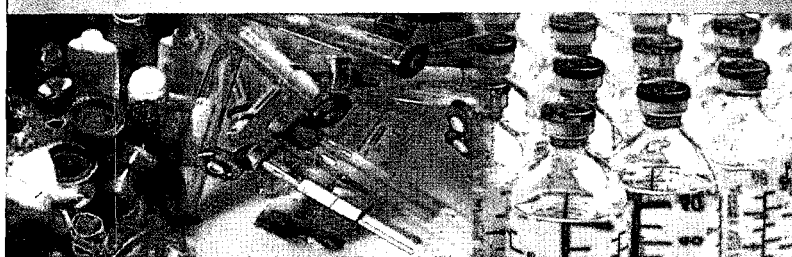
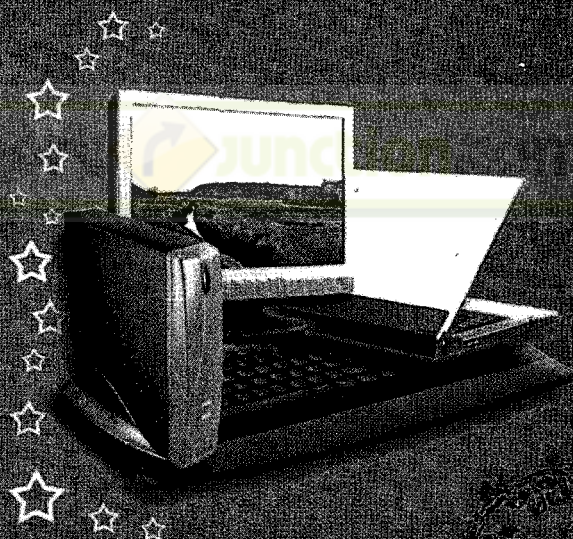


# PRIYA LIMITED

## 20TH ANNUAL REPORT

2006-07





**20<sup>th</sup> ANNUAL GENERAL MEETING**

Date : 21<sup>st</sup> September, 2007  
Time : 11. A. M.  
Place : "Hall of Quest", Nehru Planetarium, Nehru Centre,  
Dr. Annie Besant Road, Worli, Mumbai -400 018.

**BOARD OF DIRECTORS**

<b>SHRI A. K. BHUWANIA</b>	<i>Chairman</i>
<b>SHRI R. K. SARASWAT</b>	<i>Director</i>
<b>SHRI M. K. ARORA</b>	<i>Director</i>
<b>SHRI ASHISH BHUWANIA</b>	<i>Executive Director</i>
<b>SHRI ADITYA BHUWANIA</b>	<i>Executive Director</i>
<b>SHRI SUNIL SANKAR</b>	<i>Company Secretary</i>
<b>SHRI RAKESH JAIN</b>	<i>Chief Financial Officer</i>

**BANKERS**

Indian Bank  
Bank of India  
Union Bank of India

**AUDITORS**

M/s. M. L. Bhufania & Co.  
Chartered Accountants  
Mumbai.

**REGISTERED OFFICE**

Krishna House, Ground Floor,  
Raghuvanshi Mills Compound,  
Senapati Bapat Marg,  
Lower Parel, Mumbai - 400013.

**REGISTRAR AND SHARE TRANSFER  
AGENT (COMMON AGENCY)**

**Bigshare Services Pvt. Ltd.,**  
E - 2, Ansa Industrial Estate, Sakivihar Road,  
Saki Naka, Andheri (East), Mumbai - 400 072.  
Tel. : 022 - 2847 3474, 2847 0652

**EQUITY SHARES ARE LISTED AT :**  
The Bombay Stock Exchange Ltd (BSE)**WEBSITE**

www.priyagroup.com

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## NOTICE

NOTICE is hereby given that the **Twentieth Annual General Meeting** of the members of **PRIYA LIMITED** will be held at "Hall of Quest", Nehru Planetarium, Nehru Centre, Dr. Annie Besant Road, Worli, and Mumbai-400 018 on Friday, the 21st day of September, 2007 at 11.00 A.M. to transact the following business:

### ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon.
- 2) To appoint a Director in place of **Mr. R. K. Saraswat**, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of **Mr. A. K. Bhuwania**, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

#### 5) Appointment of Executive Director

To consider, & if thought fit, to pass, with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

**"RESOLVED THAT** in accordance with the provision of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force, and subject to the approval of the Central Government if applicable, the consent of the Company be and is hereby accorded to the reappointment of Mr. Ashish Bhuwania as a Whole time Director, designated as 'Executive Director' of the Company, for a period of 5 (Five) years with effect from 13th May, 2007 on a remuneration of Rs. 125,000/- per month (all inclusive) (payable in equivalent Pound Sterling) with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and/or modification(s) that may

hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. Ashish Bhuwania.

**RESOLVED FURTHER THAT** where in any financial year during the currency of the tenure of Mr. Ashish Bhuwania, the company has no profits or its profits are inadequate, the company will pay minimum remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of Part II of Schedule XIII to the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

### NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The proxy form, in order to be effective, must be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
- 3) The Register of Members and the Share Transfer Books of the Company will remain closed from 14th day of September 2007 to 21st day of September 2007 (both days inclusive).
- 4) Members are requested to bring their copies of the Annual Report to the Meeting.
- 5) Members/proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.
- 6) (a) Members holding shares in physical form are requested to advise immediately change in their address, if any, quoting their Folio number(s) to the company.  
(b) Members holding shares in the electronic form are requested to advise immediately change in address, if any, quoting their Client ID no., to their respective Depository Participants.
- 7) Members are hereby informed that Dividends which remain unclaimed/unpaid over a period of 7 years from the date of transfer to the Unpaid Dividend Account shall be transferred by the Company, pursuant to sub-

section (5) of Section 205A of the Companies Act, 1956, to a fund called the Investor Education & Protection Fund established by the Central Government under sub-section (1) of Section 205C of the Companies Act, 1956. Accordingly, the unpaid/unclaimed dividend for the year 2000-01 will become transferable at the end of seventh year to the said Investor Education & Protection Fund. Please note that no claim shall lie against the Fund or the Company in respect of the dividend amount so transferred to the Investor Education & Protection Fund. The shareholders are, therefore, advised to send their request for issue of Duplicate Dividend Warrants/revalidation of unencashed Dividend Warrants to the company before the amount becomes due for transfer to the above Fund.

- 8) Members may avail of the facility of dematerialisation by opening Demat Accounts with the Depository Participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised. The ISIN No. of the company is **INE686C01014**.
- 9) Members desirous of getting any information in respect of accounts of the company and proposed resolutions, are requested to send their queries in writing to the company at its registered office atleast 7 days before the date of the meeting, so that the required information can be made available at the meeting.

For and on behalf of the Board

**M. K. Arora**  
 Director

Place : Mumbai  
 Dated : 30<sup>th</sup> June, 2007

**Registered Office :**

Krishna House, Ground Floor,  
 Raghuvanshi Mills Compound,  
 Senapati Bapat Marg,  
 Lower Parel,  
 Mumbai - 400 013.

**ANNEXURE TO NOTICE**

In conformity with the provisions of Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts in respect of Item Nos. 5 mentioned in the above Notice.

At the meeting of the members held on 25h September 2002, Mr. Ashish Bhuwania was appointed as Whole time

Director Designated as Executive Director of the Company for period of Five years with effect from 13th May 2002, which was approved by the central Government and the same expired on 12th May 2007.

Mr. Ashish Bhuwania aged 35 years is a graduate in Management Science from London School of Economics and has over 13 years experience in the field of Management and computer hardware.

Mr. Ashish Bhuwania is based in London and has developed good contact with reputed multinational firms and organisations. He spearheads the international operations of the Company and is shouldering major responsibilities of Chemical Division. His contacts and vast experience has helped the company to understand the international market trend and potential of Company's products. He is also the Director of Halifax Properties Investments Private Ltd.

The Remuneration Committee of the Board at its meeting held on dated 30 June 2007 has recommended the appointment and payment of remuneration in compliance with Section 269 and 309 of the Act. The Board of Directors vide their resolution dated 30th June, 2007 re-appointed Mr. Ashish Bhuwania as the Whole Time Directors, designated as 'Executive Director' for a period of five years with effect from 13th May, 2007, subject to the consent of the members and the approval of the Central Government.

The re-appointment of Mr. Ashish Bhuwania, as Executive Director is considered essential in view of the increased international commercial activities of the company. Mr. Ashish Bhuwania is well aware of the intricacies of the company's business and is expected to duly discharge the functions of Executive Director. He is agreeable to continue to serve the Company at the terms, if re-appointed. Reappointment can be made at a time for a period not exceeding 5 years. The Board of Directors has recommended his reappointment as Executive Director for a further period of 5 years from 13.05.2007 to 12.05.2012. The reappointment has to be approved by the company in general meeting. The approval is being sought by proposing resolution item no.5.

In compliance of clauses of schedule XIII the resolution approving the appointment and payment of remuneration is placed before the members for their approval.

This statement should be treated as an abstract of the terms of the contract with Mr. Ashish Bhuwania for the purpose of Section 302 of the Companies act, 1956.

Mr. Ashish Bhuwania, Mr. A. K. Bhuwania and Mr. Aditya Bhuwania, Directors are deemed to be concerned or interested in the resolution.



## DIRECTORS' REPORT

To

The Members,

Your Directors hereby present the **20<sup>th</sup> Annual Report** along with the audited accounts for the financial year ended 31<sup>st</sup> March, 2007.

## FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year Ended 31-03-2007	Year Ended 31-03-2006
<b>Sales</b>		
Export	<b>8332.21</b>	3936.19
Local	<b>8298.61</b>	9158.77
	<b>16630.82</b>	13094.96
Other Income	<b>125.18</b>	104.43
	<b>16757.00</b>	13199.39
Profit/ (Loss) before Tax and Extra Ordinary Item	<b>114.71</b>	83.09
Extra ordinary item	—	—
Profit/ (Loss) before Tax and after Extra Ordinary Items	<b>114.71</b>	83.09
Provision for taxation-Current Tax	<b>19.25</b>	17.54
Provision for taxation-Wealth Tax	<b>5.47</b>	5.00
Provision for taxation-Deferred Tax	<b>18.45</b>	12.73
Provision for taxation-Fringe Benefit Tax	<b>4.18</b>	7.25
Profit / (Loss) after tax	<b>67.36</b>	40.57
Taxation of earlier years	<b>(0.04)</b>	—
Balance brought forward	<b>(60.76)</b>	(101.33)
Balance carried to Balance Sheet	<b>6.56</b>	(60.75)

## DIVIDEND

In view of the insufficient profit by the company during the year, your directors do not recommend any dividend for the financial year 2006-07.

## OPERATIONS

Your company has experienced a strong growth in revenue and profit in the year under review. During the year, your company's total income grew by 27% to Rs. 16757.00 Lacs from Rs. 13199.39 Lacs in the previous year. The profit after tax and exceptional item increased to Rs. 67.36 Lacs from Rs. 40.57 Lacs

Keeping change with the changing dynamics of the industry your company has been able to perform better during the year. In export of electronic products company has registered significant growth. The company was successful in cutting down the cost. There was a slight reduction in the export turnover of Dyestuff, Bulk Pharmaceuticals and intermediaries to Rs. 332.60 Lacs as compared to Rs. 373.34 Lacs during the previous year. The reduction is mainly on account of sharp increase in the raw material prices which were caused by increased international price of Petroleum products. We are exploring the possibility of exporting to other emerging economies and European countries.

The strong growth in electronic export indicates the remarkable progress your company has made in capturing the ever expanding European electronic market. We expect to maintain the same performance in the years to come.

Your company is concentrating in the marketing of VXL thin clients and other computer peripherals such as monitors, CPU & Mother Boards and is proceeding to capture greater market share in these key areas. Your company is also thriving to build an image of a complete system solution provider by marketing enterprise level software in the Indian Market.

All the branches are adequately equipped to provide complete support to the customers. Internal control system has well established and cost consciousness in branch operations leads to improved profitability.

Your Directors are hopeful of better results for the Company in the current year.

## DIRECTORS

As per the provisions of Section 256 of the Companies Act, 1956, Mr. A. K. Bhuwania & Mr. R K. Saraswat, Directors shall be liable to retire by rotation at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

The tenure for reappointment of Mr. Ashish Bhuwania is due for reappointment w.e.f 13/05/2007, as Executive Director of the Company. Keeping in view his experience and expertise and the increased activities of the company, a resolution is proposed in the notice of the Annual General Meeting for the reappointment of Mr. Ashish Bhuwania on terms detailed in the resolution. The proposed tenure of reappointment is for 5 years w.e.f. 13/05/2007.

## AUDITORS

M/s. M. L. Bhuwania & Co., Chartered Accountants who are to retire at the conclusion of the forthcoming Annual General meeting, have offered themselves for re-appointment as Auditors of the Company. A written certificate to the effect that their appointment, if made, would be within the prescribed limits under Section-224(1B) of the Companies Act, 1956, has been obtained by the Company from them. The members are requested to consider their reappointment and fix their remuneration.

## HUMAN RESOURCE

Employees' relations throughout the Company were harmonious. The board wishes to place on record its sincere appreciation of the devoted efforts of all employees in advancing the company's vision and strategy to deliver best quality services to its valued customers.

## REPORT ON CORPORATE GOVERNANCE

The company has, pursuant to Clause 49 of the Stock Exchange Listing Agreement, complied with the requirements of Corporate Governance.

A Management Discussion and Analysis Report, a detailed report on Corporate Governance and a Certificate from the Auditors' regarding the compliance of Corporate Governance conditions are made part of this Annual Report.

## INSURANCE

All insurable assets of the Company including inventories, warehouse premises etc. are adequately insured.

## BANKS

Your Directors wish to place on record their appreciation of the support from Company's bankers, Indian Bank, Bank of India and Union Bank.

## DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the directors confirm that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii) Appropriate accounting policies have been selected and have 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 2006-07 and of the Profit of the company for that the year ended on 31st March, 2007;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on a going concern basis.

## DEMATERIALIZATION

Your company has tied up with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to enable the shareholders to trade and hold shares in an electronic form. The shareholders' are advised to take benefit of dematerialization.

## LISTING OF SHARES

Your company's shares have been listed with The Bombay Stock Exchange Limited, (BSE). The company had applied for de-listing of equity shares from Kolkata Stock Exchange Association Ltd. (CSE) and said de-listing permission is in process and the company is constantly following up with the Exchange for completion of the process. The listing fee for the financial year 2007-2008 was duly paid to BSE.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

### CONSERVATION OF ENERGY:

The scope for conservation of energy is limited in the type of industry in which your company is engaged. However, the company continues to accord high priority to conservation of energy by opting for more power effective replacements of equipment and electrical installations. No specific investment proposals are envisaged.

Form 'A' of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable as our industry is not included in the Schedule to the said Rules.

### TECHNOLOGY ABSORPTION:

Your company continues to utilize the R & D facilities available with it. The company has not imported any technology during the last five years.

### FOREIGN EXCHANGE EARNINGS AND OUTGO:

The relevant information in respect of the foreign exchange earnings and outgo has been given in the Notes forming part of the Accounts for the year ended March 31st, 2007.

### PARTICULARS OF EMPLOYEES:

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the company has no employees who were in receipt of the remuneration of Rs.24,00,000/- or more per annum during the year ended 31st March, 2007 or Rs.2,00,000/- or more per month during any part of the said year.

### APPRECIATION

Your Directors wish to place on record their grateful thanks to the Banks and various Government Authorities for their valuable assistance and co-operation and for the trust and confidence reposed in the company by the shareholders.

For and on behalf of the Board

**Aditya Bhuwania**  
Director

**M. K. Arora**  
Director

Place : Mumbai

Date : 30th June, 2007





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

The company is engaged in the business of import/trade of electronic products and export of dyestuffs, bulk pharmaceuticals and intermediates.

### 1.1 INDUSTRY STRUCTURE AND DEVELOPMENTS

**Electronics Division:** Electronics and Information Technology is the fastest growing segment of Indian industry both in terms of production and exports. In a year that witnessed all-round economic growth, according to International Data Corporation's India Quarterly PC Tracker, the Indian personal computer market witnessed a 25% year-on-year growth in unit shipments. In FY2007, NASSCOM expects revenue in the Indian IT hardware industry at US\$ 8.2 billion. The virtual crash in computer prices in the past few years, during which period there has been an improvement in the disposable income of the people, together have considerably increased the affordability of computers. Also, easy finance schemes, SOHO and SME segments, remarkable rise in IT and IT enabled service markets, e-governance initiatives by Central and state governments and various government departments apart from demand from households, together have bolstered the pace of growth. In 2007, IDC feels that the IT market will continue to be driven mainly by hardware spending across consumer and enterprise segments. India will remain the fastest growing country by hardware spending in the world in 2007.

**Chemical Division:** India ranks twelfth in the world for production of chemicals by volume. India's chemicals industry contributes about 3 per cent to the nation's Gross Domestic Product (GDP). The industry has a turnover of about US\$ 30 billion, and accounts for about 14 per cent in the general Index of Industrial Production (IIP) and 17.6 per cent in the manufacturing sector. It also accounts for about 13-14 per cent of total exports and 8-9 per cent of total imports of the country. The industry is plagued with excess capacities and there is severe competition amongst exporters. Demand is set to increase and this augurs well for the industry.

### 1.2 OPPORTUNITIES AND THREATS

**Electronics Division:** We have improved the distribution network of VXL thin clients which is one the market leaders in the industry. Thin client concept is becoming increasingly important globally, where we are trying to get a strong market position. We are targeting both on the domestic and the international market.

The change of focus from component marketing to solution providing company has produced positive results. Our tie-up with Ericom for distribution of Enterprise level software in Indian market has helped us to make inroads into the software pie and we are continually working to add complementary products to our range.

This division is facing stiff competition from multinational companies both Indian and foreign. Attrition level is also high in this industry which also affects the sustenance of better performance.

**Chemical Division:** We have a large domestic market with good potential for growth, the present consumption is very low compared to the international standards. This industry is increasingly moving towards greater customer orientation. Recent developments in the exchange markets, particularly sharp appreciation of rupee against the greenback in a very short period has resulted in a sharp fall in the order position. Some orders had to be cancelled as the buyers were not in a position to accept increase in the prices.

Rupee is currently hovering around 40.50 - 40.85 per Dollar significantly stronger than 47 per Dollar in July '06. In the current year, it has already appreciated over 8.5%.

We are trying to reduce costs through better inventory management, logistics and administrative expenses management.

### 1.3 SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

**Electronics Division:** The overall performance during the year was satisfactory in comparison with the last year, the segment result, before adjustment for unallocated expenses (net) and provisions for taxation, increased to Rs. 485.55 Lakhs as compared to Rs. 407.31 Lakhs in the previous year.

**Chemical Division:** Initially there was a slowdown in the dyes demand worldwide. But when the demand picked up in end December we had to forego many orders owing to the rise in rupee. Severe shortage of imported raw materials offset the price advantage the rising rupee would have given to imports of raw materials for Indian manufacturing / consumption. This segment has an overall turnover of Rs. 332.60 Lakhs compared to 373.34 Lakhs last year.

### 1.4 FUTURE OUTLOOK

**Electronics Division:** The electronic industry shows no sign of recession, or even slowing down much. The growing Indian market for electronic products is over US\$25 bn and is growing at about 30% per annum. At this rate it is projected to exceed US\$ 70 bn by 2010 and US\$158 Bn by 2015.

Big corporate houses, banks, educational and healthcare segments increasingly opt the thin client technology in comparison to P.C - Server technology which offers bright future to our Electronic division. The dumping of cheap Chinese products has been a growing concern but we can effectively tackle this by better quality and service- both pre and post sales.

We have setup a strong technical support team to provide total network solutions which in the long term will, enhance competitiveness and maintain profitability.

**Chemical Division:** New product range is contributing to the otherwise low demand market. Efforts are on to concentrate on new product ranges to increase business. Some of the Latin American countries like Argentina have been given open cover by ECGC. We are trying to revive business in these countries.

### 1.5 RISKS AND CONCERNS

**Electronics Division:** Rapidly changing technology, shift in consumer taste and increasing competition are the matters of main concerns. The appreciation of Rupee against Dollar affects the margins to a great extent and this is an imminent threat to profitability. The competition between multinationals to capture the market has resulted in the reduction in margins. The talent crunch in research and development affects the introduction of novel products. Quickly vanishing dealers are adding to the bad debt pile for the industry as a whole and is another area of concern.

**Chemical Division:** There is a severe shortage of raw materials (both local and imported) and suppliers are finding it difficult to complete production within the given time frame. This has resulted in buyers either sourcing from elsewhere or postponing their requirements. The exchange rate and the appreciating Rupee are again areas of concern in our Exports.

### 1.4 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has adequate internal control systems/procedures in place covering all facets of business. The internal control systems/procedures are reviewed periodically and updated/modified on need basis. The company has an effective information technology system support in various important operational and financial areas to facilitate control systems.

The Internal control systems/procedures are commensurate with the size and nature of the business of the company.

### 1.5 DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The company has achieved a sales turnover of Rs16,630.82 Lakhs in the year 2006-07 as compared to Rs. 13,094.96 Lakhs in 2005-2006, reflecting a strong growth in the electronic export business. The company has earned a profit (before tax and extra ordinary items) of Rs 114.70 Lakhs as compared to a profit (before tax and extra ordinary items) of Rs. 83.09 Lakhs in the previous year.

### 1.6 MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

**Human Resources:** The company and its management value the dedication of its employees and acknowledge their contribution in achieving the long term and short term goals of the company. Human Resources Development activities predominantly comprised of training and development of employees. Apart from the normal training programs for the employees, the Company has carried out various organizational development processes, primarily to bring about transformation process within the organization.

There is a system in place for the development of Human Resource in the company. The Developmental activities are taken up by the company from time to time, comprising of Training and Development of all of its employees and are commensurate with the size and nature of the business of the company.

**Industrial Relations:** Industrial Relations through out the year continued to remain very cordial and satisfactory.

Statements in "Management Discussion and Analysis" describing the Company's objective, objectives and assessments etc. may be forward looking within the meaning of applicable laws and regulation. Actual results may differ from the statements expressed therein. Important factors that could influence the Company's operations include demand and supply conditions affecting selling prices of finished goods, availability of inputs and their prices, change in Government policy, legislation and tax rates; political defense and economic development within and outside the country and other factors such as litigation and industrial relations.

## CORPORATE GOVERNANCE REPORT

Your company has complied with all material aspects of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock exchange.

A detailed report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

## 1. PHILOSOPHY ON CORPORATE GOVERNANCE:

The company is committed to good corporate Governance and aims to achieve the balance between share holder' interest and corporate goals by providing long-term vision of its business and establishing system that help the Board in understanding and monitoring risk at every stage of the corporate evolution process to enhance the trust and confidence of the stake holder without compromising with laws and regulations.

The Company's Corporate Governance philosophy ensure that it would follow highest standards of professionalism, integrity, accountability, fairness, transparency, social responsiveness and best business practices. Your company would relentlessly attempt to maximize stakeholder's value. This philosophy envisages means to fulfill its various obligations towards the customers, shareholders, employees and society at large in a manner acceptable to various interest groups.

At Priya Limited, we are striving towards excellence through adoption of best governance and disclosure practices.

## Code of conduct

The Board has laid down a code of conduct for all the Board Members and Senior Management of the Company. Senior Management includes Personnel of the core Management Team excluding Board of Directors but including all functional heads.

## 2. BOARD OF DIRECTORS

The Board of Directors ("the Board") as at 31st March, 2007 comprises of 5(five) directors of which 2 are Executive Directors and 3 are non-executive Directors. All the members of Board are persons with vast experience, expertise and knowledge in the industry, technology, finance, law and marketing.

None of the Directors on the Board is a member of more than 10(ten) committees and Chairman of more than 5 (five) committees as per Clause 49 across all Companies in which they are Directors.

Six Board Meetings were held during the financial year 2006-07 at the Registered Office of the company on the following dates:

4th April, 2006; 29th June, 2006; 28th July, 2006; 31st October, 2006; 4th December 2006; 31st January, 2007.

The gap between two Board meetings is not more than 4 (four) months as per the revised Clause-49 of the Listing Agreement.

The particulars of Directors, their category, attendance and other directorship, membership/Chairmanship of the Committees are furnished below:

Name of the Director	Category	Attendance		No. of outside directorships and Committee membership / Chairmanship		
		Board Meeting	Last AGM*	Public Limited Company Directorship	Committee membership **	Chairmanship **
Mr. A. K. Bhuwania	Promoter/Non-Executive Chairman	4	No	2	—	—
Mr. R. K. Saraswat	Independent /Non-executive Director	6	Yes	2	2	2
Mr. M. K. Arora	Independent/ Non-Executive Director	6	Yes	5	—	—
Mr. M. H. Dalal #	Independent/Non-Executive Director	2	No	—	—	—
Mr. Ashish Bhuwania	Promoter/Executive Director	1	Yes	—	—	—
Mr. Aditya Bhuwania	Promoter/Executive Director	5	Yes	1	—	—

\* Annual General Meeting (AGM) was held on 18th August 2006.

\*\* Only Chairmanship / Membership of Audit Committee and Share Holders Grievance Committee has been considered.

# Mr. M.H Dalal Ceased to be director with effect from 29th June 2006 .

## An Independent Director is a Director who:

- apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies;
- is not related to promoters or management at the board level or at one level below the board;
- has not been an executive of the company in the immediately preceding three financial years;
- is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company, and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have a material association with the entity.
- is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also; and
- is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.



## BOARD PROCEDURE

The Board meets atleast once in a quarter to, inter alia, to review the quarterly performance and the financial results. The Board meetings are generally scheduled well in advance and the notice of each Board meeting is given in writing to each director. The Board papers, comprising the agenda backed by comprehensive background information are circulated to the Directors in Advance.

The information as specified in annexure IA to clause 49 of the listing Agreement is regularly placed before / made available to the Board wherever applicable.

The Board periodically reviews compliance reports of the laws applicable to the Company, steps taken by the company to rectify instances of non-compliance, if any.

## APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The details of appointment and reappointment of Directors are provided in the notice to the Annual General meeting.

### 3. BOARD COMMITTEES:

The Board had constituted the following committees of Directors:

1. Audit Committee
2. Remuneration Committee
3. Share holders Grievance Committee

#### I) AUDIT COMMITTEE

The Audit Committee has three non-executive members and the chairman of the committee is an independent director. The Audit Committee was reconstituted on 29th June 2006.

##### i. Terms of Reference:

The terms of reference of the audit committee include the matter specified under sub clause (ii) & (iv) of clause 49 of the listing agreement.

##### ii. Power of Audit Committee :

The following power are vested with the Audit Committee:

- a) To investigate any activity within its terms of reference;
- b) To seek information from any employee;
- c) To obtain outside legal or other professional advice;
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

##### iii. Role of Audit Committee:

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the board, the appointment, reappointment and removal of external auditor, fixation of audit fee.
- c) Approval of payment to statutory Auditors for any other services rendered by the statutory auditors.
- d) Reviewing with management the annual financial statements before submission to the board focusing primarily on;
  - i) Matter required to be included in the Directors Responsibility statement to be included in the Board Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - ii) Any changes in accounting policies and practices with reasons for the same.
  - iii) Major accounting entries involving estimates based on exercise of judgment by management.
  - iv) Significant adjustments arising out of audit findings.
  - v) Compliance with listing legal and other statutory requirement relating to financial statements.
  - vi) Compliance with accounting standards.
  - vii) Disclosure of related party transactions.
  - viii) Qualification in draft audit report.
- e) Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- f) Reviewing with the management the quarterly financial statement, before submission to the Board for approval.
- g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.
- h) Discussion with internal auditors on significant findings and follow up thereon.
- i) 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.
- j) 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.
- k) Reviewing the functioning of Company's Whistle Blower Mechanism.
- l) Carry out such other function as is mention in the terms of reference of the audit committee.

**iv. Review of information by audit committee:**

As per the requirement of clause 49 of the listing agreement the audit committee responsible for reviewing the following information:

- 1) Management discussion and analysis of financial condition and results of operation.
- 2) The statement of significant related party transaction (as define by audit committee) submitted by the management.
- 3) Management letters/letters of internal control weaknesses issued by statutory auditors.
- 4) Internal audit reports relating to internal control weaknesses.
- 5) Financial statements and draft audit report, including quarterly/half yearly financial information; and
- 6) The appointment, removal and terms of remuneration of the chief internal auditors shall be subject to review by the audit committee.

**v. Composition of Audit Committee**

The committee duly comprised of following Non-Executive Directors:

NAME	CATEGORY	Audit committee meeting held on			
		29.06.06	28.07.06	31.10.06	31.01.07
Mr. R.K. Saraswat	Chairman	Present	Present	Present	Present
Mr. M.K Arora	Member	Present	Present	Present	Present
Mr. M.H Dalal*	Member	Present	N.A	N.A	N.A
Mr. A.K Bhuwania**	Member	N.A	Present	Absent	Absent

\* Mr. M.H Dalal ceased to be a member with effect from 29th June, 2006, Consequent to his resignation from the directorship of the company.

\*\* Mr. A.K Bhuwania was appointed as the member of the Audit Committee with effect from 29th June, 2006.

The Company Secretary of the company has acted as the secretary of the Committee.

The members of the Audit committee are financially literate and two members have accounting and related financial management expertise.

The Chairman of the Audit committee was present in the last Annual General Meeting.

The Statutory Auditors of the Company were invitees to each meeting of the Audit Committee.

The minutes of the Audit Committee meeting form part of documents placed before the meeting of the Board of Directors. In addition the chairman of the Audit committee appraises the Board members about the significant discussion at Audit Committee meetings.

All the Suggestions/Recommendations made by the Audit Committee during the financial year 2006-2007 were considered and accepted by the Board.

**II) REMUNERATION COMMITTEE**

**i). Terms of Reference**

The Remuneration Committee shall have the powers to determine the Company's Policy on specific remuneration packages for Directors and issues within the framework of the provisions and enactment governing the same.

**ii) Composition of the Committee**

The remuneration Committee has three non-Executive Members all being Independent. The details of the members are as under:

Name of Director / Member	Designation	Category	Committee Meeting held on 30th June, 07
Mr. M.K Arora	Chairman	Independent /Non- executive Director	Present
Mr. R.K. Saraswat	Member	Independent/Non-Executive Director	Present
Mr. M.H Dalal *	Member	Independent/Non-Executive Director	N.A

\* Mr. M.H Dalal ceased to be a member with effect from: 29th June, 2006 consequent to his resignation from the directorship of the company.

**iii) Remuneration Policy**

The company's remuneration policy is driven by the success and performance of the individual employees and the company. Through its compensation program company endeavors to attract, retain, develop and motivate a high performance work force.

**A. Non Executive Directors**

The Non Executive Directors of the Company do not draw any remuneration from the Company other than sitting fees for attending Board and Committee Meetings.

Name of Director	Category	Salary (Rs.)	Sitting Fees (Rs.)
Mr. A. K. Bhuwania	Promoter/Non-Executive Chairman	NIL	1,000
Mr. R K Saraswat	Independent/ Non Executive Director	NIL	18,000
Mr. M K Arora	Independent/ Non Executive director	NIL	18,000
Mr. M. H. Dalal	Independent/Non-Executive Director	NIL	500
Total		NIL	37,500