

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 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 the President & Chief Operating Officer.

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. Suresh Jagannathan	Non-Executive - Independent	4	—	3	2	—	2	—
Mr. C.R. Swaminathan	Non-Executive - Independent	5	—	1	3	—	—	—
Mr. D. Sarath Chandran	Non-Executive - Promoter	6	—	6	—	—	2	—
Mr. Mitsuharu Kato (From 31st July 2008)	Non-Executive - Independent	—	—	—	—	1	—	—
Mr. Yoshihiko Kato (Alternate Director to Mr. Mitsuharu Kato, from 31st July 2008)	Non-Executive - Independent	4	—	—	1	—	—	—
Mr. C.N. Srivatsan	Non-Executive - Independent	6	✓	3	1	—	2	—
Mr. V. Ramakrishnan	Non-Executive - Independent	4	—	—	—	4	—	—
Mr. R. Vidhya Shankar	Non-Executive - Independent	5	—	2	—	—	1	—
Mr. M. Lakshminarayan	Non-Executive - Independent	3	—	3	1	—	2	—
Mr. Vikram Mohan (From 29th May 2009)	Non-Executive - Promoter	—	—	9	1	—	—	—
Mr. K. Udhaya Kumar (President & Chief Operating Officer)	Executive	5	—	1	—	1	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	6	✓	4	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	6	✓	11	1	—	2	—
Mr. Shinji Shirasaki (Upto 31st July 2008)	Non-Executive - Independent	—	—	—	—	3	—	—
Mr. Yuzuru Doi (Alternate Director to Mr. Shinji Shirasaki, upto 31st July 2008)	Non-Executive - Independent	—	—	2	1	—	—	—

REPORT ON CORPORATE GOVERNANCE (Contd..)

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
Dr. Kalyani Gandhi (Upto 28th January 2009)	Non-Executive - Independent	—	—	1	—	—	1	—
Mr. L. Lakshman (Upto 18th April 2009)	Non-Executive - Independent	5	—	11	—	—	5	5

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 the eldest son of Mr. Vijay Mohan and Mrs. Vanitha Mohan. No other directors are relatives to each other.

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

Number of Board meetings held	Six
Dates on which held	29th May 2008, 31st July 2008, 30th October 2008, 28th January 2009, 2nd March 2009 and 27th March 2009.

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

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

Mr. D. Sarath Chandran, 63 years of age, BSc Tech (Hons) (UK), MBA (USA), is a leading Industrialist. He is the Chairman & Managing Director of Precot Meridian Limited. He is also a Director in Super Spinning Mills Limited, Suprem Textiles Processing Limited, Vantex Limited, Multiflora Processing (Coimbatore) Limited and Precot Meridian Energy Limited. He is member of the Shareholders / Investors Relations Committee of the Company. He is also the member of Investor relations committee of Precot Meridian Limited and Super Spinning Mills Limited. He holds 45,000 shares of the Company.

Mr. V. Ramakrishnan, 54 years of age, holds a Bachelor of Engineering (BE) in Mechanical from College of Engineering, Guindy, Chennai, Master of Technology (M Tech) in Mechanical Engineering from IIT, Kanpur, Post Graduate Diploma in Business Management (PGDBM) in Finance and Marketing from Symbiosis Institute of Management, Pune and Diploma holder in Public Speaking. He had training in Sweden and Germany. He is a member of Singapore Institute of Directors, Singapore Institute of Management and Fellow of the Chartered Institute of Marketing, UK. He holds several copyrights in the areas of enterprise performance covering board governance, corporate performance using the balanced scorecard, personal scorecards, risk management, leadership development, brand management and work flow definition. He is a faculty on the management development program at the prestigious Lee Kuan Yew School of Public Policy. He is a Director in Organisation Development Pte. Ltd., Singapore, Governance Dashboard Pte. Ltd., Singapore, Change Partnership Singapore Pte. Ltd., Singapore and Board Performance Pte. Ltd., Singapore. He does not hold any shares of the Company.

Mr. Mitsuharu Kato, 62 years of age, Graduate, Tokyo Institute of Technology, is a nominee Director of Denso Corporation, Japan. He is the Senior Managing Director of Denso Corporation, Japan. He does not hold any shares of the Company.

Mr. Vikram Mohan, 34 years of age, holds a Bachelor Degree in Production Engineering with Honours from PSG College of Technology, Coimbatore, is an Industrialist. He is a promoter director and actively involved in the operations of Pricol Properties Limited, Pricol Packaging Limited, Pricol Travel Limited, Vascon Pricol Infrastructures Limited, M and M Enterprises (India) Limited, Priara Enterprises Limited, Prime Agri Solutions (India) Limited and Carcerano Pricoltech (India) Private Limited. He is an alternate director in English Tools and Castings Limited and Synoro Technologies Limited. His areas of specialisation are Finance, Human Resources and Business Strategy. He holds 3,363,960 shares of the Company.

REPORT ON CORPORATE GOVERNANCE (Contd..)

3. Audit Committee:

a. Composition, name of members & chairperson, meetings and attendance during the year:

Name of the member	Category	Attendance
Mr. C.R. Swaminathan (Chairman from 24th October 2008)	Non-Executive - Independent	4
Mr. C.N. Srivatsan (Chairman upto 24th October 2008)	Non-Executive - Independent	4
Mr. R. Vidhya Shankar	Non-Executive - Independent	4
Mrs. Vanitha Mohan	Executive - Promoter	4

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

Number of Audit Committee meetings held	Four
Dates on which held	27th May 2008, 26th July 2008, 24th October 2008 and 23rd January 2009.

c. 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, SEBI regulations and Listing Agreement, in terms of Clause 49.

4. Remuneration Committee:

a. Composition, name of members & chairperson, meetings and attendance during the year:

Name of the member	Category	Attendance
Mr. C.N. Srivatsan (Chairman)	Non-Executive - Independent	1
Mr. C.R. Swaminathan	Non-Executive - Independent	1
Mr. R. Vidhya Shankar	Non-Executive - Independent	1

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

Number of Remuneration Committee meetings held	One
Date on which held	27th May 2008

c. 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.

d. Remuneration to Directors:

Mr. Vijay Mohan was appointed as Chairman & Managing Director for a period of 5 years (1st April, 2005 to 31st March, 2010). He receives remuneration by way of salary and perquisites (Fixed Component), 1.50% commission on Net profit (Variable Component) and contribution to Provident Fund, Superannuation Fund or Annuity Fund as applicable to other employees. Gratuity payable shall not exceed 15 days salary for each completed year of service, as approved by the shareholders of the Company. In case of no profit or inadequacy of profit, the remuneration payable to Mr. Vijay Mohan, shall not exceed the limit specified in Sec.II of Part II of Schedule XIII to the Companies Act, 1956.

Mrs. Vanitha Mohan was appointed as Executive Director for a period of 5 years (1st April, 2007 to 31st March, 2012). She receives remuneration by way of Salary (Fixed Component), 0.75% Commission on Net Profit (Variable Component) and contribution to Provident Fund, Superannuation Fund or Annuity

REPORT ON CORPORATE GOVERNANCE (Contd..)

Fund as applicable to other employees. Gratuity payable shall not exceed 15 days salary for each completed year of service, as approved by the shareholders of the Company. In case of no profit or inadequacy of profit, the remuneration payable to Mrs. Vanitha Mohan, shall not exceed the limit specified in Sec.II of Part II of Schedule XIII to the Companies Act, 1956.

Mr. K. Udhaya Kumar was appointed as President & Chief Operating Officer for a period of 5 years (1st June, 2008 to 31st May, 2013). He receives remuneration by way of Salary & Perquisites (Fixed Component), 0.50% commission on Net Profit (Variable Component) and contribution to Provident Fund, Superannuation Fund or Annuity Fund as applicable to other employees. Gratuity payable shall not exceed 15 days salary for each completed year of service, as approved by the shareholders of the Company. In case of no profit or inadequacy of profit, the remuneration payable to Mr. K. Udhaya Kumar, shall not exceed the limit specified in Sec.II of Part II of Schedule XIII to the Companies Act, 1956.

It has been decided in the 35th Annual General Meeting to pay commission to Non-Whole time Directors 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.

- e. **Details of remuneration paid / payable to all directors during the year ended 31st March 2009 are given below :**

Rs. Million			
Name of the Director	Salary & Perquisites	Commission	Total
Mr. Suresh Jagannathan	NA	Nil	Nil
Mr. C.R. Swaminathan	NA	Nil	Nil
Mr. D. Sarath Chandran	NA	Nil	Nil
Mr. C.N. Srivatsan	NA	Nil	Nil
Mr. V. Ramakrishnan	NA	Nil	Nil
Mr. R. Vidhya Shankar	NA	Nil	Nil
Mr. M. Lakshminarayan	NA	Nil	Nil
Mr. Mitsuharu Kato	NA	Nil	Nil
Mr. Shinji Shirasaki	NA	Nil	Nil
Dr. Kalyani Gandhi	NA	Nil	Nil
Mr. L. Lakshman	NA	Nil	Nil
Mr. K. Udhaya Kumar (President & Chief Operating Officer)	2.295	Nil	2.295
Mrs. Vanitha Mohan (Executive Director)	0.870	Nil	0.870
Mr. Vijay Mohan (Chairman & Managing Director)	2.824	Nil	2.824

Due to inadequacy of profit for 2008-09, 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 was paid. The said amount is within the limit specified in Sec.II of Part II of Schedule XIII to the Companies Act, 1956.

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, Mr. C.R. Swaminathan holds 1,995 shares and Mr. Vikram Mohan holds 3,363,960 shares.

There has been no materially relevant pecuniary transaction or relationship between the company and its Non-executive Directors during the year.

5. Shareholders / Investors Relations Committee:

The committee comprises of Mr. D. Sarath Chandran, Mr. Vijay Mohan, Mrs. Vanitha Mohan, Mr. C.R. Swaminathan, Mr. C.N. Srivatsan and Mr. R. Vidhya Shankar. During the year, 4 meetings were held. Mr. D. Sarath Chandran, Non-Executive Director chaired the committee meetings. Mr. T.G. Thamizhanban, Company Secretary, is the Compliance Officer.

REPORT ON CORPORATE GOVERNANCE (Contd..)

During the year, 32 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.

6. General Body meetings:

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

Year	Location	Date	Time
2006 34th AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	4th August 2006	4.30 p.m.
2007 35th AGM	Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 37	3rd August 2007	4.30 p.m.
2008 36th AGM	Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 37	8th August 2008	4.30 p.m.

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

Year	Details of Special Resolution
2006 - 34th AGM	Nil
2007 - 35th AGM	Commission payable to Non-whole time Directors of the Company.
2008 - 36th AGM	Nil

- c. Whether special resolutions were put through postal ballot last year? If yes, details of voting pattern : No.
- d. Person who conducted the postal ballot exercise : Not Applicable.
- e. Whether any special resolution is proposed to be conducted through postal ballot : No.
- f. Procedure for postal ballot : Not applicable.

7. Disclosures:

- a. Sundry Debtors include a sum of Rs.503.742 million due from a related party, being a company in which 75% of the shareholding is being held by the Chairman and Managing Director of Pricol Limited and he is a Director of the said Company. The transactions were by way of purchase by the said Company. The Company had resorted to purchase by cash and also settling outstandings, but the pace at which the receivables were reducing was not satisfactory.

The Audit Committee, noting the high amount of receivables, reported to the Board and the Board constituted a Sub Committee of Independent Directors to review the dues and the payment plan submitted by the said Company. The Sub Committee tabled a detailed report, which was discussed by the Board at their meeting on 27th March 2009 and the Board proposed a payment schedule with a revolving Bank Guarantee to ensure payment and this has been accepted by the said company. The Board will closely monitor the progress in the recovery of the dues.

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

REPORT ON CORPORATE GOVERNANCE (Contd..)

- e. 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.

The Company has not complied with any other non-mandatory requirement.

8. Means of communication:

- a. In which newspapers quarterly results are normally published. : The Hindu, Business Line, The New Indian Express & Dinamani.
- b. Any website where results or official news are displayed : www.sebiedifar.nic.in, www.nseindia.com, www.bseindia.com & www.pricol.com
- c. Presentation made to Institutional Investors or to the analysts : Nil.
- d. Whether Management Discussion & Analysis is part of Annual Report or not : It is a part of Annual Report.

9. General Shareholder information:

- a. AGM : Date : 7th August 2009.
: Time : 4.30 p.m.
: Venue : Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037.
- b. Financial Year : 1st April 2008 to 31st March 2009.
- c. Date of Book Closure : 25th July 2009 to 7th August 2009.
- d. Dividend Payment Date : Not applicable.
- e. Listing on Stock Exchanges : National Stock Exchange of India Limited and Bombay Stock Exchange Limited. (Annual listing fees for the year 2008-09 were paid by the company to the above Stock Exchanges).
- f. Stock Code : National Stock Exchange : PRICOL
Bombay Stock Exchange : 526109
- g. International Security Identification Number (ISIN) : INE605A01026
- h. 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-08	24.45	17.10	4266.00	3738.40	24.25	20.00	6965.79	6024.18
May-08	23.40	19.70	4315.95	3917.25	23.50	19.65	7066.27	6427.23
June-08	21.65	17.10	3987.85	3191.45	21.45	17.40	6540.45	5199.65
July-08	20.00	16.00	3607.35	3017.20	19.00	16.15	5783.45	4862.30
August-08	18.00	16.00	3721.30	3370.25	17.50	16.10	5993.16	5424.47
September-08	16.85	12.30	3619.80	2914.60	16.95	12.50	5821.90	4650.37
October-08	14.55	8.00	3119.10	1796.90	14.40	8.00	5006.82	2899.28
November-08	10.20	6.00	2490.35	1955.30	10.00	6.55	3988.60	3097.91
December-08	9.25	6.65	2395.70	1971.35	9.00	6.78	3755.50	3103.47
January-09	9.75	7.05	2456.30	2061.15	9.75	7.40	3885.52	3190.15
February-09	8.30	6.40	2278.00	2059.45	8.20	6.40	3529.88	3155.42
March-09	7.55	5.85	2350.30	1953.30	7.40	5.75	3616.51	2961.26

REPORT ON CORPORATE GOVERNANCE (Contd..)

i. 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 both physical and electronic transfer of company's shares.

j. Share Transfer System:

Certain directors and executives of the company are severally empowered to approve the transfers and dematerialisation. The Company co-ordinates 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.

k. Shareholding pattern as on 31st March 2009:

Shares held by	No. of Shares	% to Total Paid-up capital
Promoters & Associates	32,243,465	35.83
Foreign Collaborator - DENSO Corporation, Japan	11,250,000	12.50
Non-Resident Indians	546,847	0.61
Foreign Institutional Investors	228,117	0.25
Banks / Indian Financial Institutions	147,150	0.16
Insurance Companies	494,716	0.55
Bodies Corporate	5,416,587	6.02
Mutual Funds	7,094,984	7.88
Public	32,578,134	36.20
Total	90,000,000	100.00

l. Distribution of Shareholding as on 31st March 2009:

Shareholding (Range)	No. of holders	% of holders	No. of shares	% of shares
Upto 500	20,634	69.02	4,285,565	4.76
501 to 1000	3,749	12.54	3,159,660	3.51
1001 to 2000	2,342	7.83	3,598,865	4.00
2001 to 3000	1,083	3.62	2,757,656	3.06
3001 to 4000	424	1.42	1,499,320	1.67
4001 to 5000	439	1.47	2,020,868	2.25
5001 to 10000	656	2.20	4,810,333	5.34
10001 and above	567	1.90	67,867,733	75.41
Total	29,894	100.00	90,000,000	100.00

m. Dematerialisation of shares and liquidity as on 31st March 2009:

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.

REPORT ON CORPORATE GOVERNANCE (Contd..)

Extent of Dematerialisation:

Name of the Depository	No. of shares	% to total paid-up capital
a. National Securities Depository Limited	44,325,577	49.25
b. Central Depository Services (India) Limited	5,580,426	6.20
Total	49,906,003	55.45

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

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

o. **Address for correspondence** Pricol Limited,
Secretarial Department,
702/7, Avanashi Road, Coimbatore - 641 037, India.
Phone : 0422-4336238, Fax : 0422-4336299
E-mail : cs@pricol.co.in

Coimbatore
29th May 2009

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

DECLARATION REGARDING COMPLIANCE OF COMPANY'S CODE OF CONDUCT

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 2009.

Coimbatore
29th May 2009

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 on 31st March 2009, 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
29th May 2009

For Suri & Co.,
Chartered Accountants
C.S. Sathyanarayanan
Partner
Membership No.28328