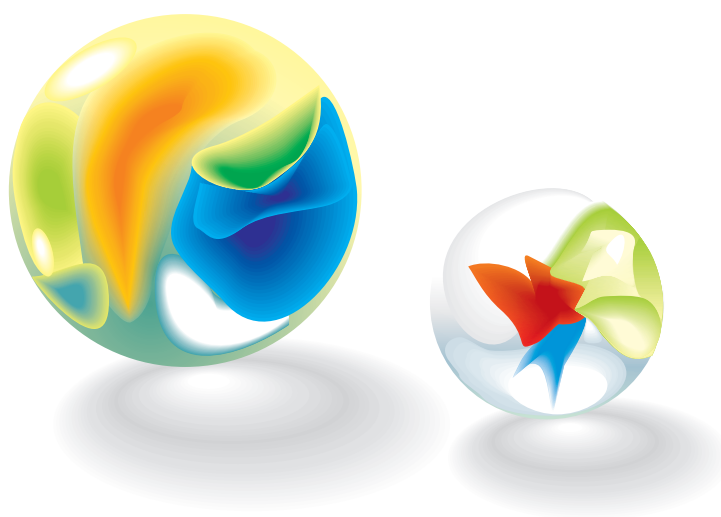


Strategy for  
success



2010 - 2011



27<sup>TH</sup> ANNUAL REPORT

## Board of Directors

**Mr. Kantilal M. Hiran**  
(Chairman and Managing Director)  
**Mr. Mukesh Naik**  
**Mr. H. N. Bafna**  
**Mr. M. Kailash Kumar**  
**Mr. Ashok Lunia**

## Auditors

**M/s. Pachori & Associates**  
(Chartered Accountants)

## Bankers:

**State Bank of India**  
**State Bank of Patiala**

## Registered Office:

Palm Court, M Block, 601/A1,  
Link Road, Malad (W),  
Mumbai – 400 064.  
Tel.: 022-40953000  
Fax: 022-40953099  
Email: [info@hiranorgochem.com](mailto:info@hiranorgochem.com)  
Website: [www.hiranorgochem.com](http://www.hiranorgochem.com)

## Registrar And Share Transfer Agents:

**Bigshare Services Pvt. Ltd.**  
E-2 /3, Ansa Industrial Estate,  
Sakivihar Road, Andheri (E),  
Mumbai – 400 072.  
Tel.: 022-40430200  
Fax: 022-28475207  
Email: [info@bigshareonline.com](mailto:info@bigshareonline.com)  
Website: [www.bigshareonline.com](http://www.bigshareonline.com)

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### Go Green Initiative in Corporate Governance

The Ministry of Corporate Affairs has now permitted companies to send various notices of the documents under the Companies Act, 1956, to its shareholders, through electronic mode. In this regard we have forwarded the Annual Report for the financial year 2010-2011 in an electronic mode to the shareholders on their email addresses registered with our RTA M/s Bigshare Services Pvt. Ltd. Further we request the Members to support this initiative and register their E-mail addresses in respect of shares held in: (1) dematerialized mode, with their Depository Participants; and (2) physical mode with M/s Bigshare Services Pvt. Ltd. (RTA). Please quote the following particulars in the E-mail Registration Request: Folio No./ DP ID-Client ID, PAN, Name(s) of Registered Holder(s), Address, Telephone and E-mail Address (to be registered for sending future communication through E-mail) and send the same under your signature(s).

### Forward – Looking Statement

In this annual report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically contain forward looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'project', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these

forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future information or otherwise.

# NOTICE

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**NOTICE** is hereby given that the Twenty Seventh Annual General Meeting of the Members of **HIRAN ORGOCHEM LIMITED** will be held on Thursday, 29<sup>th</sup> September, 2011 at the Registered office of the company at Palm Court, M Block, 601/A1, Link Road, Malad (West), Mumbai – 400 064 at 3:00 p.m. to transact the following business:

## **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Profit and Loss Account for the period ended 30<sup>th</sup> June, 2011 and the Balance Sheet as on that date alongwith the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ashok Lunia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. Kailash Kumar who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 the Auditors' remuneration.

## **SPECIAL BUSINESS:**

5. To consider erosion of net worth of the company as at 30<sup>th</sup> June, 2011 by more than 50% of its peak net worth during the immediately preceding four financial years to comply with the provision of section 23 (1) (a) (ii) of the Sick Industrial Companies Act, 1985 and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

**"RESOLVED THAT** pursuant to section 23 (1) (a) (ii) of the Sick Industrial Companies Act, 1985, the fact of erosion of net worth of the company as at 30<sup>th</sup> June, 2011 by more than 50% of its peak net worth during the immediately preceding four financial years be and is hereby considered and noted."

**For And on Behalf of the Board.**

Sd/-

**Kantilal M. Hiran**

Chairman & Managing Director

**Place:** Mumbai

**Date:** 12<sup>th</sup> August, 2011

## **REGISTERED OFFICE:**

Palm Court, M Block,  
601/A1, Link Road,  
Malad (West), Mumbai – 400 064.

# NOTES

## NOTES:

**1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER.**

2. Proxies, if any, in order to be effective must be received at the company's registered office not later than 48 (forty-eight) hours before the time fixed for holding the meeting.
3. The Register of Members and Share Transfer Books will remain closed from Tuesday, 27<sup>th</sup> September, 2011 to Thursday, 29<sup>th</sup> September, 2011 (both days inclusive).
4. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participant (DP) in respect of their electronic share accounts and to the company's Registrar & Share Transfer Agent at Big Share Services Pvt. Ltd., E-2/3, Ansa

Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai – 400 072 in respect of their physical share folios.

5. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to address their queries to the Chairman & Managing Director, so as to reach the registered office of the company at least seven days before the date of the meeting, to enable the company to make available the required information at the meeting, to the extent possible.
6. Members/proxies are requested to bring the Attendance Slips sent herewith duly filled for attending the Meeting.
7. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, in respect of item no. 5 of the notice is appended hereto.
8. A brief resume of persons proposed to be re-appointed as Director of the company is as follows:

Name	Mr. Ashok A. Lunia	Mr. M. Kailash Kumar
Age	53	38
Qualification	M. Com.	MBA, Chartered Accountant
Nature of Expertise	Business Administration and Tax Planning	Taxation, Financial Planning
Experience	28 years	15 years
Name of other Public Companies in which holds Directorship	None	None
Name of other Companies in Committees of which holds Membership/ Chairmanship	None	None
Shareholding in Hiran Orgochem Limited	107755 Shares	267291 Shares

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

Item No.5:

As per the provisions of the Section 23 (1) of the Sick Industrial Companies Act, 1985, the company is required to consider and note erosion of its net worth as at the end of any financial year by 50 % or more of its peak net worth in any of the immediately preceding four financial years.

Since the net worth of the company at Rs. 4126.99 Lacs as at 30<sup>th</sup> June, 2011 stands eroded by more than 50 % of its peak Net Worth at Rs. 8736.81 Lacs during the immediately preceding four financial years, the company is required to report this fact to the Board for Industrial and Financial Reconstruction (BIFR) and hold a General Meeting for the shareholders to consider such erosion. Such a significant

erosion of the net worth is on account of huge loss of work-in-progress inventory of Rs. 5959.11 Lacs due to non conformity with the Q.C. specifications. Quality deterioration was caused mainly because of serious problem of controlling process cycle, owing to various reasons chiefly effluent disposal bottleneck caused by restrictions enforced by Gujarat Pollution Control Board for discharge of effluent in Common Effluent Treatment Plant at Panoli. This disrupted the entire business cycle with a resultant impact on financial flow and its constrictions, created severe limitation to salvage the situation, which went beyond the control of the management.

The members are requested to consider and note the above fact and pass the resolution proposed at item 5 of the notice. None of the directors are interested or concerned in the proposed resolution.

# DIRECTORS' REPORT

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To,  
The Members,

The Directors hereby present the Twenty Seventh Annual Report on the business, operations and the Audited Accounts of your company for the financial period ended 30<sup>th</sup> June, 2011. Please note that this Annual Report is in respect of the financial period from 1<sup>st</sup> April, 2010 to 30<sup>th</sup> June, 2011 (i.e. for a period of 15 months) and hence the financial and other details provided are not comparable to the corresponding figures of previous year from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010 (i.e. 12 months).

## Financial Highlights:

Particulars	(Rs. in Lacs)	
	Current Year (1 <sup>st</sup> April 2010 to 30 <sup>th</sup> June 2011)	Previous Year (1 <sup>st</sup> April 2009 to 31 <sup>st</sup> March 2010)
Net Sales and other Income	15267.89	21223.23
<b>Profit/(Loss) before Interest, Depreciation &amp; Taxation (PBDIT)</b>	<b>(6365.82)</b>	<b>2146.64</b>
Less: Interest & Depreciation	1762.07	1096.05
Less: Extraordinary Item	156.27	-
<b>Profit/(Loss) before Taxation</b>	<b>(8284.16)</b>	<b>1050.59</b>
(Add)/Less : Provision for Taxation & Deferred Tax	54.03	305.71
<b>Profit/(Loss) after Taxation</b>	<b>(8338.19)</b>	<b>744.88</b>
Balance brought forward from Previous Year	608.43	63.55
<b>Profit/(Loss) available for appropriation (carried to Balance Sheet)</b>	<b>(7729.76)</b>	<b>808.43</b>
<b>Appropriations:</b>		
General Reserve	(257.74)	200.00
<b>Profit/(Loss) carried to Balance Sheet</b>	<b>(7472.02)</b>	<b>608.43</b>

## Performance:

During the year under review, the company achieved sales of Rs.15522.88 Lacs compared to Rs. 21399.25 Lacs for the previous financial year registering a decline by 27.46%. The company incurred Net Loss before Tax of Rs. 8284.16 Lacs as against Net Profit before Tax of Rs. 1059.59 Lacs for the previous financial year. After making provision for Taxation, the Net Loss stood at Rs. 8338.19 Lacs as against Net Profit of Rs.744.88 Lacs for the previous financial year. During the year under review, the company suffered a huge loss of

work-in-progress inventory of Rs. 5959.11 Lacs due to non conformity with the Q.C. specifications. Quality deterioration was caused mainly because of serious problem of controlling process cycle, owing to various reasons chiefly effluent disposal bottleneck caused by restrictions enforced by Gujarat Pollution Control Board for discharge of effluent in Common Effluent Treatment Plant at Panoli. This disrupted the entire business cycle with a resultant impact on financial flow and its constrictions, created severe limitation to salvage the situation, which went beyond the control of the management.

## Erosion of Net worth:

The peak net worth of the company during the immediately preceding four financial years was Rs. 8736.81 Lacs and the company's net worth as on 30<sup>th</sup> June, 2011 stands at Rs. 4126.99 Lacs reflecting erosion by 52.76%. The chief reason behind such erosion of net worth is on account of huge loss of work-in-progress inventory of Rs. 5959.11 Lacs due to non conformity with the Q.C. specifications. Further, in compliance of section 23(1)(a)(i) of the Sick Industrial Companies Act, 1985 this fact will be reported to Board for Industrial & Financial Reconstruction (BIFR). The foregoing be regarded as the board of directors' report as to the erosion and its causes pursuant to the provision of section 23(1)(b) of the Sick Industrial Companies Act, 1985.

## Dividend:

Considering the financial position of the company and with a view to conserve the resources for the future, your Directors express their inability to recommend any dividend for the financial year ended 30<sup>th</sup> June, 2011.

## Directors:

During the year under review, Mr. Vijay Hiran and Mr. Naresh Hiran, Whole Time Directors of the company, resigned from directorships of the company effective 5<sup>th</sup> May, 2011. The Board places on record its appreciation for the services rendered by Mr. Vijay Hiran and Mr. Naresh Hiran during their respective tenure as Directors of the company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. Ashok A. Lunia and Mr. M. Kailash Kumar, Directors of the company, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

A brief profile of Mr. Ashok A. Lunia and Mr. M. Kailash Kumar as required by Clause 49VIA of the Listing Agreement with the Stock Exchange is given in the ensuing Annual General Meeting.

**Directors' Responsibility Statement:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- a. in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 30<sup>th</sup> June, 2011 and of the Loss of the company for that year;
- c. 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;
- d. the annual accounts for the year ended 30<sup>th</sup> June, 2011 have been prepared on going concern basis.

**Public Deposits:**

The company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 as amended.

**Auditors:**

M/s. Pachori & Associates, Chartered Accountants, who were appointed as the Statutory Auditors of the company at the Extra – Ordinary General Meeting held on 26<sup>th</sup> May, 2011 to fill the vacancy caused by the resignation of M/s B. L. Dasharda & Associates, Chartered Accountants, earlier Statutory Auditors of the company, shall retire at the ensuing Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a Certificate under Section 224(1B) of the Companies Act, 1956 in this regard. Members are requested to consider their re-appointment and to authorize the Board to fix their remuneration.

**Auditors' Report:**

The observations made by the Auditors in their Report read with the relevant notes as given in the Notes to Accounts, are self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

**Corporate Governance:**

A Report on Corporate Governance and a certificate from M/s. Pachori & Associates, Chartered Accountants in Whole-Time practice, regarding compliance of the requirements of Corporate Governance along with the Management Discussion & Analysis Report pursuant to Clause 49 of the Listing Agreement with the Stock Exchange are annexed hereto.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

Information relating to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under 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 are annexed hereto and forms part of this report.

**Particulars of Employees:**

During the year under review, none of the employees of the company, whether employed for the whole year or part thereof, was in receipt of remuneration aggregating to or in excess of the limits specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, and hence, no particulars are required to be furnished in connection with the same.

**Acknowledgements:**

The Board wishes to place on record their sincere appreciation for the continuous support received from Shareholders, Customers, Suppliers, Bankers, Statutory Authorities and all other business associates. The Board also takes this opportunity to appreciate and value the contribution made by the company's employees at all levels during the year under review.

**For and on Behalf of the Board**

Sd/-

**Kantilal M. Hiran**

Chairman & Managing Director

**Place:** Mumbai

**Date:** 12<sup>th</sup> August, 2011



# ANNEXURE TO THE DIRECTOR'S REPORT

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Information in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30<sup>th</sup> June, 2011.

## I. CONSERVATION OF ENERGY

The company has taken measures and applied strict control systems to monitor day to day power consumption, to endeavor to ensure the optimal use of energy with minimum extent possible wastage as far as possible. The company has further put all efforts and thrust for tapping non-conventional energy sources. The day-to-day consumption is monitored and various ways and means are adopted to reduce the power consumption in an effort to save energy.

### FORM – A

Form of disclosure of particulars with respect to Conservation of Energy

ENERGY CONSUMPTION	Year Ended 30-06-2011 (15 Months)	Year Ended 31-03-2010 (12 Months)
<b>A.Power and Fuel Consumption</b>		
<b>1.Electricity</b>		
Purchases (Units)	1700232	2001018
Total Amount (Rs. in Lacs)	100.77	118.13
Unit Rate (Rs.)	5.93	5.90
<b>2.L.D.O./F.O.</b>		
Quantity (K. Ltrs)	Nil	Nil
Total Cost (Rs. in Lacs)	Nil	Nil
Average rate/Unit (Rs.)	Nil	Nil
<b>3.Others/Internal generation</b>		
Quantity (Units)	Nil	Nil
Total Cost (Rs. in Lacs)	Nil	Nil
Average Rate/Unit (Rs.)	Nil	Nil
<b>4.Gas Purchase</b>		
Purchases (Units)	1651809	2711882
Total Amount (Rs. in Lacs)	225.23	386.76
Average rate/Unit (Rs.)	13.64	14.26
<b>B.Consumption per Unit of Production:</b>		
Electricity (Units/Kg.)	4.15	2.08
Gas (Units/Kg.)	4.03	2.81

## II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION AND RESEARCH & DEVELOPMENT

### FORM - B

Form of disclosure of particulars with respect to Technology Absorption

## A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

### 1. Efforts in brief, made towards technology absorption, adaptation and innovation:

The company has a full-fledged Laboratory continuously engaged in research and development of existing products. As soon as the development work is done, its contribution to the cost reduction and quality is tested and thereafter it is included in the standard operating procedure of commercial production.

### 2. Benefits derived as a result of the above efforts:

Benefits derived as a result of the above efforts are product quality improvement, cost reduction, product development, import substitution etc. The continuous up-gradation and adoption of technology has benefited the company in the form of production process, better yields and quality of the end product and cost reduction.

### 3. Purchase of technology imported during the last 5 years: NIL

## B. RESEARCH AND DEVELOPMENT (R&D):

### 1. Specific areas in which R&D carried out by the company.

The company has carried out Research and Development in several areas with in-house facilities available to reduce the input cost and create new generic for the industry.

### 2. Benefits derived as a result of the above R&D.

The company has derived the benefits of reduction in cost and improvement in quality due to the above efforts.

### 3. Future Plan of action

To reduce cost and improve quality, R&D efforts will be continued in the area mentioned above.

## III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange	Year Ended 30/06/2011 (Rs. in Lacs)	Year Ended 31/03/2010 (Rs. in Lacs)
Earnings	1474.85	2058.73
Outgo	80.67	170.62

For And on Behalf of the Board

Sd/-

Kantilal M. Hiran

Chairman & Managing Director

Place: Mumbai

Date: 12<sup>th</sup> August, 2011

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## Cautionary Statement:

Statements in this report on Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions may be appreciated in the context of unprecedented and unfortunate happenings of wip stock loss in the last quarter of the period under review, resulting in substantial erosion of capital. Hence, such statements are within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's future operations include economic conditions, in which the company operates changes in the government regulations, tax laws and other statutes and other incidental factors.

### (a) Industry Structure and Developments

The demand for Bulk Drugs is expected to increase considering growth of user industries viz. Pharmaceutical Formulating companies.

### (b) Opportunities and Threats

Although the company's opportunities lie in the adequate demand for Ciprofloxacin in the Bulk Drugs segment. Pharmaceutical is a continuous growth industry immune to economic recession and commodity cycles but due to huge financial loss as to how the company will be in a position to take advantage of market situation is some what obscure.

### (c) Segment-wise or Product-wise Performance

The segment results and other details of bulk drugs and other segment are furnished in the Notes to Accounts.

### (d) Outlook

The immediate task in hand is to arrive at an appropriate one time settlement with company's Banker. With this background the future business scenario is difficult to be contrived at the present juncture.

### (e) Risks and Concerns

In the highly competitive market subject to rapid technological changes and regulatory developments, the company's ability to manage diverse risks determines its success. As the business environment remains challenging and scale becomes the most critical component for survival. The company is presently focusing on debt redemption and business restructuring.

### (f) Internal Control Systems and their adequacy

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of its business. These systems and procedures provide reasonable assurance of maintenance of proper accounting records, reliability of financial information, protection of resources and safeguarding of assets against unauthorized use. The management regularly reviews the internal control systems and procedures.

### (g) Discussion on Financial performance with respect to operational performance

(Rs. In Lacs)

Highlights	2010-2011	2009-2010
Total quantity of Sales of Own Manufactured Bulk Drugs (in Kgs.)	437292	936375
Income from Operations	15522.88	21399.25
(Loss)/Profit before Interest, Depreciation and Tax	(6365.82)	2146.63
Interest Expenditure	1462.47	862.95
Depreciation	299.60	233.09
Extra Ordinary Item	156.27	Nil
Provision for taxation (Including Deferred Tax)	54.03	305.71
Net (Loss)/Profit after Tax	(8338.19)	744.88
Earnings per Share (in Rs.)		
- Basic	(8.45)	1.42
- Diluted	(8.45)	1.42

### (h) Human Resource Development

The company believes that the human resources are vital resource in giving the company a competitive edge in the current business environment. The company's philosophy is to provide congenial work environment, performance oriented work culture, knowledge acquisition / dissemination, creativity and responsibility. As in the past, the company enjoyed cordial relations with the employees at all levels.

The total number of personnel employed as on 30<sup>th</sup> June, 2011, were 147.



# REPORT ON CORPORATE GOVERNANCE

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## A. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Directors of the company believe that good Corporate Governance improves company's performance, enhances Corporate Social Responsibility and benefits all stakeholders. Accordingly, the Board has established a Corporate Governance framework to ensure that these intentions are met and that all stakeholders are informed about the affairs of the company.

Good Corporate Governance has always been an integral part of the company's business philosophy. Your company believes in attainment of highest level of transparency in all facets of its operations and has always focused on good Corporate Governance.

## B. BOARD OF DIRECTORS:

### (i) Board Composition:

The Board consists of Five Directors having varied experience in different areas. The composition of the Board is in conformity with the provisions of Clause 49 of the Listing Agreement. Mr. Kantilal M. Hiran, Chairman & Managing Director of the company, heads the Board. The Board consists of One (1) Executive Directors and Four (4) Non-Executive Directors.

The composition of the Board and the number of directorships in other companies and committees are given below:

Director	Category	Number of others		
		Director-ships*	Committee Member-ships #	Committee Chairman-ships #
Mr. Kantilal M. Hiran	Chairman & Managing Director, Executive, Promoter	-	-	-
Mr. Vijay K. Hiran (resigned effective 5th May, 2011)	Whole-Time Director, Executive, Promoter	-	-	-
Mr. Naresh K. Hiran (resigned effective 5th May, 2011)	Whole-Time Director, Executive, Promoter	-	-	-
Mr. H. N. Bafna	Non-Executive, Independent	1	-	-
Mr. Mukesh Naik	Non-Executive, Independent	2	-	-
Mr. M. Kailash Kumar	Non-Executive, Independent	-	-	-
Mr. Ashok A. Lunia	Non-Executive, Independent	-	-	-

\* Other directorships exclude the directorships held in private limited companies.

# Committees of directors includes Audit Committee, Shareholders/ Investors Grievance Committee and Remuneration Committee only.

### (ii) Board Meetings and Attendance of Directors:

The Board meets at least once in a quarter to consider amongst other business, the performance of the company's quarterly financial results. When necessary, additional meetings are held. The Board meetings are generally held at the registered office of the company at Mumbai. Agenda for each meeting along with explanatory notes are drafted and distributed well in advance to the Directors. Every Board Member is free to suggest the inclusion of items on the agenda.

During the financial year ended 30<sup>th</sup> June, 2011, 10 Board Meetings were held i.e. on 21<sup>st</sup> May, 2010, 29<sup>th</sup> May, 2010, 14<sup>th</sup> August, 2010, 19<sup>th</sup> November, 2010, 13<sup>th</sup> December, 2010, 30<sup>th</sup> March, 2011, 20<sup>th</sup> April, 2011, 5<sup>th</sup> May, 2011, 27<sup>th</sup> May, 2011 and 2<sup>nd</sup> June, 2011. The maximum interval between any two meetings was well within the maximum allowed gap of four months.

The table hereunder gives the attendance record of the Directors at the Board Meetings held during 2010-11 and at the last Annual General Meeting:

Name of the Directors	Number of Board Meetings held	Number of Board Meetings attended	Whether Last Annual General Meeting Attended
Mr. Kantilal M. Hiran	10	10	Yes
Mr. Vijay K. Hiran	10	2	No
Mr. H.N. Bafna	10	7	No
Mr. Mukesh Naik	10	9	Yes
Mr. M. Kailash Kumar	10	0	Yes
Mr. Ashok Lunia	10	1	Yes
Mr. Naresh Hiran	10	7	Yes

## C. COMMITTEES OF THE BOARD:

The Board Committees play an important role in the governance structure of the company and are being set out to deal with specific areas / activities which concern the company and need a closer review. The Board Committees are set up under the formal approval of the Board, to carry out the clearly defined role which is considered to be performed by the Members of the Board as a part of good governance practice. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. The minutes of the meetings of all the Committees are placed before the Board for review.

**The Board has established the following Committees:**

### (I) Audit Committee:

As required under Section 292A of the Companies Act, 1956, read with the provisions of Clause 49 of the Listing

Agreement, the Board has constituted an Audit Committee. It comprises of Two (2) Non-Executive, Independent Directors and One (1) Executive Director. The Committee is headed by Mr. H. N. Bafna and comprises of Mr. Kantilal Hiran and Mr. Mukesh Naik.

The Audit Committee of the company is entrusted with the responsibility to supervise the company's internal control and financial reporting process and inter-alia performs the following functions:

- overseeing the company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- recommending the appointment, re-appointment and removal of the external Auditors, fixation of Audit fee and approval for payment of any other services;
- reviewing with management the Annual Financial Statements before submission to the Board;
- reviewing with the management and external Auditors, the adequacy of internal control systems;
- reviewing the adequacy of Cost Audit function;
- discussing with Cost Auditors any significant findings and follow up on such issues;
- discussing with the external Auditors before the audit commences on the nature and scope of audit, as well as having post audit discussion to ascertain the area of concern, if any;
- reviewing the company's financial and risk management policies; and
- examining reasons for substantial default in the payment to Shareholders (in case of non-payment of declared dividends) and creditors, if any.

#### Attendance of Members at the Audit Committee Meetings:

The meetings of the Audit Committee are also attended by the Statutory Auditors as special invitees.

During the financial year ended 30<sup>th</sup> June, 2011 five Audit Committee Meetings were held i.e. on 29<sup>th</sup> May, 2010, 14<sup>th</sup> August, 2010, 19<sup>th</sup> November, 2010, 15<sup>th</sup> March, 2011 and 27<sup>th</sup> May, 2011.

The table hereunder gives the attendance record of the members of the Committee:

Name of the Audit Committee Member	No. of Meetings Held	No. of meetings attended
Mr. H. N. Bafna	5	5
Mr. Mukesh Naik	5	5
*Mr. Vijay Hiran	4	2
*Mr. Kantilal Hiran	1	1

\* Mr. Vijay Hiran resigned from the directorship of the company effective 5<sup>th</sup> May, 2011 and ceased to be a member of the Audit Committee. Mr. Kantilal Hiran has been appointed as a member of the Audit Committee to fill the vacancy caused by the resignation of Mr. Vijay Hiran.

The Committee has recommended to the Board the appointment of M/s Pachori & Associates, Chartered

Accountants, as the Statutory Auditors of the company for the Financial Year ending 31<sup>st</sup> March, 2012 and that the necessary resolution for appointing them as auditors be placed before the Shareholders.

#### (II) Remuneration Committee:

The company has set up a Remuneration Committee consisting of three (3) Non- Executive, Independent Directors. The Committee is headed by Mr. Mukesh Naik and comprises of Mr. H. N. Bafna and Mr. M. Kailash Kumar as its Members.

The broad terms of reference of the Remuneration Committee is to ensure that the remuneration practices of the company in respect of the Senior Executives, including the Executive Directors, are competitive keeping in view prevalent compensation packages so as to recruit and retain suitable individual(s) in such capacity.

Attendance of Members at the Remuneration Committee Meetings:

During the year ended 30<sup>th</sup> June, 2011, one meeting of the Committee was held on 29<sup>th</sup> May, 2010 in which Mr. Mukesh Naik and Mr. H. N. Bafna were present.

#### Remuneration policy:

The Non-Executive Directors of the company are paid sitting fees for attending the Board Meetings. The appointment and remuneration of the Chairman and Managing Director is governed by resolutions passed by the Board of Directors and shareholders of the company, which covers terms of such appointment, read with the service rules of the company. Remuneration paid to the Managing Director is recommended by the Remuneration Committee, approved by the Board and is within the limits set by the shareholders at the General Meetings.

Presently, the company does not have any stock option plan or performance linked incentives for its Directors.

#### Details of Remuneration to all the Directors for the financial year ended 30<sup>th</sup> June, 2011:

(Rs. In Lacs)

Name of the Directors	Sitting Fees paid for		Salary & Perks
	Board Meetings	Committee Meetings	
Mr. Kantilal M. Hiran	-	-	22.50
Mr. Vijay K. Hiran	-	-	19.40
Mr. H. N. Bafna	0.35	-	-
Mr. Mukesh Naik	0.30	-	-
Mr. M. Kailash Kumar	-	-	-
Mr. Ashok Lunia	0.05	-	-
Mr. Naresh Hiran	-	-	16.15