

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on code of governance

Company's Philosophy on Corporate Governance envisages striving for excellence in all its 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 transparency in its dealings.

### 2. Board of Directors:

The Board of Directors consists of 12 directors. The Company is being managed and controlled by the Board of Directors. More than 50% of the Board is comprised of independent Directors. The members of the Board are well experienced professionals and industrialists. The day to day management is conducted by the Chairman & Managing Director, subject to the supervision, control and direction of the Board of Directors and is assisted by the Executive Director.

a. Composition and category of Directors and attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies:

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. L. Lakshman	Non-Executive - Independent	4	—	10	—	—	4	5
Mr. E.K. Parthasarathy	Non-Executive - Independent	2	—	—	2	—	—	—
Mr. Suresh Jagannathan	Non-Executive - Independent	4	—	3	2	—	3	—
Mr. C.R. Swaminathan	Non-Executive - Independent	4	—	5	2	—	1	—
Mr. K.N.V. Ramani Upto 5th August 2005	Non-Executive - Independent	1	✓	3	—	—	3	1
Mr. D. Sarath Chandran	Non-Executive - Promoter	4	—	8	—	1	3	—
Mr. Takeshige Tabuchi Upto 29th July 2005	Non-Executive - Independent	1	—	—	—	2	—	—
Mr. Shinji Shirasaki From 29th July 2005	Non-Executive - Independent	—	—	—	—	3	—	—
Mr. Haruo Ishida (Alternate Director to Mr. Shinji Shirasaki)	Non-Executive - Independent	1	—	2	1	—	—	—
Mr. C.N. Srivatsan	Non-Executive - Independent	4	✓	4	2	—	1	1
Mr. T.K. Balaji	Non-Executive - Independent	1	—	11	4	—	5	2
Mr. V. Ramakrishnan	Non-Executive	4	—	—	—	4	—	—
Mr. R. Vidhya Shankar From 21st May 2005	Non-Executive - Independent	3	—	1	—	—	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	3	✓	4	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	4	✓	11	1	1	2	—

## REPORT ON CORPORATE GOVERNANCE (Contd..)

### b. No. of Board Meetings held and the dates on which held:

Number of Board meetings held	Four
Dates on which held	21st May 2005, 29th July 2005, 28th October 2005 and 30th January 2006.

The maximum time gap between any two meetings was not more than four months.

### Brief note on Directors retiring by rotation and seeking reappointment at the ensuing AGM:

**Mr. Suresh Jagannathan**, BS (USA) aged 49 years is a leading Industrialist and Managing Director of Kovilpatti Lakshmi Roller Flour Mills Limited. He is also a director in Elgitread (India) Limited, Meridian Industries Limited, Cape Flour Mills (P) Limited and Chempaka General Finance (P) Limited. He is a member of Investors Grievance Committee and Investment & Borrowing Committee of Kovilpatti Lakshmi Roller Flour Mills Limited and Audit Committee of Elgitread (India) Limited

**Mr. D. Sarath Chandran**, BSc Tech (Hons) (UK) MBA (USA), aged 60 years, is a leading Industrialist and Chairman & Managing Director of Precot Mills Limited and Meridian Industries Limited. He is also a Director in Super Spinning Mills Ltd, Super Farm Products Limited, Suprem Textiles Processing Limited, Vantex Limited, Multiflora Processing (Coimbatore) Limited, Benwood Corporation Sdn Bhd and Precot Spintex Limited. He is also the member of Investor Relations Committee of Precot Mills Limited, Meridian Industries Limited and Super Spinning Mills Limited.

**Mr. L. Lakshman**, B.E. (Mech) aged 59 years, is a leading Industrialist. He is the Chairman and Managing Director of Rane Holdings Limited and Rane Brake Linings Limited. He is also the Chairman of Rane (Madras) Limited, Rane Engine Valves Limited, Rane TRW Steering Systems Limited, Rane NSK Steering Systems Limited, Rane Investments Limited and Techcons Limited. He is a Director on the Boards of JMA Rane Marketing Limited and Kar Mobiles Limited. He is the Chairman of Audit Committee of Kar Mobiles Limited, Rane TRW Steering Systems Limited and Rane NSK Steering Systems Limited. He is the Chairman of Investors Service Committee of Rane Engine Valves Limited and Rane (Madras) Limited. He is also member of Audit Committee of Rane Engine Valves Limited and Rane (Madras) Limited and member of Investors Service Committee of Rane Brake Linings Limited and Rane Holdings Limited. He is the past president of Automotive Components Manufacturers Association, Madras Chamber of Commerce & Industries, Associated Chamber of Commerce & Industry and Federation of Indian Chamber of Commerce & Industry.

### 3. Audit Committee:

#### a. Composition, name of members and Chairperson, meetings and attendance during the year.

Name of the member	Category	Attendance
Mr. K.N.V. Ramani (Chairman retired on 5th August 2005)	Independent Non-Executive	2
Mr. C.N. Srivatsan (Chairman w.e.f. 22nd October 2005)	Independent Non-Executive	4
Mr. C.R. Swaminathan	Independent Non-Executive	2
Mr. R. Vidhya Shankar (w.e.f. 29th July 2005)	Independent Non-Executive	2
Mrs. Vanitha Mohan	Executive Promoter	4

## REPORT ON CORPORATE GOVERNANCE (Contd..)

### b. No. of Audit Committee Meetings held and the dates on which held:

Number of Board meetings held	Four
Dates on which held	6th May 2005, 28th July 2005, 22nd October 2005 and 23rd January 2006

### c. Brief description of terms of reference.

- Reviewing the internal business process and profitability.
- Reviewing and carrying out the functions in conformity with the requirements of Companies Act, SEBI regulations and Listing Agreement, in terms of Clause 49.

## 4. Remuneration Committee:

### a. Composition, name of members, Chairperson and attendance

Remuneration Committee comprises of Mr. K.N.V. Ramani (Chairman retired on 5th August 2005), Mr. C.N. Srivatsan, Mr. C.R. Swaminathan and Mr. R. Vidhya Shankar (w.e.f. 29th July 2005). All members are Independent Non-Executive Directors. During year 05-06, no meetings were held.

### b. Brief description of terms of reference

To determine and recommend to the Board the remuneration including commission, perquisites and allowance payable to the whole-time directors based on overall performance and financial results of the Company during the relevant financial year and in consonance with the existing industrial practice.



## REPORT ON CORPORATE GOVERNANCE (Contd..)

### c. Remuneration to Directors:

The Company pays remuneration to Chairman and Managing Director by way of salary and perquisites (fixed components) and 1.50 % commission on Net profit (variable component) as approved by the shareholders of the Company.

It has been decided in the 30th Annual General Meeting to pay commission to Non-Whole Time Directors (including Executive Director who is not drawing any managerial remuneration) not exceeding one percent of the Net profit of the Company per annum. The commission will be distributed broadly on the basis of Board Meetings and Committee Meetings attended by the Non-Whole time Directors.

### d. Details of remuneration paid / payable to all directors during the year ended 31st March 2006 are given below :

Rs. in million

Name of the Director	Salary & Perquisites	Commission	Total
Mr. L. Lakshman	NA	0.160	0.160
Mr. E.K. Parthasarathy	NA	0.080	0.080
Mr. Suresh Jagannathan	NA	0.160	0.160
Mr. C.R. Swaminathan	NA	0.240	0.240
Mr. K.N.V. Ramani	NA	0.120	0.120
Mr. D. Sarath Chandran	NA	0.210	0.210
Mr. Takeshige Tabuchi	NA	0.040	0.040
Mr. Shinji Shirasaki	NA	0.040	0.040
Mr. C.N. Srivatsan	NA	0.320	0.320
Mr. T.K. Balaji	NA	0.040	0.040
Mr. V. Ramakrishnan	NA	0.160	0.160
Mr. R. Vidhya Shankar	NA	0.200	0.200
Mrs. Vanitha Mohan (Executive Director)	NA	0.400	0.400
Mr. Vijay Mohan (Chairman & Managing Director)	2.384	6.493	8.877

The Company does not have any Stock option scheme.

**Shares of the company held by Non-Executive Directors:** Mr.D.Sarath Chandran holds 45,000 shares, Mr.Suresh Jagannathan holds 26,985 shares and Mr.C.R.Swaminathan holds 1,995 shares.

### 5. Shareholders / Investors Relations Committee:

The committee comprises of Mr. Vijay Mohan, Mr. D. Sarath Chandran, Mrs. Vanitha Mohan, Mr. C.R. Swaminathan, Mr. C.N. Srivatsan and Mr. R. Vidhya Shankar. The Chairmanship of the committee is vested with Mr. D. Sarath Chandran. Mr. V. Srinivasan, Company Secretary, is the Compliance Officer.

During the year, 58 letters were received from the investors regarding non-receipt of dividend warrants / annual reports etc., and all of them were replied / resolved to their satisfaction. No transfer / dematerialisation of shares is kept pending.

## REPORT ON CORPORATE GOVERNANCE (Contd..)

### 6. General Body meetings:

#### a. Location and time, where last three Annual General Meetings held

Year	Location	Date	Time
2003 31st AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	22.08.2003	4.30 p.m.
2004 32nd AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	25.06.2004	4.30 p.m.
2005 33rd AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	05.08.2005	4.30 p.m.

#### b. Whether any special resolutions passed in the previous 3 AGMs : Yes.

Year	Details of Special Resolution
2003 31st AGM	Nil
2004 32nd AGM	1. Delisting of equity shares of the company from Madras Stock Exchange and Coimbatore Stock Exchange. 2. Name change of the company from Premier Instruments & Controls Limited to Pricol Limited.
2005 33rd AGM	Nil

#### c. Whether special resolutions were put through postal ballot last year? If yes, details of voting pattern : Yes, for amendment of object clause in the Memorandum of Association.

Particulars	No. of postal ballot forms	No. of shares / Votes	% of total paid-up equity capital
1. Total postal ballot forms received	397	3,32,33,187	36.93 %
2. Less : Invalid Postal Ballot forms	25	76,225	0.08 %
3. Net valid postal ballot forms	372	3,31,56,962	36.84 %
4. Postal ballot forms with assent for the Resolution	371	3,31,56,862	36.84 %
5. Postal ballot forms with dissent for the Resolution	1	100	0.00 %

#### d. Person who conducted the postal ballot exercise : Mr. K. Sriram, Partner, S. Krishnamurthy & Co, Company Secretaries, Chennai

#### e. Whether any special resolution is proposed to be conducted through postal ballot : No

#### f. Procedure for postal ballot : Not applicable.

### 7. Disclosures :

- The Company has not entered into any materially significant related party transactions that may have potential conflict with the interest of Company at large.
- Details of non compliance by company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any authority, on any matter related to capital markets during last 3 years : Nil
- The Company does not have any Whistle Blower policy. However no personnel has been denied access to the Audit Committee of the Company.

## REPORT ON CORPORATE GOVERNANCE (Contd..)

### 8. Means of communication:

- a. In Which newspapers quarterly results normally published. : The Hindu, Business Line & Dinamani
- b. Any website where results or official news are displayed : EDIFAR (Electronic Data Information Filing and Retrieval System) & www.pricol.com
- c. Presentation made to Institutional Investors or to the analysts : Nil
- d. Whether Management Discussions & Analysis is part of Annual Report or not : It is a part of Annual Report.

### 9. General Shareholder information:

- a. AGM : Date : 4th August 2006  
AGM : Time : 4.30 p.m.  
AGM : Venue : Ardra Conferencing Centre,  
No: 9, North Huzur Road,  
Near Codissia Towers, Coimbatore - 641 018
- b. Financial Year : 1st April to 31st March
- c. Date of Book closure : 20th July 2006 to 4th August 2006
- d. Dividend payment date : 5th August 2006
- e. Listing on Stock Exchanges : National Stock Exchange of India Limited  
and Bombay Stock Exchange Limited
- f. Stock code : National Stock Exchange : PRICOL  
Bombay Stock Exchange: 526109

### g. Stock Market Data :

Month	National Stock Exchange				Bombay Stock Exchange			
	Price (Rs.)		CNX 500 (Points)		Price (Rs.)		BSE - 500 (Points)	
	High	Low	High	Low	High	Low	High	Low
April-05	51.40	42.00	1,819.50	1,684.15	51.45	46.00	2,807.53	2,602.76
May-05	58.25	47.30	1,843.35	1,681.60	58.85	47.25	2,843.04	2,599.80
June-05	61.45	49.75	1,919.55	1,820.10	61.90	49.70	2,953.59	2,807.30
July-05	58.00	52.05	2,044.70	1,895.40	57.60	52.05	3,151.47	2,917.81
August-05	59.00	49.30	2,149.35	2,012.35	59.00	49.90	3,307.47	3,102.11
September-05	59.80	51.00	2,302.30	2,134.45	59.90	50.50	3,558.54	3,278.94
October-05	57.05	44.55	2,333.10	2,016.00	57.95	44.75	3,608.16	3,111.33
November-05	49.00	43.75	2,362.85	2,066.25	47.90	43.00	3,655.53	3,199.47
December-05	48.80	44.10	2,468.60	2,299.25	48.80	44.50	3,806.22	3,563.26
January-06	55.20	43.00	2,604.15	2,438.45	51.00	43.15	4,035.27	3,752.19
February-06	44.00	38.90	2,675.40	2,543.55	44.20	38.60	4,148.23	3,936.93
March-06	44.90	37.60	2,923.15	2,652.45	43.20	37.50	4,537.76	4,122.82

### h. Registrar and Transfer Agents:

#### For Physical transfer and Dematerialisation of shares:

The company has appointed M/s. Integrated Enterprises (I) Limited, 5A, "KENCES" Towers, No.1, Ramakrishna street, T. Nagar, Chennai - 600 017 as Common Transfer Agent for both physical and electronic transfer of company's shares.

## REPORT ON CORPORATE GOVERNANCE (Contd..)

### i. Share Transfer System:

Certain directors and executives of the company are severally empowered to approve the transfers and dematerialisation. The Company coordinates with the Common Transfer Agent to ensure that the transfers and dematerialisation of shares are processed and completed within the stipulated time if the documents are complete in all respects. The Company obtains from M/s. S. Krishnamurthy & Co., Company Secretaries, Chennai half-yearly certificate of compliance with the share transfer formalities as required under clause 47(c) of the listing agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

### j. Shareholding pattern as on 31st March 2006

Shares held by	No. of Shares	% to Total Paid-up capital
Promoters & Associates	31,804,860	35.34
Foreign Collaborator - DENSO Corporation, Japan	11,250,000	12.50
Non-resident Indians	456,950	0.51
Foreign Institution Investor	151,325	0.17
Banks	353,875	0.39
Indian Financial Institutions / Insurance Companies	494,716	0.55
Bodies Corporate	4,753,497	5.28
Mutual Funds	9,646,809	10.72
Public	31,087,968	34.54
<b>Total</b>	<b>90,000,000</b>	<b>100.00</b>

### k. Distribution of Shareholding as on 31st March 2006.

Shareholding (Range)	No. of holders	% of Holders	No. of Shares	% of shares
Upto 500	22,712	71.52	4,654,511	5.17
501 to 1000	3,662	11.53	3,114,638	3.46
1001 to 2000	2,274	7.16	3,510,484	3.90
2001 to 3000	1,073	3.38	2,730,955	3.04
3001 to 4000	407	1.28	1,440,891	1.60
4001 to 5000	427	1.35	1,967,167	2.19
5001 to 10000	651	2.05	4,763,730	5.29
10001 and above	549	1.73	67,817,624	75.35
<b>Total</b>	<b>31,755</b>	<b>100.000</b>	<b>90,000,000</b>	<b>100.000</b>

### l. Dematerialisation of shares and liquidity as on 31st March 2006.

Shares of the Company can be held and traded in Electronic form. SEBI has notified inclusion of our company's shares for compulsory demat trading by all the categories of the investors with effect from 28th August 2000.

#### Extent of Dematerialisation:

Name of the Depository	Shares	%
a. National Securities Depository Limited	45,809,004	50.90
b. Central Depository Services (India) Limited	3,021,544	3.36
<b>Total</b>	<b>48,830,548</b>	<b>54.26</b>

The company's shares are regularly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

## REPORT ON CORPORATE GOVERNANCE (Contd..)

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m. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity : Nil

n. Address for correspondence

Pricol Limited  
Secretarial Department  
Old No : 1087-A, New No : 702/7, Avanashi Road,  
Coimbatore - 641 037, India.  
Phone : 0422-4336000, Fax: 0422-4336299  
E-mail : city@pricol.co.in

### COMPLIANCE CERTIFICATE FROM AUDITORS OF THE COMPANY

(Under Clause 49 of the Listing Agreement)

To the Members of **Pricol Limited**

We have examined the compliance of conditions of Corporate Governance by PRICOL LIMITED, for the year ended on 31.03.2006, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Coimbatore  
27th May 2006

For SURI & CO  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328

### DECLARATION

All the Board members and senior management personnel affirmed compliance with the code of conduct of the company for the financial year ended 31st March 2006.

Coimbatore  
27th May 2006

**Vijay Mohan**  
Chairman & Managing Director