



**38th Annual Report 2010-11**

**MANGALAM DRUGS & ORGANICS LIMITED**

(AN ISO 9001 & WHO - GMP COMPANY)

## FINANCIAL HIGHLIGHTS

(Figure in Lacs)

| PARTICULARS                           | 31-Mar-03 | 31-Mar-04 | 31-Mar-05 | 31-Mar-06 | 31-Mar-07 | 31-Mar-08 | 31-Mar-09 | 31-Mar-10 | 31-Mar-11 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Sales & Other Sales Income            | 7736.90   | 8075.33   | 9046.35   | 10432.37  | 8905.38   | 9544.84   | 10277.49  | 11275.82  | 13195.02  |
| Profit before Interest & Depreciation | 507.77    | 541.56    | 598.00    | 707.68    | 567.40    | 660.00    | 921.46    | 1089.61   | 1313.62   |
| Interest                              | 224.45    | 192.42    | 161.82    | 234.22    | 282.59    | 328.19    | 513.21    | 572.19    | 685.93    |
| Depreciation                          | 92.92     | 93.79     | 122.94    | 158.23    | 206.25    | 230.02    | 258.41    | 297.12    | 327.30    |
| Profit Before Tax                     | 190.40    | 255.35    | 313.24    | 315.23    | 78.56     | 101.79    | 149.84    | 220.30    | 300.39    |
| Profit After Tax                      | 199.83    | 190.20    | 274.80    | 269.08    | 66.35     | 85.77     | 126.84    | 182.30    | 242.39    |
| Dividend (%)                          | 3         | 1         | 2         | 2         | -         | -         | -         | -         | -         |
| Payout                                | 5.57      | 6.68      | 26.36     | 26.36     | -         | -         | -         | -         | -         |
| Equity Capital                        | 222.60    | 667.80    | 667.80    | 1317.82   | 1317.82   | 1317.82   | 1317.82   | 1317.82   | 1317.82   |
| Reserves & Surplus                    | 1308.69   | 1066.95   | 1315.39   | 2338.15   | 2404.50   | 2490.27   | 2617.11   | 2799.41   | 3041.80   |
| Net Worth                             | 1531.29   | 1734.75   | 1983.19   | 3655.97   | 3722.32   | 3808.09   | 3934.93   | 4117.23   | 4359.62   |
| <b>Borrowings:</b>                    |           |           |           |           |           |           |           |           |           |
| Long Term Loans                       | 669.53    | 635.23    | 873.99    | 575.62    | 378.64    | 361.97    | 925.59    | 852.35    | 1233.66   |
| Short Term - Bank                     | 1426.09   | 1318.52   | 1424.06   | 1470.29   | 1906.41   | 1911.62   | 2031.75   | 2288.67   | 2674.68   |
| Short Term - Others                   | 365.34    | 564.49    | 720.61    | 475.84    | 585.13    | 598.89    | 687.91    | 881.86    | 1217.77   |
| Total Borrowings                      | 2460.96   | 2518.24   | 3018.66   | 2521.75   | 2870.18   | 2872.48   | 3645.25   | 4022.88   | 5126.11   |
| Gross Block                           | 2070.08   | 2533.21   | 3373.03   | 4243.33   | 4689.27   | 5041.85   | 6101.32   | 6682.90   | 7790.55   |
| Less : Depreciation                   | 697.78    | 780.70    | 903.63    | 1060.72   | 1259.97   | 1488.52   | 1746.93   | 2030.48   | 2343.96   |
| Net Block (Fixed Assets)              | 1372.30   | 1752.51   | 2469.40   | 3182.61   | 3429.30   | 3553.33   | 4354.39   | 4652.42   | 5446.59   |
| Investments                           | 29.76     | 18.92     | 18.95     | 264.79    | 48.05     | 13.89     | 13.89     | 14.40     | 14.40     |
| Current Assets, Loans & Advances      | 3182.61   | 3017.53   | 3300.42   | 3783.81   | 4274.89   | 4150.48   | 4546.02   | 4902.01   | 5864.18   |
| Less : Current Liabilities            | 592.42    | 535.98    | 804.93    | 1150.16   | 1232.25   | 1085.47   | 1358.29   | 1428.72   | 1839.44   |
| Net Working Capital                   | 2590.19   | 2481.55   | 2495.49   | 2633.65   | 3042.64   | 3065.01   | 3187.73   | 3473.29   | 4024.74   |
| Book Value (Rs) per share             | 68.79     | 25.98     | 29.70     | 27.74     | 24.76     | 25.19     | 25.65     | 26.82     | 28.40     |
| Earnings (Rs) per share               | 6.06      | 2.85      | 4.11      | 2.04      | 0.50      | 0.65      | 0.96      | 1.38      | 1.84      |
| Nominal value per share               | 10        | 10        | 10        | 10        | 10        | 10        | 10        | 10        | 10        |
| Bonus Shares (Ratio)                  | 1:1       | 2:1       | -         | -         | -         | -         | -         | -         | -         |



## BOARD OF DIRECTORS

GOVARDHAN M. DHOOT - CHAIRMAN

SUBHASH C. KHATTAR

RAJENDRAPRASAD MIMANI

## REGISTERED OFFICE

292, PRINCESS STREET,  
2ND FLOOR, NEAR FLYOVER,  
MARINE LINES, MUMBAI - 400 002

## WORKS

### VAPI - UNIT 1

PLOT NO. 187, GIDC  
VAPI, DIST. BULSAR  
GUJARAT - 396 195

### VAPI - UNIT 2

PLOT NO. 1203, GIDC,  
VAPI, DIST. BULSAR,  
GUJARAT - 396 195

## AUDITORS

M/S. MILWANI ASSOCIATES  
CHARTERED ACCOUNTANTS  
BAGARIA HOUSE, 1ST FLOOR,  
KOLBHAT LANE, MUMBAI - 400 002

## BANKERS

STATE BANK OF INDIA

IDBI BANK LTD

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## NOTICE

NOTICE is hereby given that the Thirty-eighth Annual General Meeting of the members of the Company will be held at the Registered office of the company at 292, Princess Street, 2<sup>nd</sup> Floor, Near Fly over, Marine Lines, Mumbai – 400 002 on Thursday, 29<sup>th</sup> September 2011 at 3.00 p.m. to transact the following Business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and Profit and Loss Account for the year ended on that date and the reports of Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Govardhan M Dhoot, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and to fix their remuneration.

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received by the Company at the registered office not less than 48 hours before the commencement of the meeting.
2. All documents referred to in the accompanying Notice are available for inspection at the Registered Office of the Company on any working day between 11.00 a.m. to 1.00 p.m. excluding Saturdays, Sundays and Public Holidays upto the date of Annual General Meeting.
3. Members are requested to intimate to the Company, queries, if any, on the accounts at least 10 days before the date of the meeting to enable the management to keep the required information available at the meeting.
4. As a measure of economy, copies of the Annual Report shall not be distributed at the meeting and therefore the Members are requested to bring their copy of Annual Report to the Meeting.
5. The Company has appointed **M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078**, as Share Transfer Agents and the members are requested to send/address all their shares related matters/ correspondence directly to them.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> September 2011 to 29<sup>th</sup> September 2011 (both days inclusive) for the purpose of Annual General Meeting.
7. **Change of Address /Bank details:** Members are requested to inform the Company or M/s. Link Intime India Private Limited, immediately of any change in their address / Bank details. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details and mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the members.
8. Members who have not encashed their dividend warrant(s) for the financial year 2004-05 and 2005-06 are requested to seek issue of duplicate warrant(s) by writing to the Company's Share Transfer Agents, M/s. Link Intime India Private Limited. Any such amounts of dividend remaining unclaimed for a period of seven years from the date they become due for payment shall be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Kindly note that no claim shall lie against the Company or the IEPF in respect of the amounts which were unclaimed and unpaid for a period of seven years from the date that they first become due for payment and no payment shall be made in respect of any such claims.

| Financial year ended | Date of the Annual General Meeting | Due date for transfer to IEPF |
|----------------------|------------------------------------|-------------------------------|
| 31.03.2005           | 10/09/2005                         | 09/09/2012                    |
| 31.03.2006           | 30/09/2006                         | 29/09/2013                    |



9. A brief profile of Mr. Govardhan M. Dhoot – director retire by rotation referred to item no. 2 of the Notice required by Clause to Section 49IVG of the Listing Agreement with the Stock exchanges is given below:

|     |                                       |   |
|-----|---------------------------------------|---|
| 1.  | Name                                  | Mr. Govardhan M. Dhoot  |
| 2.  | Date of Birth                         | 21 <sup>st</sup> October 1953   |
| 3.  | Educational Qualification             | Commerce Background   |
| 4.  | Date of Appointment on the Board      | 16.04.1996  |
| 5.  | Category of Director                  | Chairman & Executive Director   |
| 6.  | Experience                            | He is a Whole-time Director of the Company effective 1 <sup>st</sup> November 2004. He has over three decades of experience in the Chemical Industry, handling marketing in both domestic and export market. He has traveled to many countries and visited important Industrial and Commercial Capitals all over the world. |
| 7.  | Other Directorships                   | 1. Raga Organics Private Limited<br>2. Mangalam Laboratories Pvt. Ltd.  |
| 8.  | Name of Committees in which Chairman  | Nil   |
| 9.  | Name of Committees in which Member    | Nil   |
| 10. | Number of shares held in the Company. | 583,122 equity shares.  |

10. Members/Proxies should bring the admission slip duly filled in for attending the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

(GOVARDHAN M. DHOOT)  
CHAIRMAN

**Registered Office:**  
292, Princess Street,  
Near Flyover, Marine Lines,  
Mumbai – 400 002

Place : Mumbai  
Dated : 30<sup>th</sup> May 2011

#### IMPORTANT COMMUNICATION

The Ministry of Corporate Affairs, vide its General Circular No. 18/2011 dated 29th April, 2011, has clarified that as a measure of "Green initiative in Corporate Governance" it will be in compliance, if the Annual Report (i.e. documents listed in section 219(1) of the Companies Act, 1956) is sent through e-mail. To support this green initiative, members holding shares in demat form are requested to provide their e-mail ID to the depository through their concerned depository participant and members holding shares in physical forms are requested to provide their e-mail ID to the Company's RTA, M/s. Link Intime India Pvt. Ltd. by filling the form available on the Company's website and also update the e-mail address as and when there is any change.



## DIRECTORS' REPORT

To,  
The Members of  
**MANGALAM DRUGS & ORGANICS LIMITED**

The Directors have pleasure in presenting their Thirty-Eighth Annual Report and Audited Accounts for the accounting year ended 31<sup>st</sup> March 2011

**1. FINANCIAL RESULTS:** (Rs. in Lacs)

|  | 2010-2011     | 2009-2010     |
|--|---------------|---------------|
| Sales  | 13135.55      | 11229.21      |
| Other Income   | 59.47         | 46.60         |
| Profit before Finance Expenses, Depreciation & Amortizations | 1313.62       | 1113.78       |
| Less: Depreciation & Amortizations                           | 327.30        | 321.29        |
| Finance Expenses   | 685.93        | 572.19        |
| <b>Profit before tax</b>                                     | <b>300.39</b> | <b>220.30</b> |
| Fringe Benefit Tax   | -             | -             |
| Provision for taxation                                       | 58.00         | 38.00         |
| <b>Profit after tax</b>                                      | <b>242.39</b> | <b>182.30</b> |
| Provision for Deferred Taxation for Current Year             | 33.55         | 53.18         |
| <b>Profit after Deferred tax</b>                             | <b>208.84</b> | <b>129.12</b> |
| <b>Balance b/f from previous year</b>                        | <b>357.06</b> | <b>227.94</b> |
| <b>Surplus available for Appropriation</b>                   | <b>565.90</b> | <b>357.06</b> |
| <b>Appropriations:</b>                                       |               |               |
| <b>Balance carried to Balance Sheet</b>                      | <b>565.90</b> | <b>357.06</b> |

**2. DIVIDEND:**

Keeping in view the current economic scenario & future fund requirement towards capital expenditure & expansion, your Directors do not recommend any dividend for the financial year 2010-2011 (Previous Year: Rs Nil)

**3. REVIEW OF PERFORMANCE:**

During the year under review, the Company made Sales of Rs. 13135.55 lacs as compared to Rs.11229.22 lacs made in the previous year, a increase of 16.98% than the previous year. The Company made a profit before tax of Rs. 300.39 lacs as compared to Rs. 220.30 lacs made in the previous year, an increase of 36.35% than in the previous year.

**4. EXPORTS:**

The Company has achieved exports sales of Rs. 1120.61 lacs as against in the previous year Rs. 2047.52 lacs.

**5. FUTURE OUTLOOK:**

In order to augment the regulatory focus, your company in addition to Regulatory Affairs Cell has now established Intellectual Property Rights (IPR) cell. The IPR cell shall ensure that all the products and processes would be compliant to the Indians as well as the world IPR norms.

The regulatory affairs cell has submitted 6 DMFs to WHO-Geneva out of which 3 DMFs corresponding to Artemether and Lumefantrine are in advanced stage toward approval, Next year 8 more DMFs are under preparation for filing with EDQM and WHO-Geneva.

**6. RESEARCH & DEVELOPMENT :**

As the global economy is on a path of recovery, our thrust continues to be a research driven company. The backbone of progress and diversification of every industry lies in its technological strength. Low product costs and intellectual property are going to be the most definitive drivers in the international generics market.

From a one product company in 1977, today MANGALAM has build up a diversified range of products involving varied chemistry applications which is achieved by our in-house technical strength. The work at the research centres ensures that the Company have a robust pipeline to feed all the markets that the Company operate in. The R&D team is engaged in striving for world class quality standards for its various products. Consistently the R&D division is mainly responsible for developing the entire range of products in-house of the company and has created difficult-to-replicate molecules/products involving innovative and economically viable technologies at competitive costs. The Company driving a bold R&D strategy with the goal of delivering the next generation of APIs that will provide better medicines for treatments for many conditions and new hope for people with severe, unmet medical needs. The R&D center has manpower strength of 18 persons.



There is constant effort to reduce, recycle and re-use all resources for conservation and waste reduction, wherever feasible. New processes and improvement, developed are scaled up in the company's pilot plant facility. The company has applied for the recognition from the department of Scientific and Industrial Research, Ministry of Science and Technology of Government of India under the provision of the Income Tax Act, 1961.

Through development of new APIs, the R&D activity continues to support your company's standing as a 'one-stop' source of Antimalarials which have been prioritized by World Health Organisation. The new-product-development pipeline has 3 new molecules. New Chemicals Entity (NCE) generation activity has resulted in a panel of novel compounds which shall be tested against Falciparum malarial parasite.

**7. FIXED DEPOSIT:**

The Company has not accepted any fixed deposits from the public during the year under review.

**8. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:**

The information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as 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 is given in **Annexure 'I'** forming part of this Report.

**9. PARTICULARS OF EMPLOYEES:**

Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is not applicable to the Company as no employee drawing remuneration exceeding the prescribed limits.

**10. DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. Govardhan M Dhoot retires by rotation and being eligible, offer himself for re-appointment.

**11. DIRECTORS' RESPONSIBILITY STATEMENT:**

The Directors' Responsibility statement as required under Section 217 (2AA) of the Companies Act, 1956 is given hereunder:

- (i) That in the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2011 the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- (ii) That the Directors had 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 of the Company for that year;
- (iii) 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;
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

**12. AUDITORS:**

M/s. Milwani Associates, Chartered Accountant, (Firm Registration number 106405W) Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

**13. CORPORATE GOVERNANCE:**

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is set out in **Annexure 'II'** forming part of this Report.

**14. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchanges is annexed as **Annexure 'III'** forming part of this Report.

**15. INDUSTRIAL RELATIONS:**

Cordial Industrial relations continued to prevail throughout the financial year under review.

**16. ACKNOWLEDGEMENT:**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors are also grateful to the customers, suppliers and business associates of your Company for their continued co-operation and support. Your Directors wish to place on record their deep sense of appreciation to all the employees for their commendable teamwork and enthusiastic contribution during the year.

**FOR AND ON BEHALF OF THE BOARD**

Place : Mumbai  
Dated: 30<sup>th</sup> May 2011

**GOVARDHAN M. DHOOT**  
**CHAIRMAN**



## ANNEXURE 'I' TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

### A. CONSERVATION OF ENERGY:

- (a) **Energy conservation measures taken:** The manufacturing processes of the Company are not energy intensive; therefore impact of energy saving devices is insignificant. Energy conservation is an ongoing process within the company. The Company has been making continuous efforts for enhancement in capacity utilization, cost competitiveness and quality through systematic process monitoring and adherence to technological norms.
- (b) **Additional investment and proposals, if any being implemented for reduction of consumption of energy:** NIL
- (c) **Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact of the cost of production of goods:** The above measure will help in reducing cost.
- (d) **Total energy consumption per unit of production as per Form A in respect of industries specified in the Schedule**

### FORM A

Form for disclosure of particulars with respect to conservation of energy.

#### Power and Fuel Consumption

|   | Current Year | Previous Year |
|---|--------------|---------------|
| <b>1. Electricity</b>                     |              |               |
| (a) Purchased Units (KWH)                 | 45,99,108    | 43,16,335     |
| Total Amount (Rs.)                        | 2,52,48,922  | 2,31,26,400   |
| Cost per unit (Rs.)                       | 5.49         | 5.36          |
| (b) Own generation                        |              |               |
| (i) Through diesel generator (KWH)        | 83,160       | 23,735        |
| Unit per-ltr. of diesel oil               | 5.80         | 5.70          |
| Cost per unit (Rs.)                       | 29.96        | 38.06         |
| (ii) Through steam turbine/Generator Unit | N.A          | N.A           |
| Unit per-ltr. of fuel oil/gas             | N.A          | N.A           |
| Cost per unit                             | N.A          | N.A           |
| <b>2. Coal</b>                            |              |               |
| Quantity (Tones)                          | N.A          | N.A           |
| Total cost                                | N.A          | N.A           |
| Average rate                              | N.A          | N.A           |
| <b>3. Furnace Oil</b>                     |              |               |
| Quantity (K.Ltrs.)                        | -            | 35,610        |
| Total Amount (Rs.)                        | -            | 5,60,501      |
| Average rate per K. ltrs. (Rs.)           | -            | 15.74         |
| <b>4. Others/internal generation</b>      |              |               |
| Quantity                                  | 15,18,364    | 17,56,262     |
| Total cost                                | 2,85,03,840  | 2,84,16,326   |
| Rate/unit                                 | 18.77        | 16.18         |

**B. TECHNOLOGY ABSORPTION :****FORM B**

**Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)**

**a. Specific areas in which R & D carried out by the Company :**

- (i) Study and optimization of processing parameters in the manufacture of antimalarial APIs.
- (ii) Quality upgradation of antimalarial APIs which are on priority list of World Health Organization.
- (iii) Synthesis of antimalarial compounds which are in pre-clinical stages.
- (iv) Analytical method innovations to meet international quality demands.

**b. Benefits derived as a result of the above R&D :**

- (i) Optimal utilization of resources for the global market.
- (ii) We are the first company to feature on WHO's API prequalification programme.
- (iii) We shall be a preferred source of future drug candidates and hence shall enjoy a competitive advantage.

**c. Future plan of action :**

- (i) Development of frontline antimalarial and antiviral API and their intermediates.
- (ii) Additional investment in state-of-the-art analytical instrumentation and plant machinery to boost quality and cost efficiencies.
- (iii) Generate a panel of novel antimalarial candidate compounds by Anagramatic approach for screening against resistant malarial parasite strains.

**d. Expenditure on R&D :**

- (i) Total (capital & recurring ) : Rs. 3 crores
- (ii) Total expenditure as a percentage of total turnover : 2.28%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :****a. Efforts in brief made towards absorption, adaptation and innovation :**

- (i) Development of patent-non-infringing processes for antimalarial and antiviral APIs.
- (ii) Generation of innovative new chemical entities to achieve "Single-dose-cure" in Antimalarial Segment.

**b. Benefits derived as results of the above efforts : e.g output improvement, cost reduction, product development, import substitutions etc.**

- (i) Expansion of product portfolio to cater emerging markets.
- (ii) Improvement in operational efficiency through reduction in batch time cycles, increase in batch size and simplification of processes.

**c. Details of imported Technology.**

No technology has been imported for last 5 years.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- a. Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services, and export plans:** The Company is continuously exploring avenues to increase exports to various countries

- b. Total foreign exchange used and earned:**

(Rs. In lacs)

| Particulars                                    | Current year   | Previous year  |
|--|----------------|----------------|
| <b>Foreign Exchange Earnings</b>               | <b>1120.61</b> | <b>2047.52</b> |
| <b>Foreign Exchange Outgo</b>                  |                |                |
| (i) Raw material                               | 1137.14        | 1168.54        |
| (ii) Commission                                | 10.75          | 9.25           |
| (iii) Travelling Expenses                      | 4.07           | 2.36           |
| (iv) Interest on foreign currency loan (FCNRB) | -              | 4.87           |
| <b>Total</b>                                   | <b>1151.96</b> | <b>1185.02</b> |

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 30<sup>th</sup> May 2011

GOVARDHAN M. DHOOT  
CHAIRMAN



## **ANNEXURE 'II' TO DIRECTORS' REPORT**

### **REPORT ON CORPORATE GOVERNANCE**

#### **A. MANDATORY REQUIREMENTS**

##### **1. Company's Philosophy on Corporate Governance Code**

The Company has complied with all the Corporate Governance requirements stipulated under Clause 49 of the Listing Agreement. The Company is committed to the consistent adherence to the said corporate governance code to maintain a greater degree of responsibility and accountability. Corporate governance is focused on maximizing shareholder value while ensuring fairness to all the stakeholders — customers, employees, vendor-partners, the government of the land, and society at large.

##### **2. Board of Directors**

The Composition of the Board of Directors of the Company meets the stipulated requirements. The Board of Directors comprised three members consisting of two non – executive and independent directors. The following table gives details of directorship, category, attendance at board meetings and at the last Annual General Meeting and number of membership of Board / Committees of various other companies:

| <b>Name of Director(s)</b>   | <b>Category of Directorship</b> | <b>No. of other directorship</b> | <b>No. of Committee membership in all companies</b> | <b>No. of Board Meetings attended</b> | <b>Attendance at last AGM</b> |
|------------------------------|---------------------------------|----------------------------------|---|---------------------------------------|-------------------------------|
| Mr. Govardhan M. Dhoot       | Chairman & Executive            | 2                                | 2   | 15                                    | Yes                           |
| Mr. Subhash C. Khattar       | Non-Executive & Independent     | 1                                | 2   | 15                                    | Yes                           |
| Mr. Rajendraprasad K. Mimani | Non-Executive & Independent     | 2                                | 2   | 3                                     | No                            |
| Mr. Mukul Sukhani            | Non-Executive & Independent     | Nil                              | 1   | Nil                                   | No                            |

\*Mr. Mukul Sukhani has resigned as director with effect from 29<sup>th</sup> May 2010.

There were 15 (fifteen) Board meetings held during the year-ended 31.03.2011. These were on 3<sup>rd</sup> May 2010, 29<sup>th</sup> May 2010, 2<sup>nd</sup> July 2010, 26<sup>th</sup> July 2010, 29<sup>th</sup> July 2010, 20<sup>th</sup> August 2010, 25<sup>th</sup> August 2010, 3<sup>rd</sup> September 2010, 13<sup>th</sup> October 2010, 10<sup>th</sup> November 2010, 12<sup>th</sup> November 2010, 16<sup>th</sup> December 2010, 4<sup>th</sup> February 2011, 10<sup>th</sup> February 2011 and 14<sup>th</sup> March 2011. The last Annual General Meeting (AGM) was held on 30<sup>th</sup> September 2010.

Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for their consideration.

No Director is related to any other Director on the Board in terms of the provisions of the Companies Act, 1956.

None of the Independent Directors have any material pecuniary relationship or transaction with the Company.

#### **Code of Conduct**

The Code of Conduct for the Directors and Employees of the Company has been laid down by the Board. The declaration by Mr. Govardhan M Dhoot, Whole time Director of the company regarding compliance by the Board members and Senior management personnel, with the said code of conduct is given as Annexure to this Report.

##### **3. Audit Committee**

The Audit Committee of the Company is constituted pursuant to the provisions of the Companies Act, 1956 and the Listing Agreements with the Stock Exchanges. The constitution of Audit Committee is as follows:

| <b>Name of Director</b>          | <b>Category</b>             | <b>Profession</b>    | <b>No. of meetings attended</b> |
|----------------------------------|-----------------------------|----------------------|---------------------------------|
| Mr. Subhash C. Khattar, Chairman | Non-Executive & Independent | Chartered Accountant | 4                               |
| Mr. Rajendraprasad K. Mimani     | Non-Executive & Independent | Industrialist        | 4                               |
| Mr. Govardhan M. Dhoot           | Executive                   | Industrialist        | 4                               |

During the year-ended 31.03.2011, four Audit Committee meetings were held. These were held on 29<sup>th</sup> May 2010, 29<sup>th</sup> July 2010, 12<sup>th</sup> November 2010 and 10<sup>th</sup> February 2011.