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## BOARD OF DIRECTORS

|                                    |                  |
|------------------------------------|------------------|
| <b>Chairman</b>                    | <b>Directors</b> |
| G. P. Goenka                       | S. Ray           |
| <b>Managing Director &amp; CEO</b> | I. Sen           |
| A. Mondal                          | A. Agarwal       |
| <b>Whole time Director</b>         | A. K. Goswami    |
| Shrivardhan Goenka                 |                  |

### BOARD COMMITTEES

| Audit Committee |                   | Shareholders'/Investors' Grievance Committee |          | Remuneration Committee |          |
|-----------------|-------------------|--|----------|------------------------|----------|
| S. Ray          | Chairman          | S. Ray                                       | Chairman | I. Sen                 | Chairman |
| I. Sen          | Member            | I. Sen                                       | Member   | G. P. Goenka           | Member   |
| A. K. Goswami   | Member            | A. Mondal                                    | Member   | S. Ray                 | Member   |
| A. Mondal       | Permanent Invitee |  |          | A. Agarwal             | Member   |

### CORPORATE MANAGEMENT COMMITTEE

#### Members

|            |                                 |
|------------|---------------------------------|
| A. Mondal  | Managing Director & CEO         |
| G. Ghosh   | Sr. Vice President (Marketing)  |
| U. Palit   | Sr. Vice President (Operations) |
| S. Goswami | Sr. Vice President & CFO        |

**Bankers**  
State Bank of India  
Indian Overseas Bank  
ICICI Bank Limited

**Auditors**  
Lodha & Co.  
*Chartered Accountants*  
14 Government Place East,  
Kolkata 700 069

#### Registrar & Share Transfer Agent

C. B. Management Services Pvt. Ltd.  
P-22, Bondel Road, Kolkata 700 019  
Ph.: +91 33 40116700/6701/ 6718/6723  
Fax: +91 33 2287 0263 E-mail: rta@cbmsl.com

#### Registered Office

16 Taratalla Road, Kolkata 700 088, India  
Phone: +91 33 2401 4661-8, Fax: +91 33 2401 4886  
E-mail: info@stoneindia.co.in, Website: www.stoneindia.co.in

## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting their 80th Annual Report on the business and operations of your Company for the financial year ended 31st March, 2010.

### FINANCIAL HIGHLIGHTS

|  | (Rs. in Lacs) |          |
|--|---------------|----------|
|  | 2009-10       | 2008-09  |
| Gross Turnover   | 10140.91      | 9036.53  |
| Profit before Interest, Depreciation, Taxation & Exceptional items | 1093.75       | (347.53) |
| Interest   | 360.81        | 278.75   |
| Depreciation   | 171.77        | 113.45   |
| Profit before Taxation and Exceptional items                       | 561.17        | (739.73) |
| Prior Period Items   | —             | (17.40)  |
| Profit before Taxation after Exceptional items                     | 561.17        | (757.13) |
| Provision for Taxation –Current Tax                                | 100.34        | —        |
| Provision for Taxation –Deferred Tax                               | 21.82         | 86.23    |
| Fringe Benefit Tax   | —             | 14.83    |
| Income Tax for Earlier Year  | (1.68)        | 2.23     |
| Profit after Taxation  | 440.69        | (860.42) |
| Balance brought forward from previous year                         | 412.45        | 1272.87  |
| Profit available for appropriation                                 | 853.14        | 412.45   |
| <b>APPROPRIATIONS</b>  |               |          |
| Balance Carried to the Balance Sheet                               | 853.14        | 412.45   |

### OPERATIONS

Fiscal 2009-10 witnessed a gradual recovery in the Indian economy after witnessing a negative growth and slowdown in the last fiscal. The cyclical upturn was hit by some inflation but managed to sustain the growth by increasing the sales and production. After the unprecedented global economic downfall the world GDP dropped by 0.5%(IMF) in 2009. However the revival has been better than expected, moderate in many developed economies but strong in most emerging economies.

For the year 2010-11, IMF has predicted an increase of about 4.2% in world GDP. Economies that are off to a strong start are likely to remain on the lead, as growth in others is likely to be held back due to the lasting damage to financial sectors and household balance sheets. In most of the countries, Government initiatives and support have been key to kick start the recovery.

As per RBI real GDP growth for 2009-10 was at 7.5%, however the projection of real GDP growth for 2010-11 is placed at 8% with an upside bias. Consumption had all along remained strong in India. Further, the Budget significantly raises the allocation to key infrastructures sectors including railways.

Although the Global economy recovered slowly the Indian scenario was different and all over there was an upswing in the manufacturing and Engineering industry. Your company keeping pace with this trend has improved upon its operations and crossed the last year turnover clocking 101cr compared to 90cr of last year. This was

possible by improving the order intake, improving the price for some of the product, by introduction of new products and overall improvement in the operations. The net sales increased by 18.5% and there was a net profit of 440.69 lacs compared to a loss of 860.42 lacs.

The factory at Nalagarh, Himachal Pradesh has already started commercial production of Distributor Valve and Panel Mounted Brake System. The approval for other products are expected soon. The expansion plan is in progress at site for new products which will add to our production capacity.

We are in the process of continuous improvement of your company by introducing new products keeping pace with the Railways and the competitors with our Endeavour in Research and Development in house. We are constantly upgrading our Technology by independent research and by incorporating Technology from our collaborators. The details of some such new products introduced or likely to be introduced are given below.

As mentioned in our earlier report we have started manufacture of Air Springs and supplying to Railway. The business of Air Springs is expected to grow substantially in the coming years as Indian Railways have decided to turnout all EMU as well as Main Line Coaches duly assembled with AIR Springs to improve passenger comfort. The enhancement of sales of Air Spring will further contribute to increase the turnover and contribution to your company.

## **DIRECTORS' REPORT (Contd.)**

Your Company established a Railway Electronic Division to undertake design and development of Different Electronic equipments required for railway in order to improve the performance and safety of railway wagon and coaches and also to improve the control and information system..As a part of this we have already come up with new products which are being tested and approved by RDSO.

As mentioned above we have received the first development orders for FDOS from Railways Chittaranjan Locomotive Works which will ensure better safety features.

Your company has achieved a major break through in Bio Toilet and controlled discharge Toilets and already some of our Toilets has been fitted in some Trains for Trial runs. The products are running successfully for the last one year. We have also got orders for Controlled Discharge Toilet to be supplied to Railways.

Electronic Brake System for Diesel Locomotive is being pursued. For Electric Locomotive we have been recommended for the placement of the first developmental order by Railways

### **DIVIDEND**

Considering the Capital investment to be made for the expansion in near future your directors do not recommend a dividend for the year ended 31st March 2009.

### **ENERGY CONSERVATION**

Your Company has introduced certain Energy saving measures and re-engineering method in terms of utilization of factory and office spaces. Further, your Company continues to monitor and control the consumption of various sources of energy comprising power, oil, fuel, gas in a bid to reduce energy cost despite increase in production and power tariffs.

### **FOREIGN EXCHANGE EARNING AND OUTGO**

Your Company earned Rs. 49 Lacs foreign exchange during 2009-10 as against Rs. 30 Lacs during 2008-09. However, foreign exchange outgo during the year amounted to Rs 595 lacs (including import of components and spare parts) against Rs. 430 lacs during previous year.

### **PERSONNEL**

Industrial Relations with all employees at the various levels continued to remain harmonious and cordial. Your Company as a part of its Human Resources Development activity continued to train employees at all levels to enhance their effectiveness in contributing towards the overall goal of your Company through knowledge improvement and skill up-gradation.

The Long Term Settlement expired and the renewal process is in progress. The industry relation within the factory and with the two recognized factory unions continued to be cordial resulting in improved productivity during the financial year.

### **DIRECTORS**

In accordance with the provisions of the Companies Act 1956 and the Articles of Association of the Company, Mr. S.Ray and Mr. A.Agarwal retire by rotation and, being eligible, offer themselves for re-appointment.

### **OTHER INFORMATION**

In accordance with the provisions of Section 217 of the Companies Acts, 1956 ("the Act") read with the Companies (Particulars of Employees) Rules 1975, the names and other particulars of employees are set out on the annexure to the Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors Report is being sent to the shareholders of the Company excluding such particulars of employees under section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said annexure may write to the secretarial department at the Registered Office of the Company.

Form No. B pursuant to Section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules 1988 so far as is applicable to the Company is annexed and forms a part of this Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of the requirements of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that;

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the Annual Accounts on a going concern basis; and
- (v) The Managing Director and the Sr.Vice President & CFO, both have furnished the necessary certification to the Board on these financial statements as required under the revised Clause 49 of the Listing Agreement(s) with the stock exchanges where the equity shares of the company are listed.

### **DEMATERIALISATION OF SHARES**

Your Company's shares are under transfer-cum-demat option. Shares of your Company can be traded only in dematerialized form. You have the option to hold the Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL). 91.89% of the total equity share capital of your Company was held in dematerialized form with NSDL and CDSL as on 31st March 2010.

### **CORPORATE GOVERNANCE**

Necessary measures have been adopted to comply with the requirements of the Listing Agreements with stock exchanges wherein your Company's shares are listed. A separate report on Corporate Governance adopted by the Company forms part of this report.

## **DIRECTORS' REPORT (Contd.)**

A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as also the Management Discussion and Analysis Report stipulated under Clause 49 of the Listing Agreement is attached to this report.

### **CODE OF CONDUCT**

Your Company has formulated Code of Conduct in compliance to the requirements of revised Clause 49 of the Listing Agreements with Stock Exchanges which has been posted in the Website of your Company. This Code of Conduct and Ethics applies to the Board members and Senior Management personnel of your Company. Confirmation towards adherence to the Code during the Financial Year 2009-10 has been obtained from all Board Members and Senior Management personnel in terms of the requirements of Clause 49 of the Listing Agreement and a declaration relating to compliance to this Code during the year under review by all Board Members and Senior Management Personnel has been given by the Managing Director of the Company which accompanies this report.

### **AUDITORS**

Messrs Lodha & Co, Chartered Accountants retire as Statutory Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Audit Committee of Board of Directors recommended the re-appointment of Messrs Lodha & Co., Chartered Accountants as Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting. Messrs Lodha & Co. confirmed their eligibility and willingness to continue to act as Auditors of the company for the Financial Year 2010-11, if re-appointed.

### **AUDITORS' REPORT**

The Board has noted the observations of the Auditors in their report. These have been dealt with adequately at the appropriate places in the notes to these accounts and call for no further comments.

### **PUBLIC DEPOSITS**

Your Company has not accepted any Public Deposits.

### **SUBSIDIARY COMPANY**

Stone Intermodal Private Limited incorporated on 15th October 2008, became a Wholly Owned Subsidiary of the Company with effect from 1st March 2009. The technical Collaboration agreement has been executed with Rail Runner Inc. USA and the initial concept of the project has been approved by RDSO.

### **FORWARD-LOOKING STATEMENTS**

This Annual Report contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements". From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "anticipate", "believe", "emerge", "estimate", "enjoy", "eventually", "expect", "guidance", "intend", "near future", "plans", "prospects", "project", "strategy", "target", "will", "would" and other words of similar meaning as they may relate to the Company and/or its business in connection with a discussion of future operating or financial performance. All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Readers are therefore cautioned that such statements speak only of the situation as of their dates and hence actual performances or achievements could differ from those expressed or implied in such forward-looking statements. Your Company undertakes no responsibility to publicly or otherwise update or revise any such forward-looking statement at any time.

### **ACKNOWLEDGEMENT**

Your Directors take this opportunity to express their whole-hearted appreciation for the unstinted support and co-operation received from the banks, financial institutions, customers and shareholders during the year under review. Your Directors also wish to place on record their appreciation for the services rendered by the employees at all levels in the Company and for their valuable contribution.

For and on behalf of the Board

Date : 16th April, 2010  
Kolkata

**G. P. GOENKA**  
Chairman

**Report of the Directors (Continued)**  
**ANNEXURE TO THE REPORT OF THE DIRECTORS**  
**FORM 'B'**

**Form for disclosure of particulars with respect to Absorption, Research and Development (R&D)**

|  |  |
|--|--|
| 1. Specific area in which R&D carried out by the Company                             | Products for application on Railway Rolling Stock  |
| 2. Benefits derived as a result of the above R&D                                     | Import substitution, development of new products, improvement of existing products and cost reduction.   |
| 3. Future plan of action   | <p><b>Railway Items :</b></p> <p>Development of -</p> <ol style="list-style-type: none"> <li>1. Bogie Mounted Brake systems for Wagons</li> <li>2. Tread Brake unit for High Hose power Electric Locomotive</li> <li>3. Electronic Rectifier cum Regulator for Air conditioned Coaches</li> <li>4. Disc Brake systems for high speed coaches</li> <li>5. Air spring suspension system for Metro, EMU and Mainline Coaches.</li> <li>6. Static Converter of 180 KVA capacity for AC Locomotives</li> <li>7. End of Train Telemetry System</li> <li>8. Intelli Pantograph for dedicated freight corridor</li> <li>9. WSP for Coaches and Locomotives</li> <li>10. Fault Diagnostic control System for Electric Locomotive</li> <li>11. Electronic Brake System for Locomotives</li> <li>12. Biogical toilets for Coaches</li> <li>13. Control Discharge Toilet System for coaches</li> <li>14. Vigilance Control Device for Electric Locomotives</li> </ol> <p>LED based destination display board</p> |
| 4. Expenditure on R & D  |  |
| (a) Capital  | Rs. 109.98 Lacs  |
| (b) Recurring  | Rs. 5.04 Lacs  |
| (c) Total  | Rs. 115.02 Lacs  |
| (d) Total R&D Expenditure as a percentage of total turnover                          | 1.22%  |
| <b>Technology absorption, adaptation and innovation</b>                              |  |
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | <p>The Company makes continuous efforts for –</p> <ol style="list-style-type: none"> <li>(i) adaptation and innovation of its product designs to meet the specification and changing requirements of its customers;</li> <li>(ii) indigenisation of raw materials and components in a phased programme with cost benefits to minimise the imported content of raw materials in finished products; and</li> </ol>   |

**Report of the Directors (Continued)**  
**ANNEXURE TO THE REPORT OF THE DIRECTORS**

**FORM 'B' (Continued)**

**Form for disclosure of particulars with respect to Absorption, Research and Development (R&D)**

- |   |   |
|---|---|
| <p>2. Benefits derived as a result of the above efforts e.g. products improvement, cost reduction, product development, import substitution, etc.</p>                   | <p>(iii) upgradation of existing technology and/or importation of new technology through various foreign collaborations.</p> <p>Benefits derived as a result of the above efforts are–</p> <p>(i) minimisation of import will result in cost reduction and thus save foreign exchange;</p> <p>(ii) meeting customers' requirements and achieving customers' satisfaction and hence resulting in getting continued orders.</p> <p>(iii) upgradation of new test-rigs in Defence production for achieving high quality products;</p> <p>(iv) continuous improvement of existing technology and/or induction of fresh technology; and</p> <p>(v) new product development and improvement of existing products.</p> |
| <p>3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial year), following information may be furnished :</p> | <p>Technologies imported during the last 5 years from the Financial Year 2005-06 are as follows :</p>   |
| <p>(a) Technology imported</p>  | <p>(i) For manufacturing of "Vaporid Air Dryers" as per technology obtained from WABTEC Corporation U.S.A.</p> <p>(ii) For manufacturing of "Relay Valve" REL-10 as per technology obtained from MZT Hepos AD, Macedonia.</p> <p>(iii) For manufacturing of "Tread Brake Unit" as per technology obtained from MZT Hepos AD, Macedonia.</p> <p>(iv) For manufacturing of "Air Spring" as per technology obtained from Sumitomo Electric Industries Limited, Japan.</p>  |
| <p>(b) Year of Import</p>   | <p>(i) 2005-06, (ii) 2005-06, (iii) 2008-09, (iv) 2006-07</p>   |
| <p>(c) Has technology been fully absorbed</p>   | <p>(i) &amp; (ii) – Yes (iii) &amp; (iv) On progress</p>  |
| <p>(d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.</p>  |   |

Date : 16th April, 2010  
Kolkata

For and on behalf of the Board  
**G. P. GOENKA**  
*Chairman*



## Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance.

### THE COMPANY'S GOVERNANCE PHILOSOPHY

Good corporate governance is a structure and relationship which determine corporate direction and performance by sound management, transparency, accountability and fairness. The corporate governance framework should therefore encourage the efficient use of resources and equally, require accountability for the stewardship of those resources. The aim is to align as nearly as possible the diverse interests of individuals, corporations and society.

**Stone India** therefore believes that the key to achieve sustainable long-term growth of the company as well as protecting the most important parties: shareholders, directors and management is sound corporate governance. The concept of corporate governance is entering a phase of global convergence. The driver behind this is the recognition that companies need to attract and protect all stakeholders, especially investors – both domestic and foreign. Global capital seeks its own equilibrium and naturally flows to where it is best protected and bypasses where protection is limited or non-existent. Stone India acknowledges that the company stands to gain by adopting systems that bolster investor trust through transparency, accountability and fairness.

The tide of regulation has risen to a high watermark and while there is compelling evidence of financial benefits to companies which adopt good governance practices, it has often been felt that the ethos of corporate governance still needs to sink in. Corporate irregularities continue to plague investors as regulators relentlessly strive to cleanse the system. Financial scandals often prompt an overhaul of regulation. But the efficacy of regulation can get negated when compliance becomes a box-ticking exercise with prohibitive costs. Again, there is no single model of good corporate governance. Principles, values and ethics cannot be typecast into a universal one-size-fits-all framework. Towards this end the company has a well laid out documents with respect to "Code of Business Conduct & Ethics" and "Whistle Blower Policy". All employees abide by them in letter & spirit.

Stone India within its web of relationships with its borrowers, shareholders and other stakeholders has always maintained its fundamental principles of corporate governance – that of integrity, transparency and fairness. For Stone India, corporate governance is a continuous journey, seeking to provide an enabling environment to harmonise the goals of maximising shareholder value and maintaining a customer centric focus.

Stone India maintains that efforts to institutionalise corporate governance practices cannot solely rest upon adherence to a regulatory framework. Stone India's corporate governance compass has been its newly adopted business practices, its values and personal beliefs, reflected in the actions of each of its employees.

Stone India believes that while an effective policy on Corporate Governance must provide appropriate empowerment to the

executive management, it must also create a mechanism of internal controls to ensure that the powers vested in the executive management are properly used with appropriate consideration and responsibility so as to fulfill the objectives of the Company.

The Board of Directors fully support and endorse corporate governance practices as per the provisions of the listing agreements as applicable from time to time.

### THE GOVERNANCE STRUCTURE

The Corporate Governance structure in Stone India is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees, comprising a majority of independent Directors and chaired by an independent Director to oversee critical areas.

### BOARD OF DIRECTORS

In terms of the Company's Corporate Governance Policy, all policy, statutory and other significant and material information are placed before the Board.

#### Composition of the Board

Stone India has a broad-based Board of Directors constituted in compliance with the terms of the listing agreement with stock exchanges and in accordance with best practices in corporate governance. The Board of Directors of your company comprises Executive and Non-Executive Directors, the latter includes independent professionals who are also independent Directors.

In accordance with the Governance Policy, Non-Executive Directors are Promoters and eminent professionals with experience in business / finance / management. Directors are appointed / re-appointed with the approval of the Shareholders for a period of three to five years or for a shorter duration as the Board deems fit from time to time. All Directors are liable to retire by rotation except the Chairman so appointed shall not be liable to retirement by rotation so long as the limits prescribe under Section 255(1) of the Act are complied with. One-third of the Directors retires by rotation every year and are eligible for re-election. In terms of the Articles of Association of the Company, the strength of the Board shall not be less than three nor more than twelve. The present strength of the Board of Directors is seven, of which two are Executive Directors.

The following is the composition of the Board as on 31st March 2010:

| Category                           | No. of Directors | Percentage of total no. of Directors |
|------------------------------------|------------------|--------------------------------------|
| Non-Executive Directors & Promoter | 1                | 14.29%                               |
| Non-Executive Independent Director | 4                | 57.14%                               |
| Executive Directors                | 2                | 28.57%                               |
| Total                              | 7                | 100.0%                               |



## Report of Corporate Governance (Contd.)

The Board is headed by the Non-Executive Chairman, Mr. G. P. Goenka, and comprises six other Directors. Out of whom one is the Managing Director & CEO, one is the Whole time Director and rest are Non-Executive Directors. The Directors are eminently qualified and have rich experience in business, banking & finance and corporate management. More than half of Board of Directors is "independent". The independent Directors do not have any pecuniary relationship or transaction with the Company, promoters or management, which may affect their judgments in any manner. The day-to day management of your company vest with the Managing Director subject to the superintendence, control and directions of Board of Directors.

The policy formulation, evaluation of performance and the control function vest with the Board, while the Board Committee oversees operational issues. The Board meets at least once in a quarter to consider *inter alia* the quarterly performance of your company and financial results. Directors attending the meeting actively participate in the deliberations at these meetings

The names of the Board members, their attendance at Board meetings and General Body meetings held during the financial year under review and the number of other Directorships and Board Committee memberships held by them at March 31, 2010 are given below:

| Name of the Board Member | Category <sup>1</sup> | Board Meetings attended out of 5 Meetings held during the year | Attendance at the last AGM held on 11th September 2009 | Number of other Directorships <sup>2</sup> | Number of other Committee Memberships <sup>3</sup> |
|--------------------------|-----------------------|--|--|--|--|
| G. P. Goenka             | C & NED & P           | 5  | Present  | 7  | 1  |
| S. Ray                   | NED & ID              | 3  | Present  | 5  | 5 (2)  |
| I. Sen                   | NED & ID              | 5  | Present  | 1  | 1  |
| Srivardhan Goenka        | ED & P                | 5  | Present  | 8  | 1  |
| A. K. Goswami            | NED & ID              | 3  | Joined after last AGM                                  | 2  | 1  |
| A. Agarwal               | NED & ID              | —  | Present  | —  | —  |
| A. Mondal                | MD                    | 5  | Present  | 2  | —  |

<sup>1</sup> C: Chairman; MD: Managing Director; NED: Non-Executive Director P: Promoter; ID: Independent Director, ED: Executive Director.

<sup>2</sup> Excludes alternate directorship and committees other than Audit Committee, Shareholders' / Investors' Grievance Committee, Remuneration Committee and other than Public Limited & Foreign Companies.

<sup>3</sup> Figures in brackets indicate Committee Chairmanships.

### Details of Board Meetings held during the financial year

During the year 2009-10, five Board Meetings were held on 30th June 2009, 7th July 2009, 22nd July 2009, 26th October 2009 and 22nd January 2010.

### COMMITTEES OF THE BOARD

Presently, there are three Committees of the Board – the Audit Committee, the Remuneration Committee and the Shareholders' / Investors' Grievance Committee.

The terms of reference of the Board Committees are determined by the Board from time to time. Meetings of each Board Committee are convened by the Committee Chairman. Signed minutes of Board Committee meetings are placed at the Board for information. The respective role and composition of these Committees, including the number of meetings held during the financial year and the related attendance are provided below:

#### I. Audit Committee

The Audit Committee provides general direction and oversees the audit and risk management function in the Company. It carries out periodic review of accounting policies and internal control systems, reviews the quality of internal and management audit reports, ensures the reliability of financial and other management information and adequacy of disclosures; it also acts as an interface between the statutory and internal auditors and the Board of Directors.

The terms of reference of the Audit Committee are in line with Clause 49 II (C) and (D) of the Securities & Exchange Board of India prescribed Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

The terms of reference of Audit Committee include the following:

- Overseeing company's financial reporting process and the disclosure of its financial information.
- Recommending appointment or removal of the external auditors, fixing of audit fees and approving payments for any services.

## Report of Corporate Governance (Contd.)

- Reviewing with the management the quarterly and annual financial statements with primary focus on:
  - a) Matters to be included in the Directors' Responsibility Statement comprised in the Board Report in terms of Section 217(2AA) of the Companies Act, 1956.
  - b) Accounting Policies and Practices.
  - c) Compliances with Accounting Standards.
  - d) Accounting-based on exercise of judgment by Management.
  - e) Qualifications in the Draft Audit Report.
  - f) Compliance with listing and other legal requirements concerning Financial Statements.
  - g) Significant adjustments arising out of audit.
  - h) Reviewing utilization of Funds raised through issue of Warrants/Shares/Debentures.
  - i) The going concern assumptions.
  - j) Related party transactions.
- Reviewing with the management, external and internal auditors the adequacy and compliance of internal control systems.
- Reviewing company's financial and risk management policies.
- Reviewing the internal audit function and reports and major findings of the internal Auditors.
- Pre-audit and post-audit discussion with the Statutory Auditors to ascertain any area of concern.

The Audit Committee comprises of three Non-Executive Directors, all of them being Independent Directors. All the members of the Committee are financially literate and have accounting and financial management expertise. The Managing Director, the Chief Financial Officer and the representatives of the Internal Auditors and the Statutory Auditors are permanent invitees to the Audit Committee.

During the financial year ended 31st March 2010, five meetings were held. The dates of such meetings, composition of the Audit Committee and the attendance of the members are furnished below:

| Serial No.   | Date of Committee Meeting | Attendance record of the Members |          |                            |
|--|---------------------------|----------------------------------|----------|----------------------------|
|  |                           | S. Ray                           | I. Sen   | A. K. Goswami <sup>1</sup> |
| 1.   | 30th June 2009            | Absent                           | Attended | Absent                     |
| 2.   | 7th July 2009             | Absent                           | Attended | Attended                   |
| 3.   | 22nd July 2009            | Attended                         | Attended | Attended                   |
| 4.   | 26th October 2009         | Attended                         | Attended | Attended                   |
| 5.   | 22nd January 2010         | Attended                         | Attended | Absent                     |
| Number of meetings held during the member's tenure |                           | 5                                | 5        | 5                          |
| Number of meetings attended by the member          |                           | 3                                | 5        | 3                          |

### II. Remuneration Committee

The Remuneration Committee comprises four Non-Executive Directors, three of whom are Independent Directors. The members are I. Sen, Chairman of the Committee, G.P. Goenka, S. Ray, A. Agarwal, Members.

(There were no stock options during the financial year ended 31st March 2010)

The terms of reference of Remuneration Committee in brief consists of the following:

To determine on behalf of the Board of Directors and on behalf of the shareholders, the Company's policies on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

The Committee approves:

- All elements of remuneration package of all the Directors i.e. salary, benefits, bonuses, stock options, pension, etc.
- Details of fixed component and performance linked incentives, along with the performance criteria.
- Service contracts, notice period, severance fees.
- Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.

During the financial year 2009-10, one Remuneration Committee Meeting was held on 26th October 2009.

Payment of remuneration to the Managing Director and whole time Director are governed by statutory guidelines and the Company's Service Agreements with them, the terms and conditions of which were approved by the Remuneration Committee (wherever applicable), the Board and the shareholders. The remuneration structure mainly comprises salary, commission, performance bonus, perquisites and allowances. The Non-Executive Directors do not draw any remuneration from your Company other than sitting fees for the Meetings of the Board and its Committees. The fees are determined by the Board from time to time within the statutory guidelines.

A. Details of remuneration of the Managing Director & CEO and Whole time Director for the financial year ended 31st March 2010 is as under:

(Rs. in Lacs)

| Director                                  | Salary | Perquisites | Total |
|---|--------|-------------|-------|
| A Mondal<br>Managing Director & CEO       | 65.21  | 3.66        | 68.87 |
| Shrivardhan Goenka<br>Whole time Director | 30.33  | –           | 30.33 |

<sup>1</sup>. Mr. A. K. Goswami joined as a Director as well as a Member of the Audit Committee with effect from 30th June 2009.