

BOARD OF DIRECTORS

Mr. Vijay Mohan, Chairman
Mrs. Vanitha Mohan, Vice Chairman
Mr. Vikram Mohan, Managing Director
Mr. K. Udhaya Kumar, President & Chief Operating Officer
Mr. Suresh Jagannathan
Mr. C.R. Swaminathan
Mr. D. Sarath Chandran
Mr. Hiroyuki Wakabayashi
Mr. V. Ramakrishnan
Mr. R. Vidhya Shankar
Mr. G. Soundararajan
Mr. K. Murali Mohan
Mr. Yasushi Nei, Alternate Director to **Mr. Hiroyuki Wakabayashi**

COMPANY SECRETARY

Mr. T.G. Thamizhanban

AUDITORS

M/s. Haribhakti & Co.
 Chartered Accountants, Coimbatore

BANKERS

| | |
|---------------------|-------------------------|
| State Bank of India | The Bank of Nova Scotia |
| Andhra Bank | Indian Bank |
| IDBI Bank Limited | Canara Bank |
| ICICI Bank Limited | Indian Overseas Bank |

REGISTERED OFFICE

CPM Towers,
 109, Race Course,
 Coimbatore - 641 018, India.
 Ph : +91 422 4336000 Fax : +91 422 4336299
 E-mail : cs@pricol.co.in

FACTORIES

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| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLANT I 132, Ooty Main Road, Perianaickenpalayam, Coimbatore - 641 020. | PLANT II Plot No.34 & 35, Sector 4, IMT Manesar, Gurgaon - 122 050. |
| PLANT III 4/558, Chinnamathampalayam, Billichi Village, Press Colony Post, Coimbatore - 641 019. | PLANT V Survey No.1065 & 1066, Pirangut, Taluk Mulshi, Pune - 412 108. |
| PLANT VI Plot No.11, Sector 10, Integrated Industrial Estate, Pantnagar, SIDCUL, Rudrapur - 263 153. Dist. U.S. Nagar (Uttarakhand) | PLANT VII Plot No.45, Sector 11, Integrated Industrial Estate, Pantnagar, SIDCUL, Rudrapur - 263 153. Dist. U.S. Nagar (Uttarakhand) |

DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Your Directors have pleasure in presenting the Fortieth Annual Report and audited accounts for the financial year ended 31st March 2012.

FINANCIAL RESULTS

The summarised financial results are :

| | 2011-12 | ₹ Million 2010-11 |
|-------------------------------------------------------------------------------------------------------|----------------|----------------------|
| Net Sales & Services | | |
| - Domestic | 7,886.746 | 7,100.154 |
| - Export | 1,428.047 | 1,062.933 |
| Total | 9,314.793 | 8,163.087 |
| Profit from Operations before Finance Cost, Depreciation and Amortisation Expense & Exceptional Items | 758.789 | 825.879 |
| Less : Finance Costs | 297.921 | 273.116 |
| : Depreciation & Amortisation Expense | 291.911 | 337.040 |
| Profit from Operations before Exceptional Items | 168.957 | 215.723 |
| Add : Exceptional Items (Net) | 494.203 | — |
| Profit Before Tax | 663.160 | 215.723 |
| Less : Tax Expense | | |
| Current Tax | 141.000 | 43.490 |
| Deferred Tax | 44.000 | 63.810 |
| MAT Credit | (86.000) | (43.490) |
| For earlier years | — | (79.235) |
| Profit for the Year | 564.160 | 231.148 |
| Add : Surplus - Opening | 114.600 | 71.212 |
| Amount available for appropriation | 678.760 | 302.360 |

DIVIDEND

Your Directors recommend a dividend of 40% plus a special dividend of 40% from profit on sale of unit, aggregating to 80% (₹ 0.80 per share of ₹1 face value) on the paid-up equity share capital of the Company for the year ended 31st March 2012.

APPROPRIATION

| | 2011-12 | ₹ Million 2010-11 |
|---------------------------------------------------------------------------------------------------------|---------|----------------------|
| Dividend ₹ 0.80 per share of ₹ 1.00 face value. (Previous year - ₹ 0.60 per share of ₹ 1.00 face value) | 72.000 | 54.000 |
| Tax on Dividend | 11.680 | 8.760 |
| General Reserve | 450.000 | 125.000 |
| Surplus to be carried over | 145.080 | 114.600 |
| Total | 678.760 | 302.360 |

AUTO INDUSTRY

As against a growth of 27% in the previous financial year, in the year 2011-12, the domestic auto industry grew by 14% only.

The performance as per Society of Indian Automobile Manufacturers (SIAM) is :

| Category | Vehicles Sold | | Growth |
|-----------------------------------|---------------|------------|--------|
| | 2010-11 | 2011-12 | |
| | In numbers | | % |
| Passenger Car | 2,411,059 | 2,516,037 | 4.35 |
| Utility Vehicle | 318,869 | 372,201 | 16.73 |
| Multi Purpose Vehicle | 215,940 | 237,152 | 9.82 |
| Medium & Heavy Commercial Vehicle | 351,408 | 376,618 | 7.17 |
| Light Commercial Vehicle | 407,540 | 525,577 | 28.96 |
| Scooters / Scooterettee | 2,108,250 | 2,653,446 | 25.86 |
| Motor Cycles | 10,488,566 | 11,943,579 | 13.87 |
| Mopeds | 703,713 | 785,942 | 11.69 |
| Three Wheelers | 795,992 | 876,127 | 10.07 |
| Total | 17,801,337 | 20,286,679 | 13.96 |

OPERATIONS

During 2011-12, our domestic sales increased from ₹ 7,100 million to ₹ 7,887 million, a growth of 11% only, since we are yet to regain the full market share lost.

Our export sales increased from ₹ 1,063 million to ₹ 1,428 million, a growth of 34%, partially due to recovery of automotive markets in countries where we export and addition of new customers.

The overall sales increased from ₹ 8,163 million to ₹ 9,315 million, a growth of 14%.

The increase in cost of all inputs, especially imported raw materials and electronic components, coupled with higher finance costs resulted in the Profit from Operations decreasing from ₹ 216 million to ₹ 169 million.

The Company had an exceptional expense of ₹ 98.500 million towards compensation for retrenched labour. As informed last year about formation of wholly owned subsidiary, on 18th March 2012, our company sold business, assets & liabilities related to Personal Passenger Vehicles (Scooter, Motor Cycle, Car & MPV) instrument cluster business out of our Plant V, Pune by way of slump sale to Pricol Pune Limited, the erstwhile wholly owned subsidiary, for a value of ₹ 734 million. The profit out of slump sale is ₹ 593 million. Consequently, the Profit Before Tax increased from ₹ 216 million to ₹ 663 million.

For the ensuing year 2012-13, the Company's balance business (excluding the business sold) is expected to

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd.,)

grow by 11 to 13 %, barring unforeseen circumstances arising out of the economic uncertainty faced by India.

Our Company will continue its efforts to control the operational costs and improve the bottom line.

SUBSIDIARY COMPANIES

PT Pricol Surya, Indonesia

As informed last year Honda Motor Cycles became a new customer from January 2011. With supplies to Honda Motor Cycles for the whole year in 2011-12, the company's sales increased steeply to ₹ 1,110 million (₹ 317 million for 2010-11). The Company generated a Profit Before Tax of ₹ 83 million (Loss of ₹ 11 million for 2010-11).

Effective January 2012, Yamaha Motor Indonesia has increased the order for Electronic Instrument Cluster. Yamaha Motor is also showing interest in procuring Mechanical Instrument Cluster. Suzuki Motor Cycles have awarded new Instrument Cluster Business for their forthcoming model.

The outlook for the year 2012-13 is a growth of 18 to 20 % with increase in profits.

Pricol Castings Limited (formerly English Tools and Castings Limited)

During 2011-12, the Company made a sales turnover of ₹ 239 million against ₹ 264 million last year, a decrease of 10%.

The Company took efforts to streamline the business by pulling out of non profitable business. Further, sale to one of the existing customer changed to supply of casting with aluminium raw material supplied by them. This has resulted in drop in sale value of ₹ 11 million, but helped the company to improve operating margins.

Even though the company had a loss of ₹ 6 million for the whole year 2011-12, various cost control measures implemented during the financial year 2011-12, resulted in nominal profits for each of the last 3 quarters of 2011-12.

For the ensuing year, the company has won new orders from domestic and overseas customers. All the new business is with higher value addition like machining, painting etc. Gravity Die Casting Process is also given more focus to take the company to next level of growth. The Company is having an order book of ₹ 320 million. With some more new customers expected, turnover of ₹ 400 million is expected for financial year 2012-13. This increase in sales will lead to profits.

The existing erratic power situation and raising LPG cost is a cause of concern. Various new initiatives are planned to manage cost and generate the projected profitability.

In order to create a brand image for the Company, the name of the Company has been changed from "English Tools and Castings Limited" to "Pricol Castings Limited" from 24th November 2011.

Integral Investments Limited

A wholly owned subsidiary during the financial year 2011-12 received a dividend of ₹ 0.777 million and earned a Profit Before Tax of ₹ 0.105 million.

Shanmuga Steel Industries Limited

A wholly owned subsidiary of Integral Investments Limited during the year 2011-12 earned a Profit Before Tax of ₹ 10.535 million, through sale of its Land & Building.

JOINT VENTURE

Pricol Pune Private Limited

The Wholly Owned Subsidiary Pricol Pune Limited became a 50:50 joint venture between M/s.Johnson Controls Enterprise Limited, UK (a Wholly Owned Subsidiary of Johnson Controls, Inc. USA) and Pricol Limited on 26th March, 2012. During the period 18th May 2011 to 31st March, 2012 the company made a sales turnover of ₹ 47.279 million and earned a Profit Before Tax of ₹ 1.061 million.

The status of the company has been changed from Public to Private Limited from 30th April, 2012.

SHARE WARRANTS

With the approval of shareholders given in the Extra Ordinary General Meeting held on 9th December 2011, the company issued 4,500,000 convertible share warrants of ₹ 1/- each, on a preferential basis to M/s.PHI Capital Solutions LLP, (PHI) with each warrant convertible into one equity share of ₹ 1/- each of the Company for a price of ₹ 18/- per warrant (including a premium of ₹17/-). PHI has paid ₹ 4.50 per warrant (25% of the Issue price) as application money. PHI have to exercise their warrant rights within eighteen months.

OUTLOOK, OPPORTUNITIES, CHALLENGES, RISKS & CONCERNS

Due to economic uncertainty and continuing high inflation, the sales forecast by the auto industry is conservative with moderate growth projections of 8 to 10% only for the current financial year.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd.,)

Global OEMs continue to look to India as a preferred manufacturing location, for both the domestic and export markets. Increasing spending power and disposable income, especially with the younger population, is spurring sales of Two Wheelers and entry-level cars.

While the long term prospects for the industry remain strong in line with the outlook for the OEM segment, the industry faces strong challenges in the form of threat of low cost imports, currency volatility and ability to invest on product development to be able to move up the value chain.

With India's GDP slowing down to less than 7% and S&P's outlook downgrade, the Indian Automotive Industry's growth is also expected to slow down. The Auto component industry is also under continuous pressure to bring down cost of products by adapting new manufacturing processes, better R&D and reduced manpower. The increase in excise duty and weakening of the rupee has put additional strain on the bottom line.

Mitigation of this risk has been planned by increasing the Company's Share of Business with the Major Customers and focusing only on the major product groups to grow.

A Company Management Committee comprising of all heads of various functions has been formed with the role of achieving the Company's sales targets, reducing costs and to improve profit.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control system has been designed & implemented, taking into account the nature of business and size of operations, to provide for:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and assets.
- Compliance with applicable statutes, policies, listing requirements, management policies and procedures.

The Company, through its own Internal Audit Department, carries out periodic audits at all locations and all functions and brings out any deviation to internal control procedures. The observations arising out of audit are periodically reviewed and compliance ensured. The summary of the Internal audit observations is submitted

to the Audit Committee. The Audit Committee at their meetings regularly review the financial, operating, internal audit & compliance reports to improve performance. The heads of various monitoring / operating cells are present for the Audit Committee meetings to answer queries from the Audit Committee.

RISK MANAGEMENT

Risk is an integral part of the business process.

To enhance the risk management process, the company has mapped the risks. Risk arises for achieving business objectives are identified and prioritized. Risk mitigation activity plans are established and executed as and when need arises. Periodical reviews are carried out to assess the risk levels.

FINANCE

During the year the company has not accepted / renewed any fixed deposit from public. The total deposits from public outstanding as on 31st March, 2012 is NIL.

ICRA has maintained the credit rating of 'LBBB-' for Working Capital fund based facilities & Term Loan facilities and 'A3' for working capital non fund based facilities like Letters of Credit and Buyers Credit for imports.

DIRECTORS

Mr.V.Ramakrishnan, Mr.R.Vidhya Shankar and Mr.G.Soundararajan, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. Hiroyuki Wakabayashi of Denso Corporation was inducted into the Board on 29th July 2011 to fill up the vacancy due to the resignation of Mr. Mitsuhiko Masegi of Denso Corporation. Mr. Hiroyuki Wakabayashi will hold office upto the ensuing Annual General Meeting 2012. He is eligible for appointment. The Board places on record it's warm appreciation of the valuable contribution made by Mr. Mitsuhiko Masegi during his association with the company.

AUDITORS

The Auditors of the Company, M/s.Haribhakti & Co. retire at the ensuing Annual General Meeting and are eligible for reappointment. The Board recommends their appointment as the Statutory Auditors of the Company.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd.,)

The Company has received a letter from them, stating that the appointment, if made, will be within the limit prescribed under Section 224(1B) of the Companies Act, 1956.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

With a view to bring in a complete transformational approach in respect of all the employee relations issues, a series of meetings were held between the representatives of the management and the Union. A Memorandum of Understanding has been signed between the parties in February 2012 covering various areas of production and productivity improvements, wage increase, settlement of pending disputes including dropping of several cases pending before various forums raised by both the parties in the past.

In the mutual interest of maintaining industrial peace and harmony, a significant improvement path has been chosen by both the parties by adopting and establishing a productivity linked wage settlement process to achieve the enhanced productivity levels and also certain important principles have been laid for employees participation and earn more by enhancing the productivity levels on an ongoing basis in future. A formal settlement is expected to be signed in due course.

As a part of organisational restructuring several new senior level professionals have been inducted to the company in line with the company's growth path.

CORPORATE SOCIAL OBJECTIVES

Corporate Social Responsibility continues to assume an important role in the activities of the Company. Afforestation, Water Management, Literacy and Health continue to be the chosen areas of work by the Company and its employees.

Large scale tree planting has been carried out on World Environment day by our employees inside the plant as well as in the nearby villages and schools. A tree park has been developed inhouse to grow saplings for distribution to the public.

Under Pricol Rural Development Programme (PRDP), Nithyananda - the gasifier crematorium maintained by our company received good accolades among the public.

CONSERVATION OF ENERGY

Though your company is not a power intensive industry, the company continues its efforts to reduce energy usage by adopting various methods of energy saving and conservation.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's foreign exchange earnings were ₹ 1,325.521 Million (₹ 1,002.222 Million in 2010-11). The revenue expenditure in foreign currency was ₹ 1,781.206 Million (₹ 1,659.987 Million in 2010-11) and the capital expenditure was ₹ 55.950 Million (₹ 63.544 Million in 2010-11).

The Company will continue its efforts to enhance the export sales.

CHANGE OF REGISTERED OFFICE

The Registered Office of the Company has been shifted from 702/7, Avanashi Road, Coimbatore - 641 037 to CPM Towers, 109, Race Course, Coimbatore - 641 018 with effect from 25th May 2012.

STATUTORY STATEMENTS

As required by Section 212 of the Companies Act, 1956, a statement showing the Company's interest in the subsidiaries is enclosed to the Balance Sheet of the Company.

The Government of India vide its Circular No. 2/2011 dated 8th February 2011 granted general exemption under Section 212(8) of the Companies Act, 1956 from attaching the Balance Sheet and Statement of Profit & Loss and other documents of its subsidiaries and hence the same have not been attached.

As directed by the Central Government, the accounts of the subsidiaries are consolidated with the accounts of the company in accordance with Accounting Standard 21 (AS 21) prescribed by The Institute of Chartered Accountants of India and Listing Agreement prescribed by Securities Exchange Board of India. The consolidated accounts duly audited by the Statutory Auditors and the consolidated balance sheet information form part of the annual report.

The annual accounts, reports and other documents of the subsidiary companies will be made available to the members and investors upon receipt of a request from them.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd.,)

The annual accounts of the subsidiary companies will be available at the registered office of the company and at the respective subsidiary companies concerned. Any member or investor can inspect the same during the business hours of any working day.

The statement showing the particulars of technology absorption pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in the annexure forming part of this report.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and Companies (Particulars of Employees) Amendment Rules, 2011 the names and other particulars of employees are set out in the annexure forming part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- a) in the preparation of annual accounts for the financial year ended 31st March 2012, the applicable accounting standards have been followed ;
- b) they had selected such accounting policies and applied them consistently and made judgements 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;
- c) they 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; and
- d) they had prepared the annual accounts for the financial year ended 31st March 2012, on a going concern basis.

CORPORATE GOVERNANCE

Your Company reaffirms its commitment to the good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report is annexed to this Directors' Report.

The Managing Director and Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required under clause 49(V) of the Listing Agreement.

Auditors' Certificate regarding compliance of the Corporate Governance is made a part of this Annual Report. All the board members and senior managerial personnel have affirmed compliance with the code of conduct for the year 2011-12.

CAUTIONARY STATEMENT

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be "forward-looking" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

ACKNOWLEDGEMENTS

The Directors take this opportunity to place on record their appreciation to Denso Corporation, Japan, Customers, Distributors, Dealers, Suppliers, Shareholders, Bankers, Government authorities and Other Collaborators for their continued support and co-operation during the year under review. The Directors wish to place on record their appreciation to the employees at all levels for their continued co-operation and commitment.

Coimbatore
29th May 2012

For and on behalf of the Board
Vijay Mohan
Chairman

ANNEXURES TO DIRECTORS' REPORT

Statement pursuant to 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.

TECHNOLOGY ABSORPTION :

I. Research and Development (R & D)

(i) Specific areas of R & D

The Company has two R & D centres, which are approved by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India, New Delhi. Our R & D is engaged in several areas :

- Design and Development of new technology products.
- Design quality and feature enhancements in existing products.
- Value Engineering & Cost effective alternatives development.
- Developing technology road maps in the key areas such as electro mechanical actuation, sensing and telematics for changing powertrain requirements in the future automobiles.
- Deployment of new technologies in products and processes for growth and for market requirements.
- Foster and build domain expertise in the area of automotive infotainment displays and sensing technologies for green transportation.

In addition it is also engaged in indigenisation and horizontal deployment of technologies either acquired or mutually developed with associates.

The Company has an IPR Cell to proliferate innovation and growth. So far 33 patents and 9 design applications registered are under patent grant process and additional patents under registration review.

(ii) Benefits derived from R & D

- Meeting customer targets on quality, cost and delivery of new products.
- Ensures development and delivery of new products with state of the art technologies.
- Supports in developing new products to meet the target cost and quality through value addition methods.
- Identifies new technologies and production processes, and their deployment horizontally in applicable products.
- Supports safeguarding Intellectual Property Rights (IPR) and Regulations through benchmark studies.

(iii) Future plan of action

- Deploy value engineering ideas across product range for cost reduction and competitiveness, through waste elimination methods.
- Continue collaborative product design and development with customers and suppliers for competitiveness.
- Expand new technology development by collaborating with educational institutions and government organisations for global competitiveness.
- Focus enhanced IPR base across all product design and development processes.

| Expenditure on R & D : | | 2011-12 |
|--------------------------------------------|-------|-------------|
| | | (₹ Million) |
| Capital | | 97.196 |
| Recurring | | 220.014 |
| | Total | 317.210 |
| R & D expenditure as a percentage of sales | | 3.41 % |

ANNEXURES TO DIRECTORS' REPORT (Contd.,)

II. Technology Absorption, Adaptation and Innovation

Imported Technology

The technology imported from Garant GmbH, Germany for the manufacture of new design stepper motor has been fully absorbed. Assembly line has been established. Mass production run and implementation of integration into various types of instrument clusters is under progress.

The technology imported from Mashad Powder Metallurgy Company, Iran to enhance the knowledge of manufacturing powder metal and powder forged components and to implement the same has been fully absorbed.

The technology imported from IAV GmbH Germany, for the manufacture of VANE type Oil Pump and Vacuum Pump is under the initial phase of absorption. Prototype is under progress.

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 & Companies (Particulars of Employees) Amendment Rules, 2011 and forming part of the Report of the Directors for the year ended 31st March, 2012.

| Name & (Age) | Designation/ Nature of Duties | Remuneration (₹ in Million) | | Qualification & Experience (Years) | Date of Commencement of Employment | Last Employment |
|------------------|----------------------------------------------------------|-----------------------------|-------|--------------------------------------------------------------------------|------------------------------------|-----------------|
| | | Gross | Net | | | |
| Vijay Mohan (64) | Chairman General Management of affairs of the Company | 6.811 | 4.879 | Bachelor of Engineering (Mechanical) & Master of Management Science (39) | 3rd April, 1973 | — |

NOTE :

1. Mr.D.Sarath Chandran, Mr.Vijay Mohan, Mrs.Vanitha Mohan and Mr.Vikram Mohan are related to each other. Mr.D.Sarath Chandran is Mr.Vijay Mohan's brother, Mrs.Vanitha Mohan is Mr.Vijay Mohan's wife and Mr.Vikram Mohan is elder son of Mr.Vijay Mohan. Mr.Vijay Mohan holds more than 2% of the equity shares of the Company as on 31st March 2012.
2. The Chairman is appointed for a period from 7th November 2011 to 31st March 2013.
3. Gross remuneration comprises salary, commission, allowances, monetary value of perquisites and the Company's contribution to provident fund, gratuity fund and superannuation fund.
4. Net remuneration is exclusive of contributions to provident fund, gratuity fund, superannuation fund and tax deducted.

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of governance :

Company's Philosophy on Corporate Governance envisages striving for excellence in all facets of its operations through socially and environmentally acceptable means. The Company wants to be a responsible corporate citizen and share the benefits with society and also will make its customers, employees, suppliers and shareholders feel proud of their association with the Company through highest level of fairness and transparency in its dealings.

2. Board of Directors :

a. Composition of the Board :

As on 31st March 2012, the company's Board comprised of 12 Directors. The Board consists of 4 (33%) Executive Directors and 8 (67%) Non-Executive Directors, 7 of them are independent. Details are given in the below table. The members of the Board are well experienced professionals and industrialists. The day-to-day management affairs are handled by Mr. Vijay Mohan, Chairman and Mr. Vikram Mohan, Managing Director, subject to the supervision, control and direction of the Board of Directors and assisted by Mrs. Vanitha Mohan, Vice Chairman and Mr. K.Udhaya Kumar, President & Chief Operating Officer. The composition of the Company's Board is in conformity with the Listing Agreement.

b. Category of Directors, Attendance, other directorships and committee membership:

| Name of the Director | Category | Attendance Particulars | | No. of Directorships in other Companies | | | No. of Committee positions held in other Companies | |
|-----------------------------------------------------------------------|-----------------------------|------------------------|----------|-----------------------------------------|-----------------|-----------------|----------------------------------------------------|----------|
| | | Board Meeting | Last AGM | Public Company | Private Company | Foreign Company | Member | Chairman |
| Mr. Suresh Jagannathan | Non-Executive - Independent | 4 | ✓ | 3 | 3 | — | 2 | — |
| Mr. C. R. Swaminathan | Non-Executive - Independent | 4 | — | 3 | 8 | — | — | — |
| Mr. D. Sarath Chandran | Non-Executive - Promoter | 4 | — | 6 | — | — | 2 | — |
| Mr. Hiroyuki Wakabayashi (From 29th July 2011) | Non-Executive - Independent | — | — | — | — | 4 | — | — |
| Mr. Yasushi Nei (Alternate Director to Mr.Hiroyuki Wakabayashi) | Non-Executive - Independent | 6 | — | 1 | 2 | — | — | — |
| Mr. V. Ramakrishnan | Non-Executive - Independent | 6 | — | — | — | 4 | — | — |
| Mr. R. Vidhya Shankar | Non-Executive - Independent | 6 | ✓ | 1 | — | — | 1 | — |
| Mr. G. Soundararajan | Non-Executive - Independent | 5 | — | — | 5 | 2 | — | — |
| Mr. K. Murali Mohan | Non-Executive - Independent | 6 | ✓ | 1 | — | — | — | — |
| Mr. K. Udhaya Kumar (President & Chief Operating Officer) | Executive | 5 | — | 1 | — | 1 | — | — |
| Mr. Vikram Mohan (Managing Director) | Executive - Promoter | 6 | ✓ | 10 | 1 | — | — | — |
| Mrs. Vanitha Mohan (Vice Chairman) | Executive - Promoter | 6 | ✓ | 3 | 3 | — | — | — |
| Mr. Vijay Mohan (Chairman) | Executive - Promoter | 6 | ✓ | 10 | — | — | 1 | — |
| Mr. Mitsuhiro Masegi (Upto 29th July 2011) | Non-Executive - Independent | — | — | — | — | 5 | — | — |

As detailed in the table above, none of the directors is a member of more than Ten Board level Committees of public companies in which they are Directors, nor a Chairman of more than five such Committees.

Mr.D.Sarath Chandran, Mr.Vijay Mohan, Mrs.Vanitha Mohan and Mr.Vikram Mohan are related to each other. Mr.D.Sarath Chandran is Mr.Vijay Mohan's brother, Mrs.Vanitha Mohan is Mr.Vijay Mohan's wife and Mr.Vikram Mohan is elder son of Mr. Vijay Mohan. No other directors are related to each other.

REPORT ON CORPORATE GOVERNANCE (Contd.,)

c. Board Meetings :

The Company, in consultation with the directors, prepares and circulates a tentative annual calendar for the meetings of the Audit Committee / Board in order to assist the directors in planning their schedules to participate in the meetings.

During the year 2011-12, the board met 6 times on 29th April 2011, 30th May 2011, 29th July 2011, 7th November 2011, 6th February 2012 and 30th March 2012 and the gap between two meetings did not exceed four months.

d. Brief note on Directors seeking appointment / reappointment at the ensuing AGM :

Mr. V. Ramakrishnan, 56 years of age, Bachelor of Engineering (BE) in Mechanical from College of Engineering, Guindy, Chennai, Master of Technology (M Tech) in Mechanical Engineering from IIT, Kanpur, Post Graduate Diploma in Business Management (PGDBM) in Finance and Marketing from Symbiosis Institute of Management, Pune and Diploma holder in Public Speaking. He had training in Sweden and Germany. He is a member of Singapore Institute of Directors and Singapore Institute of Management and Fellow of the Chartered Institute of Marketing, UK. He holds several copyrights in the areas of enterprise performance covering board governance, corporate performance using the balanced scorecard, personal scorecards, risk management, leadership development, brand management and work flow definition. He is a faculty on the management development program at the prestigious Lee Kuan Yew School of Public Policy. He is a Director in Organisation Development Pte Ltd., Singapore, Governance Dashboard Pte Ltd., Singapore, Change Partnership Singapore Pte Ltd., Singapore, Performance Board Consulting, Chennai and PT Pricol Surya, Indonesia. He does not hold any shares of the Company.

Mr. G. Soundararajan, 54 years of age, Bachelor of Science from PSG College of Arts and Science, Coimbatore. He is the Vice Chairman of C.R.I. Pumps Private Limited and a Director in Apex Bright Bars (CBE) Private Limited, C.R.I. Amalgamations Private Limited, C.R.I Infrastructures India Private Limited, G4 Investments India Private Limited, C.R.I. Pumps S.A.(PTY) Limited, Bombas C.R.I Espana, S.L., Spain and a Trustee of C.R.I. Charitable trust, Shri K.Gopal Memorial Trust, Coimbatore Masonic Charity Trust and Sri Gopal Naidu Educational Trust. He does not hold any shares of the Company.

Mr. R. Vidhya Shankar, 42 years of age, Bachelor of Commerce and Bachelor of Law from Bharathiar University, Coimbatore. He is a Gold Medalist and holds the record for a very rare first class in Law from the said University. He is a Partner of M/s.Ramani & Shankar, one of the oldest Law Firms in South India and ranked amongst the Top 10 law firms by Business World in the year 2011. He specialises in Corporate Law, including Corporate Transactions, Corporate restructuring, Schemes and Arrangements, Corporate litigations, Domestic and International Arbitrations, Capital Market, FEMA compliances, Cross-border transactions and general corporate advisory services. Several of the litigations where he has been the Counsel on record, are landmark decisions reported in leading Corporate Journals. He is a sought after speaker on various corporate issues and regularly addresses seminars organised by Chamber of Commerce, ICAI, ICSI etc. He has served as Independent Director on the Board of Treads direct Limited. He currently serves as Independent Director on the Board of L.G.Balakrishnan & Brothers limited and also as a Chairman of Remuneration Committee of the said Company. He is the Chairman of the Audit Committee and Member of the Shareholders / Investors Relation Committee of the Company. He does not hold any shares of the Company.

Mr. Hiroyuki Wakabayashi, 56 years of age, Bachelor's Degree in Industrial Analysis Chemistry Section. He is a Executive Director of Denso Corporation. He is also a Director in JECO Co. Ltd., Toyota Info Technology Center Co Ltd, DENSO Wireless Systems America, Inc and Denso Software Shanghai Co Ltd. He does not hold any shares of the Company.

3. Audit Committee :

- a. The Committee is mandated with the same terms of reference as specified in Clause 49 of the Listing Agreements with Stock Exchanges and these also conform to provisions of Section 292A of the Companies Act, 1956.