

*4<sup>th</sup>*  
*Annual Report*  
*2003-2004*

GULSHAN



**GULSHAN POLYOLS LIMITED**



## Gulshan Polyols Ltd.

### BOARD OF DIRECTORS

Mrs. Mridula Jain	- Chairperson
Dr. Chandra Kumar Jain	- Managing Director
Ms. Aditi Jain	- Director
Mr. Shiv Kumar Uppal	- Whole Time Director
Dr. Vinod Kumar Sharma	- Director - Independent
Mr. Sumat Jain	- Director - Independent

### COMPANY SECRETARY

Mr. Mukesh Chandra Gupta

### AUDITORS

M/s Shahid & Associates  
Chartered Accountants  
Muzaffarnagar (UP)

### BANKER

Bank of Baroda

### REGISTERED OFFICE

Plot No. 762, Jhagadia Industrial Estate,  
Bharuch - 393110 (Gujarat)

### CORPORATE OFFICE & INVESTOR CELL

G-81, Preet Vihar,  
Delhi - 110 092

### REGISTRAR & TRANSFER AGENT

M/s. Alankit Assignments Ltd.  
205-208, Anarkali Complex  
Jhandewalan Extension  
New Delhi - 110055

### PLANT LOCATION

Plot No. 762, Jhagadia Industrial Estate,  
Bharuch - 393110 (Gujarat)

### VISIT US AT

www.gulshanindia.com

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## Gulshan Polyols Ltd.

### NOTICE

Notice is hereby given that the 4th Annual General Meeting of GULSHAN POLYOLS LTD. will be held on Saturday, 25th September, 2004 at 10:00 A. M. at its Registered Office at Plot no. 762, Jhagadia Industrial Estate, Distt. Bharuch- 393110 (Gujarat) to transact the following business:

- 1) To consider and adopt the Audited Balance Sheet as at 31st March 2004 and the Profit & Loss Account of the company for the year ended on that date together with the Reports of Board of Directors and the Auditors thereon.
- 2) To declare a dividend.
- 3) To appoint a Director in place of Mr. Sumat Jain, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Dr. V. K. Sharma, who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.
- 6) To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :

RESOLVED that pursuant to sections 198, 269, 309 and 310 read with schedule XIII and other applicable provisions of the Companies Act, 1956 Mr. S. K. Uppal be and is hereby reappointed as Whole Time Director (WTD) of the Company for a further period of 3 years w.e.f. 1st May, 2004 on the Remuneration, Perquisites and other benefits and amenities as set out in the resolution with a liberty to the Board of Directors to make and/or accept any variation in the terms & conditions within the limits specified in above sections and Schedule XIII of the Companies Act, 1956 or any other applicable provisions of the Act and guidelines issued by the Central Government from time to time.

**Salary :** Rs. 23,000/- per month with effect from 1st May, 2004 for a period of three years (subject to deduction of tax at source).

**Perquisites :** Perquisites shall be restricted to an amount equal to the annual salary respectively every year. Perquisites are classified into three categories 'A', 'B' and 'C' as follows:

#### CATEGORY 'A'

- (I) **Housing:** A House Rent Allowance of Rs. 10,000/- per month.
- (II) **Medical Reimbursement:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year.
- (III) **Leave Travel Concession:** For self and family once a year incurred in accordance with the rules framed by the company.
- (IV) **Club Fee:** Fee of one club will be admissible. This will not include admission and life membership fees.
- (V) **Personal Accident Insurance:** Personal Accident Insurance of an amount, the premium of which shall not exceed Rs. 1,000/- per annum.

#### CATEGORY 'B'

Company's contribution towards Provident Fund, Gratuity and Encashment of accumulated Leaves as per rules of the company. Gratuity shall not exceed an amount equal to half month's salary for each completed year of service. Contribution to the Provident Fund and Gratuity shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Further, Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

#### CATEGORY 'C'

Car for use on Company's business and telephone at residence & Mobile phone will not be considered as perquisites. Personal long distance calls and use of car for private purpose (if any) shall be billed by the company.

- 7) To consider and if thought fit, to pass, with or without modification, the following resolution as **Special Resolution** :

RESOLVED that pursuant to the provisions of the Companies Act, 1956 including any modifications or re enactment thereof for the time being in force, Security Contract Regulation



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Act, 1956 and the Rules framed there under, Listing Agreements, Securities & Exchange Board of India (De-listing of securities) Guidelines, 2003 and all other applicable laws, rules, regulations and guidelines and subject to such approvals and permissions and conditions and modifications as may be prescribed or imposed by any authority while granting necessary approvals, permissions and sanctions, the company do seek voluntary de-listing of its 62,12,300 Equity Shares of Rs. 5/- each from the Uttar Pradesh Stock Exchange Association Limited at Kanpur (The Kanpur Stock Exchange) and The Delhi Stock Exchange Association Limited (Delhi Stock Exchange) at Delhi and for the purpose, the Board of Directors of the company (herein after referred to as the Board which term shall be deemed to include any committee thereof for the time being exercising the powers delegated by the Board) be and is hereby authorised to take action for getting voluntary de-listing of the company's Equity Shares from the stock exchanges at Uttar Pradesh Stock Exchange Association Limited at Kanpur and The Delhi Stock Exchange Association Limited at Delhi where the equity shares are presently listed, and to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, desirable, appropriate and to settle any question, difficulty or doubt that may arise in respect of de-listing of the equity shares and to execute all such applications, deeds, documents and write ups etc. as may be necessary, desirable or expedient and to delegate the authority and the duty vested in it by virtue hereof to any person or persons as the Board may, in absolute discretion, deem fit for this purpose.

RESOLVED FURTHER that the company's entire Equity Shares Capital consisting of 62,12,300 Equity Shares of Rs. 5/- each shall remain listed at The Stock Exchange Mumbai.

For and on behalf of the Board  
for GULSHAN POLYOLS LIMITED

Delhi  
29th July, 2004

M.C. GUPTA  
Company Secretary

### NOTES :

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies and such proxy need not be a member of the company. The instrument appointing proxy should be deposited at the Registered office of the company, not less than 48 hours before the commencement of the meeting.**
2. The information as required to be provided under the Listing Agreement entered into with Stock Exchanges regarding the directors who are proposed to be appointed/reappointed are annexed hereto.
3. The register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, 14th September 2004 to Saturday, 18th September 2004 (both days inclusive).
4. In terms of provisions of section 205 A & 205 C of Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
5. Dividend on the Shares, if approved by the shareholders at the Meeting, will be paid to those Members/Beneficial owners whose names appear on the Company's Register of Members/Register of Beneficiaries as on Saturday, 18th September 2004.
6. In terms of prevailing Income Tax Laws, the dividend distributed by the company is tax-free in the hands of the shareholders and no TDS would be deducted from the amount of the dividend.
7. Members are requested to notify promptly any change in their address and to furnish dividend mandates, if any, so as to reach the Registrar of the Company i.e. M/s Alankit Assignments Ltd, 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi 110055 (Phone no 011-51540060 to 63, Fax No 011-51540064, email address alankit@alankit.com) or to Investor Cell of the Company at G-81, Preet Vihar, Delhi 110092 (email address of Company Secretary mcgupta@gulshanindia.com) latest by the Saturday, 18th September 2004.
8. The members can avail of the nomination facility by filling form 2-B with the company. Blank forms will be supplied on request.
9. Members/Proxies are requested to bring copy of the Annual Report with them, as copies of the Report will not be distributed at the Meeting.



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### INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/reappointed are given below:

1. Name : Mr. Sumat Jain  
Age : 68 years  
Qualifications : MBA  
Experience : Vast Experience in Finance and Management.  
Other Directorships : He is also director in 19 other companies including Private Limited companies. He is also member of Audit, Remuneration and Shareholder's Grievance Committees in various company.
2. Name : Dr. V. K. Sharma  
Age : 56 years  
Qualifications : M. Sc., Ph. D.  
Experience : 35 Years in Environment Science.  
Other Directorships : He is also director in 2 other limited companies. He is also member of Audit, Remuneration and Shareholder's Grievance Committees in various company.
3. Name : Mr. Shiv Kumar Uppal  
Age : 57 years  
Qualifications : M. Tech.  
Experience : 28 Years in Sorbitol and Chemical Industry in India and Abroad.  
Other Directorships : None

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

#### ITEM NO 6

Consequent upon the expiry of tenure of Mr. S. K. Uppal as, Whole Time Director of the company on 30th April 2004, the Board of Directors of the company in the meeting held on 31st March, 2004 reviewed his performance and unanimously decided to reappoint him, subject to shareholder's approval, as Whole Time Director of the company for a further period of 3 years w.e.f 1st May, 2004 on the terms & conditions and remuneration package as set out in the resolution above.

None of the directors except Mr. Shiv Kumar Uppal being himself is interested or concerned in the proposed resolution. Your directors recommend the resolution for your approval.

#### ITEM NO 7

The Equity Shares of the company are presently listed at -

1. The Uttar Pradesh Stock Exchange Association Limited at Kanpur
2. The Delhi Stock Exchange Association Limited at Delhi, and
3. The Stock Exchange, Mumbai (BSE) at Mumbai

It has been observed that the shares of the company are not being traded in a material way regularly at 'The Uttar Pradesh Stock Exchange Association Limited' and 'The Delhi Stock Exchange Association Limited'. In fact, the trading volume at these two stock exchanges are nil during the last 3 Financial Years i.e. 2001-02, 2002-03 and 2003-04. However, the equity shares have been regularly traded at BSE.

The Company's Equity Shares are specified by the SEBI for settlement only in dematerialized form by all the investors. With the extensive networking of BSE Terminals in all major cities all over the country, the investors have easy access to the stock market and can deal in the company's securities across the country. The directors, therefore, felt that the continued listing with the above two stock exchanges namely 'The Uttar Pradesh Stock Exchange Association Limited' and 'The Delhi Stock Exchange Association Limited' do not provide any significant tangible advantage to the members of the company. The statutory period of listing of the equity for not less than 3 years at these stock exchanges have been complied with. The listing fees have also been paid including for the current year.

In terms of clause 5, 6, 7.1, 7.2 and 11 and other relevant clauses of the SEBI (Delisting of Securities) Guidelines, 2003 the de listing of Equity Shares of the company require the approval of the shareholders by way of Special Resolution.

None of the directors, directly or indirectly are concerned or interested in the resolution.

The directors recommend the resolution for your approval.

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## DIRECTOR'S REPORT

Dear Members,

The Board of Directors feel great pleasure in presenting the 4th Annual Report along with Audited Accounts of your Company for the year ended 31st March 2004.

### FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	CURRENT YEAR 31-3-2004	PREVIOUS YEAR 31-3-2003
- Turnover & Other Income	5459.38	3980.55
- Expenditure	4690.13	3529.86
- Gross Profit before Depreciation Finance Charges & Tax	769.25	450.69
- Depreciation	352.35	218.44
- Finance Charges	144.96	106.54
- Profit before tax	271.94	125.71
- Provision for Tax - Current Tax	41.90	18.33
- Deferred Tax Credit/(Liability)	(42.81)	(7.35)
- Net Profit after Tax	187.23	114.73
- Dividend & Dividend Tax	28.03	28.03
- Gross Cash Accruals	511.55	305.14
- Equity Share Capital	310.62	310.62
- Par Value of Equity Share (Rs.)	5.00	5.00
- Earning per Share (Rs.)	3.01	1.85

### DIVIDEND

The Board of Directors is pleased to recommend a Tax-free dividend of 8% (Rs. 0.40 per share on a Equity Share of Rs. 5/- each) on the equity share capital of the company for the year ended 31st March 2004. The Dividend, if approved by the members at the ensuing Annual General Meeting, will be paid within stipulated period prescribed under the Companies Act, 1956.

### 2003-04 IN RETROSPECT

The Sales and Other Income for the financial year under review, were Rs. 5459.38 lacs (Previous year Rs. 3980.55 lacs) showing a growth of over 37%. The Net Profits after tax were Rs. 187.23 lacs (Previous year Rs. 114.73 lacs) registering a growth of over 63%. The Depreciation charge was higher at Rs. 352.35 lacs (Previous year Rs. 218.44 lacs). The Cash accruals were Rs. 511.55 lacs (Previous year Rs. 305.14 lacs) showing a growth of more than 67%. The capacity utilization during the year was over 91% of the expanded capacity. The expansion project of the company has been completed and has resulted into higher production and increased sales volume.

Management's Discussion & Analysis about the company forms part of this report.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sumat Jain and Dr. V. K. Sharma, Directors of the company retire at the ensuing Annual General Meeting by rotation and being eligible offer themselves for reappointment.

Mr. S. K. Uppal, Whole Time Director of the company was reappointed by the Board on 31st March, 2004 as Whole Time Director for a further period of 3 years w.e.f 1st May, 2004 on the terms & conditions and remuneration package as set out in the resolution for which the shareholder's approval is required.

### SHARE CAPITAL

During the financial year and as approved by the shareholders in Extra Ordinary General Meeting held on March 26, 2004. Authorized Share Capital of the company has increased to Rs. 14 crore (Previous Year Rs. 10 crore) by adding 4,00,000 Zero % Redeemable Preference Shares of Rs. 100/- each. These are redeemable at 6th, 7th and 8th year @ 35%, 35% and 30% respectively from the date of issue. In





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terms of the requirement of Bank of Baroda (BOB) for financing the project for backward integration and captive power plant, out of the above, Redeemable Preference Share capital aggregating to Rs. 200 lacs comprising of 2,00,000 Zero % Redeemable Preference Shares of Rs. 100/- each have been paid up and allotted on March 31, 2004 to the subscribers.

### BACKWARD INTEGRATION & CAPTIVE POWER PLANT

After the successful completion of expansion project, the company has targeted to optimize the cost of production of the product, the company has taken up the project to set up facilities for backward integration to produce the basic raw material i.e. Starch for enlarged capacities. Considering the fluctuations in starch prices, the captive generation would considerably save the cost of production apart from additional contribution from by-products. A Captive Power Plant is considered essential for power requirement of expanded capacities of sorbitol and backward integration. This would ensure uninterrupted power and steam at reduced cost to the entire operations. The project is partly financed by Bank of Baroda and will be completed by March 2005.

### PUBLIC DEPOSITS

The Fixed Deposit Scheme of the company evoked good response from the investors. The Fixed Deposits mobilized and outstanding from the public and shareholders aggregated to Rs. 29.28 lacs as on 31st March 2004 (Previous year Rs. 32.12 lacs). There was no Fixed Deposit remained unclaimed as on 31st March, 2004. There were no delay/defaults in the payment of any of the Deposit.

The company has complied with the provisions of section 58-A of the Companies Act, 1956 and rules made thereunder.

### CONTRIBUTION TO EXCHEQUER

Your company has paid substantial amounts in excess of Rs. 762 lacs to the Exchequer during the year in the form of Excise Duty, Custom Duty, Direct & Indirect taxes, levies, cess etc.

### INSURANCE

The Assets of the company including Buildings, Plant & Machinery, Stocks & Stores etc. have been adequately insured.

### DEMAT OF SHARES

Necessary arrangements are made for Dematerialisation of Shares with NSDL and CDSL. Over 84.40% of the equity shares of the company are already in Demat form. Since the shares of the company are traded on stock exchange in compulsory Demat form, the shareholders holding shares in physical form may avail this facility in their own interest.

### AUDITORS REPORT

The Auditors report to the shareholders does not contain any audit qualification. The accounts of the branches of the company are also audited by the Statutory Auditors.

### DISCLOSURE OF PARTICULARS

The information pursuant to section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and as amended and to the extent applicable to the company are given as per prescribed Forms in Annexure- 1 forming part of this report. The company has not given any shares to any of the employees under Employees Stock Option Scheme.

Pursuant to the clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure-2.

### PERSONNEL

None of the employees during the year received the remuneration in excess of the limits set out under the Provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended up to date. Dr. C.K. Jain, Managing Director of the Company is related to Mrs. Mridula Jain as her husband and Ms. Aditi Jain as her father.

### DIRECTORS' RESPONSIBILITY STATEMENT

As per section 217(2AA) of the Companies (Amendment) Act, 2000, your company has complied with the entire following requirement set out in the said provision:

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure,



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- ii) That the selected accounting policies were applied consistently and the directors made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2004 and of the profit of the company for the year ended on that date,
- iii) That proper and sufficient care has been taken 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,
- iv) That the annual accounts have been prepared on a going concern basis,

### SAFETY AND ENVIRONMENT

The company continued to maintain a good safety record. The manufacturing unit of the company is environment friendly and maintains all safety standards and measures.

### INDUSTRIAL RELATIONS

The Company continued to maintain good industrial relations with the work force in its unit and offices.

### AUDITORS

M/s. Shahid & Associates, Chartered Accountants, Muzaffarnagar, Auditors of the company retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. They have confirmed that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956. Accordingly, the said Auditors may be reappointed as Auditors of the company at the forthcoming Annual General Meeting.

### ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation to the contribution made by all the employees in ensuring high levels of performance and growth that your company has achieved during the year and the valued customers for extending their faith & confidence in the product quality and service. The Board of Directors also wish to place on record to the valuable co-operation and assistance extended by the Financial Institutions, Banks and Government Authorities for their continued support for the growth of the company.

The future prospects of the company are quite exciting in view of the product demand, capacity expansion and project for backward integration and it would be the Company's endeavor to merit the confidence of the esteemed Shareholders on every account.

For and on behalf of the Board of Directors

Delhi  
9th June, 2004

(MRIDULA JAIN)  
Chairperson

## ANNEXURE TO DIRECTOR'S REPORT

### FORM - A (See Rule - 2)

### ANNEXURE - 1

Disclosure of particulars with respect to conservation of energy and Consumption per Unit of Production

#### (A) Conservation of energy

- (i) **Energy Conservation measures taken:** The company is implementing a project for setting captive power generation plant and has realigned the existing power consuming sections to remove bottleneck.
- (ii) **Additional investment and proposal, if any, being implemented for reduction of energy consumption:** The company is under way to implement the Captive Power generation Plant along with backward integration. The power plant may cost appx Rs. 10 Crore.
- (iii) **Impact of measures (i) & (ii) above for reduction of energy consumption and consequent impact on cost of production of goods:** This would result in higher yield, reduction in power cost and self reliant on power production.



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- (iv) **Total energy consumption and energy consumption per unit of production as per Form 'A':** The details are as under :

**Disclosure of Particulars with respect to conservation of energy :**

	Current Year	Previous Year
<b>A. Power &amp; Fuel Consumption :</b>		
1. <b>Electricity :</b>		
(a) <b>Purchased :</b>		
Units	17,34,276	15,53,794
Total Amount (Rs)	83,93,900	68,67,770
Average Rate(Rs)/Unit	4.84	4.42
(b) <b>Own Generation :</b>		
<b>Through Diesel Generator :</b>		
Units	4,82,930	59,530
Units per Ltr. of Diesel/Oil	3.07	3.18
Cost(Rs)/unit	8.17	7.03
2. <b>Lignite (Used in Boiler)</b>		
Qty. (Tones)	8,003	5,606
Total Cost (Rs)	2,22,48,804	81,60,100
Average Rate (Rs)	2,780	1,456
<b>B. Consumption per Unit (MT) of production</b>		
Product	Sorbitol - 70%	
Production (MT)	27558.600	19828.490
Electricity (Units/Per Ton)	80.45	81.36
Lignite (Kg/Ton)	290	283

**FORM - B (See Rule - 2)**

**Disclosure of particulars with respect to Technology Absorption and Research & Development (R&D):** The Company has not imported any technology for the process of operations. The company has made own efforts over the years for development, refinement and improvement in the technology.

**FORM - C**

**Foreign Exchange Earnings & Outgo :** Earnings - NIL (Previous Year - NIL). The Company has taken a foreign currency Term Loan Equivalent to Rs. 9,01,62,600/- (Previous Year NIL) from Bank of Baroda. The utilization of Foreign Exchange on capital goods during the year for imports was Rs. 19.33 Lacs (Previous year Rs. 54.53 Lacs) and for repayment of foreign currency loan instalment and interest etc an loan was Rs. 78,01,946/- (Previous year Nil).

**ANNEXURE - 2****REPORT ON CORPORATE GOVERNANCE****(A) Company's Philosophy**

The company firmly believes in and has consistently practiced good Corporate Governance. The Company's essential character is shaped by the very values of transparency, professionalism and accountability. The company will endeavor to improve on these aspects on ongoing basis.

**(B) Board of Directors**

The Board of Directors comprises a total of 6 Directors, which include a Non-executive Chairperson, a Managing Director, a Whole Time Director, and 3 Non-executive Directors, including 2 independent directors. The ratio of Independent directors is 33% of the total Board's strength. Mrs. Mridula Jain, Chairperson belongs to the promoter's category and there is no other pecuniary relationship except her being director in other group companies.

During the year 9 Board Meetings were held on 26-04-2003, 15-05-2003, 27-06-2003, 30-07-2003, 31-10-2003, 25-11-2003, 09-01-2004, 29-01-2004 & 31-03-2004.



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The composition of directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorship/membership of committees are as follows :

Name of Directors	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM	No. of other directorships	Committee Membership	
					Member	Chairman/ Person
Mrs. Mridula Jain	Chairperson	9	YES	12	1	-
Dr. C.K. Jain	Managing Director	9	YES	12	-	3
Ms. Aditi Jain	Director	4	YES	6	-	1
Mr. S. K. Uppal	Whole Time Director	8	YES	-	-	-
Dr. V. K. Sharma	Director-Independent	7	YES	2	5	4
Mr. Sumat Jain	Director-Independent	5	YES	20	7	-

Note: Directorship includes Private Limited Companies also.

### (C) Audit Committee

#### (a) Terms of reference

To oversee the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of the audit fee, to review and discuss with the Auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of the internal audit function, major accounting policies, practices and entries, compliance with accounting standards and with the stock exchange and legal requirements concerning financial statements and related party transaction, if any, to review the Company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon, to review the quarterly, half yearly and annual financial statements before submission to the Board of Directors.

The committee also meets the operating management and reviews the operations, new initiatives and performance of the business unit. The minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

#### (b) Composition

The Audit Committee of the Board comprises of 2 non-executive independent directors. The Auditors and Company Secretary are the permanent invitees. Mr. M.C. Gupta is Secretary of the committee. The committee met four (4) times during the financial year 2003-04 and was attended by Dr. V.K. Sharma, Chairman and Mr. Sumat Jain, member.

### (D) Remuneration committee

#### (a) Terms of reference

To review, assess and recommend the appointment of executive and non-executive directors from time to time, to periodically review the remuneration package of the executive directors and recommend suitable revision to the Board, to recommend compensation to the non-executive directors in accordance with the Companies Act, to consider and recommend Employee Stock Option Schemes (if any) from time to time and to administer and superintend the same.

#### (b) Composition

The committee comprises of Dr. C.K. Jain, Managing Director being Chairman and two other non-executive independent directors namely Dr. V.K. Sharma and Mr. Sumat Jain both being Members. The committee met four (4) times during the financial year under review.

#### (c) Remuneration Policy

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives. The Components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled by him, individual performance etc. The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, and retain talent in the organization and reward merit.