

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.

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.

2. Board of Directors:

The Board of Directors consists of 12 directors.

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.G. Varadarajulu (Chairman) upto 25th June 2004	Non-Executive - Promoter	1	✓	8	2	5	2	—
Mr. L. Lakshman	Non-Executive - Independent	2	—	10	—	—	3	4
Mr. E.K. Parthasarathy	Non-Executive - Independent	3	—	—	2	—	—	—
Mr. Suresh Jagannathan	Non-Executive - Independent	4	—	3	2	—	1	—
Mr. C.R. Swaminathan	Non-Executive - Independent	4	—	3	1	—	2	—
Mr. K.N.V. Ramani	Non-Executive - Independent	4	✓	3	—	—	3	1
Mr. D. Sarath Chandran	Non-Executive - Promoter	4	—	9	—	1	3	—
Mr. Takeshige Tabuchi	Non-Executive - Independent	1	—	—	—	2	—	—
Mr. Haruo Ishida (Alternate Director to Mr. Takeshige Tabuchi)	Non-Executive - Independent	1	—	2	1	—	—	—
Mr. C.N. Srivatsan	Non-Executive - Independent	3	—	3	3	—	2	—
Mr. T.K. Balaji from 22nd May 2004	Non-Executive - Independent	2	—	11	4	—	4	3
Mr. V. Ramakrishnan from 22nd May 2004	Non-Executive - Independent	4	—	—	—	1	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	4	✓	3	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	4	✓	7	1	—	3	1

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

Number of Board meetings held	Four
Dates on which held	22nd May 2004, 14th August 2004, 1st November 2004 and 9th February 2005.

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

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

Mr. C.R. Swaminathan, BSc. (Agri), MBA, aged 57 years, is presently the Chief Executive of PSG Industrial Institute, Coimbatore, who has put in over 35 years of service in PSG Institutions. He is a Director of the Company since 25th December 1990. He is also a Director on the Board of Gangotri Textiles Limited, Chandra Textiles Limited, Udhaya Semiconductors Limited and Pongalur Pioneer Textiles Pvt. Limited.

He is the President of The Southern India Engineering Manufacturers Association, Association of Jute Entrepreneurs of Southern India, Solar Energy Society of India - Coimbatore Chapter, Tamilnadu Private Professional Colleges Association - Health Sciences and The Coimbatore Club. He is the Chairman of Confederation of Indian Industry (SR) SME Sub-Committee. He is the Vice President of The Indian Chamber of Commerce and Industry, Coimbatore, Coimbatore District Basket Ball Association and Advisory Committee, Kovai Aid for Rehabilitation and Motivation - a Charitable Trust. He is the Regional Council Member of Confederation of Indian Industry, Southern Region, Chennai. He is the Joint Secretary of Indian Council for Child Welfare, Coimbatore District Council and also member of Confederation of Indian Industry - National Council, All India Board of Technician Education, Regional Direct Taxes Advisory Committee, Coimbatore District Juvenile Justice Board, Department of Social Welfare & Nutritious Meal Programme, Government of Tamilnadu and Board of Apprenticeship Training (SR), Government of India, Chennai and New York Academy of Sciences, USA.

Mr. C.N. Srivatsan, B.Com., C.A.,CISA, aged 48 years, is a leading management consultant specialised in Information Systems audit, Operations audit, Business Process Reengineering, Cost Reduction and Cost Control techniques, implementation of IT Governance & MIS and development of Realtime Processing Systems and Web applications. He is a Director of the company since 24th October 2001. He is also a Director on the Board of Astral Management Consultants P Ltd., SKP Cross Border Consulting Pvt Limited, Suguna Poultry Farms Limited, Elgi Tread (India) Limited, and Precot Mills Limited.

Mr. R. Vidhya Shankar, aged 35 years, is a Bachelor of Commerce and Bachelor of Law from Bharathiyar University, Coimbatore. He secured first rank in B.L. Degree Examinations which was a feat achieved for the first time in 14 years of existence of Coimbatore Law College, a record as yet unbroken. He enrolled as an advocate of the Bar Council of India in November 1993. He started his practice under the guidance of his father and Senior Counsel Mr. K.N.V. Ramani.

He is a partner of M/s. Ramani and Shankar, Advocates, a Law firm. His area of specializations are Corporate Laws and allied subjects, Commercial causes, 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. His arguments before Company Law Board, Securities Appellate Tribunal, Debt Recovery Appellate Tribunal etc have been reported in various Legal Journals. He is also a Member of Taxation Committee of Chamber of Commerce and Industry, Coimbatore.

3. Audit Committee:

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

Name of the member	Category	No.of meetings held	Attendance
Mr. K.N.V. Ramani (Chairman)	Independent Non-Executive	4	4
Mr. C.R. Swaminathan	Independent Non-Executive	4	4
Mr. C.N. Srivatsan	Independent Non-Executive	4	4
Mrs. Vanitha Mohan	Executive Promoter	4	4

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b. Brief description of terms of reference.

- Reviewing the internal business process and profitability.
- Reviewing of statutory and regulatory audit in conformity with the requirements of Companies Act and SEBI regulations.

4. Remuneration Committee:

a. Composition, name of members, Chairperson and attendance

Name of the member	Category	No. of meetings held	Attendance
Mr. K.N.V. Ramani (Chairman)	Independent - Non-executive	1	1
Mr. C.R. Swaminathan	Independent - Non-executive	1	1
Mr. C.N. Srivatsan	Independent - Non-executive	1	1

b. Brief description of terms of reference

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

c. Remuneration to Directors:

The Company pays remuneration to Chairman & Managing Director by way of salary and perquisites (fixed components) and one percent 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 2005 are given below:

In Rupees

Name of the Director	Salary	Perquisites & Allowances	Commission	Sitting Fee	Total
Mr. L.G. Varadarajulu (Chairman)	NA	NA	120,000	NA	120,000
Mr. L. Lakshman	NA	NA	80,000	NA	80,000
Mr. E.K. Parthasarathy	NA	NA	120,000	NA	120,000
Mr. Suresh Jagannathan	NA	NA	160,000	NA	160,000
Mr. C.R. Swaminathan	NA	NA	360,000	NA	360,000
Mr. K.N.V. Ramani	NA	NA	440,000	NA	440,000
Mr. D. Sarath Chandran	NA	NA	280,000	NA	280,000
Mr. Takeshige Tabuchi	NA	NA	80,000	NA	80,000
Mr. C.N. Srivatsan	NA	NA	360,000	NA	360,000
Mr. T.K. Balaji	NA	NA	80,000	NA	80,000
Mr. V. Ramakrishnan	NA	NA	160,000	NA	160,000
Mrs. Vanitha Mohan (Executive Director)	NA	NA	880,000	NA	880,000
Mr. Vijay Mohan (Chairman & Managing Director)	840,000	898,617	6,289,001	NA	8,027,618

The Company does not have any Stock option scheme.

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5. Shareholders / Investors Relations Committee:

The committee comprises of Mr. K.N.V. Ramani, Mr. D. Sarath Chandran, Mr. Vijay Mohan, Mrs. Vanitha Mohan, Mr. C.R. Swaminathan and Mr. C.N. Srivatsan. The Chairmanship of the committee is vested with any of the non-executive Director. Mr. V. Srinivasan, Company Secretary, is the Compliance Officer.

During the year, 208 letters were received from the investors regarding change of address, 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.

6. General Body meetings:

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

Year	Location	Date	Time
2002 30th AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	23.08.2002	4.30 p.m.
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.

b. 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
1. Total postal ballot forms received	182	15,40,656
2. Less : Invalid Postal Ballot forms	16	6,189
3. Net valid postal ballot forms	166	15,34,467
4. Postal ballot forms with assent for the Resolution	164	15,34,313 (99.99%)
5. Postal ballot forms with dissent for the Resolution	2	154 (0.01%)

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

7. 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

8. Means of communication.

a. Half yearly report sent to each shareholders residence : No

b. In Which newspapers quarterly results normally published. : The Hindu, Business Line & Dinamani

c. Any website where results or official news are displayed : EDIFAR (Electronic Data Information Filing and Retrieval System)

d. Presentation made to Institutional Investors or to the analysts : Nil

e. Whether Management Discussions & Analysis is part of Annual Report or not : It is a part of Annual Report.

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j. Shareholding pattern as on 31st March 2005

Shares held by	No. of Shares	% to Total Paid-up capital
Promoters & Associates	32,781,750	36.43
Foreign Collaborator - DENSO Corporation, Japan	11,250,000	12.50
Overseas Corporate Bodies	1,936,750	2.15
Non-resident Indians	2,000,256	2.22
Foreign Institution Investor	264,917	0.29
Banks	232,875	0.26
Indian Financial Institutions / Insurance Companies	225,750	0.25
Bodies Corporate	5,645,222	6.27
Mutual Funds	5,446,621	6.05
Public	30,215,859	33.58
Total	90,000,000	100.00

k. Distribution of Shareholding as on 31st March 2005.

Shareholding (Range)	No. of holders	% of Holders	No. of Shares	% of shares
Upto 500	10,305	61.966	2,091,034	2.323
501 to 1000	1,969	11.840	1,628,796	1.810
1001 to 2000	1,597	9.603	2,384,084	2.649
2001 to 3000	910	5.472	2,281,418	2.535
3001 to 4000	319	1.918	1,108,948	1.232
4001 to 5000	369	2.219	1,656,407	1.840
5001 to 10000	593	3.566	4,280,880	4.757
10001 and above	568	3.416	74,568,433	82.854
TOTAL	16,630	100.000	90,000,000	100.000

l. Dematerialisation of shares and liquidity as on 31st March 2005.

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	42,740,934	47.49
b. Central Depository Services (India) Limited	3,481,731	3.87
Total	46,222,665	51.36

The company's shares are regularly traded on The Stock Exchange, Mumbai and the National Stock Exchange.

m. Address for correspondence

Pricol Limited
 Secretarial Department
 P.B.No: 6331, 1087-A, Avanashi Road, Coimbatore - 641 037, India.
 Phone : 0422-5336000, Fax: 0422-5336299. E-mail : city@pricol.co.in

REPORT ON CORPORATE GOVERNANCE (Contd..)

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 31.03.2005, 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 no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Relations Committee.

We further 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
21st May, 2005

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