

# **ANNUAL REPORT**

**2010 – 2011**



**Manali Petrochemical Ltd**



## BOARD OF DIRECTORS

(As on 27th April 2011)

ASHWIN C. MUTHIAH	Chairman
T.K. ARUN	Director
(Nominee of TIDCO)	
BABU K VERGHESE	Director
G. RAGHAVENDRAN	Director
M. SIVAGNANAM	Director
G. RAMACHANDRAN	Managing Director
K.K. RAJAGOPALAN	Director (Finance)

## AUDIT COMMITTEE

M. SIVAGNANAM	Chairman
T.K. ARUN	Director
(Nominee of TIDCO)	
G. RAGHAVENDRAN	Director

## COMPANY SECRETARY

R. KOTHANDARAMAN

## AUDITORS

M/s Deloitte Haskins & Sells,  
ASV N Ramana Tower, 52, Venkatnarayana Road,  
T.Nagar, Chennai - 600 017.

## BANKERS

State Bank of India  
State Bank of Hyderabad  
State Bank of Patiala  
Indian Bank  
Canara Bank  
Punjab National Bank  
Corporation Bank  
State Bank of Bikaner & Jaipur  
Bank of India

## REGISTERED OFFICE

SPIC HOUSE

88 Mount Road, Guindy, Chennai 600 032

## PRINCIPAL OFFICE & PLANT - I

Ponneri High Road, Manali, Chennai 600 068

Phone : 25941025, 25941249, 25941253

Fax : 25941199

Email : it@manalipetro.com

## PLANT - II

Sathangadu Village

Manali, Chennai 600 068

Phone : 25941698, 25941402

## SECRETARIAL DEPARTMENT

Ponneri High Road, Manali, Chennai 600 068

Phone : 25943895 (Direct)

Email : companysecretary@manalipetro.com

## DEPOSITORIES

National Securities Depository Ltd (NSDL)

Central Depository Services (India) Ltd (CDSL)

## SHARES LISTED WITH

- 1 Bombay Stock Exchange Ltd  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400 001
- 2 National Stock Exchange of India Ltd  
Exchange Plaza  
Bandra-Kurla Complex  
Bandra (East), Mumbai 400 051  
  
Confirmation of De-listing awaited from Calcutta Stock  
Exchange Association Ltd, No.7, Lyons Range,  
Kolkata - 700 001

## REGISTRARS AND SHARE TRANSFER AGENT

M/s Cameo Corporate Services Limited

"Subramanian Building"

No.1, Club House Road, Chennai 600 002

Phone : 28460390 - 394 & 28460718

Fax: 28460129

E mail : investor@cameoindia.com



## NOTICE TO SHAREHOLDERS

**NOTICE** is hereby given that the 25th Annual General Meeting of the Members of Manali Petrochemical Ltd will be held at Rajah Annamalai Mandram, 5, Esplanade Road (Near High Court), Chennai – 600 108, on Friday the 29th July 2011 at 10.00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. M Sivagnanam who retires by rotation and being eligible offers himself for re-election.
4. To consider not to appoint a Director in the place of Mr. G.Raghavendran, who retires by rotation and does not offer himself for re-election.
5. To consider and if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION:

RESOLVED THAT pursuant to Section 224 of the Companies Act, 1956, M/s. Deloitte Haskins and Sells, Chartered Accountants, Chennai, the retiring Auditors with ICAI Registration Number 008072S, be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company in connection with the Company's Audit.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following as SPECIAL RESOLUTIONS:

RESOLVED THAT pursuant to Section 21 of the Companies Act, 1956, and other applicable provisions, if any, and subject to the approval of the Central Government and/or Registrar of Companies and other authorities as may be required, the name of the Company be changed as **Manali Petrochemicals Limited**.

RESOLVED THAT the name clause of the Memorandum of Association of the Company be substituted with the following new Clause:

1. The name of the Company is Manali Petrochemicals Limited.

RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, and other applicable provisions, if any, and subject to such statutory and other approvals as may be required, the following alterations be and are hereby made to the Articles of Association of the Company:

- a. Clause 2 (c) of the Articles of Association of the Company be substituted with the following new clause:  
2.(c) The Company or this Company means Manali Petrochemicals Limited.
- b. The name of the Company in format for proxies prescribed under Article 87 of the Articles of Association be changed as Manali Petrochemicals Limited.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things and to take such steps as may be necessary or expedient for giving effect to the aforesaid resolutions.

Date : 27<sup>th</sup>, April 2011  
Registered Office:  
SPIC HOUSE  
88 Mount Road, Guindy,  
Chennai - 600 032.

By Order of the Board  
For **MANALI PETROCHEMICAL LTD.,**

**R KOTHANDARAMAN**  
COMPANY SECRETARY

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote on a poll instead of himself and the proxy need not be a member of the Company.
2. The proxies in order to be valid, must be received by the Company at its Registered Office / Principal Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members / Proxies should bring the attendance slip sent herewith, duly filled in and signed and hand over the same at the entrance of the hall for attending the meeting. Members are requested to indicate, without fail, their Folio No. or as the case may be DP ID and Client ID numbers in the attendance slips.
4. Members are requested to bring their copies of the Annual Report with them.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 19th July 2011 to 29th July 2011 (both days inclusive).
6. Members are requested to furnish the details of their nomination (if not already sent) in the prescribed form to the Registrars and Share Transfer Agent (RTA) of the Company, M/s Cameo Corporate Services Limited, Chennai.



7. To avoid postal delays, misplacement and fraudulent encashment of the dividend warrants, the Company is extending remittance of dividend through Electronic Clearing Service (ECS) facility. Members who wish to avail this facility are requested to use the form for this purpose, which is available on the company's website [www.manalipetro.com](http://www.manalipetro.com) and send the same duly completed, to the RTA.
8. National Electronic Clearing Services (NECS) has been operationalised by RBI w.e.f. Oct, 2008, enhancing the coverage given by ECS so far. NECS leverages on Core Banking Solution of member banks for centralized posting of NECS transactions. Through NECS, you as our shareholder, can receive dividend credits through electronic mode even if you are not in an ECS location. We encourage you to update the details required for NECS with your DP or as the case may be the RTA.
9. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed to this notice.
10. Pursuant to Clause 49 of the Listing Agreement, brief resume of the Directors seeking re-election at this meeting is furnished hereunder.
11. The complete Annual Report for the years 2007-08, 2008-09, 2009-10 and 2010-11 are available in the Company's website [www.manalipetro.com](http://www.manalipetro.com), together with the notice of relevant AGMs.
12. In terms of the Green Initiative in Corporate Governance of the Ministry of Corporate Affairs, communicated vide General Circular No. 17/2011 dated 21-04-2011 read with General Circular No. 18/2011 dated 29-04-2011, the Annual Reports, notice of meetings and other statutory documents required to be furnished by the Company to the Members can be sent in electronic mode. For this purpose, the Members are requested to register their e-mail addresses with the RTA, for receiving the aforesaid information in electronic mode.

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#### ANNEXURE TO NOTICE

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

##### Item No.6

The Company was incorporated in the year 1986 under the name "MANALI PETROCHEMICAL LTD." for implementing PO/PG/Polyol Project. Initially it had only one manufacturing facility, at Manali and in the year 2000, SPIC Organics Limited was merged with the Company. Over the years, the size and operations of the Company have grown and at present the Company manufactures multiple ranges of petrochemical products, which aspect is not clearly reflected in the current name.

Therefore it is proposed to change the name of the Company as "Manali Petrochemicals Limited".

Change of name of the Company and consequential alterations to the Memorandum and Articles of the Company require the approval of the Members, by Special Resolutions.

Your Directors recommend the resolutions for the approval of the Members. None of the Directors of the Company is interested or concerned in the resolutions.

Date : 27<sup>th</sup>, April 2011  
Registered Office:  
SPIC HOUSE  
88 Mount Road, Guindy,  
Chennai - 600 032.

By Order of the Board  
For MANALI PETROCHEMICAL LTD.,

R KOTHANDARAMAN  
COMPANY SECRETARY

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#### Brief Resume of the Directors seeking re-appointment at the 25th Annual General Meeting

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Mr. M. Sivagnanam, I.A.S. (Retd.), was appointed as a Director on the Board effective 26.12.1989. He was the Chief Secretary to the Government of Gujarat. He has held various positions such as the Managing Director of Gujarat Narmada Valley Fertilizers Ltd., Chairman of Gujarat State Construction Corporation, Gujarat Mineral Development Corporation and Gujarat Electricity Board, Director of IPCL and Member of the Board of Governors of IIM, Ahmedabad. He was instrumental in the successful implementation of several industrial projects in Gujarat. He was also the Advisor to the Central Planning Commission and in charge of industrial policy and the Advisor, State Plan for Southern States. He was also a member of the Tamilnadu State Planning Commission.

Mr.M. Sivagnanam does not hold any equity shares of the Company.



## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Shareholders

The Directors present their 25th Annual Report on the business and operations of your Company and the Audited Statement of Accounts for the year ended 31st March 2011.

### FINANCIAL RESULTS

(Rs. in Crores)

DESCRIPTION	2010-11	2009-10
Profit Before interest & Depreciation	40.76	35.54
Interest	1.54	1.50
Depreciation	4.91	4.04
Profit Before Tax	34.31	30.00
Provision for Taxation	9.04	8.94
Profit After Tax	25.27	21.06
Cash Profit	31.60	29.01

During the year, the Company achieved a profit before tax of Rs.34.31 Crores and a profit after tax of Rs. 25.27 Crores. The process units were continued to be operated at higher capacity. The new polyol plant at Plant-2 commenced production in Feb. 2011. The trend of the profits and sales turnover for the past few years is given in Page 4 of the Annual Report.

### OPERATIONAL HIGHLIGHTS

During the year, the debottlenecked PG plants and the retrofitted 'PO' plant were optimized and the production was stepped up and streamlined. The benefits of these augmentation schemes could be realized during the financial year. The new polyol plant train with a capacity of 17,000 MT per annum of polyol, was successfully commissioned in February 2011. The operation of the plant is being optimized. Thus, the production capacities of the PO, PG and polyol for the company has gone up to 36000 MT, 20000 MT and 50000 MT respectively. The bio-mass fired 4.2 MW co-generation captive power plant functioned to its best ability, thus alleviating problems posed by the restrictions on power supply.

Production was also fortified at Plant-2 with standby nitrogen plant and upgradation of the cooling water circulation system in view of the large augmented capacity of the process plants at that site. Sufficient storage tanks to handle the additional production have also been added.

Maximum utilization of the process plant can be achieved if sufficient quantities of imported 'PO' is available, which is currently imported in ISO containers. Steps are being taken to install an import terminal at Ennore Port to import 'PO' in bulk to improve availability of 'PO'. Though the derivative plants of PG and polyol have capability to process 60,000 MT of 'PO' per annum, the Company can produce only 36,000 MT per annum and hence arrangements are being made to import the balance.

During the year, 5,44,05,000 equity shares were transferred by SPIC to Dr. A C Muthiah and SIDD Life Sciences Private Limited as inter se transfer among promoters.

### DIVIDEND

Your Directors recommend a 10 % dividend i.e. 50 paise for every equity share of Rs. 5/- each fully paid-up, for the year 2010-11, aggregating to Rs. 8.60 Crores, excluding dividend distribution tax.

### MARKET SCENARIO

The market conditions in India continued to be good throughout the year. The polyurethane market improved considerably in India. Since our market share is less than 50% in all the segments, we sold all the quantities that we produced, comfortably. Scope exists for further improvement in market share with improved production capacities.

The international market also improved and hence better selling prices that prevailed during the year helped to improve profitability, inspite of increasing raw material costs.

During the year, the Company achieved a higher turnover of Rs. 496.72 Crores, an increase of 18 % over the previous year.

### FUTURE OUTLOOK AND NEW PRODUCTS

Polyurethane industry is growing in excess of 20% in India. The automobile industry is growing phenomenally and India is becoming an export hub. Resulting from the expansion plans of auto companies and other PU industries, the 2nd tier market is expected to double within the next 5 years, and hence the outlook is good for the 3rd tier polyol & isocyanate manufacturers.

The multinational foam suppliers to auto companies are blending their formulations, and this has thrown open the possibilities for the Company to sell the base polyols directly to them without the need for completing the system with other chemicals / isocyanates. The unsaturated polyester industry and food / flavor industries are also growing in excess of 20%, and thus there is scope for expanding the Glycol facilities further.

### OPPORTUNITIES AND THREATS

The various free trade agreements with ASEAN countries could pave way for large scale import of intermediate and finished products. However, it also gives the Company an opportunity to import the raw materials at concessional duties which would give it an edge in the market. The duty levels are already low and in view of the expansion we have completed and in view of the bulk storage tanks which we are planning, the threat and opportunities are likely to balance each other.

### RISKS AND CONCERNS

Chennai Petroleum Corporation Ltd. being the sole supplier of propylene, even though is perceived as a big risk, their performance is consistent and has not posed any big constraint so far. However, the periodic long duration maintenance shutdown effected every alternate year would impact our operations and profitability. The PO import terminal planned by the Company would be of help in maintaining the operations without any shortfall.

### ENVIRONMENT AND SAFETY

The periodic surveillance audits of ISO 9001 and ISO 14000 have been done regularly and the recertification audit is due in April 2011.

### CONSERVATION OF ENERGY

As 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 Board of Directors) Rules, 1988, information on conservation of energy, technology absorption, foreign exchange earnings and outgo, are annexed to and form part of this Report.

### FIXED DEPOSITS

Your company has not accepted any deposits from the public during the year under report.



## INDUSTRIAL RELATIONS

As on 31st March 2011, your company had 358 employees on its roll at different locations including Engineers, Technicians and Trainees. Wherever necessary, training is imparted at all levels.

## PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the amount prescribed by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

## DIRECTORS

Mr. N Suryanarayanan, Director resigned on 27th April 2011. The Board wishes to place on record its appreciation for the valuable services rendered by Mr. Suryanarayanan during his tenure as a Director of the Company.

Mr. M Sivagnanam and Mr. G Raghavendran, Directors retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Mr. M Sivagnanam offers himself for re-election, but Mr. G Raghavendran is not seeking re-election.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- That in the preparation of the annual accounts for the Financial year ended 31st March 2011, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 of the Company for the year under review.
- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors had prepared the accounts for the financial year ended 31st March, 2011 on a "going concern" basis.

## CORPORATE GOVERNANCE

Your Company has complied with the requirements of Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges. A Report on Corporate Governance is made a part of this Report and a Certificate from the Auditors of your Company regarding compliance with the conditions of Corporate Governance is attached to this report.

## DETAILS OF UNCLAIMED SHARE CERTIFICATES

As per the information provided by the Registrars and Share Transfer Agent, 17,43,308 equity shares of Rs. 5 each are remaining unclaimed by 7,176 shareholders, for which they are in the process of sending reminders to the concerned shareholders as required under Clause 5A of the Listing Agreement. The shares in respect of the unclaimed share certificates would be dematerialized on completion of the prescribed process and dealt with in accordance with the requirements of the said Clause 5A.

## COST AUDIT

The Government of India has ordered the Company to conduct audit of the cost accounts in respect of 'Chemicals' manufactured by the Company and accorded its approval for appointment of M/s. S Gopalan & Associates, Cost Accountants, as the Cost Auditors of the Company for the year 2010-11.

## AUDITORS

Your Company's statutory Auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

## ADEQUACY OF INTERNAL CONTROLS

Your company has in place adequate internal control systems combined with delegation of powers. The control system is also supported by internal audits and management reviews with documented policies and procedures.

## ACKNOWLEDGEMENT

Your Directors express their grateful thanks for the assistance, co-operation and support extended to the Company by the Government of India, the Government of Tamilnadu, the Promoters and the consortium of Banks. The Directors wish to thank the shareholders for their continued support.

The Directors also place on record their appreciation of the consistent good work put in by all cadres of employees.

## DISCLAIMER

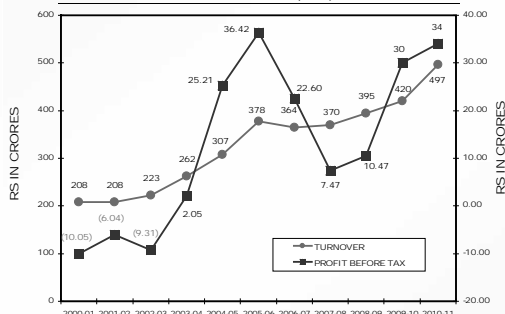
The Management Discussion and Analysis contained herein is based on the information available to the Company and assumption based on experience in regard to domestic and global economy, on which the Company's performance is dependent. It may be materially influenced by macro economic/environment changes, on which the Company may have no control and impacting the views perceived or expressed herein.

For and on behalf of the Board

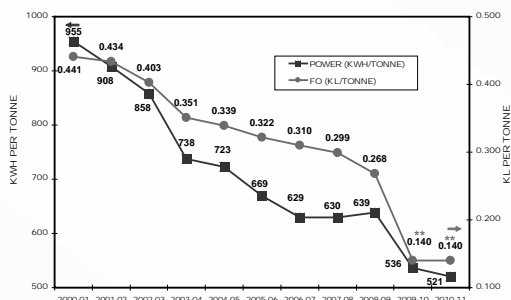
ASHWIN C MUTHIAH  
CHAIRMAN

CHENNAI – 600 032  
DATE : 27th April 2011

SALES TURNOVER & PROFIT BEFORE TAX / (LOSS) - YEARWISE SCENARIO



SPECIFIC CONSUMPTION OF POWER & FUEL OIL



\*\* FOR PLANT I ALONE



## ANNEXURE TO DIRECTORS' REPORT

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2011.

### A. CONSERVATION OF ENERGY

#### a) Energy conservation measures taken :

- Stabilized 'PO' at Plant II.
- Commissioning of new polyol plant with substantial reduction in power consumption.
- Installation of the PSA based Nitrogen plant at Plant II.
- Rationalized the cooling water circulation thus providing additional water to the new polyol plant without increasing the power consumption.
- Energy efficient ejector system implemented at new polyol plant.

#### b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- Polyol heat recovery system for Train-1 at Plant II.
- Conversion of MPG column 1 at Plant II to operate at lower temperature.

#### c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- Impact of energy conservation and productivity improvement measures at (a) in the order of Rs.2 Crores per annum.
- The savings envisaged by implementing the energy consumption conservation measures at (b) for reduction of energy and consequent impact on the cost of production of goods is expected to be around Rs.50 lakhs per annum.

### FORM – A

	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>(A) Power and Fuel Consumption</b>		
1. ELECTRICITY		
a) Purchased		
Units	29,09,232	38,16,938
Amount (Rs.) (i.e. cost paid to TNEB)	1,50,70,998	2,58,45,231
Rate per Unit (Rs.)	5.18	6.77
MD Charges (Rs./ KVA)	300	300
b) Own Generation		
1. Through Diesel Generator (Units)	20,81,919	14,09,056
Unit per litre of Diesel	3.48	3.10
Cost per Unit (Rs.)	11.15	10.60
2. Through Steam Turbine (Gross)	2,90,30,150	2,85,99,325
Through Steam Turbine (Net)	2,40,17,525	2,30,42,548
Units per MT of Wood, net of Cogeneration Steam	590	579
Cost per Unit (Rs.)	4.22	4.18
2. Coal	Nil	Nil
3. Furnace Oil (Qty in KL)	6,024	5,605
Amount (Rs.)	15,20,41,739	11,58,47,325
Average Rate (Rs./KL)	25,241	20,669
4. Others / Internal Generation		
Wood Qty. (MT)	40,732	39,795
Amount in (Rs.)	10,14,19,263	9,62,96,512
Average Rate (Rs. Per MT)	2,490	2,420
<b>(B) Consumption per unit of production with standards (if any)</b>		
Products (In MT)	54,740	52,603
Electricity in Units	521	536
Furnace Oil in KL (**)	0.140	0.140
Coal	Nil	Nil
Others - Wood (in MT) (++)	1.880	2.000

\*\* Applicable for Plant I Only ++ Applicable for Plant II Only



## FORM-B

### B. TECHNOLOGY ABSORPTION

#### I. Research and Development (R&D) :

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

- Formulation improvements.
- Cost reduction exercises.
- Improve the waste water treatment process.

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

- Improve production and sales of polyols.
- Reduction in operating cost.
- Waste minimization.

#### II. Technology Absorption, Adaptation and Innovation :

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

Technology has already been fully absorbed.

##### 2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:

Use of Indigenous chemicals has reduced the cost of production. By development of CFC free formulations, we continue to retain our market share, thus avoiding imports into the country.

##### 3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished:

###### a) Technology imported :

Design and drawing have been imported for fabrication of equipment and the process know-how has been successfully absorbed.

PO / PG

: For Plant-I

Process know-how from M/s ATOCHEM / TECHNIP of France

For Plant-II

Process know-how from M/s MONTEDIPE of Italy

POLYOLS

: For Plant-I

Process know-how from M/s ARCO / TECHNIP of USA

For Plant-II

Process know-how from M/s PRESSINDUSTRIA of Switzerland

###### b) Year of Import

: 1988 & 1989

###### c) Has technology been fully absorbed

: Yes

###### d) if not fully absorbed areas where this has not taken

place, reasons therefor and further plans of action : Does not arise

#### 3. Future Plan of Action :

- Develop a prepolymer for visco elastic and flexible moulding application.
- Introduce formulations for alternative blowing agents to phase out HCFC as per country's programme.

#### 4. Expenditure on R & D : (Rs. in Lakhs)

(a) Capital : 12.92

(b) Recurring : 67.27

(c) Total : 80.19

(d) Total R&D expenditure as a percentage of total turnover : 0.16

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

#### a. Efforts

: Further possibilities of exporting the products are being explored.

#### b. Foreign Exchange earnings and outgo

##### i. Earnings export sales (FOB)

: Rs. 262.30 lakhs

##### ii. Outgo (on cash basis)

: Rs. 10451.08 lakhs





## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on Code of Corporate Governance:

The Board of Directors of your Company strongly supports the principles of Corporate Governance. Emphasis is laid on transparency, accountability and integrity in all operations and dealings with all the stakeholders. Your Company has been following the best practices in corporate governance much before the same was made mandatory by SEBI.

This report covers the Corporate Governance aspects in your Company:

### 2. Board of Directors:

#### i. Composition and membership in other Boards and Board Committees:

As on 31<sup>st</sup> March 2011, the Board comprised of eight directors, as detailed below:

Name	Category	No. of shares held	Membership	
			Other Boards	Other Board Committees
Mr. Ashwin C Muthiah, Chairman	Non Executive, Non Independent	-	9 (3)	2
Mr. M Sivagnanam	Non Executive, Independent	-	-	-
Mr. G Raghavendran	Non Executive, Independent	1350	-	-
Mr. Babu K Verghese	Non Executive, Independent	300	-	-
Mr. T K Arun ( Nominee of TIDCO)	Non Executive, Independent	-	9	8 (1)
Mr. N Suryanarayanan	Non Executive, Non Independent	-	2	1
Mr. G Ramachandran, Managing Director	Executive	1725	1	-
Mr. K K Rajagopalan, Director (Finance)	Executive	1650	3	-

#### NOTES:

- Other Directorships exclude Foreign Companies, Private Limited Companies, Section 25 Companies and Alternate Directorships.
- Only Membership in Audit Committees and Shareholders/Investors Grievance Committees are reckoned for Other Board Committee Memberships.
- Figures in brackets denote no. of chairmanships.
- There was no change in the composition of the Board during the year 2010-11.

#### ii. Board Meetings and attendance at Board Meetings and Annual General Meeting (AGM):

The Board of Directors met five times during the year 2010-11 on 20<sup>th</sup> April 2010, 28<sup>th</sup> July 2010, 22<sup>nd</sup> September 2010, 27<sup>th</sup> October 2010 and 14<sup>th</sup> February 2011. All the Directors attended all the meetings. All of them attended the 24<sup>th</sup> Annual General Meeting of the Company held on 22<sup>nd</sup> September 2010, except Mr. G Raghavendran.

### 3. Audit Committee:

#### i. Terms of reference:

The Audit Committee was constituted in August 1990, much earlier to being made mandatory by SEBI and under the Companies Act, 1956 (the Act). The terms of reference covered most of the aspects stipulated by SEBI/under the Act. These were reviewed during the year 2005-06 and modified in line with the requirements of Clause 49 of the Listing Agreements with Stock Exchanges. The current terms of reference fully conform to the requirements of Section 292A of the Act.

#### ii. Composition:

The Committee comprises of the following independent directors, viz., Mr. M Sivagnanam, Chairman, Mr. G Raghavendran and Mr. T K Arun, who have financial knowledge.

Managing Director, Director (Finance), representatives of the Statutory Auditors, Cost Auditor and Internal Auditors are invitees to the Audit Committee meetings and the Company Secretary is Secretary to the Committee.



iii. Meetings and attendance:

The Committee met four times during the year 2010-11, on 20th April 2010, 28th July 2010, 27th October 2010 and 14th February 2011 and all the Members were present.

The Limited Review Report on the quarterly results and report of the Auditors on the Annual Accounts / Audited Results were reviewed by the Committee before submission to the Board for approval. The annual audit plan, compliance with accounting standards and other related matters were also discussed by the Audit Committee. In addition to the above, the Committee also reviewed the report of the Cost Auditor, significant observations of the Internal Auditors and the follow-up action thereon. The matters relating to appointment of statutory auditors, cost auditors and internal auditors are placed before the Committee for suitable recommendation to the Board.

4. Remuneration Committee:

i. Terms of reference, composition and meeting:

A Remuneration Committee was constituted by the Board on 28<sup>th</sup> January 2008 with three independent Directors as members. Presently Mr. Babu K Verghese, Director is the Chairman; Mr. M. Sivagnanam and Mr. T.K.Arun, Directors are the other members. The Committee reviews and recommends to the Board on matters relating to fixation and payment of remuneration to the Executive Directors and generally follows the practice in vogue since inception. During the year 2010-11, the Committee met on 20<sup>th</sup> April 2010 and all the members of the Committee attended the meeting.

ii. Remuneration policy:

The following is the managerial remuneration policy of the Company:

a. For Executive Directors:

The remuneration of the Whole-time / Executive Directors comprises of a fixed component and a performance linked pay, fixed by the Board, based on the recommendations of the remuneration committee, and subsequently approved by the Members. Remuneration trend in the industry and in the region, academic background, qualifications, experience and contribution of the individual are considered in fixing the remuneration. These Directors are not eligible to receive sitting fees for attending the meetings of the Board and Committees.

b. For Non-executive Directors:

The Non-executive Directors are paid sitting fees for attending the Board and Committee Meetings as per the stipulations in the Act and the Articles of Association of the Company. In addition to this, the travel and other expenses incurred for attending the meetings are reimbursed. The Company has no pecuniary relationship or transactions with any non-executive director.

iii. Details of remuneration paid:

a. Sitting fees paid to non-executive Directors during 2010 - 11 are detailed below:

<b>Name</b>	<b>Amount (Rs.)</b>
Mr. Ashwin C Muthiah	1,00,000
Mr. M Sivagnanam	1,72,000
Mr. G Raghavendran	1,20,000
Mr. Babu K Verghese	1,52,000
Mr. T K Arun (Paid to TIDCO)	1,22,000
Mr. N Suryanarayanan	1,00,000
<b>Total</b>	<b>7,66,000</b>