

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 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:

a. Composition of the Board

As on 31st March 2010, the company's Board comprised of 13 Directors. The Board consists of 3 (23%) Whole Time Directors and 10 (77%) Non-Whole Time Directors, 8 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 is managed by the Chairman & Managing Director subject to the supervision, control and direction of the Board of Directors and is assisted by the Executive Director and 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	5	—	3	2	—	2	—
Mr. C.R. Swaminathan	Non-Executive - Independent	5	✓	1	3	—	—	—
Mr. D. Sarath Chandran	Non-Executive - Promoter	5	—	6	—	—	2	—
Mr. Mitsuhiro Masegi (From 30th October 2009)	Non-Executive - Independent	—	—	—	—	2	—	—
Mr. Yoshihiko Kato (Alternate Director to Mr. Mitsuhiro Masegi, from 30th October 2009)	Non-Executive - Independent	2	—	—	1	—	—	—
Mr. V. Ramakrishnan	Non-Executive - Independent	5	—	—	—	3	—	—
Mr. R. Vidhya Shankar	Non-Executive - Independent	4	—	2	—	—	2	—
Mr. M. Lakshminarayan	Non-Executive - Independent	2	—	3	2	—	2	—
Mr. Vikram Mohan	Non-Executive - Promoter	5	✓	7	1	—	—	—
Mr. G. Soundararajan (From 31st July 2009)	Non-Executive - Independent	4	—	—	6	1	—	—
Mr. K. Murali Mohan (From 31st July 2009)	Non-Executive - Independent	3	—	1	—	—	—	—
Mr. K. Udhaya Kumar (President & Chief Operating Officer)	Executive	5	—	1	—	1	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	5	✓	3	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	5	✓	10	1	—	1	—
Mr. C.N. Srivatsan (Upto 1st July 2009)	Non-Executive - Independent	—	—	5	2	—	2	1
Mr. Mitsuharu Kato (Upto 30th October 2009)	Non-Executive - Independent	—	—	—	—	1	—	—

REPORT ON CORPORATE GOVERNANCE (Contd..)

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 Chairman of more than five such Committees.

Mr. D. Sarath Chandran, Mr. Vijay Mohan, Mrs. Vanitha Mohan and Mr. Vikram Mohan are relatives. 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 and Mrs. Vanitha Mohan. No other directors are relatives to each other.

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 for planning their schedules to participate in the meetings.

During the year 2009-10, the board met 5 times on 29th May 2009, 31st July 2009, 30th October 2009, 28th January 2010 and 31st March 2010 and the gap between two meetings did not exceed four months.

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

Mr. R. Vidhya Shankar, 40 years of age, is a Bachelor of Commerce and Bachelor of Law from Bharathiar University, Coimbatore. He is a partner of M/s. Ramani and Shankar, Advocates, a Law firm. His area of specialisations are Corporate Laws and allied subjects, FEMA, Structured and Equity Financing, Commercial Cases, General Civil Law, International and Domestic Arbitration, Sales Tax and Central Excise. He represents cases before Civil Courts, Company Law Board, BIFR, Sales Tax Special Tribunal, Commissioner of Central Excise, Central Excise Appellate Tribunal, Consumer Forum, Debt Recovery and Appellate Tribunal, Securities and Exchange Board of India, Securities Appellate Tribunal and Arbitral Tribunals. He is a Director in L.G. Balakrishnan & Bros Limited and Treadsdirect Limited. He is also a member of the Audit Committee of Treadsdirect Limited and the Investors' Grievance Committee of L.G. Balakrishnan & Bros Limited. He is a member of the Audit Committee and Shareholders / Investors Relations Committee of the Company. He does not hold any shares of the Company.

Mr. M. Lakshminarayan, 63 years of age, a Masters degree in Technology from the Indian Institute of Technology, Mumbai. He was the Joint Managing Director of Bosch Limited. Presently, he is the Managing Director of Harman International India Pvt Limited, a 100% subsidiary of Harman International USA. He is deeply connected with the activities of Confederation of Indian Industry (CII) and past Chairman, CII Southern Region. He is a Director in Kirloskar Engines India Limited, Carborundum Universal Limited, Rane (Madras) Limited and Voith Engineering Services (India) Private Limited. He is a member of the Audit Committee of Carborundum Universal Limited and Rane (Madras) Limited. He does not hold any shares of the Company.

Mr. Mitsuhiro Masegi, 56 years of age, holds a Bachelor's degree in Electrical Engineering & Electronics and a Masters degree in Engineering from Nagoya University in Nagoya, Japan. He is the Managing Officer, Information & Safety Systems Business Group, Information & Safety Systems R & D Department, Denso Corporation. He is also a Director in Jeco Corporation and Marcon Denso Corporation. He does not hold any shares of the Company.

Mr. G. Soundararajan, 52 years of age, is a Bachelor of Science from PSG College of Arts and Science, Coimbatore. He is the Managing Director of Magna Marketing Private Limited, 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 and a Trustee of C.R.I. Charitable Trust and Shri K. Gopal Memorial Trust. He does not hold any shares of the Company.

Mr. Vijay Mohan, 62 years of age, is the Chairman & Managing Director of the company. He is managing the affairs of the company since, 1974. He is a B.E. (Mech.,) and Master of Management Science (USA). He is also a director in Precot Meridian Limited, English Tools and Castings Limited, Pricol Holdings Limited, Pricol Technologies Limited, Pricol Properties Limited, Pricol Packaging Limited, Pricol Medical Systems Limited, Xenos Technologies Limited, Ananya Innovations Limited and Bhavani Infin Services India Private Limited. He is a member of the Investors Relations Committee of Precot Meridian Limited. He holds 9,544,440 shares of the Company.

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3. Audit Committee:

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.

a. Composition, Name of Members & Chairman :

Name of the Member	Category
Mr. C.R. Swaminathan (Chairman)	Non-Executive - Independent
Mr. K. Murali Mohan	Non-Executive - Independent
Mr. R. Vidhya Shankar	Non-Executive - Independent
Mrs. Vanitha Mohan	Executive - Promoter

b. Meetings held during the year 2009-10 and Members present:

Date of Meeting	Members present
25th May 2009	Mr. C.R. Swaminathan, Mr. C.N. Srivatsan, Mr. R. Vidhya Shankar and Mrs. Vanitha Mohan
27th July 2009	Mr. C.R. Swaminathan, Mr. R. Vidhya Shankar and Mrs. Vanitha Mohan
24th October 2009	Mr. C.R. Swaminathan, Mr. K. Murali Mohan, Mr. R. Vidhya Shankar and Mrs. Vanitha Mohan
19th January 2010	Mr. C.R. Swaminathan, Mr. K. Murali Mohan, Mr. R. Vidhya Shankar and Mrs. Vanitha Mohan

The Company Secretary acts as the Secretary to the Committee. The Chief Financial Officer, Internal Audit team and the Statutory Auditors of the Company are permanent invitees to the meetings of the audit committee. The heads of various monitoring / operating departments are invited to the meetings, as required to explain details about the operations.

4. Remuneration Committee:

The Committee is entrusted to determine and recommend to the Board the remuneration including commission, perquisites and benefits 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.

a. Composition, Name of Members & Chairman:

Name of the Member	Category
Mr. C.R. Swaminathan (Chairman)	Non-Executive - Independent
Mr. K. Murali Mohan	Non-Executive - Independent
Mr. R. Vidhya Shankar	Non-Executive - Independent

b. Meetings held during the year 2009-10 and Members present :

Date of Meeting	Members present
19th January 2010	Mr. C.R. Swaminathan, Mr. K. Murali Mohan and Mr. R. Vidhya Shankar

c. Remuneration to Directors:

The remuneration payable to Whole-Time Directors is determined by the Board on the recommendation of the remuneration committee with the approval of the shareholders at the Annual General Meeting.

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The Company pays remuneration by way of salary, perquisites and benefits (fixed component) and commission (variable component) to its Whole-Time Directors.

The Shareholders have approved remuneration to Non-Whole Time Directors by way of commission not exceeding one percent of the Net profits 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.

The Company does not have any Stock option scheme.

The remuneration paid / payable to the Whole-Time Directors for the year 2009-10:

					Rs. Million
Name of the Director	Designation	Service Contract	Salary, perquisites & benefits (Gross)	Commission	Total
Mr. Vijay Mohan	Chairman & Managing Director	1st April 2010 to 31st March 2013	2.824	—	2.824
Mrs. Vanitha Mohan	Executive Director	1st April 2007 to 31st March 2012	0.870	—	0.870
Mr. K. Udhaya Kumar	President & Chief Operating Officer	1st June 2008 to 31st May 2013	2.776	—	2.776

Due to inadequacy of profit for 2009-10, Mr. Vijay Mohan & Mr. K. Udhaya Kumar were paid Rs.0.200 million per month each and Mrs. Vanitha Mohan was paid Rs.0.055 million per month. Apart from the above, contribution to provident fund, gratuity fund and superannuation fund were paid. The said amount is within the limit specified in Sec II of Part II of Schedule XIII to the Companies Act, 1956.

The remuneration payable to the Non-Executive Directors for the year 2009-10:

For the year 2009-10, due to inadequacy of profit, no commission is paid to the non-executive directors. They have not received sitting fees for the meetings held during the year 2009-10.

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive and independent directors during the year.

Shares of the company held by Non-Executive Directors: Mr. D. Sarath Chandran holds 45,000 shares, Mr. Suresh Jagannathan holds 26,985 shares, Mr. C.R. Swaminathan holds 1,995 shares and Mr. Vikram Mohan holds 3,363,960 shares. No other Non-Executive Director holds shares in the Company.

5. Shareholders / Investors Relations Committee:

The Committee comprises of Mr. D. Sarath Chandran, Mr. Vijay Mohan, Mrs. Vanitha Mohan, Mr. C.R. Swaminathan and Mr. R. Vidhya Shankar.

The Committee approves issue of new / duplicate share certificates. The Committee oversees and reviews all matters connected with share transfers / transmission / demat / remat and other issues pertaining to shares. The Committee also looks into the investor relations / grievances and redressal of the same, on a periodical basis.

The Committee met 4 times during the year on 23rd May 2009, 25th July 2009, 22nd October 2009 and 23rd January 2010. Mr. D. Sarath Chandran, Non-executive Director chaired the meetings. Mr. T.G. Thamizhanban, Company Secretary is the compliance officer.

During the year, 17 letters were received from the investors regarding non-receipt of dividend warrants / annual reports / share certificates etc., and all of them were replied / resolved to their satisfaction. No transfer / dematerialisation of shares is kept pending.

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6. General Body meetings:

Year	Date and Time	Special Resolution	Location
2007 - 35th AGM	3rd August 2007 4.30 p.m.	Commission payable to Non Whole Time Directors of the Company	Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037.
2008 - 36th AGM	8th August 2008 4.30 p.m.	NIL	
2009 - 37th AGM	7th August 2009 4.30 p.m.	NIL	

- No extraordinary general meeting was held during the year 2009-2010.
- No court convened meeting of members was held during the year.
- No Postal ballot was conducted during the year.
- No proposal to conduct postal ballot to pass special resolution.

7. Disclosures:

- Sundry Debtors include a sum of Rs.425.058 million due from a Company, which is a related party, in respect of transaction by way of purchase by the said Company. In terms of payment schedule approved by the Board on 27th March 2009 and as reported in the previous Annual Report 2009, the said Company has been making payments as per approved plan. During the year 2009-10, all sales to the said Company were only for cash. The Board is closely monitoring the recovery of dues.
- The Company has not entered into any materially significant related party transactions that may have potential conflict with the interest of the Company at a large. Details of transactions with related parties are provided in Note No.32 to notes forming part of accounts in accordance with the provision of Accounting Standard 18.
- There was no instance of non-compliance by the Company on any matters relating to the capital markets, nor was there any penalty / strictures imposed by the stock exchanges or SEBI or any other statutory authority on such matters, during last three years.
- The Company does not have any Whistle Blower Policy. However, no person has been denied access to the Audit Committee of the Company.
- The Company has complied with all the mandatory requirement of corporate governance norms as enumerated in clause 49 of the listing agreement with the stock exchanges.
- The Company has complied the following non-mandatory requirement:
 - Remuneration Committee of the Board of Directors of the Company has been set up and the particulars of the Committee are given in this report itself.
 - Adopted the best practices to ensure a regime of unqualified financial statements.
- The Company has not complied with any other non-mandatory requirement.

8. Means of communication:

The quarterly / annual financial results of the Company are published in The New Indian Express & Business Line (English) and Dinamani (Tamil). The financial results and the annual reports of the Company are uploaded in the Company's website : www.pricol.com and in the websites : www.corpfilings.co.in, www.bseindia.com and www.nseindia.com.

There were no specific presentations made to Institutional Investors or to analysts during the year.

Management discussion & Analysis forms part of the Annual Report.

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9. General Shareholder information:

- a. Annual General Meeting : Date : 23rd July 2010.
: Time : 4.30 p.m.
: Venue : Nani Palkhivala Auditorium,
Mani Higher Secondary School,
Pappanaickenpalayam, Coimbatore - 641 037.
- b. Financial Year : 1st April 2009 to 31st March 2010.
- c. Date of Book Closure : 17th July 2010 to 23rd July 2010.
- d. Dividend Payment Date : 24th July 2010.
- 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. International Security Identification Number (ISIN) : INE605A01026
- h. Listing and Custodial Fee :

Annual Listing Fees for the year 2010-11 were paid to National Stock Exchange of India Limited and Bombay Stock Exchange Limited. Custodial Fees to Depositories for the year 2010-11 were paid to National Securities Depository Limited and Central Depository Services (India) Limited.

i. 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-09	9.10	7.15	2727.75	2265.90	9.25	6.90	4219.20	3482.58
May-09	13.70	7.75	3612.30	2707.45	13.75	7.75	5562.60	4232.99
June-09	13.00	9.60	3766.90	3342.65	12.82	9.51	5886.88	5281.42
July-09	11.50	9.00	3799.65	3166.15	11.62	8.85	5987.42	4983.95
August-09	13.20	10.40	3871.25	3567.90	13.25	10.26	6107.39	5600.61
September-09	14.25	11.40	4119.90	3774.75	14.00	11.50	6556.46	5932.85
October-09	13.50	10.70	4239.95	3844.40	13.15	10.85	6779.19	6126.03
November-09	19.00	13.10	4216.90	3717.65	18.62	13.10	6714.11	5927.59
December-09	25.70	17.00	4346.40	4128.00	25.50	17.05	6872.18	6529.80
January-10	27.15	20.30	4524.30	4047.10	27.40	20.85	7070.37	6338.25
February-10	26.75	21.60	4242.75	4004.95	26.75	21.50	6639.59	6280.99
March-10	26.90	22.05	4348.05	4158.65	27.10	22.50	6987.88	6576.07

j. Registrar and Transfer Agents:

For Physical transfer and Dematerialisation of shares:

The company has appointed M/s. Integrated Enterprises (India) Limited, 2nd Floor, "KENCES" Towers, No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017 as Common Transfer Agent for all aspects of investor service relating to shares in both physical and demat form.

k. Share Transfer System:

The Company's shares are required to be compulsorily traded in the Stock Exchanges in dematerialised form. Shares in physical mode which are lodged for transfer are processed and returned within the stipulated time, if the documents are complete in all respects. Physical shares received for dematerialisation

REPORT ON CORPORATE GOVERNANCE (Contd..)

are processed and completed within the stipulated time if the documents are complete in all respects. Bad deliveries are promptly returned to Depository Participants (DP's) under advice to shareholders. The Company obtains from M/s. S. Krishnamurthy & Co., Company Secretaries, Chennai the following certificates, a) Pursuant to clause 47(c) of the listing agreement with the stock exchanges, on half-yearly basis, for due compliance of share transfer formalities by the Company through RTA. b) Pursuant to SEBI (Depositories and Participants) Regulations, 1996, on quarterly basis, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) with the total issued / paid up capital of the Company.

I. Shareholding pattern as on 31st March 2010:

Shares held by	No. of holders	No. of shares	% to Total Paid-up capital
Promoters & Associates	24	32,243,465	35.83
Foreign Collaborator			
- DENSO Corporation, Japan	1	11,250,000	12.50
Non-Resident Indians	262	877,530	0.98
Foreign Institutional Investors	1	86,536	0.10
Banks / Indian Financial Institutions	4	147,225	0.16
Insurance Companies	2	314,716	0.35
Bodies Corporate	848	7,825,140	8.69
Mutual Funds	1	2,250	—
Public	28,644	37,253,138	41.39
Total	29,787	90,000,000	100.00

m. Distribution of Shareholding as on 31st March 2010:

Shareholding (Range)	No. of holders	No. of shares	% to Total Paid-up capital
Upto 500	20,007	4,209,399	4.68
501 to 1000	3,847	3,289,102	3.65
1001 to 2000	2,454	3,839,652	4.27
2001 to 3000	1,129	2,895,599	3.22
3001 to 4000	457	1,637,642	1.82
4001 to 5000	525	2,443,434	2.71
5001 to 10000	730	5,432,118	6.04
10001 and above	638	66,253,054	73.61
Total	29,787	90,000,000	100.00

n. Dematerialisation of shares and liquidity as on 31st March 2010:

Shares of the Company can be held and traded in Electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialised form.

Particulars	No. of holders	No. of shares	% to Total Paid-up capital
i) National Securities Depository Ltd (NSDL)	21,186	42,539,097	47.26
ii) Central Depository Services Ltd (CDSL)	6,874	7,520,399	8.36
Demat form (i + ii)	28,060	50,059,496	55.62
iii) Physical form	1,727	39,940,504	44.38
Total	29,787	90,000,000	100.00

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

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o. As on 31st March 2010, there are no Outstanding GDRs / ADRs / Warrants or any Convertible Instruments.

p. Address for correspondence

Registrar & Transfer Agents

M/s. Integrated Enterprises (India) Limited,
2nd Floor, "KENCES" Towers,
No.1, Ramakrishna Street, North Usman Road,
T. Nagar, Chennai - 600 017.
Phone : +91 44 28140801-03
Fax : +91 44 28142479
Email : corpseiv@iepindia.com

Company

Secretarial Department,
Pricol Limited,
702/7, Avanashi Road,
Coimbatore - 641 037, India.
Phone : +91 422 4336238 / 6272
Fax : +91 422 4336299
E-mail : cs@pricol.co.in

q. Website address : www.pricol.com

r. Name of the Compliance officer : Mr. T.G. Thamizhanban, Company Secretary

Coimbatore
28th May 2010

For and on behalf of the Board
Vijay Mohan
Chairman & Managing Director

CODE OF CONDUCT

The Company has laid down a code of conduct for all Board Members and senior management personnel. The code of conduct is available on the website of the Company www.pricol.com. The declaration of the Chairman and Managing Director is given below:

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 2010.

Coimbatore
28th May 2010

Vijay Mohan
Chairman & Managing Director

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 31st March 2010, 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 to the 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
28th May 2010

For Suri & Co.,
Chartered Accountants
ICAI Regn. No.004283S
C.S. Sathyanarayanan
Partner
Membership No.028328