

Annexure V to the directors' report

Corporate governance report

1. Company's Philosophy on Code of Corporate Governance

At Orchid, we are committed to practicing good Corporate Governance norms. Orchid firmly believes in adhering to Corporate Governance code to ensure protection of its investor's interest as well as healthy growth of the Company. The Company has been complying with Corporate Governance norms right from its inception. We endeavor to enhance the long term stake holding value of our investors. The Company complies with the Corporate Governance Code as enshrined in Clause 49 of the Listing Agreement.

Your Company has also familiarised itself with the requirements of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and is in the process of implementing many of the suggestions.

2. Board of Directors

The Chairman of the Board of Directors is a Executive Director. The Board as at March 31, 2010 had a composition of two Executive Directors and six Non-Executive Directors. Six out of eight Directors are also Independent Directors.

Composition and category of Directors as of March 31, 2011 is as follows:

Sl. No.	Name(s) of Director(s)	Category	Number of Directorships held in other Indian companies [@]	Number of Board Committee memberships held in other companies*
1	Shri K Raghavendra Rao	Promoter & Executive Director	1	None
2	Shri S Krishnan	Executive Director	1	None
3	Dr.M R Girinath	Non-Executive – Independent	None	None
4	Dr I Seetharam Naidu	Non-Executive – Independent	None	None
5	Shri Deepak Vaidya	Non-Executive – Independent	5	6
6	Shri T A Ganesh	Non-Executive – Independent	None	None
7	Shri R Sankaran	Non-Executive – Independent	4	2
8	Shri Bharat D Shah	Non-Executive – Independent	5	3

[@] Excludes foreign companies, private limited companies and alternate directorships.

* Includes only membership in Audit and Investor Grievance Committee.

None of the directors are related to each other.

Board Meetings

Attendance Record of the Directors

Five Board meetings were held during the year from April 01, 2010 to March 31, 2011. The dates on which the meetings were held are April 28, May 27, July 21 and October 28 in 2010 and on January 19 in 2011. The attendance records of all the Directors are as under:

Name(s) of Director(s)	Number of Board meetings		Last AGM attendance
	Held	Attended	
Shri R Narayanan ¹	4	4	Present
Shri K Raghavendra Rao	5	5	Present
Shri S Krishnan ²	5	5	Present
Dr M R Girinath	5	4	Present
Dr I Seetharam Naidu	5	5	Present
Shri Deepak Vaidya	5	4	Not Present
Shri S Jeyakumar ³	1	1	–
Shri T A Ganesh ³	4	4	Present
Shri Anil Thadani ⁴ / Shri Raj Rajkumar ⁵	3	3	Present
Shri R Sankaran ⁶	1	1	– *
Shri Bharat D Shah ⁶	1	1	– *

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as Executive Director with effect from April 28, 2010.

3 Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri S Jeyakumar and appointed Shri T A Ganesh, as its nominee on the Board with effect from May 10, 2010.

4 Resigned with effect from September 28, 2010.

5 Ceased to be Director with effect from September 28, 2010, as he was an alternate director to Shri Anil Thadani.

6 Appointed as Additional Director with effect from January 19, 2011.

* Were not on the Board at the time of the last Annual General Meeting.

3. Audit Committee

The Company constituted an Audit Committee consisting of Non-Executive Directors during 1998. The terms of reference of the Audit Committee include:

a. Review of:

- financial statements before submission to the Board.
- draft financial statements and Auditors' Report (before submission to the Board).
- accounting policies and practices.
- risk management policies and practices.
- compliance with stock exchange and legal requirements concerning financial statements.

- related party transactions.
- the internal control systems and internal audit reports and their compliance thereof
- compliance with accounting standards, and

b. Recommending the appointment of Auditors and fixing their fee.

Four meetings were held during the year from April 01, 2010 to March 31, 2011 i.e. on May 27, July 21 and October 28 in 2010 and on January 19 in 2011.

The constitution of the Committee and the attendance of each member of the Audit Committee as on March 31, 2011 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan, Chairman ¹	Non-Executive – Independent	3	3
Dr M R Girinath	Non-Executive – Independent	4	3
Dr I Seetharam Naidu	Non-Executive – Independent	4	4
Shri Deepak Vaidya	Non-Executive – Independent	4	3
Shri T A Ganesh	Non-Executive – Independent	4	4

¹ Resigned from the Board with effect from October 28, 2010

The Chairman of the Audit Committee, Shri R Narayanan was present at the Annual General Meeting of the Company held on July 21, 2010. Shri R Narayanan resigned from the Board with effect from October 28, 2010 and in the subsequent meeting Shri Deepak Vaidya was elected as the Chairman of the Audit Committee.

The Company Secretary is the Secretary of the Audit Committee.

4. Remuneration Committee

The Remuneration Committee determines and recommends the remuneration payable to the Executive Directors on the basis of their performance as well as Company's performance, subject to consents as may be required. The remuneration to the Executive Directors consists of a fixed salary and other perquisites. Wherever applicable the perquisites are considered a part of remuneration and taxed as per Income Tax laws.

The Non-Executive Directors are not paid any remuneration except for the sitting fees for attending the Board Meetings/ Committee Meetings. The Committee deals with all elements of remuneration package, stock options, service contracts, etc., of all whole-time directors.

Two meetings of Remuneration Committee were held during the year 2010-11 on May 14, 2010 and May 27, 2010. The constitution of the Committee and the attendance of each member of the Remuneration Committee as on March 31, 2011 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan, Chairman ¹	Non-Executive – Independent	2	2
Dr M R Girinath	Non-Executive – Independent	2	1
Dr I Seetharam Naidu	Non-Executive – Independent	2	2
Shri Deepak Vaidya	Non-Executive – Independent	2	1
Shri T A Ganesh ²	Non-Executive – Independent	2	1

¹ Resigned from the Board with effect from October 28, 2010.

² Appointed as Nominee Director of IDBI with effect from May 10, 2010.

Details of remuneration paid to Directors for the year 2010-11 are given below:

(Rs lakhs)

Name(s) of Director(s)	Remuneration paid during the year 2010-11			
	Salary	Commission / bonus	Sitting fees	Total
Shri R Narayanan ¹ , Chairman	-	-	3.60	3.60
Shri K Raghavendra Rao	320.20	500.10	-	820.30
Shri S Krishnan ²	83.12	0.10	-	83.22
Dr M R Girinath	-	-	1.60	1.60
Dr I Seetharam Naidu	-	-	2.20	2.20
Shri Deepak Vaidya	-	-	1.60	1.60
Shri S Jeyakumar, Nominee – IDBI ³	-	-	0.40	0.40*
Shri T A Ganesh, Nominee – IDBI ³	-	-	2.20	2.20*
Shri Anil Thadani / Shri Raj Rajkumar	-	-	0.60	0.60
Shri R Sankaran ⁴	-	-	0.80	0.80
Shri Bharat D Shah ⁴	-	-	0.20	0.20

* Sitting fees of Rs 2.60 lakh paid directly to IDBI Limited.

¹ Resigned from the Board with effect from October 28, 2010.

² Appointed as Executive Director with effect from April 28, 2010.

³ Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri S Jeyakumar and appointed Shri T A Ganesh, as its nominee on Board with effect from May 10, 2010.

⁴ Appointed as Director with effect from January 19, 2011.

The shares held by directors as on March 31, 2011 are given below:

Name(s) of Director(s)	Number of Shares
Shri K Raghavendra Rao	69,25,173
Shri S Krishnan	9,200
Dr M R Girinath	2,30,934
Dr I Seetharam Naidu	2,57,430
Shri Deepak Vaidya	Nil
Shri T A Ganesh	Nil
Shri R Sankaran	Nil
Shri Bharat D Shah	Nil

5. Compensation Committee

Pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, a Compensation Committee was constituted in 1999 to consider the following:

1. Quantum of options to be granted to each employee and in aggregate.
2. The conditions under which options vested in employees may lapse in case of termination of employment due to misconduct.
3. The exercise period within which the employee should exercise the option.
4. The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
5. The right of an employee to exercise all the options vested in him at once or at various points of time within the exercise period.
6. The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issue, bonus issues and other corporate actions.
7. The grant, vest and exercise of option in case of employees who are on long leave.
8. The procedure for cashless exercise of options, if any.

Three meetings of Compensation Committee were held during the year April 01, 2010 to March 31, 2011 i.e. on April 28, October 28 in 2010 and on January 19 in 2011. The constitution of the Committee and the attendance of each member of the Committee as on March 31, 2011 are given below:

Name	Category	Number of meetings	
		Held	Attended
Shri R Narayanan , Chairman ¹	Non-Executive – Independent	2	2
Shri K Raghavendra Rao	Promoter & Executive Director	3	3
Shri S Krishnan ²	Executive Director	1	1
Shri S Jeyakumar ³	Non-Executive – Independent	1	1
Shri T A Ganesh ³	Non-Executive – Independent	2	2

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as a member in the Committee by the Board on October 28, 2010.

3 Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri S Jeyakumar and appointed Shri T A Ganesh, as its nominee on Board with effect from May 10, 2010.

6. Allotment Committee

The Allotment committee of the Board was constituted in 2001. The purpose of this committee is to consider allotment of equity shares whenever the need arises. The committee comprised of Shri R Narayanan, Shri K Raghavendra Rao, Dr M R Girinath and Dr I Seetharam Naidu. At present the Committee comprises of Shri K Raghavendra Rao, Dr M R Girinath and Dr I Seetharam Naidu as Shri R Narayanan has resigned from the Board with effect from October 28, 2010. The Committee has not met during the year 2010-11.

7. Share Transfer and Investor's Grievance Committee

The Company's shares are compulsorily traded in dematerialised form. During the year 2010-11, the committee met 12 times to consider the transfers in the physical segment.

Name(s) of Director(s)	Number of meetings	
	Held	Attended
Shri R Narayanan, Chairman ¹	7	7
Shri K Raghavendra Rao	12	11
Shri S Krishnan ²	10	10
Shri R Sankaran ³	3	3

1 Resigned from the Board with effect from October 28, 2010.

2 Appointed as a member with effect from April 28, 2010.

3 Appointed as a member with effect from January 19, 2011.

The Board has designated Smt. Bhoomijha Murali, Company Secretary as the Compliance Officer.

The following table shows the nature of complaints received from shareholders during 2009-2010 and 2010-2011, all of which have been responded within one month.

Sl. Nature of complaints no	Received and answered	
	2010-2011	2009-2010
1 Non-receipt of share certificates sent for transfer/bonus shares	11	2
2 Non-receipt of dividend warrants	73	23
3 Complaints from SEBI, Stock exchanges and Government departments	2	2
TOTAL	86	27

8. Details of Annual/Extraordinary General Meetings

Location and start time of the General Meetings held in the past three (3) years

Year	AGM / EGM	Location	Special resolutions passed	Date	Time
2010	AGM	Sathguru Gnanananda Hall, Narada Gana Sabha, 314, TTK Road, Alwarpet Chennai-600 018.	Employees Stock Option Scheme 2010	July 21, 2010	11.00 AM
2009	AGM	Kalaignar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	NIL	September 30, 2009	10.00 AM
2008	AGM	Kalaignar Arangam, "Anna Arivalayam", 367-369, Anna Salai, Teynampet, Chennai – 600 018	Reappointment of Deputy Managing Director	September 29, 2008	10.00 AM

All the resolutions including the special resolutions set out in the respective notices were passed by the shareholders unanimously. None of the resolutions passed at the above meetings were required to be passed through postal ballot.

9. Disclosures

- No transaction of material nature conflicting with the Company's interest was entered into by the Company with related parties i.e. Company's subsidiaries, Directors or management or relatives.
- Transactions with the related parties are disclosed in Note 16 of Schedule "Q" to the financial statements in the Annual Report.
- There were no instances of non-compliance by the Company on any matter related to capital markets during the preceding three years. Hence, there were no penalties, strictures imposed by SEBI / Stock Exchanges or any other statutory authorities against the Company.
- Presently the Company does not have a whistleblower policy. No employee has been denied access to approach the Audit Committee to report any serious concerns.
- No differential treatment from the Accounting Standards was followed in preparation of the financial statements of the Company.
- The Company complies with all mandatory requirements and has also adopted some of the non-mandatory requirements/ Corporate Governance Voluntary Guidelines 2009, as detailed below.

10. Means of Communication

- Financial Results are published by the Company in Financial Express, Economic Times and Makkal Kural.
- Results are also displayed in URL www.orchidpharma.com. Official news releases are also updated in the site.
- Presentations made during the year are available on the Company's website www.orchidpharma.com.
- The Company has an internal news magazine called ECHO.
- Key developments are communicated to the Stock Exchanges and media as and when they occur.

11. General Shareholder Information & Management's Discussion and Analysis

Appended to this Report.

12. CEO / CFO Certification

As required under Clause 49 of the Listing Agreement, a Certificate duly signed by Chairman & Managing Director, Shri K Raghavendra Rao and Executive Director - Finance, Shri S Krishnan was placed at the meeting of the Board of Directors held on May 18, 2011.

13. Auditors certificate on compliance of conditions of Corporate Governance

Certificate from the Auditors is enclosed along with this Report.

Compliance of Non-mandatory requirements as per Clause 49 of the Listing Agreement and Corporate Governance Voluntary Guidelines 2009

1. Audit Committee

The Company has an Audit Committee functioning with the constitution, roles and responsibilities as envisaged under the Corporate Governance Voluntary Guidelines 2009. The terms of reference of the Committee have been described at Serial No.3 herein above.

2. Remuneration Committee

The Company has constituted a Remuneration Committee. The terms of reference of the Committee have been described at Serial No.4 herein above.

3. Independent Directors

None of the Independent Directors are involved in the day to day affairs of the Company.

Number of Companies in which an Individual may become a Director

The Company has informed its Board Members about the restriction on number of other Directorships and the same is being complied with.

4. Statutory Auditors

The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

5. Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

6. Shareholders' Rights

The quarterly financial results are published in the newspapers as mentioned in Serial No.10 above. The results are also displayed on the website of the Company.

Code of Conduct Certification

The Board of Orchid Chemicals & Pharmaceuticals Limited has laid down a code of conduct for all Board members and senior management. The code of conduct has been posted in the Company's URL namely www.orchidpharma.com. All the Board members and the senior management affirmed compliance to the code for the year 2010-11.

Place: Chennai

Date: May 18, 2011

K Raghavendra Rao

Chairman & Managing Director

Auditors' certificate on corporate governance

To

The Members of

ORCHID CHEMICALS & PHARMACEUTICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by Orchid Chemicals & Pharmaceuticals Limited (the Company), for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure 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, we certify that the Company has

complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2011, no investor grievances are pending against the Company for more than one month as per the records maintained by the Company and presented to the Investor Grievance/Share Transfer Committee.

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 SNB Associates

Chartered Accountants

Firm Registration No. 015682N

B.Mahalingam

Partner

Membership No.210408

Place: Chennai

Date: May 18, 2011