

## **CORPORATE GOVERNANCE REPORT 2011-12**

### **STATUS ON CORPORATE GOVERNANCE**

#### **1. CORPORATE GOVERNANCE**

The corporate governance is an important tool for shareholder protection and maximization of their long term values. The objective of Corporate Governance is to achieve excellence in business thereby increasing shareholders' worth in the long term which can be achieved keeping the interest of shareholders' and comply with all rules, regulations and laws. The principal characteristics of Corporate Governance are Transparency, Independence, Accountability, Responsibility, Fairness, and Social Responsibility alongwith efficient performance and respecting interests of the stakeholders and the society as a whole.

#### **2. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. It has been a constant endeavour on the part of the Company to achieve excellence in Corporate Governance by following the principles of transparency, accountability and integrity in functioning, so as to constantly striving to enhance value for all stakeholders and the society in general. As a good corporate citizen, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success. We are making continuous efforts to adopt the best practices in corporate governance and we believe that the practices we are putting into place for the company shall go beyond adherence to regulatory framework. The Company's corporate governance philosophy has been further strengthened by adopting a Code of Fair Practice in accordance with the guidelines issued by Reserve Bank of India from time to time.

#### **3. BOARD OF DIRECTORS**

As on 31<sup>st</sup> March, 2012, the Board of the Company consisted of five Directors, out of which three Directors were independent. The Chairman of the Company is Non- executive. According to clause 49, if the Non-executive Chairman is a Promoter, at least one half of the Board of the company should consist of independent directors. As such the Company has duly complied with the requirements of clause 49 of the listing agreement as the Company has three Independent Directors. However, as on the date of this report, there are four Directors in the Company, of which three are Independent Directors as Mr. Parmanand G. Khandwala, Ex- Chairman & Director, has resigned.

#### **4. AUDIT COMMITTEE**

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the listing Agreement, Audit Committee has been constituted by the Board of Directors. All the members of the Audit Committee including the Chairman are the Non – executive Directors of the Company and possess sound financial and accounting knowledge. Members are regularly present at the meetings.

The terms of reference of Audit Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory Auditors, meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review, inter alia, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to Management Discussion & Analysis, Material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II (D) and (E) of the Listing Agreement are covered in the terms of reference and review.

The Audit Committee has been granted powers as prescribed under Clause 49 II (C) of the Listing Agreement.

## **5.SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

The Board of Directors of the Company has constituted Shareholders'/ Investors' Grievance Committee to specifically look into the shareholders'/ investors' complaints on matters relating to non-receipt of annual report, non-receipt of dividend etc. In addition, the committee also looks into matters that can facilitate better investor services and relations. The Committee meets as and when required, to deal with the investor related matters and takes due care that all the complaints are disposed off timely and upto the satisfaction of the shareholders.

## **6. REMUNERATION COMMITTEE**

Being a non-mandatory requirement of the listing agreement, the Company has not constituted the remuneration committee.

### **Remuneration to the Directors:**

No remuneration is being paid to any of the Non-executive- Non independent Directors. The Non-executive-Independent Directors are being paid sitting fees. No other remuneration is being paid to them apart from the Director's sitting fees.

## **7. CODE OF CONDUCT**

The Board has laid down the Code of Conduct for all Board members and Senior Management Personnel. The code is a comprehensive code applicable to all Directors and Members of Senior Management of the Company. It is in alignment with Company's vision and values to achieve the Mission and Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A copy of the code has been posted on the Holding Company's website [www.khandwalagroup.com](http://www.khandwalagroup.com).

## **8. CEO / CFO CERTIFICATION**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, Mr. Rajesh P. Khandwala, Chairman and Director of the Company has certified to the Board regarding the Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2012.

## **9.CODE FOR PREVENTION OF INSIDER TRADING PRACTICES**

In compliance with the provisions of the Securities and Exchange Board of India, the Company has framed a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

## **10. ANTI MONEY LAUNDERING AND KNOW YOUR CUSTOMER POLICY**

In keeping with specific requirements of RBI for NBFCs, the company has also formulated Prevention of Anti Money Laundering & Know your customer Policies.

## **11.MEANS OF COMMUNICATIONS**

The Company regularly publishes its Quarterly, Half yearly & Annual results in newspapers & submits to stock exchange in accordance with the Listing Agreement requirements.