

# Report on Corporate Governance



## 1. Philosophy on Corporate Governance

The company is committed to good corporate governance. The company provides detailed information on various issues concerning its business and financial performance. The company respects the right of its shareholders to information on the performance of the company and considers itself as trustee of its shareholders.

## 2. Board of Directors

The present strength of the Board is eight Directors. The Board comprises of four Wholetime directors including Managing Director. There are four Non-Whole time director and all of whom including the Chairman are independent directors.

The Constitution of the board is given below

Director	Wholetime/ Independent	Number of other directorship held	Number of membership on other Board committees.	Number of Chairmanship on other Board Committees
Dr. S. Devendra	Wholetime	2		
Mr. S. Abhaya Kumar	Wholetime	3		
Mr. S. Vimal Kumar	Wholetime	2		
Mr. N. Govindarajan	Chief Executive Officer & Managing Director	-	1	
Mr. C.L. Jain	Chairman -Independent & Non-Executive	8	4	1
Mr. C.M. Tolia	Independent & Non-Executive	-	3	1
Mr. D.A. Prasanna	Independent & Non-Executive	2	3	1
Dr. Jagdish. N. Sheth	Independent & Non-Executive	2	1	

Note:

1. The number of directorship held by Directors excludes those in private companies, companies as defined under Section 25 of the Companies Act, 1956. and foreign companies.
2. The number of memberships / Chairmanships on other Board committee include only memberships/ chairmanships in respect of Audit Committee, Compensation committee, nomination committee and Shareholders' Grievance Committee.

### THE INDEPENDENT DIRECTOR

Apart from receiving remuneration, the Independent Director does not have any material pecuniary relationship or transactions with the company, its promoters, or its management or subsidiaries which, in the judgment of the Board, may affect their independence of judgment. The Independent Director is not related to promoters or persons occupying management positions at the Board level or at one level below the Board.

The Independent Director must not have been an executive of the Company in the immediately preceding three financial years.

He/she must not have been a partner or an executive during the preceding three years of the statutory audit firm or the internal audit firm that is associated with the company, and the legal firm(s) and consulting firm(s) that have a material association with the company.

The Independent Director is not a material supplier, service provider or a customer or a lessor or lessee of the company, which may affect independence of the Director.

The Independent Director is not a substantial shareholder of the company i.e. owing 2% or more block of voting shares.

### 3. Board Meetings and Attendance at Board Meetings and Annual General Meeting

The Board of Directors of the company met five

Name	Designation	Wholetime/ Independent	Profession	Committee Meeting Attended
Mr. C.L. Jain	Chairman	Independent	Director	4
Mr. D.A. Prasanna *	Member	Independent	Industrialist	2
Mr. C.M. Tolia	Member	Independent	Industrialist	4
Mr. S. Abhaya Kumar *	Member	Wholetime	Director	NIL

times during the financial year, under review - April 13, 2008, June 04, 2008, July 26, 2008, October 24, 2008, and January 22, 2009. The company placed the annual operating plans and budgets and performance of various divisions from time to time before the Board. Information regarding recruitment of senior executives, show cause notices which are materially important, default if any, in financial obligations, details of subsidiaries, labour problems, signing of wage agreements, etc., is also placed before the Board.

The attendance at the Board Meetings and Annual General Meeting:

Director	Attendance	
	Board Meetings	AGM
Dr. S. Devendra	5	✓
Mr. S. Abhaya Kumar	4	✓
Mr. S. Vimal Kumar	5	✓
Mr. N. Govindarajan	5	✓
Mr. C. L. Jain	5	✓
Mr. C. M. Tolia	5	✓
Dr. Jagdish. N. Sheth	2	✓
Mr. D.A. Prasanna	2	✓

### 4. Audit Committee

The audit committee was constituted in the year 2000. During the year under review, the committee met four times - June 04, 2008, July 26, 2008, October 24, 2008 and January 22, 2009.

The constitution of the committee and the attendance of each member of the committee are given below:

\* The Audit committee was re-constituted on July 17, 2008.

Mr. D.A. Prasanna was inducted as Member of Audit Committee with effect from July 17, 2008. Mr. S. Abhaya Kumar resigned on May 05, 2008 as Member of Audit Committee with effect from July 26, 2008.

Mr. Dinesh Bhutda - Company Secretary is the Secretary of Audit Committee.

#### TERMS OF REFERENCE OF THE AUDIT COMMITTEE INCLUDE A REVIEW OF

- Financial reporting process.
- Draft financial statements (Quarterly & Annual) and auditors' report before submission to the board.
- Accounting policies and practices.
- Internal controls and internal audit systems.
- Risk management policies and practices.
- Related party transactions.
- Internal audit reports and adequacy of internal audit function.
- Compliance with Stock Exchange and legal requirements concerning Financial Statements.

The role of the audit committee includes recommending the appointment and removal of statutory auditor, discussion of audit plan, fixation of audit fee and also approval for payment of any other services.

### 5. Investors Grievance Committee

The Investor Grievance Committee of the Board was re-constituted on July 17, 2008 and now comprises of

1. Mr. C.M. Tolia - Chairman
2. Mr. C.L. Jain - Member
3. Mr. N. Govindarajan - Member

The Investor grievances Committee specifically looks into redressing of shareholders' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. This Committee consists of the following Directors:

Mr. Dinesh Bhutda, Company Secretary is designated as compliance officer of the Company under SEBI (Disclosure and Investor Protection) Guidelines 2000 for overseeing and addressing investor complaints.

The Committee held one meeting during the year on January 21, 2009.

### 6. Compensation Committee

The Compensation Committee was constituted comprising of non-executive Directors on October 29, 2001. The Compensation Committee devises suitable remuneration package to Wholtime Directors and recommends the same to Board. The Board thereafter may approve the package, subject to approval of shareholders at the following Annual General Meeting, wherever applicable. The committee also approves issue of stock options to employees.

The Compensation Committee held one meeting during the year on January 22, 2009

The attendance of committee members at the meetings are below

Name	Designation	Wholtime/ Independent	Profession	Committee Meeting Attended
Mr. D. A. Prasanna	Chairman	Independent	Company Director	1
Mr. C.L. Jain	Member	Independent	Company Director	1
Dr. Jagdish. N. Sheth	Member	Independent	Company Director	1

The Compensation Committee was re-constituted on July 17, 2008.

- Dr. S. Devendra resigned as Member of Compensation Committee with effect from July 17, 2008
- Mr. C.M. Tolia resigned as Member of Compensation Committee with effect from July 17, 2008
- Dr. Jagdish. N. Sheth was inducted as Member of Compensation Committee with effect from July 17, 2008.

## 7. Remuneration to Directors

Details of remuneration paid to Directors are given below:

Director	Relationship with Directors	Business relationship with Shasun if any	Loans and advances from Shasun	Remuneration paid during 2008-09 (Rs. In Thousands)			
				Sitting fees	Salary/ Perquisites/ other benefits	Commission	Total
<b>Executive Directors</b>							
Dr. S. Devendra	Brothers	Promoter			2,634	-	2,634
Mr. S. Abhaya Kumar	Brothers	Promoter			2,636	-	2,636
Mr. S. Vimal Kumar	Brothers	Promoter			2,634	-	2,634
Mr. N. Govindarajan		Managing Director & CEO			5,304	-	5,304
<b>Non-Executive Directors</b>							
Dr. Jagdish. N. Sheth		None		30		-	30
Mr. C.L. Jain		None		120		-	120
Mr. C.M. Tolia		None		110		-	110
Mr. D.A. Prasanna		None		60		-	60

Note : Salary paid to Executive Directors includes contribution made to provident fund, superannuation and gratuity fund.

## 8. Name and Designation of Compliance Officer

Mr Dinesh Bhutda - Company Secretary.

## 9. A. Related Party Disclosure

Information on related party disclosure are given in Item No : 28 of Notes to Accounts in the financial statement.

### B. Compliance:

No transactions of material nature are entered into by the company with promoters, directors or management, or their relatives etc, that may have a potential conflict with interest of the company. There are no material pecuniary transactions with the independent/non-executive directors other than the payment of remuneration disclosed as above.

## 10.Means of Communication

The company's quarterly unaudited financial results / annual audited results are being published in at least one English news paper and one vernacular news paper, in compliance with Stock Exchange listing requirements. Annual Report is circulated to Shareholders. The financial results are also posted on the company's website.

## 11.SEBI Prescription of Insider Trading

As per SEBI guidelines, the Board has designed a code of conduct strictly in accordance with model code of conduct prescribed. The code besides other relevant matters prohibits an insider from dealing in shares of the company while in possession of unpublished price sensitive information in relation to company. During the time of declaration of results, dividend and other material events the trading window is closed as per code.

## 12.Code of Conduct

The company implemented code of conduct for all Board members and the senior management of the company pursuant to Clause 49(D) of the listing agreement.

### **Auditors Certificate on Compliance of Conditions of Corporate Governance - March 31, 2009.**

**To**

#### **The Members of Shasun Chemicals And Drugs Limited**

We have examined the compliance of conditions of Corporate Governance by Shasun Chemicals And Drugs Limited (the Company) for the year ended on March 31, 2009, as stipulated in Clause 49 of the Listing Agreements of the Company with the 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 statement 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 Agreements.

We have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state the 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  
Jagadisan & Co.,  
Chartered Accountants



V. Jagadisan Partner  
Membership No. 3694

Place: Chennai,

Date: June 27, 2009

# General Shareholder's information

## 1. Annual General Meeting

The Thirty-Fourth Annual General Meeting of the Shareholders of the company will be held on Wednesday, September 23, 2009 at Russian Cultural Centre, No.27, Kasturi Ranga Road, Teynampet, Chennai – 600 018 at 3.00 P.M.

## 2. The last three Annual General Meetings and details of Special Resolution Passed.

Financial Year ended	Date	Time	Venue	Special resolutions
2005-06	21.07.2006	2.30 P.M.	Sri Mahaswami Auditorium, Vani Mahal, 103 G N Chetty Road, T Nagar, Chennai – 600 017.	To Issue shares under ESOP scheme.
2006-07	24.07.2007	3.30 P.M.	Sri Mahaswami Auditorium, Vani Mahal, 103 G N Chetty Road, T Nagar, Chennai – 600 017.	1. To issue share under ESOP. 2. To issue share under ESOP to subsidiary company. 3. To seek the approval under section 314 of the Companies Act, 1956.
2007-08	26.07.2008	11.30 A M	The Music Academy 168, T T K Road Chennai – 600 014.	There is no Special Resolution has been passed in this meeting.

## 3. Postal Ballot

A Special resolution for payment of remuneration to Mr Govindarajan Narayanan, CEO & Managing Director for the period from April 1, 2008 to March 31, 2009 in the absence of adequate profit for the financial year.

Details of the Special Resolution passed under the Postal Ballot are as under:

RESOLVED THAT pursuant to the provision of Section 198, 269,309 and 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded for the payment of the following remuneration as minimum remuneration, in the absence of adequate profits to Sri N Govindarajan – Chief Executive Officer & Managing Director of the Company for the period from April 1, 2008 to March 31, 2009 as set out below :

i)	Salary	Rs. 250,000 per month
ii)	Allowances and Perquisites	Allowances and perquisites not exceeding Rs. 1,800,000 per annum
iii)	Incentives	Based on the achievement of the performance parameters as may be determined by the Compensation Committee
iv)	Retirement benefits	Contribution to provident fund, superannuation fund and gratuity fund as per the approved scheme of the company in force from time to time Encashment of leave as per rules of the company in force

RESOLVED FURTHER THAT Mr. Govindarajan Narayanan, CEO & Managing Director shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration;

- a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961;
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- c) Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors or the Compensation Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interest of the company.

#### VOTING PATTERN

Voting	No.of Votes	% of Total Votes
Votes in Favour	17,858,069	98.57%
Votes not in favour	196,597	1.09%
Invalid Votes	61,188	0.34%
<b>Total</b>	<b>18,115,854</b>	<b>100.00%</b>

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (passing of the Resolution by Postal Ballot) Rules, 2001 has been followed for the Postal Ballot conducted during the year for the resolution mentioned above. The results of the Postal Ballot were announced by a Director of the Company at the Registered office of the Company on April 09, 2009 and advertised in the newspapers.

#### 4 Book Closure

The company's Register of Members and Share Transfer Books will remain closed from September 16, 2009 to September 23, 2009 (both days inclusive).

#### 5. Financial Calendar

Financial reporting for	
Quarter ending June 30, 2009	July 2009
Quarter ending September 30, 2009	October 2009
Quarter ending December 31, 2009	January 2009
Quarter ending, March 31, 2010	June 2010
Annual General Meeting for the year ended March 31, 2009	July 2010

#### 6. Registered Office/Corporate Office:

“Shasun House “  
 No.3, Doraiswamy Road  
 T Nagar, Chennai - 600 017. India.  
 Phone Number : 91 44 24316700  
 Fax Number : 91 44 24348924  
 E- mail : shasun@shasun.com  
 Website : www.shasun.com

#### DETAILS ON LOCATION OF FACTORIES

##### A) Active Pharmaceutical Ingredient

Puducherry : Periakalpet, Puducherry – 605 014.  
 Cuddalore : A 1/B SIPCOT Industrial Complex, Kudikkadu Village, Cuddalore – 607 005.

**B) Formulations**

Puducherry : Periakalpet, Puducherry – 605 014

**C) Research & Development Centre**

60, Velachery Road  
Chennai – 600 042.

Shasun Research Centre  
# 27, Kelambakkam Road  
Keezhakottaiyur  
Chennai – 600 048.

Formulations  
Periakalpet  
Puducherry – 605 014.

**7. Listing on Stock Exchanges**

The company's shares are listed at Bombay and National Stock Exchange. The listing fees have been paid to both the Stock Exchanges for the year 2009-10.

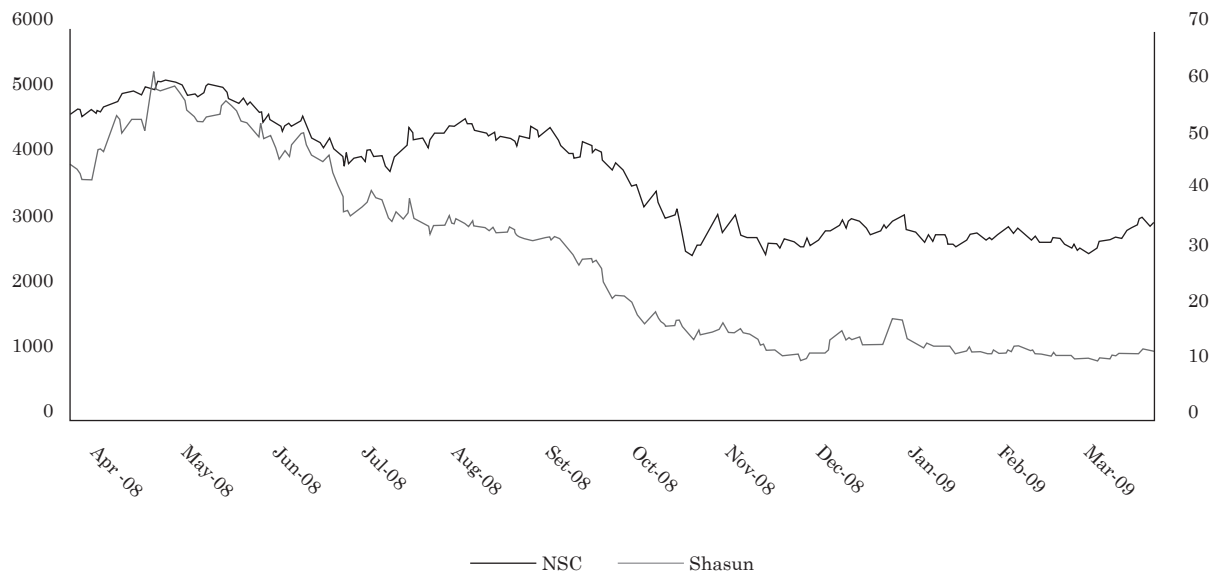
**8. Stock Market Data:****A. STOCK CODE: THE STOCK CODE FOR THE COMPANY'S SHARES IS AS FOLLOWS**

The Stock Exchange Mumbai : 524552

The National Stock Exchange of India Limited : SHASUNCHEM

**B. THE ISIN NOS. FOR THE COMPANY'S SHARES IN DEMAT MODE: INE317A01028****C. STOCK PRICE DATA ON A MONTH-TO-MONTH BASIS DURING 2008-2009**

Month	NSE			BSE		
	High	Low	No.of shares traded(Qty)	High	Low	No.of shares traded(Qty)
Apr - 08	62.05	42.95	8,084,806	59.00	42.75	4,231,273
May - 08	59.45	52.45	3,797,177	59.50	52.60	1,982,571
Jun - 08	52.95	40.10	2,247,526	53.45	40.25	1,348,406
Jul - 08	40.90	33.75	2,695,210	41.00	33.60	2,167,234
Aug - 08	35.95	32.85	2,084,468	36.35	33.00	1,175,909
Sep - 08	32.90	22.10	2,678,386	32.95	22.10	1,633,519
Oct - 08	22.45	14.30	1,205,300	22.45	14.45	931,974
Nov - 08	16.69	11.42	1,485,320	17.10	11.53	952,029
Dec - 08	16.00	10.65	1,882,758	16.07	10.74	988,381
Jan - 09	17.90	12.00	1,963,147	17.88	12.00	1,310,651
Feb - 09	13.25	11.45	362,919	13.26	11.55	235,244
Mar - 09	12.65	10.80	667,533	12.78	10.68	399,244



## 9. Registrar and Share Transfer Agent

Transfer agent for physical transfers and Demat shares

Integrated Enterprises (India) Limited,

2nd Floor, Kences Towers, No.1,

Ramakrishna Street, North Usman Road,

T. Nagar - Chennai - 600 017.

Ph: 28140801-03. FAX – 91-44-28142479

Email – yesbalu@ieindia.com

shasun@shasun.com

## 10.Share Transfer System

Transfers of shares are processed by “Integrated Enterprises (India) Limited” and approved by the Share Transfer Committee which meets once in 20 days. Transfers of shares are effected and share certificates are dispatched within 25-30 days from the date of receipt, if the relevant documents are completed in all respects.

The Total number of shares transferred during the last 2 financial years was as follows:

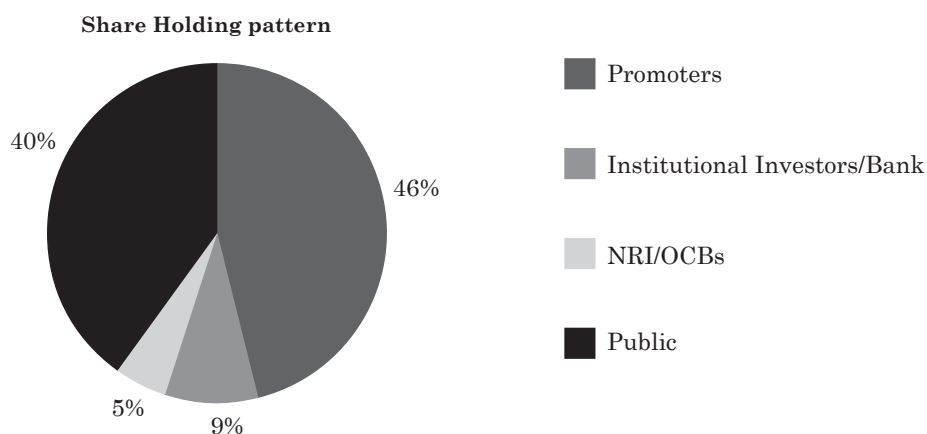
	2008-09	2007-08
Numbers of Transfers (in Physical form)	69	16
Numbers of shares transferred	3,185	10,000

## 11. Redressal of Investor's Complaints

A Statement of the various complaints received and cleared by the company during the financial year 2008-09 is given below:-

Nature of Complaints	2008-09	
	Received	Cleared
Non-receipt of shares certificates duly transferred	2	2
Non-receipt of dividend warrant	26	26
Non-receipt of Annual Report	21	21
Letters from SEBI	1	1
Letters from Stock Exchange	NIL	NIL
Letters from Department of Company Affairs	NIL	NIL

According to categories of shareholders as on March 31, 2009.



## 12. Distribution of shareholding as at March 31, 2009.

No. of shares From	No. of shares To	No. of share holders	%	Amount	% to Capital
Up to	500	23,241	78.11	8,414,426	8.71
501	1,000	3,496	11.75	5,766,322	5.97
1,001	2,000	1,483	4.98	4,606,050	4.77
2,001	3,000	532	1.79	2,754,150	2.85
3,001	4,000	245	0.82	1,795,848	1.86
4,001	5,000	196	0.66	1,844,668	1.91
5,001	10,000	272	0.91	3,878,236	4.01
Above	10,000	288	0.97	67,568,178	69.93
<b>TOTAL</b>		<b>29,753</b>	<b>100.00</b>	<b>96,627,878</b>	<b>100.00</b>

### 13. Dematerialisation of Shares

Trading in Shares of your company is permitted in dematerialized form for all investors w.e.f. July 24, 2000. The percentages of holding in demat and physical form is represented by graph below.

Shareholders are requested to dematerialize their holdings at the earliest to have liquidity.

### 14. Profile of the Directors being appointed / reappointed at the ensuing AGM.

Mr. S Krishnan is a Chartered Accountant and has forty years of professional experience in accounting and auditing. He is a senior partner in RGN Price & Company, audit firm based in Chennai. He is a active member in many professional bodies such as Society of Auditors, Institute of Internal Auditors, Financial Reporting Review board of ICAI, southern region. He is actively involved in the audit of banks in the public sector, private sector and large public sector undertakings. He has also undertaken business valuation of entities including listed companies and numerous management assignments entrusted by banks and corporate. He is active member of Rotary Club of Madras and at present, he is trustee of the Club.

Dr. S. Devendra, Wholtime Director is a graduate in medicine and is one of the key architects in developing the organization and is instrumental in transforming the company from single product to multi product. He has gained national and international reput for his knowledge in Marketing, Customer Satisfaction, Global Competition, and Strategic Thinking. He has been mentoring and developing the marketing skills of the company.

Mr. S. Abhaya Kumar, Wholtime Director a chemical engineer has been one of the key architects in developing the organization He is a Chemical Engineer and has been heading the technical team of the company. His contribution in Technicalities of the products' to meet Global Competition and Strategizing in manufacturing techniques and quality of products has taken Shasun to international heights. He has also been responsible for marketing efforts

of the organization in USA. He is associated with Indo American Chamber of Commerce and various National bodies related to Chemical Industry.

Mr Vimal Kumar is a Fellow Member of the Institute of Chartered Accountants of India. He is Wholtime Director of the Company and is presently involved in Strategic Planning. He served the Company as Finance Director for 23 years from 1982 till 2005. During his tenure he spearheaded MIS, Finance, Treasury management, Accounts and Systems and built a strong team of professionals. He played a key role and was instrumental in Company's maiden overseas acquisition in 2006.

### 15. Investors' Correspondence.

For the convenience of our investors, transfer requests, and other connected matters are accepted at the Registered Office:

Contact person: Mr. Dinesh Bhutda - Company Secretary.

Time 9.00 am to 1.30 p.m. and 2.00 pm to 6.15 pm on all working days (Monday to Friday)

Phone: 24316700 extn.64. E-Mail: dinesh@shasun.com

### 16. Auditors

Jagdisan & Co, Chartered Accounts  
245 T T K Road, Chennai – 600 0018.  
E-mail: v\_Jagadisan@dataone.in

### 17. Bankers

State Bank of Travancore

ABN Amro Bank N.V

State Bank of Inida

ICICI Bank Limited

State Bank of Mysore

IDBI Bank Ltd.

Standard Chartered Bank

State Bank of Hyderabad

Axis Bank Ltd.

Bank of Nova Scotia

## Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification.

We, N. Govindarajan, Chief Executive Officer & Managing Director and Somnath Iyer, Chief Financial Officer of Shasun Chemicals And Drugs Limited,

1. To the best of our knowledge and belief, certify that we have reviewed the balance sheet and profit and loss account (consolidated and unconsolidated) along with all its schedules and notes on accounts, cash flow statements and the director's report;
2. To the best of our knowledge and belief, certify that these statements do not contain any untrue statement of a material fact or any omission to state a material fact on the statements made;
3. To the best of our knowledge and belief, certify that the financial statements and other financial information contained thereon in this report, present a true and fair view of, the Company's affairs, the financial condition, results of operations and cash flows of the company as of, and for, the period ending March 31, 2009. These statements and other information presented in the report are in compliance with the existing accounting standards and applicable laws and regulations as on the closing date;
4. To the best of our knowledge and belief, certify that no transactions entered into by the company during the year are in contravention with the applicable laws and regulations, fraudulent, or in breach of the company's code of conduct;
5. To the best our knowledge and belief, certify that we are responsible for establishing and maintaining controls and procedures on disclosure as well as internal control over financial reporting for the company, and we have:
  - a) designed such controls and procedures so as to ensure the material information relating to the company and the consolidated position along with its subsidiaries are made available to us by others within those entities, during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting with a view to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the company's disclosure, controls and procedures;
6. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.



Chennai  
June 27, 2009

N. Govindarajan  
CEO & Managing Director



Somnath Iyer  
Chief Financial Officer