

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your company has been upholding the core values in all facets of its corporate working, with due concern for the welfare of shareholders of the company. The Management has consistently followed the principles of Corporate Governance, based on fairness, transparency, integrity, accountability and the compliance with laws in all corporate decisions.

### 2. BOARD OF DIRECTORS

Composition of the Board, Category of Directors, Other Directorships, Committee Memberships and Chairmanships of other companies as on March 31, 2009 are given in the table below:

Sr. No	Name of the Directors	Category	No. of other Directorships held*	No. of Committee Memberships of other Companies#	No. of Committee Chairmanships of other Companies
1	Dr. B. Samal	NI / E Chairman & Managing Director	10	5	2
2	Mr. Bipin Agarwal	NI / NE Promoter	6	1	Nil
3	Mr. Swaran Singh	NI / NE Promoter	4	1	Nil
4	Mr. T.M. Nagarajan	I / NE	4	3	1
5	Mr. R.K. Mittal	I / NE	3	5	4
6	Mr. R.S. Loona	I / NE	1	2	Nil
7	Mrs. Thankom Mathew	I / NE Representative of LIC of India	Nil	Nil	Nil

NI - Non Independent Director

I - Independent Director

NE - Non-Executive Director

E - Executive Director

\* Excludes alternate directorships and directorships in foreign companies and private companies.

# Excludes committees other than Audit Committee and Shareholder / Investor Grievance Committee of Public Limited Companies.

During the year, Mr. R.K. Mittal and Mr. R.S. Loona have been appointed on the Board of the Company.

#### Board Meetings and Annual General Meeting

The regular meetings of the Board are scheduled well in advance. The Board meets at least once in a quarter inter alia to review the performance of the company. For each meeting, a detailed agenda is prepared in consultation with the Chairman.

During the year 2008-2009, 9 Board Meetings were held i.e., on April 21, 2008, April 28, 2008, May 20, 2008, June 30, 2008, July 28, 2008, September 27, 2008, October 16, 2008, January 24, 2009 and March 9, 2009.

#### Attendance at the Board Meetings and at the Annual General Meeting (AGM)

Name of the Director	No. of Board Meetings attended	Attendance at the last AGM
Dr. B. Samal	9	Yes
Mr. Bipin Agarwal	9	Yes
Mr. Swaran Singh	6	No
Mr. T.M. Nagarajan	6	Yes
Mrs. Thankom Mathew	7	Yes
Mr. R.K. Mittal *	3	N.A.
Mr. R.S. Loona **	1	N.A.

\* Appointed with effect from October 16, 2008 as Additional Director

\*\* Appointed with effect from March 9, 2009 as Additional Director

### 3. BOARD COMMITTEES

The Board has constituted the following Committees of Directors:

#### a) Audit Committee:

The Audit Committee was constituted on March 14, 2001. It was last reconstituted on January 24, 2009.

A brief description of the terms of reference of the Audit Committee is as follows:

To review Internal Auditors' Report, the Statutory Auditors' Report on the financial statements and quarterly results, to select and establish accounting policies, reviewing the impact of these on financial statements, to review significant related party transactions, have discussions with the auditors periodically about internal control system, to appoint and decide the remuneration of the internal auditor.

During the year under review, 5 meetings of the Audit Committee were held, the dates being May 20, 2008, June 30, 2008, July 28, 2008, October 16, 2008 and January 24, 2009.

The composition and attendance of members at the Audit Committee Meetings are as follows:

Audit Committee Members	Status	No. of Audit Committee Meetings Attended
Mr. T.M. Nagarajan	Member / Chairman	4
Mr. Bipin Agarwal	Member	5
Mrs. Thankom Mathew	Member	4
Mr. R.K. Mittal *	Member	1
Dr. B. Samal **	Chairman	5



Mrs. Cumi Banerjee, Chief Executive Officer & Company Secretary acts as Secretary to the Committee and attends the meetings.

- \* Appointed as Additional Director and as member of Audit Committee in the Board Meeting held on October 16, 2008
- \*\* Ceased to be member of Audit Committee from the conclusion of the Board Meeting held on January 24, 2009.

**b) Remuneration Committee (Non-Mandatory):**

Company constituted a Remuneration Committee on June 19, 2002 consisting of three Non – Executive and Independent Directors, which was subsequently dissolved on June 11, 2004 and reconstituted on January 13, 2005. The Committee was last reconstituted on January 24, 2009.

Main functions of the Remuneration Committee includes recommendation to the Board of Directors, salary, perquisites, commission and retirement benefits and finalisation of package payable to the Company's Managing or Whole-time Directors.

During the year under review, 1 meeting of the Remuneration Committee was held on January 24, 2009.

The composition and attendance of members at the Remuneration Committee Meeting is as follows:

Remuneration Committee Members	Status	No. of Remuneration Committee Meetings Attended
Mr. T.M. Nagarajan	Chairman	1
Mr. R.K. Mittal	Member	1
Mrs. Thankom Mathew	Member	Nil

Details of remuneration to the Chairman & Managing Director (CMD) for the year 2008-2009 are given below:

Name	Salary Rs.	Perquisites Rs.	Contribution to P.F and other funds including Gratuity settlement Rs.	Total Rs.
Dr. B. Samal	--	--	--	--

- i) The Board in its meeting held on January 24, 2009 appointed Dr. B. Samal as Executive Chairman & Managing Director of the Company for a period of

three years i.e. from January 24, 2009 to January 23, 2012. It was decided that no remuneration will be paid to the CMD for the period from January 24, 2009 till March 31, 2009.

- ii) Details of remuneration to Non-Executive Directors for the year 2008-2009 are given below:

**Sitting Fees**

Name	Board Meetings Rs.	Committee Meetings Rs.	Total Rs.
Dr. B. Samal	55,000	36,000	91,000
Mr. Bipin Agarwal	65,000	23,000	88,000
Mr. Swaran Singh	40,000	7,000	47,000
Mr. T.M. Nagarajan	50,000	24,000	74,000
Mrs. Thankom Mathew	50,000	29,000	79,000
Mr. R.K. Mittal	30,000	15,000	45,000
Mr. R.S. Loona	10,000	5,000	15,000
<b>Total</b>	<b>3,00,000</b>	<b>1,39,000</b>	<b>4,39,000</b>

**c) Share Transfer & Shareholders' / Investors' Grievance Committee (STIGC)**

This Committee:

- (1) approves and monitors transfers, transmissions, splitting and consolidation of shares and the issue of duplicate share certificates; and
- (2) looks into various issues relating to share holders, including redressing of complaints received from shareholders, relating to transfer of shares, non-receipt of balance sheets, dividends etc. The Committee as on March 31, 2009 consists of 5 members, namely:

Mr. R.K. Mittal	- Non Executive Director- Chairman
Dr. B. Samal	- Member
Mr. T.M. Nagarajan	- Member
Mr. R.S. Loona	- Member
Mrs. Thankom Mathew	- Member

To expedite share transfer process, the Board has authorised the Company Secretary of the Company to approve share transfer / transmissions up to one thousand shares. Share transfers for more than one thousand shares are approved by the STIGC. During the year, 6 meetings were held. Transfer formalities have been attended at least once in a fortnight.

- Name and designation : Mrs. Cumi Banerjee  
of Compliance Officer : CEO & Company  
Secretary
- No. of shareholders : 8
- complaints received
- No. of complaints : Nil
- not resolved to the  
satisfaction of the  
shareholders
- Pending complaints : Nil  
as on 31.3.2009

The company attends to investor & shareholders grievances within 10 days from the date of receipt of the same.

**d) Risk Management Committee (RMC)**

The Board of Directors had constituted Risk Management Committee on June 2, 2006. It was reconstituted on March 5, 2008. The Committee as on March 31, 2009 consists of 4 members, namely:

- Dr. B. Samal - Chairman
- Mr. Bipin Agarwal - Member
- Mr. Swaran Singh - Member
- Mr. T.M. Nagarajan - Member

The objective of this Committee is to identify the risk and control it through means of properly defined framework. The Committee regularly reviews the procedures for risk assessment and minimisation and the Board is informed accordingly.

**4. COMPLIANCE WITH OTHER MANDATORY REQUIREMENTS**

**Management Discussion and Analysis**

A Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under clause 49(IV)(F) of the Listing Agreement.

**Subsidiary Companies**

Under the revised clause 49, Mr. T.M. Nagarajan, being Independent Director of the Company has been inducted as Director of IIT Investtrust Limited and IIT Insurance Broking and Risk Management Private Limited, which are the non - listed subsidiaries of the Company.

The Audit Committee of the Company reviews the financial statements, in particular, the investments made by its subsidiary.

The Minutes of the meetings of the Board of Directors of the unlisted subsidiary Companies are been regularly placed before the Board of Directors of the Company. A statement containing the significant transactions and arrangements entered into by the unlisted subsidiary are periodically placed before the Board of Directors of the company.

**Disclosures**

As required by revised Clause 49, a statement in summary form of transactions with related parties are periodically placed before the Audit Committee.

**Disclosure of Accounting Treatment**

Disclosure of Accounting Treatment wherever applicable have been made in the audited financial accounts for the year ended March 31, 2009.

**Disclosure on Risk Management**

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Board periodically reviews the same.

**Code of Conduct**

As required by the revised clause 49 of the Listing Agreement, the Board of Directors of the Company have adopted a Code of Conduct for all Board members and Senior Management of the Company. The members of the Board of Directors and Senior Management have affirmed compliance of the said Code during the period under review. A declaration to this effect signed by the Chairman of the Company is given elsewhere in the Annual Report.

**CEO Certification**

In terms of the requirements of Clause 49 (V) of the Listing Agreement, the Chairman, Dr. B. Samal, and CEO & Company Secretary, Ms. Cumi Banerjee, have submitted necessary certificate to the Board of Directors stating the particulars specified under the said clause.

**5. COMPLIANCE WITH NON-MANDATORY REQUIREMENTS**

- a) The Company has not yet fixed any tenure for the Independent Directors on the Board of the Company.
- b) The Board has set up a Remuneration Committee, details of which are furnished earlier in the Report.
- c) The quarterly/half-yearly financial results are published in the newspapers and also they are electronically filed on EDIFAR website www.sebidifar.nic.in within the time frame prescribed in this regard.
- d) Strategic decisions were taken during the year resulting in unqualified financial statements of the Company.
- e) The Company has not yet adopted any training programme for the members of the Board.
- f) The Company has not adopted any Whistle Blower Policy.

**6. GENERAL BODY MEETINGS**

a) Location and time where last three AGMs were held :

Sr. No.	Date	Location	Time	Special Resolution passed
1	September 27, 2008	M.C. Ghia Hall, 18/20, K. Dubash Marg Mumbai – 400 001	3.00 p.m.	Approval for payment of remuneration/ commission to Non-Executive Directors of the Company.
2	September 27, 2007	M.C. Ghia Hall, 18/20, K. Dubash Marg Mumbai – 400 001	2.30 p.m.	Approval for keeping statutory records at a place other than the Registered Office of the Company.
3	September 1, 2006	M.C. Ghia Hall, 18/20, K. Dubash Marg Mumbai – 400 001	3.30 p.m.	Increase in Borrowing Limits of the Company.

During the year under review, the Company has not passed any resolution which was to be decided by postal ballot.

**7. OTHER DISCLOSURES:**

- a) There were no materially significant transactions with the related parties during the year, which had or could have potential conflict with the interests of the company at large. Transactions with the related parties are disclosed in Note Number 4 of Schedule J to the accounts in the annual report.
- b) No penalties or strictures have been imposed on the Company by SEBI, Stock Exchange or any other statutory authority, for non-compliance of any laws, on any matter related to the capital markets, during the last three years.

**8. MEANS OF COMMUNICATIONS**

- a) Quarterly / Half yearly financial results of the company are forwarded to the Bombay Stock Exchange Limited and published in Free Press Journal and Navshakti. Half yearly report is not sent to each household of shareholders. However, the results of the company are published in the Newspapers.
- b) The Company has not made any presentation to any institutional investors or to any analysts during the year.
- c) All items required to be covered in the Management Discussion and Analysis Report have been included in the Directors' Report to Members.
- d) The Company does not have a website.

**9. GENERAL SHAREHOLDER INFORMATION****a) Annual General Meeting**

Date & Time : August 28, 2009 at: 3.00 p.m.

Venue : M.C. Ghia Hall, 18/20, K. Dubash Marg, Mumbai – 400 001

**b) Financial Calendar : 2009-2010**

Adoption of Quarterly Results for

Quarter ending : in the month of  
 June 2009 : July 2009  
 September 2009 : October 2009  
 December 2009 : January 2010  
 March 2010 : June 2010

(Audited annual results)

- c) **Dividend Payment** : On or before  
**Date** : September 26, 2009
- d) **Book Closure period** : August 21, 2009 to  
 August 28, 2009
- e) **Listing on Stock Exchange** : Bombay Stock Exchange Limited (BSE),  
 Dalal Street,  
 Mumbai – 400 001

Listing fees, as prescribed, have been paid to the BSE up to March 31, 2010.

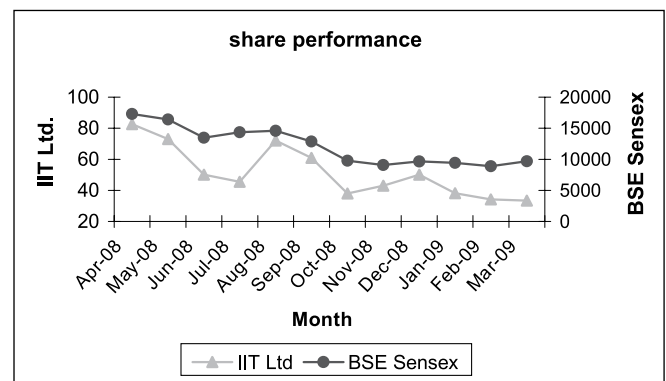
f) **Stock Code at BSE** : 501295

**g) Stock price data at the BSE**

Month	High Rs.	Low Rs.
April, 2008	99.95	50.05
May, 2008	102.30	68.00
June, 2008	72.45	48.10
July, 2008	50.00	40.00
August, 2008	72.00	42.55
September, 2008	75.00	56.20
October, 2008	62.05	35.05
November, 2008	44.00	37.95
December, 2008	56.85	41.00
January, 2009	55.00	38.05
February, 2009	39.70	30.00
March, 2009	36.45	27.15

**h) Graph**

- Share Price / BSE (Monthly Closing)



**i) Registrar and Transfer Agents**

Link Intime India Private Limited  
(Formerly known as Intime Spectrum Registry Limited)  
C-13, Pannalal Silk Mills Compound  
L.B.S. Marg, Bhandup (West)  
Mumbai 400 078.  
Tel. No.: 2596 3838

**j) Share Transfer System**

The transfer of shares held in physical mode is processed by Link Intime India Private Limited and is approved by the Share Transfer Committee / CEO & Company Secretary of the Company as the case may be. The transfer of shares is effected and share certificates are despatched within a period of 30 days from the date of receipt, provided that the relevant documents are complete in all respects.

**k) Distribution of shareholding as on March 31, 2009**

Grouping of Shares	No. of Shareholders	% of total shareholders	No. of Shares per Category	% of total shares
1 – 500	2200	74.96	380803	3.81
501 – 1000	316	10.77	274732	2.75
1001 – 2000	171	5.83	277033	2.77
2001 – 3000	83	2.83	213553	2.13
3001 – 4000	32	1.09	114594	1.15
4001 – 5000	42	1.43	205123	2.05
5001 – 10000	48	1.63	348579	3.48
10001 – 10000000	43	1.46	8185583	81.86
<b>TOTAL</b>	<b>2935</b>	<b>100.00</b>	<b>10000000</b>	<b>100.00</b>

**Shareholding pattern as on March 31, 2009**

Category	No. of Shareholders	No. of shares held	% of shareholding
Promoters	6	62,01,204	62.01
Foreign Company	-	-	-
Non Resident (Individual & Companies)	33	97,250	0.97
Foreign Institutional Investors	-	-	-
Insurance Companies	3	12,64,311	12.64
Financial Institutions / Banks	17	1,20,650	1.21
Mutual Fund	-	-	-
Central Government / State Government(s)	2	37,200	0.37
Resident Individuals	2,751	20,25,545	20.26
Other bodies corporate	123	2,53,840	2.54
<b>TOTAL</b>	<b>2,935</b>	<b>1,00,00,000</b>	<b>100.00</b>

**l) Dematerialisation**

The Company has entered into agreements with National Security Depository Limited and Central Depository Services Limited for the dematerialisation of shares. As on March 31, 2009, a total of 89,62,564 shares of the company which forms 89.63 % of the share capital of the company stands dematerialised.

**m) Outstanding GDRs / ADRs / Warrants or any convertible instruments**

As of date, the Company has not issued these types of securities.

**n) Address for Correspondence**

Shareholders can correspond with the Registrars & Share Transfer Agents or at the Registered Office of the Company.

**Address of the Registrar & Share Transfer Agents**

Link Intime India Private Limited  
(Formerly known as Intime Spectrum Registry Limited)  
C-13, Pannalal Silk Mills Compound  
L.B.S. Marg, Bhandup (West)  
Mumbai 400 078.  
Tel. No.: 2596 3838

For the convenience of the investors, transfer requests are also accepted at the Registered Office of the Company.

**Address of Registered Office**

Rajabhadur Mansion, 2<sup>nd</sup> floor  
28, Bombay Samachar Marg,  
Fort, Mumbai – 400 001

**Contact Person**

Mrs. Cumi Banerjee – CEO & Company Secretary  
Tel. No.: 2266 5453

**Auditor's Certificate on Corporate Governance**

The Auditor's Certificate on compliance of Clause 49 of the Listing Agreement relating to Corporate Governance is published as an annexure to the Directors' Report.

**Declaration on compliance with Code of Conduct**

It is hereby affirmed that all the directors and the senior management personnel have complied with the Code of Conduct framed by the Company and a confirmation to that effect has been obtained from the directors and senior management.

On behalf of the Board of Directors

**DR. B. SAMAL**  
Chairman

Place : Mumbai  
Date: June 27, 2009