

## REPORT ON CORPORATE GOVERNANCE

1) **A brief statement on Company's philosophy on code of governance:**

The Mission statement of the Company includes creation of wealth for all its stakeholders and the Company firmly believes that only good Corporate Governance will generate value on a sustained basis to all its stakeholders. Corporate Governance primarily concerns transparency, full disclosure of material facts, independence of Board and fair play with all stakeholders. The Company will endeavour to constantly comply with and to continuously improve on these aspects with an overall view to earn the trust and respect of the Members, lenders and other stakeholders.

2) **Board of Directors :**

Composition and category of directors:

The Board of Directors comprises **fourteen** members, consisting of nine Non- executive Directors, **three** Promoter Directors, **one** Executive Director and **one** Nominee Director. Non-executive Directors account for 64% of the Board's Strength as against minimum requirement of 50% as per the listing agreement. The Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance, law & public enterprises.

(i) Attendance of each director at the Board of Directors Meetings and the last Annual General Meeting :

Sr. No.	Name of Director & Designation	Board Meetings held during 2003-04		Annual General Meeting on Dt. 06-08-2003
		Total	Attended	
1.	Mr. Arvind Narottam Lalbhai (Chairman)	7	6	Present
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	7	7	Present
3.	Mr. Nusli N Wadia (Director)	7	-	
4.	Mr. R A Shah (Director)	7	5	
5.	Mr. G S Patel (Director)	7	5	Present
6.	Dr. S S Bajjal (Director)	7	6	Present
7.	Mr. Manu R Shroff (Director)	7	6	Present
8.	Mr. Bansi S Mehta (Director)	7	7	
9.	Mr. Hasmukh S Shah (Director)	7	5	Present
10.	Dr. H. Kaiwar (Director)	7	7	Present
11.	Mrs. Shalini S Shah (Nominee Director of ICICI Bank Limited - Upto 31.07.2003)	2	1	
12.	Mr. J L Shah (Executive Director)	7	7	Present
13.	Mr. Samveg A Lalbhai (Managing Director)	7	6	Present
14.	Mr. M K Tandon (Nominee Director of Unit Trust of India)	7	7	
15.	Mr. S M Datta (Director)	7	7	Present

(ii) Number of other Board of Directors or Board Committees he is a member or Chairperson of :

Sr. No.	Name of the Directors	Category	No. of other Directorships held	No. of membership/ chairmanship on the Committee(s) of the Board
1.	Mr. Arvind Narottam Lalbhai (Chairman)	Promoter	8	1/-
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	Promoter	3	5/-
3.	Mr. Nusli N Wadia (Director)	Non Executive/ Independent	15	3/2
4.	Mr. R A Shah (Director)	Non Executive/ Independent	15	6/4
5.	Mr. G S Patel (Director)	Non Executive/ Independent	NIL	1/1
6.	Dr. S S Bajjal (Director)	Non Executive/ Independent	7	4/5
7.	Mr. Manu R Shroff (Director)	Non Executive/ Independent	3	3/2
8.	Mr. Bansi S Mehta (Director)	Non Executive/ Independent	14	5/5
9.	Mr. Hasmukh S Shah (Director)	Non Executive/ Independent	10	3/2
10.	Dr. H. Kaiwar (Director)	Non Executive/ Independent	2	1/-
11.	Mr. J L Shah ( Executive Director)	Executive	3	1/1
12.	Mr. Samveg A Lalbhai ( Managing Director)	Promoter	11	-/1
13.	Mr. M K Tandon (Nominee Director of Unit Trust of India)	Nominee	4	1/1
14.	Mr. S M Datta (Director)	Non Executive/ Independent	12	5/5

(iii) Number of Board of Directors meetings held, dates on which held:

Seven Meetings of the Board of Directors were held on (1) 26.05.03 (2) 28.07.03 (3) 26.09.03 (4) 29.10.03 (5) 15.12.03 (6) 27.01.04 and (7) 26.03.04.

3) Audit Committee :

A) Brief description of terms of reference

- i) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ii) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

- iii) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
  - a) Any changes in accounting policies and practices.
  - b) Major accounting entries based on exercise of judgement by the management.
  - c) Qualifications in draft audit report.
  - d) Significant adjustments arising out of audit.
  - e) The going concern assumption.
  - f) Compliance with accounting standards.
  - g) Compliance with stock exchange and legal requirements concerning financial statements.
  - h) Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the company at large.
- (iv) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (v) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (vi) Discussions with internal auditors on any significant findings and follow up thereon.
- (vii) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (viii) Discussions with external auditors before the audit commences regarding nature and scope of the audit as well as to have post-audit discussion to ascertain any area of concern.
- (ix) Reviewing the company's financial and risk management policies.
- (x) To look into the reasons for substantial defaults, if any in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- (xi) To discuss with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board.
- (xii) To ensure compliance of internal control systems.

B) Composition, name of members and Chairperson:

Chair person- Dr. S S Bajjal, other members: Mr. Manu R Shroff, Mr. Bansi S Mehta and Mrs. Shalini S Shah(Upto 31-7-03).

All the members of the Audit Committee are Non- executive Directors.

C) Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Audit Committee Meetings	
		Total	Attended
1.	Dr. S S Bajjal (Director)	6	5
2.	Mr. Manu R Shroff (Director)	6	5
3.	Mr. Bansi S Mehta (Director)	6	6
4.	Mrs. Shalini S Shah (Nominee Director of ICICI Bank Limited-Upto 31-07-03)	2	1

The Board of Directors notes the Minutes of the Audit Committee Meetings at first following Board Meetings.

#### 4) Remuneration Committee :

(i) Brief description of terms of reference, Composition, name of members and Chairperson, Attendance during the year, Remuneration policy:

(A) The Remuneration Committee shall determine on behalf of the Board and on behalf of the shareholders policy of the Company on specific remuneration packages for executive directors including pension rights and any compensation payment. The Committee shall also determine the remuneration packages of the executive directors.

(B) Composition, name of members and Chairperson:

Chair person- Mr. Hasmukh S Shah, other members: Mr. G S Patel and Dr. S S Bajjal. All the members of the Remuneration Committee are Non- executive Directors

(C) Meetings and attendance during the year : No meeting held during the year.

(D) Remuneration Policy : The Remuneration Committee determines the remuneration of Executive Directors based on individual performance, qualifications and experience, Company performance, Comparable Industry practices etc.

(ii) Details of remuneration to all the directors, as per format in main report:

Sr. No.	Name of the Directors	Remuneration for 2003-2004			
		Sitting fees Rs.	Salary & perks Rs.	Commission Rs.	Total Rs.
1.	Mr. Arvind Narottam Lalbhai (Chairman)	30,000/-	--	68,117/-	98,117/-
2..	Mr. Sunil S Lalbhai (Managing Director & CEO)	-	30,50,983/-	-	30,50,983/-
3.	Mr. Nusli N Wadia (Director)	NIL	--	68,117/-	68,117/-

4.	Mr. R A Shah (Director)	27,000/-	--	68,117/-	95,117/-
5.	Mr. G S Patel (Director)	28,000/-	--	68,117/-	96,117/-
6.	Dr. S S Baijal (Director)	57,000/-	--	68,117/-	1,25,117/-
7.	Mr. Manu R Shroff (Director)	55,000/-	--	68,117/-	1,23,117/-
8.	Mr. Bansi S Mehta (Director)	67,000/-	--	68,117/-	1,35,117/-
9.	Mr. Hasmukh S Shah (Director)	25,000/-	--	68,117/-	93,117/-
10.	Dr. H. Kaiwar (Director)	39,000/-	--	68,117/-	1,07,117/-
11.	Mrs. Shalini S Shah (Nominee Director of ICICI Bank Limited)	10,000/-		22,713/-	32,713/-
12.	Mr. J L Shah (Director)	-	22,48,752/-	-	22,48,752/-
13.	Mr. Samveg A Lalbhai (Managing Director)	-	22,54,306/-	-	22,54,306
14.	Mr. M K Tandon (Nominee Director of Unit Trust of India)	35,000/-	--	68,117/-	1,03,117/-
15.	Mr. S M Datta (Director)	35,000/-	--	68,117/-	1,03,117/-

5) **Disinvestment Committee** :

Brief description of terms of reference, Composition, name of members and Chairperson, Attendance during the year :

- (A) The Disinvestment Committee shall review Investments of the Company. The Committee shall also decide on whether to hold the current Investments or to sell the same at a prevailing good market price.
- (B) Composition, name of members and Chairperson:  
Chair person- Mr. R A Shah, other members: Mr. Bansi S Mehta, Dr. S S Baijal and Mr. Sunil S Lalbhai.
- (C) Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Disinvestment Committee Meetings	
		Total	Attended
1.	Mr R A Shah ( Director)	1	1
2.	Mr. Bansi S Mehta (Director)	1	1
3.	Dr. S S Baijal (Director)	1	1
4	Mr Sunil S Lalbhai ( Managing Director & CEO)	1	1

- (D) Disinvestment Policy: The Disinvestment Committee reviews the existing investments of the Company based on market information, company performance, comparable industry performance and future prospects of the companies.

**6) Share transfer and Shareholder / Investor grievance Committee :**

- i) Name of non-executive director heading the committee: Mr. G S Patel  
 ii) Name of members: Mr. G S Patel, Mr. Sunil S Lalbhai, and Dr. H Kaiwar  
 iii) Name and designation of compliance officer: Mr. T R Gopi Kannan, President, Finance & Company Secretary.  
 iv) Meetings and attendance during the year :

Sr. No.	Name of Director & Designation	Share transfer and Shareholder / Investor grievance Committee Meetings	
		Total	Attended
1.	Mr. G S Patel (Director)	4	3
2.	Mr. Sunil S Lalbhai (Managing Director & CEO)	4	4
3.	Dr. H. Kaiwar (Director)	4	4

- v) Number of shareholder complaints received so far : 12  
 vi) Number not solved to the satisfaction of shareholders : NIL  
 vii) Number of pending share transfers : NIL

**7) General Body Meetings :**

- i) Location and time, where last three AGMs held:

Financial Year	Location	Date	Time
2000-2001	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 8, 2001	11.00 a.m.
2001-2002	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 7, 2002	11.00 a.m.
2002-2003	Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.	August 6, 2003	11.00 a.m.

Special resolution moved at the last AGM was passed by show of hands by requisite majority of members attending the meeting.

- ii) Whether special resolutions were put through postal ballot exercise, details of voting pattern, person who conducted the postal ballot exercise : No postal ballot had to be conducted.  
 iii) Are proposed to be conducted through postal ballot : Not Applicable  
 iv) Procedure for postal ballot : Not applicable.

**8) Disclosures :**

- i) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large : NIL

- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : NIL

**9) Means of communication :**

Half-yearly report sent to each household of shareholders.	No
Quarterly and half-yearly results.	Financial results of the Company are sent to the Stock Exchanges immediately after the Board approves. Published in The Economic Times, Ahmedabad Edition and The Jai Hind (Gujarati), Ahmedabad Edition. The results are published in accordance with the guidelines of Stock Exchanges.
Any website, where displayed	On the web-site of the Company : <a href="http://www.atul.co.in">www.atul.co.in</a> On the web-site of SEBI: <a href="http://www.sebiedifar.nic.in">www.sebiedifar.nic.in</a>
Whether it also displays official news releases	No – proposed to start this.
The presentations made to institutional investors or to the analysts	No – proposed to start this.
Whether MD&A is a part of annual report or not	Yes.

**10) General Shareholder information :**

**i) Annual General Meeting :**

- Date and time: 27<sup>th</sup> Annual General Meeting, Date : August 06, 2004 at 11.00 a.m.
  - Venue: Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad.
- As required under Clause 49VI(A), particulars of Directors seeking reappointment are given in the Notice of the Annual General Meeting to be held on August 06, 2004.

ii) **Financial Calendar** : April 1 to March 31.

iii) **Date of Book closure** : July 01, 2004 to July 05, 2004

iv) **Dividend Payment Date** : August 11, 2004

v) **Listing on Stock Exchanges**: Ahmedabad, Mumbai and National Stock Exchange.

The Company has paid listing fees for the financial year 2004-05 to all the Stock Exchanges where securities are listed. The ISIN No. of the Company's Share is **INE100A01010**

vi) Stock Code : Ahmedabad – 06240, Mumbai –500027

vii) Market Price Data : High, Low during each month in last financial year.

viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.

Month	Share Price of Atul Limited		BSE Sensex	
	High(Rs)	Low (Rs)	High	Low
April, 2003	32.50	28.05	3215.24	2924.03
May, 2003	43.50	30.60	3180.75	2942.78
June, 2003	57.30	39.00	3607.13	3181.97
July, 2003	64.15	47.00	3792.61	3554.13
August, 2003	51.00	42.00	4244.73	3741.66
September, 2003	49.85	40.60	4453.24	4134.15
October, 2003	49.60	37.65	4930.53	4455.08
November, 2003	57.20	36.65	5097.84	4771.23
December, 2003	73.50	52.10	5838.96	5131.54
January, 2004	69.75	43.60	6194.11	5593.74
February, 2004	50.55	37.25	6035.80	5567.12
March, 2004	40.00	31.05	5935.19	5365.40

ix) Registrar and Transfer Agents : For physical and Demat shares : Pinnacle Share Registry Private Ltd.  
Near Ashoka Mills, Naroda Road, Ahmedabad – 380 022.

x) Share Transfer System :

- Securities lodged for transfer at the Registrar's address are processed within 30 days from the date of lodgement, if the documents are clear in all respects. All requests for dematerialisation of securities are processed and the confirmation is given to the depositories within 21 days. The Company also offers transfer-cum-demat facility for the convenience of the investors.
- Pursuant to clause 45(c) and 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis have been issued by a Company Secretary in Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialisation of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

xi) Distribution of shareholding as on March 31, 2004.

Sr. No.	Category	No. of shares	Percentage of shareholding
1.	Promoters	1,06,03,181	35.747
2.	Mutual Funds & Administrator of the Specified Undertaking of Unit Trust of India	20,38,004	6.871
3.	Banks, Financial Institutions, Insurance Companies etc.	48,88,301	16.480
4.	Foreign Institutional Investors (FIIS)	11,300	0.038
5.	Private Corporate Bodies	36,30,417	12.239
6.	NRIs / OCBs	58,874	0.199
7.	State Government	-	-
8.	Indian Public	84,31,656	28.426
	<b>TOTAL :</b>	<b>2,96,61,733</b>	<b>100.000</b>

xii) Dematerialization of shares and liquidity: Electronic holding by Members comprising 89.12% of the paid up Equity Share Capital of the Company held through the National Securities Depository Limited (84.77%) and Central Depository Services (India) Limited (4.35%) and 10.88% are in physical form as on 31.3.2004.

Shareholders holding shares in electronic form may please note that :

- i) Instructions regarding bank details which they wish to incorporate in future dividend warrants must be submitted to their Depository Participants (DP). As per the regulations of NSDL and CDSL, the Company is obliged to print bank details on the dividend warrants, as furnished by these depositories to the Company.
- ii) Instructions already given by the shareholders for shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form.
- iii) Instructions regarding change of address, nomination and power of attorney should be given directly to the DP.

xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity : Nil.

xiv) Plant Locations: (1) Atul, Dist. Valsad, Gujarat and (2) Ankleshwar, Dist. Bharuch, Gujarat.

xv) Address for correspondence: Secretarial & Legal Department, P.O.: Atul-396020,  
Dist.Valsad, Gujarat. E-mail : [sec@atul.co.in](mailto:sec@atul.co.in)

## TO THE MEMBERS

We have examined the compliance of the conditions of Corporate Governance by Atul Limited for the year ended 31<sup>st</sup> March, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with 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, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that there were no investor grievances remaining unattended / pending for a period exceeding one month, against the Company as per the records maintained by the Company.

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.

For and on behalf of Dalal & Shah,  
Chartered Accountants

Mumbai  
May 21, 2004

B R SHAH  
Partner  
Membership No. 5806