

## 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	5	—	10	—	—	4	5
Mr. E.K. Parthasarathy (Upto 31st October 2006)	Non-Executive - Independent	1	—	—	2	—	—	—
Mr. Suresh Jagannathan	Non-Executive - Independent	4	—	3	2	—	4	—
Mr. C.R. Swaminathan	Non-Executive - Independent	5	—	4	3	—	1	1
Mr. D. Sarath Chandran	Non-Executive - Promoter	5	—	7	—	1	2	—
Mr. Shinji Shirasaki	Non-Executive - Independent	1	—	—	—	3	—	—
Mr. Haruo Ishida (Alternate Director to Mr. Shinji Shirasaki)	Non-Executive - Independent	1	—	2	1	—	—	—
Mr. C.N. Srivatsan	Non-Executive - Independent	5	✓	5	2	—	2	1
Mr. T.K. Balaji (Upto 31st October 2006)	Non-Executive - Independent	—	—	11	4	—	5	2
Mr. V. Ramakrishnan	Non-Executive	5	—	—	—	3	—	—
Mr. R. Vidhya Shankar	Non-Executive - Independent	5	—	—	—	—	—	—
Dr. Kalyani Gandhi (From 27th January 2007)	Non-Executive - Independent	1	—	1	—	—	1	—
Mr. M. Lakshminarayan (From 29th May 2007)	Non-Executive - Independent	—	—	1	1	—	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	5	✓	5	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	5	✓	10	1	—	2	—

## REPORT ON CORPORATE GOVERNANCE (Contd..)

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

Number of Board meetings held	Five
Dates on which held	27th May 2006, 24th July 2006, 31st October 2006, 27th January 2007 and 28th March 2007.

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. Shinji Shirasaki**, 54 years of age, is a Bachelor of Engineering (BE). He is a nominee director of Denso Corporation, Japan. He is also a Director on the Boards of Tianjin Denso Electronics Co.Ltd, China, Philippine Auto Components Inc., Philippines and Techma Co., Ltd, Japan

**Mr. V. Ramakrishnan**, 51 years of age, is 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 an Executive Committee Member of the MME group of the Singapore Confederation of Industries (SCI), Chairman of Programs Committee, Member IT and Technology Committee. He is a member of Singapore Institute of Directors and Singapore Institute of Management and Fellow of the Chartered Institute of Marketing, UK and Founder & Exco Member of the Marketing Council of Asia. He is a Director in Organisation Development Pte Ltd., Singapore, Governance Dashboard Pte.Ltd., Singapore and Board Performance Pte.Ltd., Singapore.

**Mr. R. Vidhya Shankar**, 37 years of age, is a Bachelor of Commerce and Bachelor of Law from Bharathiyar University, Coimbatore. He is a partner of M/s. Ramani and Shankar, Advocates, a Law firm. His area of specializations are Corporate Laws and allied subjects, FEMA, Structured and Equity Financing, 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. He also holds membership in the Audit Committee and Shareholders / Investors Relations Committee of the Company.

**Dr. Kalyani Gandhi**, 58 years of age, is a Graduate (Honours) in Psychology from Ruparel College, Mumbai. She obtained her M.A. in Industrial Psychology from Gujarat University. She did her M.Ed in Educational Psychology and Ed.D. in Labour Studies from Rutgers University, State University of New Jersey, USA. She is a director of Bilcare Limited. She is a Professor of Human Resources Management in the area of Organisation Behaviour, Personnel Management & Industrial Relations and Chairperson, NS Raghavan Centre for Entrepreneurial Learning at Indian Institute of Management Bangalore (IIMB). She is also a member of the National HRD Network and National Institute of Personnel Management. She was awarded an Honorary Fellowship from Oxford Brookes University, UK, in 2005, for her innovative and pioneering work on training and empowering poor women through entrepreneurship. She was awarded the George J. Feaster Rutgers Labour Alumni Association Memorial Award for the Best Student of 1977 academic year.

**Mr. M. Lakshminarayan**, 61 years of age, holds a Masters degree in Technology from the Indian Institute of Technology, Mumbai. He is a Joint Managing Director incharge of Manufacturing apart from Investments and Quality at Motor Industries Company Limited (MICO). He is also a director in MICO Trading Private Limited. He is deeply connected with the activities of CII and past Chairman, CII Southern Region. He is a member of the core group set up by the Government to advise on the State Industrial Policy 2006 – 2011. He is also the Executive council member of the Indian Machine Tool Manufacturers' Association (IMTMA) and Fellow Member in the Governing Body of The Indian Institution of Production Engineers.

**Mrs. Vanitha Mohan**, 54 years of age, is the Executive Director of the Company since 1st June 1999. She is a commerce graduate with a post graduate diploma in Business Management from the University of Strathclyde,

## REPORT ON CORPORATE GOVERNANCE (Contd..)

Glasgow, UK. She is also a director in Pricol Travel Limited, Synoro Technologies Limited, Pricol Property Development Limited, Tamil Nadu Corporation for Development of Women Limited, Prime Agri Solutions (India) Limited, Sagittarius Investments Private Limited and Shrimay Enterprises Private Limited. She also holds membership in the Audit Committee and Shareholders / Investors Relations Committee of the Company.

She heads the Human Resource Development, Internal Audit functions and Corporate Social Responsibilities of the Company. She is the Managing Trustee of Siruthuli, a social organization formed by the leading Corporates of Coimbatore. She holds the office of Vice-President - Civic and Public Affairs of the Indian Chamber of Commerce & Industry, Coimbatore and Vice-President of the Residents Awareness Association of Coimbatore (RAAC).

### 3. Audit Committee:

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

Name of the member	Category	Attendance
Mr. C.N. Srivatsan (Chairman)	Non-Executive - Independent	4
Mr. C.R. Swaminathan	Non-Executive - Independent	3
Mr. R. Vidhya Shankar	Non-Executive - Independent	4
Mrs. Vanitha Mohan	Executive - Promoter	4

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

Number of Audit Committee meetings held	Four
Dates on which held	8th May 2006, 20th July 2006, 25th October 2006 and 18th January 2007.

#### 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. C.N. Srivatsan, Mr. C.R. Swaminathan and Mr. R. Vidhya Shankar. All members are Independent Non-Executive Directors. During year 2006-07, 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.

#### 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.

## REPORT ON CORPORATE GOVERNANCE (Contd..)

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 2007 are given below :

Rs. Million

Name of the Director	Salary & Perquisites	Commission	Total
Mr. L. Lakshman	NA	0.200	0.200
Mr. E.K. Parthasarathy	NA	0.040	0.040
Mr. Suresh Jagannathan	NA	0.160	0.160
Mr. C.R. Swaminathan	NA	0.330	0.330
Mr. D. Sarath Chandran	NA	0.230	0.230
Mr. Shinji Shirasaki	NA	0.080	0.080
Mr. C.N. Srivatsan	NA	0.360	0.360
Mr. T.K. Balaji	NA	—	—
Mr. V. Ramakrishnan	NA	0.200	0.200
Mr. R. Vidhya Shankar	NA	0.360	0.360
Dr. Kalyani Gandhi	NA	0.040	0.040
Mrs. Vanitha Mohan (Executive Director)	NA	0.490	0.490
Mr. Vijay Mohan (Chairman & Managing Director)	2.713	7.847	10.560

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. Mr. D. Sarath Chandran is the Chairman of the committee. Mr. T.G. Thamizhanban, Company Secretary, is the Compliance Officer.

During the year, 47 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
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.
2006 34th AGM	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 18	04.08.2006	4.30 p.m.

## REPORT ON CORPORATE GOVERNANCE (Contd..)

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

Year	Details of Special Resolution
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
2006 34th AGM	Nil

c. Whether special resolutions were put through postal ballot last year? If yes, details of voting pattern : Yes. Details are provided hereunder.

Particulars	Resolution No.1			Resolution No.2		
	Insertion of a new clause III (c) (8) in the "other objects" clause of the Memorandum of Association of the Company			To carry on the activities mentioned in the clause III (c) (8) of the Memorandum of Association of the Company		
	No. of postal ballot forms	No. of shares / votes	% of total paid-up equity capital	No. of postal ballot forms	No. of shares / votes	% of total paid-up equity capital
a. Total postal ballot forms received	1,905	45,758,079	50.84%	1,905	45,758,159	50.84%
b. Less : Invalid Postal Ballot forms	318	605,622	0.67%	443	816,202	0.91%
c. Net valid postal ballot forms	1,587	45,152,457	50.17%	1,462	44,941,957	49.93%
d. Postal ballot forms with assent for the Resolution	1,563	45,131,005	*99.95%	1,433	44,914,965	*99.94%
e. Postal ballot forms with dissent for the Resolution	24	21,452	*0.05%	29	26,992	*0.06%

\* % to total valid votes.

d. Person who conducted the postal ballot exercise : Mr. V. Srinivasan, 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 person 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 are 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 : 3rd August 2007  
 AGM : Time : 4.30 p.m.  
 AGM : Venue : Nani Kalai Arangam,  
 Mani Higher Secondary School,  
 Pappanaickenpalayam, Coimbatore - 641 037.
- b. Financial Year : 1st April 2006 to 31st March 2007
- c. Date of Book closure : 20th July 2007 to 3rd August 2007
- d. Dividend payment date : 4th August 2007
- 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. 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-06	43.75	38.50	3071.45	2826.80	44.90	38.55	4836.21	4413.61
May-06	48.90	31.50	3223.15	2538.20	48.00	32.50	5069.58	3873.67
June-06	40.85	25.55	2680.20	2137.80	40.80	29.80	4232.52	3360.85
July-06	34.75	30.55	2623.20	2547.80	34.80	30.00	4130.70	3684.70
August-06	42.00	31.65	2842.10	2538.20	42.00	32.25	4475.36	3986.79
September-06	41.40	33.90	2994.20	2137.80	41.45	36.20	4748.85	4365.30
October-06	40.95	36.40	3145.20	2943.25	40.50	36.30	5005.57	4666.50
November-06	42.90	36.20	3301.30	3113.55	43.00	36.10	5262.34	4958.71
December-06	42.00	35.10	3354.40	3026.85	41.90	34.80	5354.58	5016.21
January-07	43.50	35.90	3443.60	3209.00	43.50	37.00	5510.76	5132.87
February-07	41.10	35.00	3505.55	3059.35	41.20	35.00	5616.67	4878.86
March-07	37.40	32.15	3193.95	2931.00	36.90	32.25	5046.53	4656.90

#### i. 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..)

### j. 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.

### k. Shareholding pattern as on 31st March 2007

Shares held by	No. of Shares	% to Total Paid-up capital
Promoters & Associates	32,237,871	35.82
Foreign Collaborator - DENSO Corporation, Japan	11,250,000	12.50
Non-Resident Indians	458,090	0.51
Foreign Institution Investor	277,271	0.31
Banks	259,400	0.29
Indian Financial Institutions / Insurance Companies	494,716	0.55
Bodies Corporate	5,173,600	5.75
Mutual Funds	10,677,262	11.86
Public	29,171,790	32.41
<b>Total</b>	<b>90,000,000</b>	<b>100.00</b>

### l. Distribution of Shareholding as on 31st March 2007.

Shareholding (Range)	No. of holders	% of Holders	No. of Shares	% of shares
Upto 500	19,463	70.53	3,953,452	4.39
501 to 1000	3,172	11.50	2,679,559	2.98
1001 to 2000	2,021	7.33	3,126,312	3.47
2001 to 3000	983	3.56	2,482,473	2.76
3001 to 4000	365	1.32	1,286,384	1.43
4001 to 5000	426	1.54	1,961,219	2.18
5001 to 10000	606	2.20	4,425,178	4.92
10001 and above	558	2.02	70,085,423	77.87
<b>Total</b>	<b>27,594</b>	<b>100.00</b>	<b>90,000,000</b>	<b>100.00</b>

### m. Dematerialisation of shares and liquidity as on 31st March 2007.

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	No. of Shares	% to total paid-up capital
a. National Securities Depository Limited	46,260,882	51.40
b. Central Depository Services (India) Limited	3,056,617	3.40
<b>Total</b>	<b>49,317,499</b>	<b>54.80</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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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 : 0422-4336000, Fax: 0422-4336299  
E-mail : [thamizhanban@pricol.co.in](mailto:thamizhanban@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 31.03.2007, 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  
29th May 2007

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 2007.

Coimbatore  
29th May 2007

**Vijay Mohan**  
Chairman & Managing Director

## TEN YEARS PERFORMANCE AT A GLANCE

Rupees Million

### OPERATING RESULTS

Year ended 31st March	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net Sales & Service Charges										
— Domestic	1,198.26	1,223.27	1,791.05	2,258.87	2,273.91	2,635.61	3,295.05	3,891.32	4,217.01	4,809.48
— Export	167.64	188.98	221.96	274.94	187.22	348.38	409.24	598.36	599.87	1,024.35
Total Net Sales	1,365.90	1,412.25	2,013.01	2,533.81	2,461.13	2,983.99	3,704.29	4,489.68	4,816.88	5,833.83
Gross Surplus from Operation	286.72	256.29	400.19	466.23	430.00	542.71	785.61	890.31	778.13	956.09
Other Income	11.96	19.03	12.71	32.02	6.74	8.24	11.91	19.45	29.30	28.44
Depreciation (a)	84.16	103.61	128.42	151.83	171.97	188.83	205.47	218.90	256.60	295.92
Interest & Finance Charges (b)	55.34	72.24	96.81	120.71	134.77	105.13	80.02	68.33	121.87	180.48
Profit Before Tax (PBT) (c)	159.18	99.47	187.67	225.71	130.00	256.99	512.03	622.53	428.96	508.13
Tax Provision incl.										
Deferred Tax	48.00	35.02	50.00	63.00	39.50	105.00	176.00	210.00	125.87	146.00
Profit After Tax (PAT) (d)	111.18	64.45	137.67	162.71	90.50	151.99	336.03	412.53	303.09	362.13
Dividend (including Tax) (e)	23.06	19.98	26.64	26.45	21.00	40.61	60.92	102.62	102.62	105.30
Retained Profit	88.12	44.47	111.03	136.26	69.50	111.38	275.11	309.91	200.47	256.83
As at 31st March	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007

### SOURCES OF FUNDS

Share Capital	60.00	60.00	60.00	60.00	60.00	60.00	60.00	90.00	90.00	90.00
Reserves & Surplus	646.37	690.83	801.87	938.13	924.94	899.20	918.96	1,163.81	1,394.06	1,650.89
Networth (f)	706.37	750.83	861.87	998.13	984.94	959.20	978.96	1,253.81	1,484.06	1,740.89
Deferred Tax Liability	—	—	—	—	87.19	110.19	103.19	93.19	87.19	67.19
Borrowed Funds (g)	478.91	670.52	822.66	1,156.93	1,128.70	1,194.32	1,152.34	1,558.71	2,334.16	3,159.39
Total capital employed (h)	1,185.28	1,421.35	1,684.53	2,155.06	2,200.83	2,263.71	2,234.49	2,905.71	3,905.41	4,967.47

### APPLICATION OF FUNDS

Gross Fixed Assets	992.50	1,273.51	1,512.73	1,747.17	1,977.80	2,250.45	2,538.82	3,130.38	3,505.33	4,186.60
Depreciation	343.32	446.88	568.35	688.79	860.11	1,044.06	1,241.42	1,326.63	1,502.76	1,794.99
Net Fixed Assets	649.18	826.63	944.38	1,058.38	1,117.69	1,206.39	1,297.40	1,803.75	2,002.57	2,391.61
Investments	76.10	76.10	126.10	125.50	126.69	80.15	76.50	49.83	277.74	243.74
Net Current Assets	460.00	518.62	614.05	971.18	956.45	977.17	860.59	1,052.13	1,625.10	2,332.12
Net Assets Employed	1,185.28	1,421.35	1,684.53	2,155.06	2,200.83	2,263.71	2,234.49	2,905.71	3,905.41	4,967.47

### PERFORMANCE INDICATORS

Equity shares (Nos. in Mn) (i)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	@90.00	90.00	90.00
Earnings per share (EPS) (Rs.) (d/i)	18.53	10.74	22.95	27.12	15.08	25.33	56.01	#4.58	3.37	4.02
Dividend per share (Rs.)	3.50	3.00	4.00	4.00	3.50	6.00	9.00	1.00	1.00	1.00
Networth per share (NWPS) (Rs.) (f/i)	117.73	125.14	143.65	166.35	164.16	159.87	163.16	#13.93	16.49	19.34
Return on Average Networth (RONW) (%) *	18.35	8.85	17.07	17.50	9.13	15.64	34.68	36.95	22.14	22.46
Return on Average Capital Employed (ROCE) (%) **	20.19	13.18	18.32	18.04	12.16	16.22	26.32	26.88	16.17	15.52
Total Debt to Networth (g/f)	0.68	0.89	0.95	1.16	1.15	1.25	1.18	1.24	1.57	1.81
Interest Coverage Ratio (a+b+c)/b	5.40	3.81	4.27	4.13	3.24	5.24	9.97	13.32	6.63	5.46

@ Increase in the Equity shares is on account of Bonus issue in the ratio 1:2 and splitting of the equity shares from the face value of Rs.10/- per share to Re.1/- per share on 15th July 2004.

# Earnings per Share and Networth Per Share have been calculated on the enhanced Equity Capital on account of the Bonus Issue and enhanced number of Equity Shares due to Stock Split.

\* RONW =  $\frac{PAT}{\{(Previous\ Year\ Networth + Current\ Year\ Networth) / 2\}} \times 100$

\*\* ROCE =  $\frac{(PBT + Interest)}{\{(Previous\ Year\ Capital\ Employed + Current\ Year\ Capital\ Employed) / 2\}} \times 100$

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Pricol Limited, Coimbatore, as at 31<sup>st</sup> March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies' (Auditor's Report) Order, 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5) On the basis of the written representation received from the Directors, as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a Director in terms of

Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

- 6) In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2007;
  - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Suri & Co  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner

Coimbatore  
29th May 2007

Membership No. 28328

### Annexure to Auditor's Report

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of business. The frequency of verification is reasonable and discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
- c) There is no disposal of substantial part of Fixed Assets during the year.
- 2) a) The inventories have been physically verified by the management during the year at reasonable intervals, except materials lying with third parties where confirmations have been obtained.
- b) The procedures of physical verification of the inventories followed by the management are