

Annual Report 2003-04

reportjunction.com

INDOASIAN TM
energy management

www.reportjunction.com



V.P. Mahendru
Chairman-cum-Managing Director

Chairman's Address

Dear Members,

Indo Asian is at the beginning of another exciting chapter in its history. As we anticipated, the global market has become a reality our products, partners and customers are now spread all over the world. With this gigantic new market comes a host of new challenges, new opportunities and new responsibilities.

Indo Asian has been working to build electrical control & protection equipment of the highest standards possible, both in response to the emerging needs of the world markets and our resolve to innovate and introduce new technologies to our consumers. We create products that not only protect & control, but conserve and comprehensively manage one of mankind's greatest allies - electrical energy. Indo Asian offers devices that improve efficiency at every stage of the electrical supply chain - right from high performance electrical distribution and protection equipment to Infrared sensors, Timers, Compact Fluorescent Lamps and much more. This pursuit of perfection has also brought to Indo Asian, the first BIS quality certification, the only so far in the vast CFL Industry.

Our mission has evolved, but our values remain unchanged. We are committed to enriching lifestyles through relentless pursuit of quality. We continue to innovate, constantly discovering new processes and developing new technologies that help upgrade industry standards. This mission reflects in our new brand identity, our new identity tells the world that Indo Asian has taken on a greater socio - economic role of energy management. Each of our products-right from energy saving devices to safety and control equipment, helps industries to manage electrical energy more safely and efficiently.

The new identity also serves the crucial strategic function of communicating the stature we have earned in the global technology club. Our branding is representative of our strength and resolve which drives IndoAsian to achieve the position of market leadership.

It is a thrilling and inspiring time for us all. Many years of dedicated effort and your invaluable support have brought us to this point of global recognition. I look forward to your continued patronage and support.

With kind and cordial regards,

V.P. Mahendru
Chairman & Managing Director
Indo Asian Fusegear Limited

Deputy General Manager (Finance)
K.B. Satija

**Asst. General Manager (Legal) &
Company Secretary**
B.S. Bhadauriya

Auditors
J.C. Bhalla & Co.
Chartered Accountants
New Delhi

Bankers
State Bank of Patiala
State Bank of India
Canara Bank

Corporate Office
207-208, Hemkunt Tower
98, Nehru Place
New Delhi 110 019

Registered Office and Works
51 Kms, G.T.Karnal Road, Murthal,
Distt. Sonapat, Haryana

Works
● Bye lane, Nakodar Road, Jalandhar, Punjab
● B-200, Phase II, Noida, UP
● Plot No.12, Sector-1, Parwanoo,
Distt. Solan, HP

CFL Unit
● A39, Hosiery complex, Phase II Extn,
Noida, UP

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the members of **INDO ASIAN FUSEGEAR LIMITED** will be held on Thursday, the 30th September, 2004 at 9.00 A.M. at 51 Kms. G.T. Karnal Road, Murthal, Distt. Sonapat, Haryana- 131027, to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 and the Profit and Loss Account of the Company for the year ended on that date together with the Reports of Directors and Auditors thereon.
- 2) To appoint a Director in place of Sh. P. K. Ranade, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Sh. R. C. Bansal who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- 5) To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Dr. Sai Ramachandran, be and is hereby appointed as Director of the Company".

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

"RESOLVED THAT pursuant to the provisions of Section 314 and all other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government and subject to such modifications and variations as the Central Government may prescribe, the consent to the Company, be and is hereby accorded to the appointment of Sh. Vikram Ranade, who is a relative of Sh. P.K. Ranade, Joint Managing Director, of the Company, and to hold and continue to hold an office or place of profit under the Company as Vice-President or with such designation as the Board of Directors may, from time to time, decide with effect from 1st October, 2004, on the terms and conditions as are set out in the Explanatory Statement, with the authority to the Board of Directors to alter and vary the said terms and conditions as may be directed by the Central Government and agreed to between the Board of Directors and Sh. Vikram Ranade.

"RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorized to take, perform and execute such further steps, acts, deeds and matters, as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board of Directors

Regd. Office:

51 Kms, G.T. Karnal Road,
Murthal, Distt. Sonapat, Haryana.
Dated: 31st August, 2004

(B.S. BHADAURIYA)
Asstt. General Manager (Legal) &
Company Secretary

IMPORTANT NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) The Explanatory Statement setting out the material facts in respect of the Special business under Item Nos. 5 & 6 is annexed hereto.
- 3) All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Sundays, and holidays, between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
- 4) Members/Proxies should fill in the Attendance Slip for attending the meeting.
- 5) The Company has already notified closure of Register of Members and the Share Transfer Books from Tuesday, the 28th September 2004 to Thursday, the 30th September, 2004 (both days inclusive), for the purpose of Annual General Meeting.

- 6) Shareholders are requested to bring their copy of Annual Report to the meeting.
- 7) Members who hold shares in dematerialized form are required to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- 8) Members are requested to notify any change in their addresses, specifying the full address in block letters with Pin Code of the Post Office to the Company's R & T Agent i.e. Alankit Assignments Ltd. In all correspondence with the Company, members are requested to quote their account/folio numbers.
- 9) Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, unclaimed dividend for the financial year ended 31st March, 1995, has been transferred to the Investors Education and Protection Fund of the Central Government. Further, unclaimed dividend for the financial year ended on 31st March, 1998 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investors Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1998, or any subsequent financial years are requested to make their claim to the Corporate Office of the Company at 207-208, Hemkunt Tower, 98, Nehru Place, New Delhi-110 019. It may also be noted that once the unclaimed dividend is transferred as above, no claim shall lie in respect thereof.
- 10) Members desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit the prescribed Form 2B for this purpose to the Company.

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

Explanatory Statements for Item Nos. 5 & 6 of the accompanying Notice are set out hereafter.

Item No. 5

The Board of Directors appointed Dr. Sai Ramachandran as an Additional Director of the Company with effect from 31st August, 2004, pursuant to section 260 of the Companies Act, 1956. Dr. Sai Ramachandran holds office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Dr. Sai Ramachandran for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Dr. Sai Ramachandran, holds M.Sc. Degree in Chemistry from Madras University, M.B.A. in Marketing from University of Minnesota, U.S.A. and Ph.D from M.D. University, Rohtak.

Dr. Sai Ramachandran, eminent Management Consultant, has spent 37 years in the industry in senior positions in various organizations. He has published over 80 articles and has authored books on Field Sales Management and Distribution and Sales Management. He is the Vice Chairman of Sri Sringeri Sharada Institute of Management, and has been President (91-92) of Delhi Management Association and Regional Vice President (97-99) of All India Management Association apart from being a member of these associations for over 30 years.

He has been conferred with many prestigious awards like Marketing Man of the year 1986, Indira Gandhi Priyadarshini Award 1991, Kohinoor Ratna Award, Gem of India Award, Udyog Shree Award etc.

He is a Director and member of Audit Committee in, Elpro International Ltd. He is also Director and Chairman of Audit Committee, Share Holders Grievance Committee and Remuneration Committee in Pearl Polymers Ltd.

Keeping in view his vast experience and knowledge, it will be in the best interest of the Company that Dr. Sai Ramachandran is appointed as a Director of the Company.

Your Directors recommend the resolution for your approval.

Save and except Dr. Sai Ramachandran, none of the Directors are, in any way, concerned or interested in this resolution.

Item No. 6

Sh. Vikram Ranade is M.Tech (Electrical Power Engineering) from University of Karlsruhe, Germany. He has rich and diversified experience in engineering technology and implementation for development of products and efficient manufacturing processes.

The Board of Directors are of the opinion that in view of the rapid expansion of the operations of the Company world over including addition of new products and also decentralization of various operating units, it would be desirable and in the interest of the Company to appoint Sh. Vikram Ranade as Vice-President with effect from 1st October, 2004, on remuneration of Rs. 3,00,000/- per annum. In addition he will be entitled for Company maintained car and telephone at residence, Company's contribution to provident fund, super-annuation fund and payment of gratuity as per the rules of the Company, Encashment of leave at the end of the tenure and annual increments as per rules/policies of the Company.

The Board or the Chairman-cum-Managing Director may entrust Sh. Vikram Ranade, with such duties and responsibilities, as they may consider appropriate from time to time.

Sh. Vikram Ranade is relative of Sh. P.K. Ranade, Joint Managing Director, within the meaning of the Companies Act, 1956, and therefore, approval of the Members under Section 314 of the Companies Act, 1956, is necessary for him to hold and continue to hold an office or place of profit in the Company on the remuneration and other terms and conditions as provided in the resolution and this Explanatory Statement.

The Board of Directors are being authorized to accept such modifications, alterations and amendments as may be directed by the Central Government while according approval under Section 314(1B) of the Companies Act, 1956, as accepted by Sh. Vikram Ranade.

Members are requested to accord their approval to the Resolution.

Except Sh. P.K. Ranade, no other Directors are, in any way, concerned or interested in the said Resolution.

The Board of Directors of the Company recommends the passing of the Special Resolution as set out in Item No. 6 of the accompanying Notice.

By Order of the Board of Directors

Regd. Office:

51 Kms, G.T. Karnal Road,
Murthal, Distt. Sonapat, Haryana.
Dated: 31st August, 2004

(B.S. BHADAURIYA)
Asstt. General Manager (Legal) &
Company Secretary

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE RE-APPOINTED.

At this Annual General Meeting Sh. P. K. Ranade and Sh. R. C. Bansal retire by rotation and being eligible, offer themselves for re-appointment.

The brief background and functional expertise of the Directors proposed for re-appointment are furnished below along with details of companies in which they are Directors and the Committees of which they are members:

- a. Shri P. K. Ranade is the promoter Director and he has been on the Board since its inception. He holds a Bachelor's degree in Science and also holds a Master's degree in Mechanical Engineering from AACHAN University, Germany. He is an Industrialist.

Other Directorships	Committee Memberships
Indo Asian Capital Finance Pvt. Ltd.	NIL
Indo Asian Switchgear Pvt. Ltd.	NIL
Indo Nordex Lightings Pvt. Ltd.	NIL

- b. Shri. R.C. Bansal, has been director of the Company from 10th May 1989. He is a Chartered Accountant since 1962 with specialization in Finance and Management.

Other Directorships	Committee Memberships
A) PUBLIC LIMITED COMPANIES	
Name of the Company	
Citicap Housing Developments Ltd	NIL
Citicap Channels Ltd.	NIL
Citicap Spectrum Ltd.	NIL
B) PRIVATE LIMITED COMPANIES	
Aavishkar Estates Pvt. Ltd.	

By Order of the Board of Directors

Regd. Office:

51 Kms, G.T. Karnal Road,
Murthal, Distt. Sonapat, Haryana.
Dated: 31st August, 2004

(B.S. BHADAURIYA)
Asstt. General Manager (Legal) &
Company Secretary

DIRECTORS' REPORT

The Directors have pleasure in presenting the Twenty first Annual Report and the Audited Statement of Accounts for the year ended 31st March 2004.

1. FINANCIAL RESULTS AND OPERATIONS

PARTICULARS	(Rs./ Lakhs)	
	For the year ended 31.03.2004	For the year ended 31.03.2003
Sales & Other Income	8401.25	7757.00
Operating Profit	640.51	689.98
Financial Charges	297.40	398.42
Depreciation	158.50	167.91
Profit Before Tax	184.61	123.65
Less - Provision for Tax	43.50	74.71
- Tax paid for earlier years	—	6.66
Add: - Provision for Income Tax Written back	4.83	1.25
- Deferred Tax Income	13.73	14.83
Profit After Tax	159.67	58.36
Add: - Profit brought Forward from previous year	60.49	32.13
Surplus available for appropriation	220.16	90.49
Transfer to General Reserve	60.00	30.00
Retained Profit carried forward to the next year	160.16	60.49

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ELECTRICAL INDUSTRY AND GROWTH FOR INDO ASIAN

Our Government has taken many creative initiatives to enhance the National Power Generation capacity from 110 MW to 200 MW by the year 2010, directly itself as also through FDIs, thus creating a spurt in Power generation and consequent exponential demand for Power Transmission and Distribution equipment including wide range of Electrical Switchgear and Lighting Equipment the core products of Indo Asian for the next few years.

Also, the new fast developing consciousness for safety, conservation of power and energy efficiency has hastened the process of faster growth of demand for Indo Asian products, Power distribution equipment and efficient lighting equipment including a wide variety of MCBs, RCDs, Consumer Boards, Energy Saving CFLs and allied equipment manufactured by your Company.

This thrust is expected to continue growing for the next few years.

With the growth of GDP and the Economy, life style of people is rising. With this, the concern for safer and efficient electrical equipment is also rising.

The developed countries including many European countries and U.K. have been under tremendous pressure of higher cost of production for Electrical Distribution Equipment in consequence of which they are now looking at India as an important and potential source for meeting their needs of electrical distribution equipment of high quality, world-class performance and at globally competitive prices.

This is how Indo Asian is being recognised in global markets for world-class electrical equipment produced at its plants known for their manufacturing excellence.

In the light of this emerging environment of fast growing demand within India, which has helped Indo Asian grow to be among the top manufacturing and marketing companies in India, its consistent efforts on R&D is now also helping it to secure export business from some of the most well-known brands in Europe and U.K. for Electrical Distribution Equipment including MCBs, RCDs and Consumer Boards, CFLs and other lighting equipment which have been Indo Asian's special strength.

This trend of business will continue to ensure faster growth of the company and all its stakeholders – above all its shareholders.

3. FINANCIAL PERFORMANCE

Your company has recorded 49% increase in the profit before tax for the current year to Rs. 184.61 lakhs from Rs. 123.64 lakhs for the previous year. Income from operation have been increased to Rs. 8373.04 lakhs during the year under review from Rs. 7750.91 lakhs in the previous year.

4. SEGMENT WISE PERFORMANCE

a) Switchgear Division

The Switchgear division recorded a turnover of Rs. 6894.46 lakhs in the year 2003-04 as against Rs. 5709.86 lakhs in the corresponding previous year. The Switchgear division has been taking various initiatives to achieve growth in business through introduction of new products and widening market spread within India and globally. The division has successfully exported switchgear products worth Rs. 1110.19 lakhs during the current year as against Rs. 962.32 lakhs during the previous year. The products of the Company are now widely accepted in the European markets also.

b) Lighting Division:

The Lighting division recorded a turnover of Rs. 1505.72 lakhs in the year 2003-04 as against Rs. 2047.15 lakhs in the corresponding previous year. The severe price squeeze in the Indian market because of sub-standard low priced CFL dumping by China directly or through third countries continue to effect the Indian CFL industry. However, the creative success of the **INDO ASIAN** in securing for their CFLs the exclusive BIS certification mark - the first ever in India is fast opening new markets and opportunities from Government departments, utilities and discerning customers who really look for world-class products at globally competitive prices. **INDO ASIAN** has excelled to derive maximum business and benefits from this fast growing quality conscious segment of clients.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a well defined Internal Control system that is adequate and commensurate with the size and nature of business. Clear roles, responsibilities and authorities, coupled with internal information systems, ensures appropriate information flow to facilitate effective monitoring. Adequate controls are established to achieve efficiency in operations, optimum utilization of resources and effective monitoring thereof and compliance with applicable laws. An exhaustive programme of internal audits, including all Branches of the Company all over India, review by management, and documented policies, guidelines and procedures, supplement the internal control system.

The Audit Committee of your Board met six times during the year. It reviewed the adequacy and effectiveness of the internal controls and monitored implementation of internal audit function.

6. DEVELOPMENT IN HUMAN RESOURCES

Your Company believes that growth over time is a function of employee attraction, training, motivation and retention. In view of this, the Company has instituted strong human relation practices and continuously strengthened the facets of human resources.

Your company has always focused on employee competency enhancements and has been continuously making significant investments to meet the growing requirements. Many new programmes for training & development have been taken up with the special focus on building functional competence. Your Company acknowledges the contribution of its 708 world class employees and the spirit of commitment, collaboration and partnership demonstrated by them in realising the Company's vision.

7. MANAGEMENT PERCEPTION OF RISK AND CONCERNS

International presence in the Indian Electrical Market is gaining ground and product prices continue to reduce. Your company proposes to address these risks by continuous product development, focused efforts to reduce costs, increase market share and by diversifying existing customer base with the addition of new strategic customers and enhancing the existing relationships.

8. DIVIDEND

Constrained by planned financial investments for faster growth, your Directors do not recommend Dividend on equity share capital as well as preference share capital of the Company for the year ended 31st March 2004.

9. DIRECTORS

Sh. P.K. Ranade and Sh. R.C. Bansal, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Sh. D.N. Davar and Sh. Chandra Mohan, Directors have resigned from the Board.

Dr. Sai Ramachandran has been appointed as additional Director on the Board of the Company on 31st August, 2004. His appointment as Director will be taken up at the forthcoming Annual General Meeting.

10. PREFERENTIAL ISSUE

In order to meet increasing working capital requirements for the growth of the Company, your Company has issued 7,00,000 equity shares of Rs. 10/- each at a price of Rs. 12.50 per equity shares on 28th April, 2004 to promoter group on preferential basis by private placement as per Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. The Company has also applied for listing of the aforesaid equity shares to the Stock Exchange, Mumbai and is completing necessary formalities in this regard. In addition the Company has also issued 42,24,000 Zero Coupon Warrants each convertible into one equity share of Rs. 10/- each at a price of Rs. 12.50 per warrant on 28th April, 2004 to other investors on preferential basis by private placement as per Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. The aforesaid Preferential Issue has been made pursuant to special resolution passed at Extra Ordinary General Meeting of the members held on 27th February, 2004.

11. FUTURE OUTLOOK

Your Company has planned for the growth of its business by extending its market all over India and also in overseas markets. Your Company is continuously adding new and more sophisticated products in electrical switchgears to ensure greater satisfaction and continuously improving better value for money product proposition to the ever more knowledgeable and demanding customers. All this adds to larger customer base, wider basket of products, higher turnover and better profitability.

Your Company is fast expanding its manufacturing base in Himachal Pradesh to fully avail of tax and other financial benefits offered by the State and the Central Government.

Your directors look forward to the future of **INDO ASIAN** with great confidence.

12. FOCUSING ON BRAND BUILDING

Our mission has evolved, but our values remain unchanged. We are committed to enriching lifestyles through relentless pursuit of quality. We continue to innovate, constantly discovering new processes and developing new technology that help upgrade industry standards. This mission reflects in our new brand identity. Our new identity tells the world that **INDO ASIAN** has taken on a greater socio- economic role of Energy Management. Each of our products - right from energy saving devices to safety and control equipment, helps industries to manage electrical energy more safely and efficiently.

Your company continues to invest in developing the **INDO ASIAN** brand in potential markets. Your company has been building its brand image through regular exhibitions, workshops, advertisements and public relations management. Your directors believe that the new brand will contribute to achieving higher growth in the business, attracting and retaining talented manpower and also expand customer base for **INDO ASIAN**.

13. FIXED DEPOSITS

Your Company has no unclaimed/ unpaid or overdue deposit, during the year under report.

14. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2-AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed:

- i. That in the preparation of the annual accounts for the financial year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. That 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 at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii. 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;
- iv. That the Directors have prepared the annual accounts for the financial year ended 31st March 2004, on a going concern basis

15. AUDITORS

M/s. J.C. Bhalla & Co., Chartered Accountants, Auditors of your Company retire in accordance with the provisions of the Companies Act, 1956, at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Regarding observations of the Auditors in their Report, your Directors state that the relevant statutory dues have been paid by your Company.

16. REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a report on the Corporate Governance for the year under review is given in the Annexure A and forms part of this report. A certificate from the Auditors of the Company regarding Compliance of Corporate Governance as stipulated under Clause 49 of the listing Agreement is given in the Annexure B and forms part of this Report.

17. INFORMATION REGARDING CONSERVATION OF ENERGY ETC., AND EMPLOYEES

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998, as amended from time to time, is given in Annexure forming part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all the members excluding the above information. Any member interested in obtaining such particulars/ information may write to the Company Secretary for a copy thereof.

Provisions of Section 217(2-A) of the Companies Act, 1956 and the rules framed there under as amended from time to time are not applicable to the Company, since no employee of the Company was in receipt of the remuneration in excess of the limits throughout the year as specified in the said rules.

18. ACKNOWLEDGEMENTS

Your Directors deeply appreciate the valuable co-operation and continued support extended by the Company's Bankers, Financial Institutions, Government agencies, Collaborators, Stockists, Dealers, Business Associates, and also the contribution of all employees to the Company.

On behalf of the Board of Directors,

Regd. Office:

51 Kms, G.T. Karnal Road,
Murthal, Distt. Sonapat, Haryana
Dated: 31st August, 2004

(V.P. MAHENDRU)

Chairman-cum-Managing Director

ANNEXURE "A" TO THE DIRECTORS REPORT

CORPORATE GOVERNANCE

1. Company's philosophy on the Code of Governance

Corporate Governance primarily involves transparency, full disclosure and being fair to all stakeholders.

The objective of your Company is not only to meet the statutory requirements but also to go well beyond it by formulating such systems and procedures so as to make the management completely transparent and institutionally sound.

2. Board of Directors

i. Composition

The Company has a combination of Executive and Non-Executive Directors. The Board consists of six Directors. Your Company has Executive Chairman and half of the total number of Directors comprises independent Directors. The number of Non-Executive Directors is not less than 50% of the total number of Directors.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(IV)(B) across all Companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions occupied by them in other Companies.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last AGM, as also the number of Directorships and Committee position as held by them in other Public Limited Companies as on 31st March, 2004 are as follows:

Name	Category	No. of Board Meetings attended during 2003-2004	Whether attended last AGM held on 30th September, 2003	No. of Directorships in other Public Limited Companies	No. of Committee positions held in other Public Limited Companies	
					Chairman	Member
Mr. V.P. Mahendru (Chairman-cum-Managing Director)	Promoter Not Independent Executive	8	No	—	—	—
Mr. P.K. Ranade (Joint Managing Director)	Promoter Not Independent Executive	8	Yes	—	—	—
Mr. Vinay Mahendru (Executive Director)	Promoter Not Independent Executive	5	Yes	—	—	—
Mr. D.N. Davar (Director)	Independent Non-Executive	7	No	14	5	9
Mr. R.C. Bansal (Director)	Independent Non-Executive	8	Yes	3	—	—
Col. S P Wahi * (Director)	Independent Non-Executive	2	No	—	—	—
Mr. Chandra Mohan ** (Director)	Independent Non-Executive	4	No	10	—	3

* Ceased to be as Director w.e.f. 29th August, 2003.

** Appointed as Additional Director on 31st October, 2003.

ii. **Board Meetings:**

The Board met eight times on the following dates during the financial year 2003-2004 and the gap between any two meetings did not exceed four months.

24th April, 2003	31st October, 2003
25th June, 2003	29th November, 2003
31st July, 2003	30th January, 2004
29th August, 2003	28th February, 2004

3. **Audit Committee**

i. **Terms of reference:**

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal audit management audit. (1) The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statements; (2) Recommending appointment/ Removal of external auditors and fixing their remuneration; (3) Reviewing the annual financial statements before submission to the Board; (4) Reviewing adequacy of internal control systems; (5) Adequacy, structure and staffing of the internal audit function; and (6) Reviewing findings of internal investigations, discussing the scope of audit with external auditors and looking into reasons of substantial default, if any, of non-payment to shareholders.

ii. **Composition:**

The Board of the Company has constituted an Audit Committee consisting of three Non-Executive independent Directors viz. Shri D.N. Davar, Shri R.C. Bansal and Shri Chandra Mohan. An independent Director Shri R.C. Bansal, who is a Chartered Accountant by qualification Chairs the meetings of the Committee.