects the margins.

### Risks and Concerns

- The evolution of the EMS segment has led to Global sourcing thereby making our products very competitive.
- New Technology areas continue to Import Components in KIT form.
- Volatility in currency, Metals, oil etc. have a direct impact on the Raw Material prices.

### Performance by Sector

The overall market sentiment during the Financial Year 2011 – 2012 was negative. All segments across the board recorded a drop in the Sales of our products. This was particularly evident in the Instrumentation & Industrial Electronic segment wherein for the first time in many years the sales recorded a drop. Similarly the EMS segment sales were very sluggish & cautious, leading to purchase decisions being postponed to as & when required. The Telecommunication Sector too was hit by uncertain market conditions due to political fallout .

Despite negative growth there was no major change in the Product mix. Sales of Radial MLCC was a front runner followed by SMD MLCC's & High Voltage Single Layer Disc Ceramic Capacitors .

Overall the sales achieved in FY 2011-12 was Rs. 827.26 Lacs in comparison to Sales of Rs. 912.90 Lacs in FY 2010-11 a drop of 9 %. Similarly the Production during the FY 2011-12 slipped to 1384.28 Lacs pcs in Comparison to 1488.01 Lacs pcs in FY 2010-11 a decrease of 7 %.

### Outlook

Despite the above 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/-

#### Fixed Assets (Net Block)

The Net Block as on 31.3.2012 is Rs.246.92 Lacs compared to Rs.264.10 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 decreased from Rs. 222.88 Lacs to Rs.165.09 Lacs.

#### Results of operations

The revenue during the year has decreased from Rs.912.90 Lacs to Rs. 827.26 Lacs due to over all negative market segment during Financial Year 2011 – 2012.

There is profit of Rs.48.36 Lacs (previous year Rs.54.91 Lacs) Provisions for the interest and financial charges are Rs. 8.93 Lacs compared to Rs.14.60 Lacs during the previous year.

Payment to and provision for employees amounts to 20 % of sales compared to 18 % in the previous year. Depreciation amounts to 3 % of sales during the year compared to 10 % in the previous year.

The Company cannot recommend dividend due to accumulated losses.

#### Material Development in Human Resources

Your Company's vision for the future is designed to provide a total quality environment, which will delight its customers - both internal & external. To achieve this objective the company has embark on developing its Human Resources by sharpening the industrial skills for multitasking . This 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 2011-2012.

### 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 31.03.2012

**FY 2011-12 (April '11 to March '12)**

Name of the Director	Attendance Particulars			Board Meeting Sitting Fees	No. of other Directorship and Committee Membership/Chairman-ship	
	Category	Board meetings	Last AGM held on 29.07.11	Rs.	Other Directorship in Public Limited Companies	Committee Membership/Chairmanship
Mr. T.R.Kilachand	Chairman					
	NED	4	Yes	12,000/-	2	2
Mr. P.T.Kilachand	NED	3	No	9,000/-	3	1
Brig.K.Balasubramaniam	NED(I)	3	Yes	9,000/-	-	-
Mr.C.Khushaldas	NED(I)	4	Yes	12,000/-	2	-
Mr. A.B.Shah (Nominee of GIIC)	NED	1	Yes	3,000/-	5	3
Mr. R.K.Jani (Nominee of GIIC)	NED	3	No	9,000/-	-	-
Mr. A.H.Mehta	ED	4	Yes	-	2	-

#### 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.

Four 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:

27th May, 2011, 29th July, 2011, 31st October, 2011 and 1st February, 2012.

### 2. Audit Committee:

- i. 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 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.
- ii. Minutes of meetings of the Audit Committee are circulated to members of the Committee and the Board is kept apprised.
- iii. Composition and Attendance

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

27th May, 2011, 29th July, 2011, 31st October, 2011 and 1st February, 2012



Name of the Director	Designation	Category	Committee Meetings	
			Held during the tenure	Attended
Mr Chandrakant Khushaldas	Chairman	Non Executive Independent Director	4	4
Brig. K.Balasubramaniam	Member	Non Executive Independent Director	4	3
Mr T.R. Kilachand	Member	Non-Executive	4	4

The majority of the members of the Audit Committee are independent and have knowledge of finance, accounts, company law and telecom industry as a whole. The quorum for audit committee meeting is minimum of two members.

The Company Secretary acts as the Secretary to the Committee.

**Details of Number of shares and Convertible Instruments held by Non-Executive Directors.**

Except Mr. T.R.Kilachand and Mr. P.T.Kilachand who hold 49,602 and 17,682 Equity shares of Rs.10/- each of the Company respectively, no other Non-Executive Director holds any shares or Convertible Instruments of the Company.

**3. Adoption of non-mandatory requirement of clause 49**

The Company complies with the following non-mandatory requirements stipulated under clause 49.

**Remuneration Committee:**

Terms of Reference:

The Terms of Reference of Remuneration Committee include recommending to the Board of Directors specific remuneration packages for Executive Director and management staff.

The Composition of the Remuneration Committee as on 31st March, 2012 was as under:

Sr. No	Name of the Director	Designation
1.	Mr. Chandrakant Khushaldas	Chairman
2.	Brig. K.Balasubramaniam	Member
3.	Mr. T.R. Kilachand	Member

All the above Directors are Non-Executive and the Chairman is an Independent Director.

One Remuneration Committee meeting was held on 27.05.2011, during the year 1.04.2011 to 31.03.2012.

**4. Shareholders' / Investors' Grievance Committee**

The following directors are the members of the said Committee:-

Sr. No.	Name of the Director	No. of Meeting(s)	
		Held	Attended
1.	Mr T.R.Kilachand – Chairman	19	17
2.	Mr. P.T.Kilachand – Non-Executive Director	19	18
3.	Mr. A.H.Mehta - Executive Director	19	17

The Committee would look into the redressal of the shareholders' complaints in respect of all matters including transfer or credit of shares to demat accounts, non-receipt of Notices/Annual Reports, non-receipt of Share Certificates etc.

Share Transfer formalities are attended to at least once a fortnight.

Mr. J.M.Shah, Company Secretary provided secretarial support to the Committee and was also the designated Compliance Officer of the Company.

Five complaints were received during the year and were solved. There are no complaints from the shareholders pending as on 31.3.2012.

**5. CEO/CFO Certification**

Mr. A.H.Mehta, Executive Director (Finance & Legal) and Mr. Harshad H. Jani, Assistant General Manager (Accounts and Finance) of the Company have certified to the Board that:

- (a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:-
  1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
  2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2012 which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) They accept responsibility for establishing and maintaining internal controls for financial reportings and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee those deficiencies of which they are aware, in the design or operation of such internal control and that they have taken the required steps to rectify these deficiencies.