

## 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 the highest level of transparency in its dealings.

### 2. Board of Directors :

#### a. Composition of the Board :

As on 31st March 2011, the Company's Board comprised of 13 Directors. The Board consists of 3 (23%) Executive Directors and 10 (77%) Non - Executive 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	3	—	3	2	—	2	—
Mr. C. R. Swaminathan	Non-Executive - Independent	5	3	1	3	—	—	—
Mr. D. Sarath Chandran	Non-Executive - Promoter	1	—	6	—	—	2	—
Mr. Mitsuhiro Masegi	Non-Executive - Independent	—	—	—	—	5	—	—
Mr. Yasushi Nei (Alternate director to Mr.Mitsuhiro Masegi From 27th October 2010)	Non-Executive - Independent	3	—	1	1	—	—	—
Mr. V. Ramakrishnan	Non-executive - Independent	5	3	—	—	4	—	—
Mr. R. Vidhya Shankar	Non-Executive - Independent	4	—	1	—	—	1	—
Mr. Vikram Mohan	Non-Executive - Promoter	5	3	8	1	—	—	—
Mr. G. Soundararajan	Non-Executive - Independent	3	—	—	5	2	—	—
Mr. K. Murali Mohan	Non-Executive - Independent	5	3	1	—	—	—	—
Mr. K. Udhaya Kumar (President & Chief Operating Officer)	Executive	4	—	1	—	1	—	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	5	3	3	2	—	—	—
Mr. Vijay Mohan (Chairman & Managing Director)	Executive - Promoter	5	3	9	1	—	1	—
Mr. Yoshihiro Kato (Alternate director to Mr.Mitsuhiro Masegi Upto 27th October 2010)	Non-Executive - Independent	2	—	—	1	—	—	—
Mr. M. Lakshminarayan (Upto 29th April 2011)	Non-Executive - Independent	3	3	3	1	—	2	—

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 a 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 related to each other.

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

### 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 in planning their schedules to participate in the meetings.

During the year 2010-11, the board met 5 times on 28th May 2010, 24th July 2010, 27th October 2010, 25th January 2011 and 30th March 2011 and the gap between two meetings did not exceed four months.

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

**Mr. Suresh Jagannathan**, 54 years of age, B.S. - Management Science, is a leading Industrialist and Managing Director of KLRF Limited. He is also a director in Elgi Rubber Company Limited, Precot Meridian Limited, Cape Flour Mills Private Limited and Chempaka General Finance Private Limited. He is a member of the Audit Committee of Elgi Rubber Company Limited and Investors Grievance Committee of KLRF Limited. He holds 26,985 shares of the Company.

**Mr. C.R. Swaminathan**, 63 years of age, B.Sc. (Agri), MBA, is presently the Chief Executive of PSG Institutions, Coimbatore who has put in over 41 year of service in PSG Institutions. He is also a director on the Board of Udhaya Semiconductors Limited, Chandra Textiles Private Limited, Pongalur Pioneer Textiles Private Limited, K. Sivasubramaniam Spinners Private Limited. He is a member of the Audit Committee and Remuneration Committee of Pricol Limited.

He is the Chairman of Sub- Committee on Education & Employability in Confederation of Indian Industry – Southern Region. He is the Past Chairman of Confederation of Indian Industry - Southern Region. He is the President of Residents Awareness Association of Coimbatore, COINDIA, Coimbatore Industrial Infrastructure Association. Vice President - Esslingen Coimbatore Association. He is the Past President of IMTMA, 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 Governing Council Member 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 Joint Secretary of Indian Council for Child Welfare, Coimbatore District Council, All India Board of Technician Education, Regional Director Taxes Advisory Committee, Coimbatore District Juvenile Justice Board, Department of Social Welfare & Nutritious Meal programme, Government of Tamilnadu and Director - Board of Apprenticeship Training (SR), Government of India, Chennai. Member - Infrastructure Committee - Indian Institute of Foundrymen, Curriculum Statement Development Committee - University of Madras, Syndicate Member - Tamilnadu Open University. He holds 1,995 shares of the Company.

**Mr. D. Sarath Chandran**, 65 years of age, BSC Tech (Hons) (UK), MBA (USA) is a leading Industrialist. He is the Chairman of Precot Meridian Limited. He is also a Director in Super Spinning Mills Limited, Supreme Textile Processing Limited, Vantex Limited, Multiflora Processing (Coimbatore) Limited and Precot Meridian Energy Limited. He is well known in the Textile industry and is the Chairman of South Indian Textile Research Association (SITRA). He is member of the Share holders / 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. K. Murali Mohan**, 63 years of age, Bachelor of Engineering (Electrical) from PSG College of Technology and a Fellow Chartered Accountant (FCA). He is practicing as a Chartered Accountant since 1973. He is engaged in Statutory Audit, Internal Audit, Tax representation, management & company law consultancy, compliance with FEMA requirements and other allied activities. He is a visiting faculty of PSG College of Technology and Director in M/s. SKDC Consultants Limited, Coimbatore. He does not hold any shares of the Company.

### 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.

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

### Composition, Name of Members & Chairman, Meetings held and Members present during the year 2010-11 :

Name of the Member	Category	Date of Meeting / Members present			
		25th May 2010	20th July 2010	23rd October 2010	24th January 2011
Mr. C.R. Swaminathan(Chairman)	Non-Executive - Independent	3	3	3	3
Mr. K. Murali Mohan	Non-Executive - Independent	3	3	3	3
Mr. R. Vidhya Shankar	Non-Executive - Independent	3	3	3	3
Mrs. Vanitha Mohan	Executive - Promoter	—	3	—	3

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 and when 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 Executive 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 and 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. No Remuneration Committee meeting was held during the year 2010-11.

##### c. Remuneration to Directors :

The remuneration payable to Executive Directors is determined by the Board on the recommendation of the Remuneration Committee with the approval of the shareholders at the Annual General Meeting. The Company pays remuneration by way of salary, perquisites and benefits (fixed component) and commission (variable component) to its Executive Directors.

The Shareholders have approved remuneration to Non - Executive 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 Executive Directors for the year 2010-2011 : ₹ 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	3.030	1.075	4.105
Mrs. Vanitha Mohan	Executive Director	1st April 2007 to 31st March 2012	1.028	0.537	1.565
Mr. K. Udhaya Kumar	President & Chief Operating Officer	1st June 2008 to 31st May 2013	3.018	0.358	3.376

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

The remuneration payable to the Non - Executive Directors for the year 2010-11 and the shares held by them are given below :

Name of the Director	Commission (₹ Million)	No. of Shares held on 31st March 2011
Mr. Suresh Jagannathan	0.033	26,985
Mr. C. R. Swaminathan	0.099	1,995
Mr. D. Sarath Chandran	0.021	45,000
Mr. V. Ramakrishnan	0.077	—
Mr. R. Vidhya Shankar	0.098	—
Mr. M. Lakshminarayan	0.066	—
Mr. Yasushi Nei	0.033	—
Mr. Yoshihiko Kato	0.022	—
Mr. Vikram Mohan	0.088	3,363,960
Mr. G. Soundararajan	0.055	—
Mr. K. Murali Mohan	0.099	—

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive and independent 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 and Mr. R. Vidhya Shankar.

The Committee approves issue of new / duplicate share certificates. The Committee oversee and review 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 26th May 2010, 17th July 2010, 25th October 2010 and 17th January 2011. Mr. D. Sarath Chandran, Non-Executive Director chaired the meetings. Mr. T.G. Thamizhanban, Company Secretary is the Compliance Officer.

During the year, 20 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 :

Year	Date & Time	Special Resolution	Location
2008 - 36th AGM	8th August 2008 4.30 p.m	NIL	Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037.
2009 - 37th AGM	7th August 2009 4.30 p.m	NIL	
2010 - 38th AGM	23rd July 2010 4.30 p.m.	NIL	

- | No Extraordinary General Meeting was held during the year 2010-11.
- | 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 any special resolution.

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

### 7. Disclosures :

- a. Sundry Debtors include a sum of ₹ 369.977 million due from a company, which is a related party, in respect of transaction by way of purchases by the said Company. In terms of payment schedule approved by the Board, the said Company has been making payments. During the year 2010-11, all sales to the said Company were only for cash. The Board continues to monitor the recovery of dues.
- b. 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.35 to notes forming part of accounts in accordance with the provision of Accounting Standard 18.
- c. 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.
- d. The Company does not have any Whistle Blower Policy. However, no person has been denied access to the Audit Committee of the Company.
- e. The Company has complied with all the mandatory requirements of corporate governance norms as enumerated in clause 49 of the listing agreement with the stock exchanges.
- f. The Company has complied the following non-mandatory requirements :
  - 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.
- g. The Company has not complied with any other non-mandatory requirement.
- h. SEBI vide its circular no. CIR/CFD/DIL/10/2010 dated 16th December 2010 amended Clause 5A of the listing agreement prescribing a uniform procedure for dealing with physical unclaimed shares pursuant to public issue or any other issue. Accordingly, the company has sent the first reminder to the concerned shareholders on 12th May 2011 by post.

### 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](http://www.pricol.com) and in the websites: [www.corpfiling.co.in](http://www.corpfiling.co.in), [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://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.

### 9. General Shareholder information :

- a. Annual General Meeting
  - Date : 19th August 2011.
  - Time : 4.30 p.m.
  - Venue : Nani Palkhivala Auditorium,  
Mani Higher Secondary School,  
Pappanaickenpalayam,  
Coimbatore - 641 037.
- b. Financial Year : 1st April 2010 to 31st March 2011.
- c. Date of Book Closure : 13th August 2011 to 19th August 2011.
- d. Dividend Payment Date : 20th August 2011.
- 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

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

### h. Listing and Custodial Fee :

Annual Listing Fees for the year 2011-12 were paid to National Stock Exchange of India Limited and Bombay Stock Exchange Limited. Custodial Fees to Depositories for the year 2011-12 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 (₹)		CNX-500 (Points)		Price (₹)		BSE-500 (Points)	
	High	Low	High	Low	High	Low	High	Low
April-10	31.75	24.15	4446.35	4261.65	31.80	24.35	7140.21	6863.81
May-10	37.00	26.20	4360.45	3986.95	32.65	24.30	7028.13	6396.74
June-10	32.65	27.10	4432.45	4136.95	32.70	27.30	7119.58	6634.30
July-10	33.80	27.10	4554.90	4372.40	33.95	27.20	7321.41	7009.83
August-10	31.80	27.05	4665.10	4497.80	31.90	27.10	7514.63	7227.39
September-10	32.20	27.80	4987.60	4559.90	32.00	27.70	8064.87	7322.52
October-10	31.00	25.55	5159.95	4915.10	31.00	25.55	8344.12	7950.12
November-10	29.90	21.20	5212.15	4588.90	28.00	22.00	8434.05	7411.68
December-10	26.35	22.00	4947.50	4600.70	25.95	21.75	7975.22	7421.12
January-11	24.90	16.00	4988.25	4342.80	24.70	16.00	8038.74	6999.44
February-11	18.35	15.50	4483.50	4128.25	18.25	15.50	7222.02	6647.92
March-11	18.50	15.10	4647.60	4273.90	18.50	15.85	7471.35	6888.55

### 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 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:

- i) 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.
- ii) 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 (India) Limited (CDSL) with the total issued / paid-up capital of the Company.

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

### I. Shareholding pattern as on 31st March 2011 :

Shares held by	No. of holders	No. of shares	% to Total Paid-up Capital
Promoters & Associates	23	32,093,946	35.66
Foreign Collaborator - DENSO Corporation, Japan	1	11,250,000	12.50
Non-Resident Indians	258	998,114	1.11
Foreign Institutional Investor	1	26,701	0.03
Banks / Indian Financial Institutions	2	142,875	0.16
Insurance Companies	1	268,966	0.30
Bodies Corporate	705	5,039,222	5.60
Mutual Funds	3	3,222,588	3.58
Public	29,686	36,957,588	41.06
<b>Total</b>	<b>30,680</b>	<b>90,000,000</b>	<b>100.00</b>

### m. Distribution of Shareholding as on 31st March 2011 :

Shareholding (Range)	No. of holders	No. of shares	% to Total Paid-up Capital
Upto 500	21,021	4,372,196	4.86
501 to 1000	3,926	3,344,205	3.72
1001 to 2000	2,411	3,739,857	4.16
2001 to 3000	1,083	2,771,622	3.08
3001 to 4000	442	1,591,331	1.77
4001 to 5000	486	2,247,383	2.50
5001 to 10000	716	5,255,540	5.83
10001 and above	595	66,677,866	74.08
<b>Total</b>	<b>30,680</b>	<b>90,000,000</b>	<b>100.00</b>

### n. Dematerialisation of shares and liquidity as on 31st March 2011 :

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	% of No of holders	No. of shares	% of Total Paid-up Capital
i) National Securities Depository Ltd (NSDL)	20,931	68.22	42,329,760	47.03
ii) Central Depository Services (India) Ltd (CDSL)	8,094	26.39	7,992,561	8.88
<b>Demat form (i + ii)</b>	<b>29,025</b>	<b>94.61</b>	<b>50,322,321</b>	<b>55.91</b>
iii) Physical form	1,655	5.39	39,677,679	44.09
<b>Total</b>	<b>30,680</b>	<b>100.00</b>	<b>90,000,000</b>	<b>100.00</b>

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

### o. As on 31st March 2011, there are no Outstanding GDRs / ADRs / Warrants or any Convertible Instruments.

## REPORT ON CORPORATE GOVERNANCE (Contd.,)

p. **Address for correspondence**

**Registrar & Transfer Agents**

Integrated Enterprises (India) Limited,  
2nd Floor, "KENCES" Towers,  
No.1, Ramakrishna Street, North Usman Road,  
T. Nagar, Chennai - 600 017, India.  
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  
Email : cs@pricol.co.in

q. **Website address**

: www.pricol.com

r. **Name of the Compliance Officer**

: Mr. T. G. Thamizhanban, Company Secretary

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

Coimbatore  
30th May 2011

### 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 2011.

Coimbatore  
30th May 2011

**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 2011, 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.

For Haribhakti & Co  
Chartered Accountants  
Firm Regn. No.103523W  
**C.S.Sathyarayanan**  
Partner  
Membership No. 028328

Coimbatore  
30th May 2011