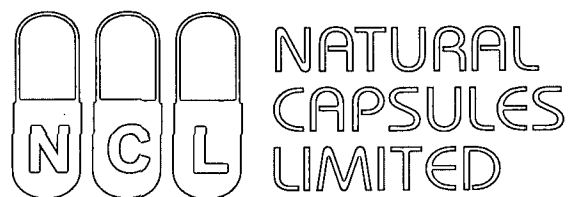


# FIFTEENTH ANNUAL REPORT 2007-2008

VG-Caps®



BANGALORE

BOARD OF DIRECTORS : Srirangam Gopalan Chairman  
 Laxminarayan Mundra Whole-time Director  
 Satyanarayan Mundra Whole-time Director  
 C.P. Rangachar Director  
 Dr. C. M. Gurumurthy Director  
 V. Subramony Director  
 V. Balaji Bhat Director  
 Sunil L. Mundra Managing Director  
 Sushil Kumar Mundra Director

BANKERS & FINANCIAL : M/s. State Bank of India  
 Bangalore Commercial Branch  
 Hudson Circle,  
 BANGALORE - 560 001.

AUDITORS : M/s Gnanoba & Bhat  
 Chartered Accountants  
 # 45, Annamalai Arcade,  
 1st Cross, Wilson Garden,  
 BANGALORE - 560 027.

REGISTERED OFFICE : 102, "Shreshta Bhumi"  
 No. 87, K. R. Road,  
 BANGALORE - 560 004.  
 Tel. No. 080-2667 1571/2667 1573  
 Fax : 080-2667 1562  
 E-mail : [info@naturalcapsules.com](mailto:info@naturalcapsules.com)  
 URL : [www.naturalcapsules.com](http://www.naturalcapsules.com)

REGISTRAR AND TRANSFER AGENTS : M/s. Cameo Corporate Services Ltd.  
 Subramanian Building,  
 No. 1 Club House Road,  
 CHENNAI - 600 002.  
 Tel : 91-044-28460390 (5 Lines)  
 Fax : 91-044-28460129  
 Grams : CAMEO  
 E-mail : [cameo@cameoindia.com](mailto:cameo@cameoindia.com)  
 Contact Person : Mrs. Kanthimathi Jayakumar  
 Executive - Shares  
 ISIN CODE No : INE936B01015

## NATURAL CAPSULES LIMITED

### NOTICE

Notice is hereby given to all the members of the company that the 15th Annual General Meeting of the company will be held on Wednesday, the 30th day of July 2008 at the Bangalore South Rotary Trust, Prof. P.Shivashankar Circle, K.R.Road, Basavanagudi, Bangalore-560 004 at 11.00 A.M. to transact the following business :-

1. To consider and adopt the Audited Accounts for the period ended 31<sup>st</sup> March 2008 along with Director's and Auditor's Reports thereon.
2. To declare a dividend
3. To appoint a Director in the place of Mr.C.P.Rangachar, the retiring Director, who being eligible, offers himself for re-appointment
4. To appoint a Director in the place of Dr.C.M.Gurumurthy, the retiring Director, who being eligible, offers himself for re-appointment
5. To appoint Auditors and to fix their remuneration. M/S Gnanoba & Bhat, Chartered Accountants, Bangalore retire at this AGM and they are eligible for re-appointment.

#### SPECIAL BUSINESS:

#### **6. To consider and if thought fit to pass with or without modification the following as a Special Resolution :**

"Resolved that in supersession of the earlier resolution passed, pursuant to the provisions of Sections. 269, 309 and 19 read with Schedule. XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Members, and Central government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are here by authorized to accept, the consent of the Company be and is hereby granted for the re-appointment of Mr. Sunil L Mundra, as Managing Director of the Company w.e.f 01.06.2008 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per the following terms :-

- a) Salary of Rs.1,25,000/-pm on the scale of pay of Rs 1,25,000-15,000-1,55,000.
- b) Car with the driver for official work
- c) Medical re-imbursement for self and dependent family members not exceeding one months salary in year or three months salary in a block of three years.
- d) LTC once in a year not exceeding one months salary for self and dependent members of family
- e) P.F. and Gratuity as applicable to the other officers of the company.

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/ inadequacy of profits."

#### **7. To consider and if thought fit to pass with or without modification the following as a Special Resolution:**

"Resolved that in supersession of the earlier resolution passed, pursuant to the provisions of Sections. 269, 309 and 198 read with Schedule. XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Members, and Central government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are here by authorized to accept, the consent of the Company be and is hereby granted for the re-appointment of Mr. Laxminarayan Mundra, as Whole time Director of the Company w.e.f 01.06.2008 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be on the following terms :-

- a) Salary of Rs.1,25,000/-P.M on the scale of pay of Rs. 125000-15000-155000.
- b) Car with the driver for official work
- c) Medical re-imbursement for self and dependent family members not exceeding one months salary in a year or three months salary in a block of three years.
- d) LTC once in a year not exceeding one months salary for self and dependent members of family
- e) P.F. and Gratuity as applicable to the other officers of the company.

## FIFTEENTH ANNUAL REPORT 2007-2008

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits / inadequacy of profits."

**8. To consider and if thought fit to pass with or without modification the following as a Special Resolution:**

"Resolved that in supersession of the earlier resolution passed, pursuant to the provisions of Sections. 269, 309 and 198 read with Schedule. XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Members, and Central government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are here by authorized to accept, the consent of the Company be and is hereby granted for the re-appointment of Mr. Satyanarayan Mundra, as Whole time Director of the Company w.e.f 01.06.2008 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be on the following terms :-

- a) Salary of Rs.1,25,000/-P.M on the scale of pay of Rs. 125000-15000-155000.
- b) Car with the driver for official work
- c) Medical re-imbursement for self and dependent family members not exceeding one months salary in a year or three months salary in a block of three years.
- d) LTC once in a year not exceeding one months salary for self and dependent members of family
- e) P.F. and Gratuity as applicable to the other officers of the company.

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits / inadequacy of profits."

Place : Bangalore  
Date : 30-05-2008

For and on behalf of the Board,

(Sunil L Mundra)  
Managing Director

**NOTE:**

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy and that proxy need not be a member. A proxy shall be effective to reach the Registered office not less than 48 hours before the Meeting.
2. Member Register and Transfer Register will remain closed from 26<sup>th</sup> July, 2008 to 30<sup>th</sup> July, 2008 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31/03/2008.
3. Members are requested to bring duly filled in attendance slips at the time of meeting
4. Proxy form is attached
5. Explanatory Statement as per Section 173(2) of the Companies Act 1956:-

**Agenda 6 :-**

The Board of Directors felt the need for increasing the remuneration being paid to the Managing Director and Wholetime Directors considering their significant contributions towards the performance of the Company. Keeping in mind the following factors which are relevant to the revision of salary while re-appointing them as Managing Director / Wholetime Directors.

**I. General information :**

The Company is an existing unit of Pharma Industry, manufacturing capsules and the Company commenced and expanded commercial production from time to time as a part of expansion programme which has resulted in phenomenal increase in turnover which has reached record figure of Rs.20 Crores. The Company had a sustained and steady growth in terms of turnover and profitability which have increased by 14% and 17% respectively as compared to the previous year. The Company has also increased its export performance by 26% in the year ended 31.03.2008.

**II. Information about the appointees :**

- a) Mr. Sunil L Mundra is a Chartered Accountant with two decades of experience in Pharma Industry which includes 15 years of experience as Managing Director in this Company. He is responsible for introduction of cost control measures and prudent financial management of the Company which has helped the Company to turn the corner and become an efficient unit in the Industry. His remuneration before this increase was Rs. 70,000/- pm plus other perquisites as stated in the resolution. He is a rank holder in the Pre-University and Bangalore University exams.

## NATURAL CAPSULES LIMITED

He is in charge of day to day affairs of the Company including finance, subject to the supervision and control of the Board of Directors.

Now it is proposed to re-appoint him with revised remuneration as stated in the resolution.

This remuneration compares well and still below the remuneration being paid to the Managing Director in the Industry for a Company of our size, which is around Rs.2,50,000/- PM.

The Managing Director is related to Mr. Laxminarayan Mundra and Mr. Sathyanarayan Mundra, Whole time Directors of the Company

- b) Mr. Laxminarayan Mundra is a seasoned businessman with over four decades of experience in business which includes 15 years of experience as Wholetime Director / Director in this Company. He is responsible for introduction of stringent financial measures and financial management of the Company which has helped the Company to a great extent. His remuneration before this increase was Rs. 70,000/- pm plus other perquisites as stated in the resolution. He is a Commerce Graduate.

He is in charge of day today affairs of the corporate office and a key decision maker in administration , HR and management matter ably supporting the Managing Director.

Now it is proposed to re-appoint him with revised remuneration as stated in the resolution.

This remuneration is below the remuneration generally being paid to the Wholetime Directors/ Executive Directors/ Financial Directors in the Industry for a Company with similar quantum of turnover.

Mr Laxminarayana Mundra is related to Mr. Sunil. L. Mundra, Managing Director and Mr. Sathyanarayan Mundra, Whole time Director of the Company

- c) Mr. Satyanarayan Mundra is an experienced businessman with nearly four decades of experience to his credit which includes 15 years of experience as Wholetime Director / Director in this Company. He is responsible for introduction of quality control measures of products and takes care of logistics and project co-ordination matters. His remuneration before this increase was Rs. 70,000/- pm plus other perquisites as stated in the resolution. He is also a Commerce Graduate.

Now it is proposed to re-appoint him with revised remuneration as stated in the resolution.

This remuneration is well below the remuneration being paid to the Wholetime Directors/ Executive Directors/ Financial Directors of the other Companies in the same Industry.

Mr Satyanarayana Mundra is related to Mr. Sunil. L. Mundra, Managing Director and Mr. Laxminarayan Mundra, Whole time Director of the Company.

### III. Other Information :

The steep increase in prices of basic raw material viz., gelatin and extension of credit period as dictated by market situation were responsible for slight inadequacy of profits as required under schedule XIII of the Act.

The Company is introducing SAP, ERP ECC6.00 solution for effective management information and control system which will improve the overall efficiency of Company's operations with cost reduction in all fields. Technical experts were appointed to increase productivity and reduce wastage in the plant and machinery, which will further improve the productivity and profitability by more than 10% in the immediate future.

### IV. Disclosures :

The remuneration package proposed to be paid to MD is as per resolution stated in the notice of AGM.

The details of remuneration to all Directors including working Directors are dealt with in the corporate governance report forming part of Directors report attached to this notice.

### Information about other appointees.

1. Mr C.P.Rangachar is a qualified Engineer with wide exposure to the global business scenerio. He is the Chairman of M/s Sai India Ltd and M/s Yuflow Engg Pvt Ltd. He is also the Managing Director of M/s Yuken India Ltd and Director of 3 companies other than NCL and also Audit/ Share Committee member of 3 companies. He is a visionary with widest of exposure and travels regularly to various countries on business assignments. His expertise is an asset for NCL and he has contributed greatly for the development of the company. He is an active member of various committees of CIA.
2. Dr C.M.Gurumurthy is a highly respected medical practitioner and a renowned ENT Surgeon. He is also the Vice-Chancellor of Devaraj Urs University, Kolar. His knowledge in medical science has helped a lot and has been a Director of immense value to the organisation.

## FIFTEENTH ANNUAL REPORT 2007-2008

## DIRECTOR'S REPORT

## TO THE MEMBERS

Your directors hereby present the fifteenth Annual Report together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2008.

## 1. FINANCIAL RESULTS :

The comparative financial results for the period are as under :

|   | 2007-08<br>(Rs.in Lacs) | 2006-07<br>(Rs.in Lacs) |
|---|-------------------------|-------------------------|
| Sales & other income                    | 2033.01                 | 1782.62                 |
| Profit before Depreciation and interest | 552.67                  | 479.36                  |
| Depreciation & Preliminary exp          | 112.22                  | 100.07                  |
| Interest                                | 11.98                   | 19.20                   |
| Profit/(Loss) before tax                | 428.47                  | 360.09                  |
| Provision for taxation                  | 140.47                  | 110.00                  |
| Deferred tax                            | 22.27                   | 2.57                    |
| Profit/(Loss) after tax                 | 265.73                  | 246.19                  |

## 2. PERFORMANCE &amp; PROSPECTS :

During the year under review, the company's turnover increased by 14% and the company has earned a Net profit (before tax) of Rs.428.47 lacs as against the corresponding net profit of Rs.360.19 lacs in the previous year. The available profit has enabled the company to plough back an amount of Rs. 85.00 lacs for funding the ongoing expansion at Pondicherry. The export of the company has increased by 26% during the year under consideration. Due to full use of additional capacity created in the last year your directors are hopeful of further improving the performance in both domestic and export markets.

## 3. Dividend :

Considering the need for conservation of resources for expansion, and the need for funds your directors are pleased to recommend a dividend of 10%, payable for the year ended 31-3-2007 to the members whose names appear in the register of members as on the date of AGM viz., 30.7.2008.

## 4. EXPANSION :

During the year under review company completed expansion project consisting of installation of 5 capsules making machines at Pondicherry. With completion of this expansion program the total manufacturing installed capacity of HGCS has increased to 3.6 billion capsules per annum.

## 5. DIRECTORS :

Mr.C.P. Rangachar and Dr C.M. Gurumurthy retire at this Annual General Meeting and being eligible, offer themselves for reappointment.

## 6. DISCLOSURE OF PARTICULARS AS PER BOARD'S REPORT RULES 1988 :

## A. CONSERVATION OF ENERGY:

The particular as per form A is attached to this report.

## B. RESEARCH &amp; DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Company is having an ongoing research and development activity to develop value added products.

## C. EXPORTS

The company has been successfully exporting Gelatine capsules to many countries across the world. During the year under review exports growth was more than twice that of last year. This trend is likely to be maintained in the coming year.

## D. FOREIGN EXCHANGE, EARNINGS &amp; OUTGO :

Foreign exchange earning : Rs. 272.82 Lacs

Foreign exchange outgo : Rs. 3.19 ..

## 7. DIRECTOR'S RESPONSIBILITY STATEMENT :

- In the preparation of the annual accounts, the applicable accounting Standards have been followed.
- The directors have selected such accounting policies and applied them consistently and made judgements 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 the period.
- The directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting the fraud and other irregularities.
- The directors have prepared the annual accounts on a going concern basis.

## 8. AUDITORS :

M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting and they are eligible for re-appointment.

## 9. REPORT ON CORPORATE GOVERNANCE :

A separate report on Corporate Governance is given in the Annexure A & B.

## 10. Clause 49 of the Listing Agreement :

- During the year under report the trading of the company's securities has not been suspended by the Stock Exchanges with which the shares are listed.
- The names and addresses of the Stock Exchanges with which the company's Securities are listed are as follows:
  - Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1st crss, J. C. Road, Bangalore 560 027.
  - The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.



## NATURAL CAPSULES LIMITED

iii) Coimbatore Stock Exchange Ltd, Stock  
Exchange Building, CSX Towers,  
Trichy Road, Singanallur, Coimbatore - 641 005

- c) The annual listing fees of the above Stock Exchanges have been paid

for their financial support and guidance, and its appreciation for the excellent co-operation extended by the staff & workers of the company. Management also wishes to place on record its appreciation for the valuable support extended by various Government agencies at Pondicherry.

For & on behalf of the Board

# 11. ACKNOWLEDGEMENTS:

The Management wishes to place on record its sincere thanks and appreciation to State Bank of India

Place: Bangalore  
Date: 30th May, 2008

S. GOPALAN  
CHAIRMAN

## ANNEXURE TO DIRECTOR'S REPORT

### FORM A ( SEE RULE 2)

Form for disclosure of particulars with respect to conservation of energy

#### 6. POWER & FUEL CONSUMPTION:

|                                   |             | Current<br>Year<br>2006-07 | Previous<br>Year<br>2007-08 |
|-----------------------------------|-------------|----------------------------|-----------------------------|
| 1. Electricity:                   |             |                            |                             |
| a) Purchased :                    | Units(KWH)  | 41,97,148                  | 37,23,96                    |
| b) Total amount                   | (Rs.in lac) | 150.01                     | 133.07                      |
| c) Rate/Unit                      | (Rs.)       | 3.57                       | 3.57                        |
| d) Own Generation:                |             |                            |                             |
| i) Through diesel generator       |             |                            |                             |
| Units                             | (KWH)       | 3,02,764                   | 1,87,244                    |
| Unit per Ltr.of diesel oil        | (KWH)       | 3.13                       | 3.23                        |
| Oil cost/Unit                     | (Rs.)       | 0.87                       | 0.75                        |
| ii) Through Stem turbine/generato |             | -                          | -                           |
| 2. Coal                           |             | -                          | -                           |
| 3. Furnase oil                    |             | -                          | -                           |
| 4. Other/Internal generations     |             | -                          | -                           |

#### B.CONSUMPTION PER UNIT OF PRODUCTION :-

|                     | EHG Capsules      |                 |                  | VegCapsules       |                 |                  |
|---------------------|-------------------|-----------------|------------------|-------------------|-----------------|------------------|
|                     | Stds.<br>(if any) | Current<br>Year | Previous<br>Year | Stds.<br>(if any) | Current<br>Year | Previous<br>Year |
| Electricity per lac | -                 | 135.82          | 129              | -                 | 625             | 670              |
| Furnace oil         | -                 | -               | -                | -                 | -               | -                |
| Coal                | -                 | -               | -                | -                 | -               | -                |
| Others              | -                 | -               | -                | -                 | -               | -                |

For and behalf of the Board

S.Gopalan  
Chairman

## FIFTEENTH ANNUAL REPORT 2007-2008

## ANNEXURE A

### REPORT ON CORPORATE GOVERNANCE

**1. COMPANY'S PHILOSOPHY:**

The company's philosophy is to establish a good corporate governance to ensure accountability, transparency and stakeholder protection.

**2. Board Strength and representation:**

As at 31<sup>st</sup> March, 2008, the Board consisted of nine members. The composition of and the category of directors on the Board of the Company were as under:

| Category                            | Particulars of the Directors   |
|-------------------------------------|--|
| Promoter Executive Directors        | 1. Sri Sunil L Mundra-Managing Director<br>2. Sri Laxminarayan Mundra - Wholetime Director<br>3. Sri Satyanarayan Mundra - Wholetime Director                    |
| Promoter Non Executive Director:    | 1. Sri Sushil Kumar Mundra-Director  |
| Non Executive Independent Directors | 1. Sri S.Gopalan- Chairman<br>2. Sri C.P.Rangachar – Director<br>3. Dr C.M.Guru Murthy- Director<br>4. Sri V.Subramony-Director<br>5. Sri V.Balaji Bhat-Director |

**1. Conduct of Board Proceedings:**

The day to day business is conducted by the officers and the managers of Company under the direction of the Managing Director and subject to the control of the Board. The Board holds four to five meetings every year to review and discuss the performance of the company, its future plans, strategies and other pertinent issues relating to the company's operations.

The Board performs the following specific functions in addition to the supervision of the business and the management:

- Review, monitor and approve major financial and business strategies and corporate actions
- Assess critical risks facing the company-review options for their mitigation.

**2. Independent Directors:****(a) Tenure of Independent Directors**

Tenure of Independent Directors on the Board of the Company shall be as per provisions of clause 49 of the Listing agreement of Company's Act 1956, subject to their re-appointment on retirement as per statutory provisions.

**(b) Interaction of Non-Executive, including Independent Directors with the Chairman.**

The Chairman regularly interacts with non-executive directors to enable them to freely express their views on various matters concerning the business of the Company.

**3. BOARD MEETING AND ATTENDANCE**

Details of Board meeting held during the year are as follows:

| SL NO | Date of meeting | Board strength | No.of Directors present |
|-------|-----------------|----------------|-------------------------|
| 1.    | 29-05-2007      | 9              | 7                       |
| 2.    | 26-07-2007      | 9              | 6                       |
| 3.    | 06-10-2007      | 9              | 6                       |
| 4.    | 31-01-2007      | 9              | 7                       |
| 5.    | 14-03-2008      | 9              | 5                       |



**NATURAL CAPSULES LIMITED****4. ATTENDANCE OF DIRECTORS AT THE BOARD MEETING AND AT ANNUAL GENERAL MEETING :**

| Director               | No:of Board meetings | Attendance at the AGM |
|------------------------|----------------------|-----------------------|
| 1. S.Gopalan           | 5                    | Yes                   |
| 2. Dr C.M.Gurumurthy   | 5                    | Yes                   |
| 3. C.P.Rangachar       | 2                    | No                    |
| 4. V.Subramony         | Nil                  | No                    |
| 5. Sunil L Mundra      | 5                    | Yes                   |
| 6. Laxminarayan Mundra | 5                    | Yes                   |
| 7. Satyanarayan Mundra | 5                    | Yes                   |
| 8. Sushil Kumar Mundra | 4                    | Yes                   |
| 9. V.Balaji Bhat       | Nil                  | No                    |

**5. OTHER DIRECTORSHIP:**

| Name of Directors      | No. of other Directorship excluding NCL | Membership of committee including NCL |              |
|------------------------|---|---------------------------------------|--------------|
|                        |   | Membership                            | Chairmanship |
| 1. S.Gopalan           | 1                                       | -                                     | 1            |
| 2. Dr C.M.Gurumurthy   | 1                                       | 1                                     | -            |
| 3. C.P.Rangachar       | 5                                       | 3                                     | 2            |
| 4. V.Subramony         | 1                                       | -                                     | -            |
| 5. Sunil L Mundra      | 1                                       | 1                                     | -            |
| 6. Laxminarayan Mundra | 1                                       | 1                                     | -            |
| 7. Satyanarayan Mundra | 1                                       | 1                                     | -            |
| 8. Sushil Kumar Mundra | 1                                       | -                                     | -            |
| 9. V.Balaji Bhat       | 10                                      | 2                                     | 3            |

**6. RELATIONSHIP AMONGST PROMOTER DIRECTORS:**

|    |                      |   |   |
|----|----------------------|---|---|
| 1. | Laxminarayana Mundra | Satyanarayana Mundra<br>Sunil.L.Mundra<br>Sushil Kumar Mundra       | Brother<br>Father<br>Father                     |
| 2. | Satyanarayana Mundra | Laxminarayana Mundra<br>Sunil L Mundra<br>Sushilkumar Mundra        | Brother<br>Father's brother<br>Father's brother |
| 3. | Sunil.L.Mundra       | Laxminarayana Mundra<br>Satyanarayana Mundra<br>Sushil Kumar Mundra | Son<br>Brother's son<br>Brother                 |
| 4. | Sushil Kumar Mundra  | Laxminarayana Mundra<br>Satyanarayana Mundra<br>Sunil.L. Mundra     | Son<br>Brother's son<br>Brother                 |

**7. AUDIT COMMITTEE/ATTENDANCE:**

The role of Audit committee is to review the internal control procedures, internal audit system, financial reporting process, accounting policies, annual financial statements placed before the Board including other related aspects.

## FIFTEENTH ANNUAL REPORT 2007-2008

All the members of the Audit Committee have good knowledge of corporate and project finance, accounts, and company law. The Chairman of the committee, an engineer, was formerly the Executive Director of IDBI and has accounting and related financial management expertise. The committee held four meetings during the year. The Audit Committee also advises the management on the areas where internal audit can be improved. The minutes of the meetings of the Audit Committee are placed before the Board. The terms of reference of the audit committee are in accordance with all the items listed in clause 49 (II) (D) and (E) of the listing Agreement as follows:

- i. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible.
- ii. Approve payment for any other services by statutory auditors.
- iii. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - a. Matters required to be included in the Director's responsibility statement included in the report of the Board of Directors.
  - b. Any changes in accounting policies and practices.
  - c. Major accounting entries based on exercise of judgement by management
  - d. Qualifications in draft audit report.
  - e. Significant adjustments arising out of audit
  - f. Compliance with listing and other legal requirements concerning financial statements
  - g. Any related party transactions.
- iv. Reviewing with the management, the quarterly, financial statements before submission to the Board for approval.
- v. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- vi. Reviewing the adequacy of internal audit function.
- vii. Discussions with internal auditors any significant findings and follow up thereon.
- viii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ix. Discussion with statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- x. To review the functioning of the Whistle Blower mechanism,
- xi. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- xii. Review the following information:
  - a. Management Discussion and Analysis of Financial Condition and Results of Operations
  - b. Internal audit reports relating to internal control weaknesses;
  - c. Management letter/letter of internal control weakness issued by statutory/internal auditors;
  - d. Statement of significant related party transactions and
  - e. The appointment, removal and terms of remuneration of the Internal auditor shall be subject to review by the Audit committee.

### The Audit Committee has the following powers:

- i. to investigate any activity within its terms of reference.
- ii. to seek any information from any employee.
- iii. to obtain outside legal and professional advice.
- iv. to secure attendance of outsiders with relevant expertise, if considers it necessary.

The members of the audit committee are Mr S. Gopalan, chairman, Mr C.P. Rangachar, and Dr C.M. Gurumurthy

Details of Audit committee meetings held during the year are as follows:

| Sl no. | Date of meeting | Committee strength | No. of members present |
|--------|-----------------|--------------------|------------------------|
| 1.     | 29-05-2007      | 3                  | 3                      |
| 2.     | 26-07-2007      | 3                  | 2                      |
| 3.     | 06-10-2007      | 3                  | 2                      |
| 4.     | 31-01-2008      | 3                  | 3                      |

| Director           | No. of meetings attended |
|--------------------|--------------------------|
| S. Gopalan         | 4                        |
| C.P. Rangachar     | 2                        |
| Dr C.M. Gurumurthy | 4                        |