

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

Corporate Governance primarily involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders. The Corporate Governance Code has also been incorporated in Clause 49 of the Listing Agreements with the Bombay Stock Exchange Limited.

The Company endeavors not only to meet the statutory requirements in this regard but also to go well beyond them by instituting such systems and procedures as are in accordance with the latest global trends of making management completely transparent and institutionally sound.

Your Company has always believed in the concept of good Corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhance stakeholder value. The Company has professionals on its Board of the Directors who are actively involved in the deliberations of the Board on all important policy matters.

Your Company, as part of Robbins & Myers, Inc. (R&M Group), follows the Code of Conduct and Corporate Governance norms adopted by the R&M Group.

It has been, and continues to be, the policy of your Company to comply with all laws governing its operations, to adhere to the highest standard of business ethics and to maintain a reputation for honest and fair dealings. Your Board of Directors recognizes its responsibility to oversee and monitor management and the Company's activities to reasonably assure that these objectives are achieved.

Your Directors view good Corporate Governance as the foundation for honesty and integrity and recognize their fiduciary accountabilities to the shareholders. They are committed to continue the vigilance on these matters to maintain your trust.

It is paramount that GMM Pfaudler's reputation for integrity and credibility remain at the highest standards for the benefits of all stakeholders, employees, customers and suppliers.

Declaration under Clause 49 of the Listing Agreement

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, I hereby declare that the Board Members and Senior Management Personnel have confirmed compliance with the Code of Conduct for Board Members and Senior Management Personnel for the year ended March 31, 2008.

For GMM Pfaudler Limited

Ashok J. Patel
Managing Director (CEO)

Neunkirch, Switzerland, July 24, 2008

2. BOARD OF DIRECTORS

Composition and Status of Directors:

The Board Directors of the Company comprises of seven Directors, i.e., two executive and five non-executive Directors. Four of the seven are Promoter Directors and three are Independent Directors.

Mr. P. Krishnamurthy, who is a non-executive and independent Director, is the Chairman of the Board of Directors of the Company.

Mr. Ashok J. Patel is the Managing Director and Mr. Tarak A. Patel is the Executive Director of the Company.

Mr. Christopher M. Hix was appointed as Alternate Director to Mr. Kevin Brown w.e.f. December 7, 2007.

Mr. Ramesh L. Dalal resigned from the Board and Mr. P. Krishnamurthy was appointed as a Director to fill the vacancy caused by resignation of Mr. Dalal w.e.f. April 14, 2008.

Attendance at the Board Meetings and last Annual General Meeting

There were six Board meetings held during the year under review. First on April 24, 2007, Second on July 31, 2007, Third on October 30, 2007, Fourth on December 7, 2007, Fifth on December 25, 2007 and Sixth on January 31, 2008. Your Company continued the practice of providing Conference Call facility to enable all the Foreign Directors and Executives to participate and discuss at the Board Meetings. Details of attendance of Directors and Directorships in other Public Limited Companies are as under:

Name of Director	Number of Board Meeting Attended	Annual General Meeting
Mr. Ramesh L. Dalal	6	No
Mr. Ashok J. Patel	4	Yes
Mr. Peter C. Wallace	2	No
Mr. Kevin J. Brown	2	No
Mr. Christopher M. Hix	1	N. A.
Dr. S. Sivaram	3	No
Mr. Darius C. Shroff	6	No
Mr. Tarak A. Patel	5	Yes

Mr. Peter C. Wallace and Mr. Kevin J. Brown each participated in two Board Meetings. Mr. Ashok J. Patel and Mr. Christopher M. Hix each participated in one Board Meeting through tele conference

Board Members and their Directorships in other Public Companies:

Name of Director	Status	Directorship in other Public Ltd. Companies	No. of Memberships / Chairmanships of other committees	
			Member	Chairman
Mr. P. Krishnamurthy	Non Executive & Independent	5	Nil	Nil
Mr. Ashok J. Patel*	Executive	5	1	Nil
Mr. Peter C. Wallace**	Non Executive	Nil	Nil	Nil
Mr. Kevin J. Brown**	Non Executive	Nil	Nil	Nil
Mr. Christopher M. Hix**	Non Executive (Alternate to Mr. Kevin Brown)	Nil	Nil	Nil
Dr. S. Sivaram	Non Executive & Independent	3	Nil	Nil
Mr. Darius C. Shroff	Non Executive & Independent	7	2	3
Mr. Tarak A. Patel*	Executive	2	Nil	Nil

* Indian Promoter

** Representing Foreign Promoter, viz., Pfaudler Inc. (R&M Group)

Remuneration and Shareholding of Directors:

Mr. Ashok J. Patel is an Indian Promoter / Managing Director of the Company. Mr. Tarak A. Patel is an Indian Promoter / Executive Director of the Company. Their remuneration structure is as under:

(Rs. '000')

Sr. No.	Particulars	Ashok J. Patel	Tarak A. Patel
1.	Salary and allowances	3,300	1,666
2.	Provident Fund & other funds	1,028	277
3.	Perquisites	181	62
4.	Commission	4,200	-
	Total	8,709	2,005

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Non-Executive Director's Compensation:

Non-Executive and Independent Directors on the Board of the Company are being paid sitting fees as under.

- (a) Rs. 20,000 as sitting fees for each meeting of the Board of Directors and
- (b) Rs. 5,000 as sitting fees for each meeting of Committees of Directors.

Independent Directors are not paid any other remuneration / fees apart from sitting fees paid during the year under review. The Company does not have any stock option scheme provided to Directors of the Company.

Non-Executive Director's Shareholding:

The Non-Executive Directors do not hold any shares in the Company.

3. AUDIT COMMITTEE:

The Audit Committee of the Company is duly constituted in accordance Clause 49(II) of The Listing Agreement. Mr. P. Krishnamurthy (Chairman), Dr. S. Sivaram and Mr. Darius Shroff are the Members of the Committee as on date. Mr. Ramesh Dalal ceased to be member and Mr. P. Krishnamurthy became a member of the Committee w.e.f. April 14, 2008.

Members of the Audit Committee are Non-Executive Directors of the Company and possess knowledge of Accounts, Audit and Finance. The Company Secretary is acting as Secretary to the Audit Committee. The Audit Committee met on four occasions viz. April 24, 2007, July 31, 2007, October 30, 2007 and January 31, 2008. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Ramesh L. Dalal	Chairman	4
Dr. S. Sivaram	Member	2
Mr. Darius C. Shroff	Member	4

Terms of Reference of the Audit Committee of the Board of Directors are as under:

- Review the quarterly, half yearly and annual financial accounts of the Company.
- To review with Statutory and Internal Auditors about the internal control systems and its compliances.
- To consider the appointment of the Statutory Auditors, the audit fee, and any matters of resignation or dismissal.
- To investigate matters referred to it by the Board or as specified.
- To review the Statutory Auditor's Audit Reports and management's response.
- To review matters as required under the terms of the Listing Agreement.
- To access information contained in the records of the Company, and
- Refer to external professionals for advice, if necessary.

4. REMUNERATION COMMITTEE:

Remuneration Committee of Board of Directors of the Company consists of Mr. P. Krishnamurthy (Chairman), Dr. S Sivaram, Mr. Darius C. Shroff and Mr. Peter C. Wallace as on date. Mr. Ramesh Dalal ceased to be member and Mr. P. Krishnamurthy became a member of the Committee w.e.f. April 14, 2008.

The Remuneration Committee met on four occasions viz. July 31, 2007, October 30, 2007, December 25, 2007 and January 31, 2008. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Ramesh L. Dalal	Chairman	4
Dr. S. Sivaram	Member	3
Mr. Darius C. Shroff	Member	4
Mr. Peter Wallace	Member	2

Remuneration of Directors

Details of Remuneration paid/ payable to Directors for the year ended March 31, 2008 are as follows:

Director	Relationship with other Directors	Sitting Fees (Rs.)	Salary, Perquisites & Commission (Rs.)	Total Amount (Rs.)
Mr. Ramesh L. Dalal	None	180,000	Nil	180,000
Mr. Ashok J. Patel	Father of Mr. Tarak Patel	Nil	8,709,000	8,709,000
Mr. Peter C. Wallace	None	50,000	Nil	50,000
Mr. Kevin J. Brown	None	40,000	Nil	40,000
Mr. Christopher M. Hix	Alternate to Mr. Kevin Brown	20,000	Nil	20,000
Dr. S. Sivaram	None	95,000	Nil	95,000
Mr. Darius C. Shroff	None	1,80,000	Nil	1,80,000
Mr. Tarak A. Patel	Son of Mr. Ashok Patel	Nil	2,005,000	2,005,000

Remuneration policy to Non-Executive Independent Directors of the Company has been disclosed in the earlier part of the Corporate Governance Report.

5. SHAREHOLDERS & INVESTORS GRIEVANCE COMMITTEE:

Shareholders & Investors Grievance Committee of the Company inter-alia reviews and considers the report of RTA regarding various types of complaints / requests received, handled and balances if any. Members of the Committee are Mr. P. Krishnamurthy (Chairman), Dr. S. Sivaram and Mr. Darius Shroff as on date. Mr. Ramesh Dalal ceased to be member and Mr. P. Krishnamurthy became a member of the Committee w.e.f. April 14, 2008.

The Shareholder and Investors Grievance Committee met on four occasions viz. April 27, 2007, July 31, 2007, October 30, 2007 and January 31, 2008. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Ramesh L. Dalal	Chairman	4
Dr. S. Sivaram	Member	2
Mr. Darius C. Shroff	Member	4

Ms. Mittal Mehta, Company Secretary is the Compliance Officer of the Company.

During the year the Company received 23 complaints and the same were disposed off. All complaints / queries are disposed of within one week of receipt of the complaint / query. The Company does not have any pending transfers / non- attended complaint at the closure of the year under review.

As provided under Clause 47(f) of the Listing Agreement, with the Stock Exchange, the Company has designated an email id exclusively for the purpose of redressal of investors' grievances: investorservices@gmmpfaudler.co.in

6. GENERAL BODY MEETING:

Last three Annual General Meetings were held at Sardar Vallabhbhai Patel and Veer Vithalbhai Patel Memorial, Anand-Sojitra Road, Karamsad - 388 325. Details are as under:

YEAR	ANNUAL GENERAL MEETING	DATE OF MEETING	TIME OF MEETING	NUMBER OF SPECIAL RESOLUTIONS PASSED
2004-05	Forty-second	September 30, 2005	10.00 a.m.	2
2005-06	Forty-third	September 26, 2006	10.00 a.m.	3
2006-07	Forty-fourth	September 25, 2007	10.00 a.m.	1

All resolutions including the special resolutions at the above General Meetings were passed by way of show of hands. No postal ballots were used for voting at these meetings.

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7. DETAILS OF DIRECTORS APPOINTED DURING THE YEAR / SEEKING RE- APPOINTMENT:

- a) Mr. Darius C. Shroff (63) is a Non-Executive Independent Director on the Board of the Company. He is a Solicitor and Advocate. He is a Senior Partner of Crawford Bayley and is having over 38 years of experience in the legal profession. In his professional practice, Mr. Shroff covers a wide range of legal services and has specialized in Employment and Industrial Law. Mr. Shroff is a Director in the following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956) :

Bayer Polychem (India) Ltd., Ingersoll-Rand (India) Ltd., Kulkarni Power Tools Ltd., Siemens Ltd., SKF India Ltd., Unifrax India Ltd. and UTV Software Communications Ltd.

- b) Mr. Tarak A. Patel (32) is an Executive Director on the Board of the Company.

Mr. Tarak Patel is a graduate from the University of Rochester, USA with a Bachelor degree in Economics with a certificate in Management Studies. Prior to joining GMM Pfaudler Limited, he was working with Universal Consulting of Mumbai as one of the senior member of the Core Improvement Team, which plays the role of internal consultants for exciting and challenging opportunities of transforming the Companies into a high performance organization. Mr. Tarak Patel is a Director in the following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956) :

Skyline Millars Ltd. and Ready Mix Concrete Ltd.

- c) Mr. Christopher Hix (46) is a Non-Executive Director (Alternate to Mr. Kevin Brown) on the Board of the Company.

Mr. Christopher Hix is the Vice President and Chief Financial Officer of Robbins & Myers Inc. Prior to joining Robbins & Myers, Mr. Hix served for fifteen years at Roper Industries, Inc. as Vice President, Business Development and Assistant Secretary. His career of nearly 24 years includes experience in finance, operations, acquisitions, capital markets and strategy in global manufacturing and engineering companies.

- d) Mr. P. Krishnamurthy (59) is the Non-Executive Chairman of the Board of Directors of the Company.

Mr. Krishnamurthy has over 25 years of experience in Corporate Management and Strategy, Restructuring, M&A, Internal Business and Joint Ventures, Financial Management & Banking including managing and supervising business units in India and abroad. He was involved in financial services for the last nine years as Vice Chairman of JM Morgan Stanley, Director of JM Financial and Former Director of IL & FS Asset Management. He has also three years experience in Management Consultancy, twelve years with a Swedish Multinational Group and eleven years with two very large Indian Industrial groups. He has worked at the Group Management / Board level of several multinational companies and large Indian Industrial Groups having listed companies in India and abroad. Mr. Krishnamurthy is a Director in the following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956) :

SKIL Infrastructure Ltd., Mumbai SEZ Ltd., Urban Infrastructure Venture Capital Ltd., Pipavav Shipyard Ltd. – Alternate Director, Retro India Ltd.

8. DISCLOSURES:

- (a) Details on materially significant transactions with related parties, viz. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with Company's interest are given / appended in Schedule 25 of 'Notes Forming Parts of the Accounts'.
- (b) The Company has complied with the mandatory requirements of the Corporate Governance Clause of Listing Agreement. The Company has implemented some of the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement including the constitution of Remuneration Committee.

9. MEANS OF COMMUNICATION:

The Company publishes its Quarterly, Half-yearly and Annual results in the Economics Times (Mumbai and Ahmedabad) and Naya Padkar (Anand) newspapers. The said results are also available at the website of the Company. Quarterly Results are also posted to all the shareholders.

During the year, the Company has not released any official news of the Company or any presentation to institutional investor / analysts.

CEO / CFO Certificate:

A certificate from the Managing Director (CEO) and Financial Controller (CFO) in terms of Clause 49(V) of the Listing Agreement was placed before the Board, at the Meeting held on July 24, 2008 to approve the Audited Annual Accounts for the year ended March 31, 2008.

10. GENERAL SHAREHOLDER INFORMATION:

- (a) Annual General Meeting :
 The Forty-fifth Annual General Meeting of the Company will be held on Thursday, September 25, 2008 at 10.00 a.m. at the Sardar Vallabhbhai Patel and Veer Vithalbai Patel Memorial, Karamsad, Gujarat 388 325.
- (b) Financial year of the Company : April to March
 - Financial reporting for the quarter ended June 30, 2008 : End July, 2008
 - Financial reporting for the quarter ended September 30, 2008 : End October, 2008
 - Financial reporting for the quarter ended December 31, 2008 : End January, 2009
 - Financial reporting for the quarter ended March 31, 2008 : End April, 2009
 - Annual General Meeting for the year ended March 31, 2008 : End September, 2009
- (c) Date of Book Closure : Friday, September 19, 2008 to Thursday, September 25, 2008 (Both days inclusive)
- (d) Dividend Payment Date : No final dividend
- (e) Listing of Stock Exchange : The Bombay Stock Exchange Limited
- (f) Stock Code : 505255
- (g) Dematerialization : ISIN Number 541A01015
- (h) Registrar & Transfer Agents :
 Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078.
 Phone 2596 3838, Fax 2594 6969 Contact Person: Mr. Sharad Patkar Email: sharad.patkar@intimespectrum.com
- (i) Share Transfer System :
 Transfers are registered and returned within a period of 30 days from the date of receipt. The requests for dematerialization of shares are confirmed within 15 days from the date of receipt.
- (j) Stock Market Price for the year :

Month		Market Price		BSE - Sensex	
		High	Low	High	Low
April	2007	158.45	111.10	14,383.72	12,425.52
May	2007	145.00	115.00	14,576.37	13,554.34
June	2007	154.45	118.00	14,683.36	13,946.99
July	2007	144.50	120.00	15,868.85	14,638.88
August	2007	129.80	109.00	15,542.40	13,779.88
September	2007	140.00	115.15	17,361.47	15,323.05
October	2007	135.00	111.00	20,238.16	17,144.58
November	2007	152.45	110.90	20,204.21	18,182.83
December	2007	174.90	135.00	20,498.11	18,886.40
January	2008	170.00	95.00	21,206.77	15,332.42
February	2008	126.70	103.10	18,895.34	16,457.74
March	2008	119.40	82.10	17,227.56	14,677.24

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(k) Shareholding Pattern as on March 31, 2008:

Category	No. of shares	Percent
Foreign Promoters - Pfaudler Inc.	7,454,400	51.00
Indian Promoters Group	3,609,110	24.69
NRI/OCB	22,644	0.15
Financial Institution, Nationalized Bank, Insurance Companies	416,500	2.85
Domestic Companies	381,830	2.61
Individuals	2,733,016	18.70
Total	14,617,500	100.00

(l) Distribution of Shareholding as on March 31, 2008:

Sr. No	Slab of shareholding		Shareholders		Shareholders	
	No. of Equity shares held		Nos.	%	Nos.	%
	From	To				
1	1	500	5,346	96.8480	678,637	4.6430
2	501	1,000	96	1.7390	391,671	2.6790
3	1,001	2,000	35	0.6340	388,080	2.6550
4	2,001	3,000	10	0.1810	166,872	1.1420
5	3,001	4,000	7	0.1270	109,194	0.7470
6	4,001	5,000	3	0.0540	151,868	1.0390
7	5,001	10,000	4	0.0720	236,459	1.6180
8	10,001	Above	19	0.3440	12,494,719	85.4780
	Total		5,520	100.0000	14,617,500	100.0000

(m) Dematerialization:

As on March 31, 2008, 40.65% of the Company's total shares representing 5,944,085 shares are held in dematerialized form and the balance 8,673,415 shares representing 59.35% shares (including 51% representing 7,454,400 shares held by Pfaudler Inc.) are in Physical Form.

(n) Outstanding GDRs / ADRs /Warrants or any convertible instruments:

There has been no issue of GDR/ADRS warrants or any convertible instruments hence there is no question of outstanding of any such instruments.

(o) Plant Location:

Manufacturing Plant of the Company is situated at Vithal Udyognagar, Anand-Sojitra Road, Karamsad, Anand 388 325, in the State of Gujarat.

(p) Shareholders & Investors Correspondence:

Shareholders should address their correspondence to the Company's Registrar and Transfer Agent:

Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400 078. Phone 2596 3838, Fax 2594 6969. Contact Person: Mr. Sharad Patkar. Email: sharad.patkar@intimespectrum.com

To the Members of

GMM Pfaudler Limited

Auditors' Certificate on Corporate Governance

We have examined the compliance of condition of Corporate Governance by GMM Pfaudler Limited for the year ended March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.

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 of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner
M. No. F 32083
Mumbai: July 28, 2008