

## Annexure 3 to Directors' Report

### CORPORATE GOVERNANCE REPORT

#### Company's philosophy on code of Governance

1. Rajshree Sugars believes that good corporate governance is essential to achieve long term corporate goals and enhance shareholders' value. The company is committed to produce sugar and value added by products of good quality and strive for continuous improvement in all spheres of its activities to create value that can be sustained over a long term for all its shareholders, employees, customers, government and lenders. Rajshree Sugars endeavours to ensure that high standards of ethical conduct are met throughout the organization.

#### 2. Board of Directors

As on the date of this report, the Board of Directors of the Company is comprised of

- 1 Promoter Executive Director	Ms. Rajshree Pathy
- 1 Non promoter Executive Director	Mr. R. Varadarajan
- 2 Non-Independent Non-Executive Directors	Mr.Raja M.J.Abdeen Dr. P. Surulinarayanasami
- 4 Independent Non-Executive Directors	Mr. G.R.Karthikeyan Mr. Mydur Anand Mr. R.C.H.Reddy Mr. G.S.V.Subba Rao

Attendance of Directors at Board meetings and Annual General meeting during the year 2006-07.

<u>Name of Director</u>	<u>No. of Board Meetings attended</u>	<u>Last AGM Attended</u>	<u>Membership in Board of Other companies</u>	<u>Membership in Committee of Other companies</u>	<u>sitting fees paid (Rs.)</u>
Ms.Rajshree Pathy	5	yes	14	1	---
Mr.R.Varadarajan	6	yes	2	1	---
G.R.Karthikeyan	5	yes	2	--	90,000/-
Dr.P. Surulinarayanasami	1	No	1	--	10,000/-
Mr.Raja M.J.Abdeen	6	yes	13	--	1,20,000/-
Mr.Mydur Anand	3	No	2	--	70,000/-
Mr.R.C.H.Reddy	4	yes	5	2	40,000/-
Mr.G.S.V.Subba Rao	4	No	--	--	70,000/-

6 Board meetings were held during the year on 3<sup>rd</sup> April 2006, 3<sup>rd</sup> May 2006, 8<sup>th</sup> June 2006, 27<sup>th</sup> July 2006, 30<sup>th</sup> October 2006, and 25<sup>th</sup> January 2007.

### 3. Audit Committee

The Audit Committee constituted by the Board of Directors consists of the following Directors as members.

Mr.G.S.V.Subba Rao	(Chairman)	Non-Executive and Independent Director
Mr.Mydur Anand	(Member)	Non-Executive and Independent Director
Mr.G.R.Karthikeyan	(Member)	Non-Executive and Independent Director
Mr.R.C.H.Reddy*	(Member)	Non-Executive and Independent Director
Mr.Raja M.J.Abdeen	(Member)	Non-Executive and Non-Independent Director

The broad terms of reference are as follows:

- Review of company's financial reporting process and its financial statements
- Review of accounting and financial policies and practices
- Review of internal control systems
- Review of risk management policies and practices

During the year 2006-07, the audit committee meetings were held on 3.5.2006, 8.6.2006, 27.7.2006, 30.10.2006 and 25.01.2007. Members' attendance at the meetings were as follows:

Name of the Member	No. of meetings attended
Mr.G.S.V.Subba Rao	3
Mr.Mydur Anand	3
Mr.G.R. Karthikeyan	4
Mr.Raja M.J.Abdeen	5
Mr.R.C.H.Reddy*	--

**\*Mr.R.C.H.Reddy was appointed as a Member with effect from 25.01.2007**

### 4. Remuneration Committee

The Remuneration Committee constituted by the Board of Directors to approve remuneration to the Directors consists of the following Directors as members.

Mr.G.R.Karthikeyan	(Chairman)	Non-Executive and Independent Director
Mr.Mydur Anand	(Member)	Non-Executive and Independent Director
Mr.R.C.H.Reddy	(Member)	Non-Executive and Independent Director
Mr.Raja M.J.Abdeen	(Member)	Non-Executive and Non-Independent Director

During the year, one meeting of the Remuneration Committee was held on 3.4.2006 in which Mr.Mydur Anand and Mr.Raja M.J.Abdeen participated.

The remuneration policy of the Company is to remunerate the Wholetime Directors commensurate with the operational and financial performance of the Company and the performance of the individuals.

The remuneration paid to wholetime Directors for the year 2006-2007 are as follows (in Rs.):

Managerial remuneration:	<b>Rajshree Pathy</b>	<b>R.Varadarajan</b>
Salary	24,00,000	20,40,000
Commission	1,18,32,404	--
Perquisites	30,960	7,80,242
<b>Total</b>	<b>1,42,63,364</b>	<b>28,20,242</b>

There are no pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

Since no remuneration is paid to Non-Executive Directors other than the sitting fee, there is no criteria of making payments to non-executive Directors.

The number of shares held by the non-executive Directors are as follows

	No. of shares
Dr.P.Surulinarayanasami	11,29,200
Mr.Raja M.J.Abdeen	8,10,000
Mr.G.R.Karthikeyan	1,040
Mr.Mydur Anand	300
Mr.R.C.H.Reddy	832
Mr.G.S.V.Subba Rao	None

## 5. Shareholders / Investors Grievance Committee

The Shareholders / Investors Grievance Committee is headed by Mr.Raja M.J.Abdeen Non-Executive Director. Mr.P.K.Viswanathan, Chief Financial Officer & Company Secretary is the compliance officer. During the year 2006-07, 65 complaints were received and 65 complaints were solved to the satisfaction of the shareholders. As of 31<sup>st</sup> March 2007, there are no complaints/queries pending reply. An exclusive email ID for addressing shareholders grievances, viz., [investor@rajshreesugars.com](mailto:investor@rajshreesugars.com) has been created.

## 6. General Body meetings

Location and time for the last three Annual General Meetings

<u>Year</u>	<u>AGM</u>	<u>Location</u>	<u>Date</u>	Time	No. of spl Resolutions passed
2003-04	AGM	Conference Hall, Indian Chamber of Commerce & Industry, Coimbatore.	13.09.2004	3.00 PM	--
2004-05	AGM	-- as above--	30.09.2005	3.00 PM	1
	EGM	--as above--	08.06.2006	11.00 A.M	1
2005-06	AGM	--as above--	06.09.2006	3.00 PM	--

No special resolutions were put through postal ballot last year and nor is there any proposal for this year.

## 7. Disclosures

There are no materially significant transactions with related parties viz. promoters, directors or the management, their subsidiaries or relatives conflicting with company's interests.

No penalty or strictures have been imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

The Company does not have a Whistle Blower Policy. No personnel has been denied access to the Audit Committee.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing agreement. Constitution of Remuneration Committee as per the Non-mandatory requirement has been complied with.

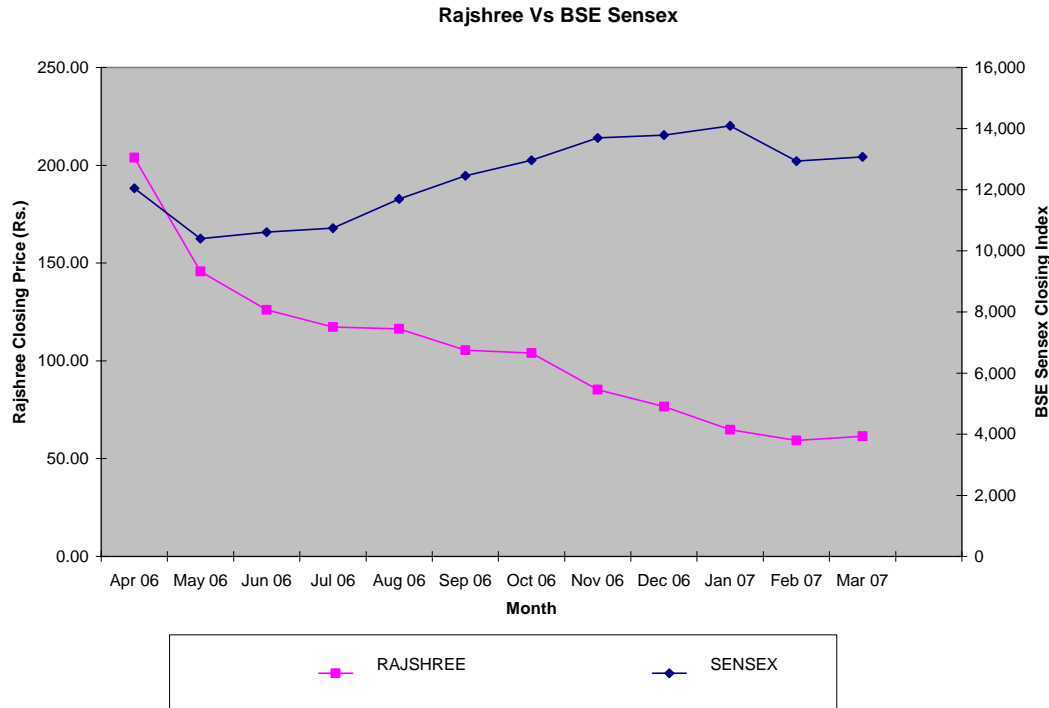
## 8. Means of Communication

The company is publishing quarterly unaudited financial results and notice advertisements in The Hindu-Business Line and Dinamani (vernacular language) regularly. The company has posted the quarterly/annual results in the Company's Website [www.rajshreesugars.com](http://www.rajshreesugars.com). Official news are also displayed on the Website. The company is also displaying audited financial results, quarterly unaudited financial results, report on corporate governance and shareholding pattern etc. on the SEBI EDIFAR website.

## 9. General shareholder information

i. AGM – Date, time and venue	10 <sup>th</sup> September 2007 at 3.00 P.M Conference Hall, Indian Chamber of Commerce and Industry, Avanashi Road, Coimbatore – 641 018.		
ii. Financial calendar 2007-08			
First quarterly results	Before end of July 2007		
Second quarterly results	Before end of October 2007		
Third quarterly results	Before end of January 2007		
Audited yearly results	Before end of June 2008		
iii. Book Closure Date	3.9.2007 to 10.9. 2007		
iv. Dividend payment date	On or after 15.9. 2007		
v. Listing on Stock Exchange	Bombay Stock Exchange National Stock Exchange of India Limited		
vi. Stock Code			
The Stock Exchange, Mumbai	500354		
National Stock Exchange Ltd.	RAJSREESUG		
vii. Market Price Data – High/Low during each month of the Financial Year 2006-07 (Bombay Stock Exchange)	<u>Month</u>	<u>High (Rs.)</u>	<u>Low (Rs.)</u>
	April	224.30	174.30
	May	211.50	140.10
	June	152.75	90.05
	July	128.40	95.80
	August	143.90	113.50
	September	121.65	96.10
	October	111.75	99.20
	November	108.70	82.00
	December	94.00	75.50
	January	86.65	64.20
	February	68.85	55.00
	March	63.40	51.25

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



ix. Registrars and Share Transfer Agents (for physical & demat shares)	M/s SKDC Consultants Limited No.7, Seth Narayandas Layout Street No.1 Tatabad P.O. Coimbatore 641 012.
x. Share transfer system	Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects by the Committee which meets every week.

xi. Distribution of shareholding as on 31.3.2007

No. of equity shares held	No. of Folios	No. of shares held	% of shareholding
Upto 5000	31319	7631682	33.63
5001 to 10000	118	881842	3.89
10001 to 20000	29	425523	1.88
20001 to 30000	11	276335	1.22
30001 to 40000	9	320615	1.41
40001 to 50000	3	133318	0.59
50001 to 100000	6	506583	2.23
100001 and above	20	12515802	55.15
<b>Total</b>	<b>31515</b>	<b>22691700</b>	<b>100.00</b>

xii. Shareholding pattern as on 31.3.2007

Category	No. of Folios	No. of shares held	% of share-holding
Promoters	9	7433237	32.76
Directors and their relatives	8	1943372	8.57
Mutual funds and UTI	17	1787486	7.88
Banks, Financial institutions and insurance companies	5	2330	0.00
Private corporate bodies	682	2252790	9.93
Indian public	30641	8619157	37.98
NRIs and OCBs	153	653328	2.88
<b>GDRs</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>31515</b>	<b>22691700</b>	<b>100.00</b>

xiii. Dematerialisation of shareholding and liquidity	82.01% of total equity share capital is held in dematerialized form with NSDL and CDSL.
xiv. Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity	NIL
xv. Plant locations	<p><u>Unit I – Sugar, Cogen &amp; Distillery</u></p> <p>Varadaraj Nagar PO, PIN 625 562. Periakulam Taluk, Theni District</p> <p><u>Unit II - Sugar &amp; Cogen</u></p> <p>Mundiampakkam PO PIN 605 601. Villupuram Taluk &amp; District</p> <p>Unit III – Sugar &amp; Cogen (under implementation) Semmedu village Gingee Taluk, Villupuram Dt.</p>
xvi. Address for correspondence	<p>“The Uffizi”, 338 Avanashi Road Peelamedu, Coimbatore 641 004. Email Id: <a href="mailto:investor@rajshreesugars.com">investor@rajshreesugars.com</a> <a href="mailto:rscl@rajshreesugars.com">rscl@rajshreesugars.com</a></p>

Declaration under clause 49 of Listing Agreement by the Managing Director

The Shareholders,  
I, Rajshree Pathy, Chairman and Managing Director, hereby declare that all the Board Members and Senior Management personnel have affirmed compliance with the code of conduct for the Board of Directors and Senior Management of Rajshree Sugars & Chemicals Limited.

Place: Coimbatore  
Date : 13<sup>th</sup> June 2007

RAJSHREE PATHY  
Chairman and Managing Director

CEO/CFO certification

The certification as per clause 49 (V) of the Listing agreement has been submitted by the CEO and CFO of the Company to the Board of Directors.