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SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

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NINETEENTH ANNUAL REPORT

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2012 - 2013

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**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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<b>REGISTERED OFFICE:</b>	WOCKHARDT TOWERS, 2ND FLOOR, EAST WING, C-2, G BLOCK, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI - 400 051. TEL.No.+91-22-42410400
<b>CORPORATE OFFICE &amp; CORRESPONDENCE:</b>	CK-6, 2 <sup>ND</sup> FLOOR, SECTOR II, SALT LAKE CITY, KOLKATA- 700 091 TEL.NO. +91-33-23373012 TELEFAX NO. +91-33-23373014 Website: <a href="http://www.shriramamc.com">www.shriramamc.com</a>
<b>BOARD OF DIRECTORS:</b>	MR.PRABHAKAR KARANDIKAR-Chairman MR.AKHILESH KUMAR SINGH-Managing Director MR.R.SUNDARA RAJAN MR.S.RAJARATNAM MR.S.BAPU MR.DHRUV MEHTA
<b>COMPANY SECRETARY:</b>	MS.REENA YADAV
<b>AUDITORS:</b>	M/S K.S.AIYAR & CO. CHARTERED ACCOUNTANTS, # F-7, LAXMI MILLS, SHAKTI MILLS LANE, (OFF. DOCTOR E-MOSES ROAD) MAHALAXMI, MUMBAI - 400 011.
<b>SHARE TRANSFER AGENTS:</b>	PURVA SHAREGISTRY (INDIA) PVT.LTD. 9, SHIV SHAKTI INDUSTRIAL ESTATE, J.R.BORICHA MARG, MUMBAI - 400 011 TEL.NO. +91-22-23016761, TELEFAX NO. +91-22-23012517

**SHRIRAM ASSET MANAGEMENT COMPANY LIMITED**

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Registered Office: Wockhardt Towers, 2nd Floor, East Wing, C-2, G Block,  
Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

**NOTICE**

NOTICE is hereby given that the NINETEENTH Annual General Meeting of the Members of Shriram Asset Management Company Limited will be held at Hotel Parle International, Agarwal Market, Vile Parle (East), Mumbai - 400 057 on Thursday, September 26, 2013 at 3.00 P.M. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2013 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Mr. S. Rajaratnam, who retires by rotation and being eligible, offers himself for reappointment;
3. To appoint a Director in place of Mr. Dhruv Mehta, who retires by rotation and being eligible, offers himself for reappointment;
4. To appoint M/s. K. S. Aiyar & Company, Chartered Accountants, Mumbai (Firm Registration Number 100186W) as Auditors of the Company to hold such office from the conclusion of this Meeting, until the conclusion of the next Annual General Meeting, on such remuneration plus out of pocket expenses, if any, as may be mutually agreed upon between the Board of Directors of the Company and the said Auditors;

**By order of the Board of Directors  
for Shriram Asset Management Company Limited**

**Reena Yadav**  
Company Secretary

Place: Mumbai

Date: April 22, 2013

## SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

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### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR COMMENCEMENT OF THE MEETING.
2. Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed on Monday, September 23, 2013 to Thursday, September 26, 2013 (both days inclusive).
3. Brief profiles of the Directors who are retiring by rotation and are eligible for re-appointment as Directors at this Annual General Meeting are furnished in the Corporate Governance Section which forms part of Annual Report.
4. Members/ Proxies are requested to produce at the entrance, the attached admission slip for admission to the meeting hall. Duplicate admission slips will not be provided at the hall. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID nos. for easy identifications for attendance at the meeting.
5. In case of joint holders attending the meeting, only such joint holders who are higher in order of the names will be entitled to vote.
6. Members are requested to bring with them a copy of Annual Accounts dispatched to them by the Company.
7. Members are requested to notify change in address, if any, in case of shares held in electronic form to the concerned depository participants quoting their Client ID nos. and in case of physical shares, to their Share Transfer Agents quoting their Folio Number.
8. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the Members in respect of the shares held by them in physical form. Nomination forms can be obtained from the Share Transfer Agents of the Company. Members holding shares in dematerialized form may approach their respective Depository Participants to avail and / or effect any change to the nomination facility.
9. Shareholders seeking any information with regards to Accounts are requested to write to the Registered Office of the Company at least 15 days in advance so as to keep the information ready at the Meeting.
10. Members holding shares in physical form under multiple folios are requested to send Company's Share Transfer Agent details of such folios together with the Share Certificate for consolidating their holdings in a single folio so as to enable us to serve them in a better, most efficient and effective manner. The Share Certificate will be returned to the Members after making the requisite changes, thereon.
11. SEBI has made it mandatory for every participant in the securities/capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all the shareholders holding shares in physical form are requested to submit their details of PAN along with a photocopy of both sides of the PAN card, duly attested, to the Registrar and Share Transfer Agents of the Company Purva Shareregistry (India) Pvt. Ltd. Mumbai -400 011.
12. SEBI vide circular dated January 7, 2010 has made it mandatory for legal heir(s) to furnish their PAN in addition to the legal procedural document duly attested in the following cases in respect of shares of listed companies held in physical form:
  - Deletion of name of the deceased shareholder(s) where the shares are held in the names of two or more shareholders.
  - Transmission of shares, in favour of legal heir(s), where the shares are held in the names of two or more shareholders.
  - Transposition of shares, when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
13. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the Annual General Meeting.

**By order of the Board of Directors  
for Shriram Asset Management Company Limited**

**Reena Yadav**  
Company Secretary

Place: Mumbai  
Date: April 22, 2013

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Nineteenth Annual Report and the Audited Statements of Accounts for the financial year ended March 31, 2013.

### Financial Highlights:

Particulars	Year Ended March 31, 2013 (₹)	Year Ended March 31, 2012 (₹)
Gross Income for the year	6,776,976	8,939,855
Total Expenditure before Depreciation & Tax	17,846,873	6,360,425
<b>Profit/(Loss) before Depreciation and Tax</b>	<b>(11,069,897)</b>	2,579,430
Less: Depreciation	425,084	247,592
Less: Provision for Tax	—	831,329
<b>Profit/(Loss) after Depreciation and Tax</b>	<b>(11,494,981)</b>	1,500,509
Balance brought forward from previous year	5,080,020	3,579,511
<b>Profit/(Loss) available for Appropriation</b>	<b>(6,414,961)</b>	5,080,020
<b>Balance carried to Balance Sheet</b>	<b>(6,414,961)</b>	5,080,020

### Dividend:

In the absence of profits, your Directors have decided not to recommend any dividend for the Financial Year 2012-2013.

### Operations and Outlook:

Your Board of Directors had approached the Securities and Exchange Board of India (SEBI) for their permission to launch new schemes and for change of Sponsor from Shriram Transport Finance Company Limited to Shriram Credit Company Limited. SEBI vide its letter dated November 12, 2012 has granted 'In – Principle' approval to Shriram Credit Company Limited to act as a sponsor subject to the compliance with certain conditions and has also granted its approval to Shriram Mutual Fund to re-start its business activity.

Your Company plans to launch the new Mutual Fund Schemes shortly. Your Directors are of the view that the Company would be able to leverage the extensive retail reach of Shriram Conglomerate to market the Company's Mutual Fund offerings.

During the year under report, as your Company did not launch any new scheme on behalf of Shriram Mutual Fund and as there were no Mutual Fund Schemes under the management of the Company, the activities of the Company were limited only to attending to the outstanding unclaimed redemption amounts of the Schemes wound up. However, the Company was able to generate income out of its own investments.

### Share Capital:

During the year under review, Company conducted two Postal Ballots as per Section 192 A of the Companies Act, 1956.

- i) The following Special Resolutions were passed on October 05, 2012, by way of Postal Ballot:
  1. Alteration of Clause V of Memorandum of Association of the Company for Re- Classification of Share Capital of the Company;
  2. Alteration of Article 3 of Articles of Association of the Company for Re- Classification of Share Capital of the Company;
  3. Issue of Redeemable Non - Convertible Preference Shares (RNCPS) for an amount not exceeding Rupees One Crore pursuant to Section 80 and 81(1A) of the Companies Act, 1956.

Pursuant to the above resolutions, the Company issued and allotted 1,00,000 (One Lac) 0.01% Redeemable Non – Convertible Preference Shares of ₹ 100/- (One Hundred) each to its existing Promoter i.e. Shriram Transport Finance Company Limited. The proceeds raised from issue of RNCPS have been temporarily invested in liquid investments pending the commencement of the mutual fund operations.
- ii) The Special resolution relating to Issue of Redeemable Non-Convertible Preference Shares (RNCPS) pursuant to Section 80 and 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, for an amount not exceeding Rupees Five Crores was passed on March 25, 2013, by way of Postal Ballot.

### Corporate Governance:

The Report on Corporate Governance forms part of the Directors' Report and is annexed herewith.

As required by the Listing Agreement, Auditors' Report on Corporate Governance and a declaration by the Managing Director with regard to Code of Conduct are attached to the said Report.

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The Management Discussion and Analysis is given as a separate statement forming part of the Annual Report.

As required under Clause 49 of the Listing Agreement, a certificate, duly signed by the Managing Director and Chief Operating Officer (COO) (also functioning as Chief Financial Officer) on the Financial Statements of the Company for the year ended March 31, 2013 was submitted to the Board of Directors at their Meeting held on April 22, 2013. The certificates are attached to the Report on Corporate Governance.

### **Directors' Responsibility Statement:**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that to the best of their knowledge and belief:

- a) In the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- b) That such accounting policies as mentioned in Notes have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the loss of the Company for the year ended on that date;
- c) That proper and sufficient care has been taken 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;
- d) The Annual Accounts have been prepared on a ongoing concern basis.

### **Cash Flow Statement:**

The cash flow statement for the year 2012-13 is attached to the Balance Sheet.

### **Directorate:**

Mr. Prabhakar Karandikar was appointed as Chairman of the Board of Directors w.e.f. May 03, 2012. As per Section 256 of the Companies Act, 1956, Mr. S. Rajaratnam and Mr. Dhruv Mehta would retire by rotation and being eligible, offer themselves for reappointment.

### **Fixed Deposits:**

During the year under review, your Company has not accepted any fixed deposits.

### **Particulars of Employees :**

During the year under report, your Company has not employed any person who was in receipt of remuneration in excess of the limits specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

### **Information pursuant to the requirement under Section 217 (1) (e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.**

1. Conservation of Energy  
The Company has no activity involving Conservation of Energy.
2. Technology Absorption  
The Company has no activity involving Technology Absorption.
3. Foreign Exchange earnings and outgo  
The Company did not have any foreign exchange earnings or outgo during the year under review.

### **Auditors:**

M/s. K.S. Aiyar and Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company, retires at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. Certificate has been received from them to the effect that their reappointment as Auditors of the Company, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. Members are requested to consider their re-appointment.

### **Acknowledgement:**

The Board of Directors take this opportunity to express their sincere appreciation for the excellent support and co-operation received from Securities and Exchange Board of India, Stock Exchange Authorities and for the continued enthusiasm, total commitment, dedication and efforts of the employees of the Company at all levels. We are also deeply grateful for the continued confidence and the faith reposed on us by the Shareholders.

**By Order of the Board**  
**for Shriram Asset Management Company Ltd.**

Place: Mumbai  
Date: April 22, 2013

**Prabhakar Karandikar**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Mutual Fund Industry as it was in FY 2013:

The Total Industry AUM rose by a staggering ₹ 1.51 lakh crore or an increase of 22.84 per cent during 2012-13 from ₹ 6,64,791.57 crore in the preceding fiscal. The country's 44 fund houses together had an average AUM of ₹ 8,16,657.16 crore at the end of fiscal year ended March 31, 2013.

Mutual Funds assets have been growing since January-March quarter of 2012. The industry's total assets base was at ₹ 7,86,543 crore in the October-December quarter of fiscal 2012-13.

During the fiscal, the market benchmark Sensex soared by about eight per cent on positive measures taken by the government.

Market experts largely attributed the rise in AUM to a number of factors, including steps taken by the government and the market regulator to revive equity culture in the country and help channelise household income into stocks and mutual funds.

The industry has also undergone a positive change in the business model with cost management and financial inclusion with a retail focus being two of the most important corner stones for sustained profitability.

This was inspite of high interest rate, rising cost of imported fuel, moderating economy and a volatile political environment which prevailed in the country.

### Steps to re-energise Mutual Fund Industry by the Regulators in FY 2013:

There were some important changes in the regulation pertaining to the mutual fund industry during FY-13; the highlights of such changes are as given below:

**Due Diligence Process of Distributors:** As a first step towards regulating distributors of Mutual Funds, selected large distributors be regulated through AMCs by putting in place a due diligence process, which is to be conducted by the AMCs. The due diligence process is initially applicable for those distributors who meet the criteria as laid down by SEBI. The AMCs, through AMFI, have appointed firms of Chartered Accountants, to conduct the necessary due diligence process.

SEBI has issued guidelines allowing Qualified Foreign Investors to invest in corporate debt securities (without any lock in or residual maturity clause) and Mutual Fund debt schemes subject to a total overall ceiling of USD 1 billion.

It has been decided that the Aadhaar Letter issued by UIDAI shall be admissible as proof of address in addition to what is presently being recognized as proof of identity.

In order to increase penetration of mutual fund products and to energise the distribution network while protecting the interest of investors, SEBI has decided to implement that additional Total Expenses Ratio can be charged upto 30 basis points on daily net assets of the scheme, if the new inflows from other than top 15 cities are at least 30% of gross new inflows in the scheme or 15% of the average assets under management of the scheme, whichever is higher.

Mutual Funds/AMCs shall launch schemes under single plan and ensure that all new investors are subject to single expense structure.

SEBI has provided a separate option for direct investments i.e investments not routed through a distributor, in existing as well as new schemes to ensure a lower expense ratio.

SEBI has permitted creation of a new cadre of distributors, such as postal agents, retired government and semi government officials, retired teachers and retired bank officers with a service of at least 10 years to sell units of simple and performing mutual fund schemes after obtaining NISM certification and AMFI Registration.

In the case of investor education and awareness, Mutual Funds and AMCs shall annually set apart at least 2 basis points in daily net assets within the maximum limit of Total Expense Ratio.

In order to enhance the reach of mutual fund products amongst small investors who may not be tax payers and may not have PAN/Bank Accounts, such as farmers, small traders/business men/workers, cash transaction in mutual funds to the extent of ₹ 20,000/- per investor, per mutual fund, per financial year shall be allowed subject to provisions of Anti Money Laundering Act, 2002.

### Performance of your Company:

The performance of the Company for year ended March 31, 2013 is given in brief below:-

Particulars	Year Ended March 31, 2013 (₹)	Year Ended March 31, 2012 (₹)
<b>Total Income</b>	<b>6,776,976</b>	8,939,855
<b>Total Expenditure</b>	<b>18,271,957</b>	6,608,017
<b>Profit/(Loss) Before Tax</b>	<b>(11,494,981)</b>	2,331,838
<b>Profit/(Loss) After Tax</b>	<b>(11,494,981)</b>	1,500,509
<b>Balance brought forward from previous year</b>	<b>5,080,020</b>	3,579,511
<b>Balance carried to Balance Sheet</b>	<b>(6,414,961)</b>	5,080,020

## SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

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During the year 2012-13, the Company's total income declined by 24.19% to ₹ 6,776,976/- as compared to ₹ 8,939,855/- in 2011-12. The Company's PAT also decreased to ₹ (11,494,981/-) in 2012-13, from ₹ 1,500,509/- in 2011-12. This is due to the change in the mix of the investment portfolio of the Company from ICD and FD to Mutual Fund (Liquid and Dynamic Bond Fund).

### **Risks and concern:**

The Company has also compiled/modified a few manuals relating to Compliance, Risk, Operations, Valuation and Code of Conduct, IT, for ensuring compliance with the applicable statutory requirements, optimal utilisation of IT resources and their customisation vis-à-vis the organisational preferences, the entitlements of the stakeholders, investor satisfaction, data integrity, systemic controls including prevention of unauthorised access to the system and business continuity, identification, monitoring and mitigation of risks associated with the mutual fund business.

The Risk Management Manual sets out an enterprise wise risk management framework for Shriram Asset Management Company Limited and Shriram Mutual Fund. This Manual is intended to serve as a model, which will help the AMC and the Mutual Fund to monitor and mitigate the risks faced by the Company in the discharge of its business and also use risk management to increase value for investors.

### **Internal control system:**

The Company has adequate system of internal controls commensurate with its size and level of operations to ensure that all assets of the Company are safeguarded and protected and that transaction of the Company are authorised, recorded and reported correctly, and also to ensure the efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. Moreover, the Company continuously upgrades these systems in line with the best available practices. The internal control system is supplemented by internal audits, regular reviews by management and standard policies and guidelines to ensure reliability of financials and all other records to prepare financial statements and other data. The Audit Committee of the Board reviews internal audit reports along with management comments. The Audit Committee also monitors the implementation of suggestions given by the Committee.

### **Human Resources:**

During the financial year ended March 31, 2013, there has been significant positive development in the human resources aspects of the Company. As the Company is preparing for launch of new schemes, hence it has built suitable Management Team for this purpose.



**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2013****COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance is aimed at:

- (a) Enhancing long term shareholder value through
  - Assisting the top management in taking sound business decisions; and
  - Adopting and implementing prudent risk management techniques and thereby safeguarding the interest of shareholders, creditors, investors and employees at large.
- (b) Achieving transparency and professionalism in all decisions and activities of the Company.
- (c) Achieving excellence in Corporate Governance by
  - Conforming to the prevalent guidelines on Corporate Governance and excelling in, wherever possible.
  - Reviewing periodically the existing systems, procedures and controls for further improvements.

**BOARD OF DIRECTORS****Composition**

The Board of Directors of the Company consists of six professionals from varied disciplines. The day-to-day management of the affairs of the Company is managed by the Managing Director, who functions under overall supervision, direction and control of the Board of Directors of the Company. The Board meets regularly to discuss, review and decide upon the matters such as policy formulation, setting up of goals and appraisal of management performances with the goals and control functions, etc. Some of the powers of the Board have also been delegated to Committee/s. The Board thus exercises effective control over the overall functioning of the Company with a view to enhance the shareholder value.

The Independent Directors have made disclosures confirming that there are no material, financial and/or commercial transactions between Independent Directors and the Company which could have potential conflict of interest with the Company at large.

During the year under review, five meetings of the Board of Directors were held on 19.04.2012, 03.05.2012, 14.08.2012, 06.11.2012 and 16.01.2013. The maximum gap between any two meetings was not more than four months. The Eighteenth Annual General Meeting was held on August 14, 2012.

As mandated by Clause 49, as on March 31, 2013, none of the Directors is a member of more than ten Board level Committees and no such Director is a Chairman of more than five Committees of the Companies in which he is a Director. The Directors have made the necessary disclosures regarding Committee positions.

As of March 31, 2013, the Company's Board comprised of six members. The Chairman of the Board is non-executive Director. The Managing Director is an Executive of the Company.

The agenda papers along with the explanatory notes for Board Meetings are sent in advance to the Directors. In some instances, documents are tabled at the meetings and presentations are also made by the respective executives on the matters related to them at the Board or Committee Meetings.

The names and categories of Directors, their attendance at Board Meetings held during the year and at the last Annual General Meeting (AGM) and number of memberships/chairmanships of Directors in other Boards and Board Committees are as follows:

**Composition of Board**

Name of the Director and Category of Directorship	No. of Board Meetings Attended	Whether attended the last AGM	Total No. of Directorships	Total No. of Memberships of the Committees of Board		Total No. of Chairmanships of the Committees of Board	
				Membership in Audit/ Investor Grievance Committees	Membership in other Committees	Chairmanship in Audit/ Investor Grievance Committees	Chairmanship in other Committees
Mr. Prabhakar Karandikar - Chairman Non-Executive and Independent	4	Yes	7	5	Nil	2	Nil
Mr. Akhilesh Kumar Singh- Executive and Non Independent	4	Yes	4	Nil	Nil	Nil	Nil
Mr. R. Sundara Rajan - Non-Executive and Non Independent	5	Yes	14	9	7	1	Nil
Mr. S. Rajaratnam - Non- Executive and Independent	5	Yes	5	1	Nil	1	Nil

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Name of the Director and Category of Directorship	No. of Board Meetings Attended	Whether attended the last AGM	Total No. of Directorships	Total No. of Memberships of the Committees of Board		Total No. of Chairmanships of the Committees of Board	
				Membership in Audit/ Investor Grievance Committees	Membership in other Committees	Chairmanship in Audit/ Investor Grievance Committees	Chairmanship in other Committees
Mr. S. Bapu - Non-Executive and Non-Independent	4	Yes	1	1	1	Nil	Nil
Mr. Dhruv Mehta - Non-Executive and Independent	4	Yes	5	Nil	2	Nil	Nil

### Notes:

- While considering the total number of directorships, their directorships in private companies, Section 25 companies, if any, have been included and their directorship in the Company has been excluded.
- The memberships and chairmanships of Directors in committees do not include their memberships and chairmanships in the Company.

### AUDIT COMMITTEE

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

### Terms of Reference

i) The terms of reference of the Audit Committee, inter alia includes:-

- Overseeing the financial reporting process.
- To ensure proper disclosure in the quarterly, half yearly and Annual Financial Statements.
- To recommend appointment, re-appointment of Auditors and the fixing of their remuneration. Approval of payment to Statutory Auditors for any other services rendered by them.
- Reviewing, with the management, the Financial Statements before submission to the Board.
- Reviewing, with the management, performance of Statutory and Internal Auditors, adequacies of internal control systems.
- Discussing with Internal Auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal examinations 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.
- Discussing with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- To discuss with management, the Internal Auditors and the Statutory Auditors the Company's major risk exposures and guidelines and policies to govern the processes by which risk assessment and risk management is undertaken by the Company, including discussing the Company's major financial risk exposures and steps taken by management to monitor and mitigate such exposures and from time to time conferring with another Committee/s of the Board about risk exposures and policies within the scope of such other Committee's oversight.
- To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors, if any.
- To review the functioning of the Whistle Blower Mechanism.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

During the year under review, four meetings were held on 03.05.2012, 14.08.2012, 06.11.2012 and 16.01.2013.

The necessary quorum was present for all the meetings.

### Composition

Name of the Member	Category	No. of Meetings Attended
Mr. Prabhakar Karandikar - Chairman	Non Executive –Independent	4
Mr. S. Rajaratnam	Non Executive –Independent	4
Mr. S. Bapu	Non Executive - Non Independent	3

### Note:

The Company Secretary acts as the Secretary for the Audit Committee. The Statutory Auditors and the Managing Director of the Company also attend and participate in the meetings of the Audit Committee.