

## **Report On Corporate Governance**

### **1. Company's philosophy on code of governance:**

The Company believes that while its primary responsibility is to generate sustainable returns for all its stakeholders, it must also make a harmonious contribution to the socio-economic environment in which it operates. Toward these ends, the Company strives to follow two guiding principles.

- i. The Company must not compromise on certain core values like Integrity, Statutory Compliance and Fairness in all of its internal or external dealings, transactions, financial statements or corporate announcements.
- ii. The Company must always remain sensitive to the long-term societal implications of its businesses.

### **2. Board of Directors**

The Board of Directors comprises of four Directors including the Managing Director, Whole Time Director and two Non-Executive & Independent Directors.

The composition of the Company's Board of Directors is in conformity with the listing agreement. The Company does not have any nominee director on its Board. All directors of the Company are liable to retire by rotation as per the provisions of the Companies Act, 1956.

The composition of the Board of Directors and other relevant details relating to them are given hereunder:

<b>Sr. No.</b>	<b>Name of Directors</b>	<b>Category</b>	<b>No. of other Director-ships ##</b>	<b>No. of Members of other Board Comm.</b>	<b>No. of other Committees Chairmanships</b>
1	Mr. Manoj Punamiya	Managing Director	15	-	-
2	*Mr. Kumarpal Javerchand Punamiya	Whole Time Director	12	-	-
3	Mr. Damodar Hari Pai	Non Executive & Independent	2	-	2
4	\$Mr. Nitin Gulraj Rathod	Non Executive & Independent	1	-	-
5	@Ms. Manisha Anand	Non Executive & Independent	-	-	-

*\*Appointed as Whole Time Director w.e.f 15.02.2011*

*\$ Resigned from Directorship w.e.f. 30.03.2011*

*@ Appointed as Director in casual vacancy at the Board Meeting held on 30.03.2011*

*##Including Private Limited Company's Directorship*

### **Board Meetings and Attendance of Directors**

The Board meets at least once in a quarter to consider amongst other business the performance of the Company and quarterly financial results. When necessary, additional meetings are held. The Board meetings are generally held at the Registered Office of the Company at Mumbai.

Agenda for each meeting along with explanatory notes are drafted and distributed well in advance to the Directors. Every Board Member is free to suggest the inclusion of items on the agenda.

There were ten (10) Board Meetings during the year ended 31st March, 2011 i.e. on 29<sup>th</sup> May, 2010, 10<sup>th</sup> June, 2010, 12<sup>th</sup> July, 2010, 9<sup>th</sup> August, 2010, 21<sup>st</sup> August, 2010, 6<sup>th</sup> October, 2010, 18<sup>th</sup> November, 2010, 29<sup>th</sup> January, 2011, 15<sup>th</sup> February, 2011 and 30<sup>th</sup> March, 2011. The Table hereunder gives the attendance record of the Directors at the Board Meetings held during 2010-11 and the last AGM:

<b>Name of the Directors</b>	<b>Number of Board Meetings held during the year</b>	<b>Number of Board Meetings attended</b>	<b>Whether attended last AGM</b>
Mr. Manoj Punamiya	10	2	No
\$ Mr. Nitin Gulraj Rathod	10	9	Yes
*Mr. Kumarpal Javerchand Punamiya	10	10	Yes
Mr. Damodar Hari Pai	10	5	No
@Ms. Manisha Anand	10	Nil	No

*\$ Resigned from Directorship w.e.f. 30.03.2011*

*\*Appointed as Whole Time Director w.e.f 15.02.2011*

*@ Appointed as Director in casual vacancy at the Board Meeting held on 30.03.2011*

### **3. Audit Committee**

#### **Terms of references of Audit Committee:**

- To ensure transparency, integrity, correctness, statutory compliance, and credibility of all financial statements or announcements before their submissions to the Board.
- To hold periodic discussions with statutory auditors on the scope and content of audit and to recommend the appointment, removal and remuneration of auditors.
- To review with management the adequacy of Company's internal control systems and the action taken on auditors' reports.
- To apprise the Board on the impact of accounting policies, standards and legislation.
- To examine and report on the Company's financial and risk management policies and major defaults if any.

#### **Scope of the Audit Committee:**

- Provide an open avenue of communication between the independent auditor and the Board of Directors ("BoD")
- Recommending the appointment, re-appointment and if required the replacement or removal of statutory auditors, fixation of audit fees and also to approve the payment for other services.
- Meet Four times a year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
- Confirm and assure the independence of the external auditor.
- Review with independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources.

6. Consider and review with the independent auditor the adequacy of internal controls including the computerized information system controls and security;
7. Reviewing with the management the Quarterly financial statements before submission to the Board for approval.
8. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
  - a) Any changes in the accounting policies and practices
  - b) The going concern assumption
  - c) Compliance with accounting standards
  - d) Compliance with listing and other legal requirements concerning financial statements
  - e) Significant adjustment arising out of audit
  - f) Disclosure of any related party transactions.
  - g) Qualification in the draft audit report
9. Consider and review with the management and the independent auditor;
  - a) Significant findings during the year, including the status of previous audit recommendations,
  - b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.
10. Review of the following information:
  - a) Management discussion and analysis of the financial conditions and results of operations;
  - b) Statement of significant related party transactions submitted by the management;
  - c) Management letters/letters of internal control weaknesses issued by the Statutory Auditors
11. To look into the reasons for substantial default in the payment to the depositors, debentures holders, shareholders (in case of nonpayment of declared dividends) and creditors.
12. Carrying out any other function as is mentioned in the terms of reference of Audit Committee.

### **Composition of the Audit Committee**

The Terms of Reference of the Audit Committee are in accordance with the guidelines set out in the listing agreements with the Stock Exchanges. The statutory auditors are invited to the Audit Committee Meetings whenever required. The quorum for the Audit Committee Meeting is two members.

The composition of the reconstituted Audit Committee as on date of this report is as follows:

Ms. Manisha Anand	Chairperson, Independent & Non Executive
Mr. Damodar Hari Pai	Member, Independent & Non Executive
Mr. Kumar Pal Javerchand Punamiya	Member, Whole Time Director

**Audit Committee Meetings & Attendance during the financial year ended 31<sup>st</sup> March, 2011**

During the financial year ended 31<sup>st</sup> March, 2011, Four Audit Committee Meetings were held on May 29, 2010, August 09, 2010, October 06, 2010, and January 29, 2011. The table hereunder gives the attendance record of the Audit Committee members.

<b>Name of the Audit Committee Members</b>	<b>No. of meetings held</b>	<b>No. of meetings attended</b>
Mr. Nitin Rathod*	4	4
Mr. Damodar Hari Pai	4	3
Mr. Kumar Pal Javerchand Punamiya	4	4
Mr. Manoj Punamiya**	4	2
Ms. Manisha Anand@	4	-

\* Ceased to be member of the Audit Committee w.e.f. 30.03.2011

\*\*Ceased to be a member of the Audit Committee w.e.f 06.10.2010

@Appointed as a member of the Audit Committee w.e.f. 30.03.2011

The Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the applicable accounting standards and for issuing a report thereon. The Committee's responsibility is to monitor these processes. The Committee is also responsible to oversee the processes related to the financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible.

#### **4. Remuneration of Directors:**

##### **Scope of Remuneration Committee:**

To Determine on behalf of the Board and shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments. To Consider and recommend to Board commission/ other remuneration package for the Non-Executive Chairman of the Company and such other matters concerning remuneration as may be referred by the Board from time to time.

##### **Composition:**

The Composition of the reconstituted Remuneration Committee as on date of this report is as follows:

Ms. Manisha Anand	Chairperson, Independent & Non Executive
Mr. Damodar Hari Pai	Member, Independent & Non Executive
Mr. Kumar Pal Javerchand Punamiya*	Member, Whole Time Director

\*Mr. Kumar Pal Punamiya was appointed as whole time director on 15<sup>th</sup> Feb, 2011, due to his appointment as whole time director reconstitution of Remuneration Committee is under process and would be complied in near future.

#### **5. Shareholder's Cum Investors Grievance Committee**

The Shareholder's Cum Investors Grievance Committee was headed by Mr. Kumar Pal Javerchand Punamiya. The composition of the reconstituted Shareholders' Cum Investors Grievance Committee is as under:

Mr. Kumar Pal Javerchand Punamiya	Chairman, Whole time Director
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Mr. Damodar Hari Pai	Member, Independent & Non Executive
Ms. Manisha Anand	Member, Independent & Non Executive

### Meetings and Attendance:

Four Shareholders/Investors Grievance Committee Meetings were held during the year ended March 31, 2011. All the members of the Committee were present in all the Meetings held during the year.

The Committee expresses satisfaction with the Company's performance in dealing with investors' grievance and its share transfer system.

Status of number of shareholders' complaints received, pending & redressed is as under:

(i) No. of Shareholder's complaints received	7
(ii) No. of complaints not redressed and pending as on date	Nil
(iii) No. of share transfers pending for more than a fortnight	Nil

### 6. General Body Meeting

Location and time where last three Annual General Meetings were held are given below:

Financial Year	Date	Location of the Meeting	Time
2007-2008	20/08/2008	12/D-1, Esteejeejay C.H.S., Sai Baba Nagar, Borivali (W), Mumbai 400092	04.00 P.M.
2008-2009	08/08/2009	Conference Hall, 18 <sup>th</sup> Floor, C Wing, Mittal Tower, Nariman Point, Mumbai- 400 021.	11.00 A.M.
2009-2010	29/10/2010	Conference Hall, 18 <sup>th</sup> Floor, C Wing, Mittal Tower, Nariman Point, Mumbai- 400 021.	11.00 A.M.

### 7. Disclosures

The Company has been complying with all statutory requirements and no penalties or strictures have been imposed on it by SEBI, BSE or any regulatory or statutory body on any matter.

#### Related Party Transactions:

Your Company places all the aforesaid details before the Audit Committee periodically. A comprehensive list of related party transactions as required by the Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of the Note No.11 of Schedule 16 to the Accounts in the Annual Report. However, these transactions are not likely to have any conflict with the interests of the Company at large.

### 8. Means of Communication

- (i) The quarterly results of the Company are published in two newspapers in compliance with the provisions of Clause 41 of the listing agreement. Generally, the same are published in *Business Standard (English language)* and *Mumbai Lakshadweep (Marathi language)* in Mumbai. As the results of the Company are published in the newspapers, half-yearly reports are not sent to each household of shareholders. The quarterly results as well as the proceedings of the Annual General Meeting are submitted to the Bombay Stock Exchange Limited, immediately after the conclusion of the respective meeting.

- (ii) No presentations were made to the institutional investors or to analysts during the year under review.
- (iii) The Management Discussion and Analysis Report form a part of this Annual Report.
- (iv) Financial Calendar (tentative and subject to change)

<b>Financial reporting for quarter ended</b>	
June 30, 2011	by August 14, 2011
September 2011	by November 15, 2011
December 2011	by February 15, 2012
March 2012	by May 30, 2012
Annual General Meeting for the year ended 31st March 2012 – on or before September 30, 2012	

#### **Certificate on Corporate Governance:**

As required by Clause 49 of the Listing Agreement, a certificate from the Statutory Auditors regarding compliance with all the conditions of Corporate Governance norms is given as an annexure to this Report.

#### **CEO Declaration:**

As required by Clause 49 of the Listing Agreement, declaration by Whole Time Director on compliance of the Company's code of conduct is provided as an Annexure to Report.

### **9. General Shareholder Information**

i.	Date and time of Annual General Meeting of Shareholders	<b>Thursday September 29, 2011 at 3.00 p.m.</b>
ii.	Dates of book closures	<b>Tuesday, September 27, 2011 to Thursday, September 29, 2011 (both days inclusive)</b>
iii.	Venue of AGM	<b>Conference Hall, 18th Floor, C Wing, Mittal Tower, Nariman Point, Mumbai: 400 021</b>
iv.	Listing on stock exchanges	The Equity Shares of the Company are listed on Bombay Stock Exchange Limited.  There is no default in payment of Annual Listing Fees as prescribed.
v.	Stock Exchange Code	512047 (Bombay Stock Exchange Limited)
vi.	Financial year	April to March
vii.	Dividend payment date	N.A.

#### **Share Transfer System:**

All share transfer, dematerialization and related work is managed by a common agency, Link Intime India Private Limited, Bhandup (W), Mumbai-78. Shareholders are requested to send all share transfer requests, demat/remat requests, correspondence relating to shares i.e. change of address, Power of Attorney, etc. to the registrar and transfer agents.

Market Price Data (Monthly High/Low on BSE):

Month	High (₹)	Low (₹)	No. of Shares	No. of Trades
April 2010	57.35	38.45	1,41,774	511
May 2010	56.40	36.90	3,54,068	653
June 2010	77.90	44.50	13,49,876	3,309
July 2010	97.00	71.35	14,36,327	4,704
August 2010	84.00	67.00	4,21,888	1,014
September 2010	70.90	46.95	4,05,334	742
October 2010	76.20	50.45	1,21,507	619
November 2010	68.45	52.45	1,79,955	495
December 2010	61.90	32.90	2,44,057	604
January 2011	50.00	37.10	1,47,769	415
February 2011	48.00	37.00	48,317	242
March 2011	50.20	29.30	1,63,289	685

Comparative Performance: No meaningful comparison is possible with any index.

#### I. CATEGORY-WISE DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

Category	Shareholders		Shares	
	Number	% to total Shareholders	Number	% to total Capital
<b>PROMOTERS HOLDING</b>	5	0.66	1,50,86,845	65.37
Indian Promoters				
<b>Total of promoter holding</b>	<b>5</b>	<b>0.66</b>	<b>1,50,86,845</b>	<b>65.37</b>
<b>NON- PROMOTER HOLDING</b>				
Institutional Investors				
Banks	1	0.13	600	-
FIIs	1	0.13	10,000	0.04
Others				
Corporate Bodies	52	6.85	9,21,703	3.99
Indian Public	684	90.11	70,44,446	30.52
NRIs / OCBs	4	0.53	1,400	0.01
Clearing Member	12	1.59	15,006	0.07
<b>Total of non-promoter holding</b>	<b>754</b>	<b>99.34</b>	<b>79,93,155</b>	<b>34.63</b>
<b>Grand Total</b>	<b>759</b>	<b>100.00</b>	<b>23,08,00,000</b>	<b>100.00</b>

## II. SLAB-WISE DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

NOMINAL VALUE OF RS.	SHAREHOLDERS NUMBER	% OF TOTAL	NO. OF SHARES (Rs.10 each)	% TO EQUITY
1 – 5000	474	62.37	6,64,560	0.288
5001 – 10000	93	12.237	7,69,470	0.333
10001 – 20000	48	6.316	7,34,380	0.318
20,001 – 30,000	34	4.474	9,14,550	0.396
30,001 – 40,000	07	0.921	2,57,590	0.112
40,001 – 50,000	14	1.8420	6,47,940	0.281
50,001 – 1,00,000	26	3.421	21,38,350	0.926
1,00,001 & Above	63	8.421	22,46,73,160	97.345
<b>TOTALS</b>	<b>759</b>	<b>100.000</b>	<b>23,08,00,000</b>	<b>100.000</b>

### 10. Dematerialization of Shares:

The Company's shares are available for trading in dematerialized form under both the Depository Systems – NSDL and CDSL. Connectivity with both NSDL and CDSL is provided by Link Intime India Pvt. Ltd., Mumbai – 400 078 under tripartite agreements. The distribution of dematerialized and physical shares as on March 31, 2011 was as follows:

	No. of shares	%
1. Dematerialized Shares		
NSDL	2,02,09,749	87.56
CDSL	26,08,331	11.31
	<u>2,28,18,080</u>	<u>98.87</u>
2. Physical Shares	2,61,920	01.13
<b>Total</b>	<b><u>2,30,80,000</u></b>	<b><u>100.00</u></b>

Outstanding GDR/ADR/Warrants/Convertible instruments etc:

- There are no outstanding securities as at 31<sup>st</sup> March 2011.

### 11. Plant location:

The Company does not have any plant.

### 12. Investors Correspondence:

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai - 400078  
Tel No: (022) 25946970  
Fax No: (022) 2594 6969  
Email-id: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)



### **Certificate on Corporate Governance**

Pursuant to Clause 49 I (D) of the Listing Agreement entered into with the Stock Exchange, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliances with the Code of Conduct for the current year.

**For NATRAJ FINANCIAL & SERVICES LIMITED**

**Place: Mumbai**  
**Date: 2<sup>nd</sup> September, 2011**

**Kumar Pal Punamiya**  
**Whole Time Director**

### **Certificate from the Auditors of the Company**

#### **Auditors' Certificate on Compliance with the conditions of Corporate Governance Under Clause 49 of the Listing Agreement**

To The Members of Natraj Financial & Securities Limited:

We have examined the compliance of conditions of Corporate Governance by Natraj Financial & Services Limited (the Company) for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange in India.

- 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 on the financial statements of the Company.
- In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in 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 as on September 2, 2011 as per the records maintained by the Company and presented to the Shareholder's/Investors' Grievance 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: DMKH & CO.**  
**Chartered Accountants**

**Place: Mumbai**  
**Date: 2<sup>nd</sup> September, 2011**

**DURGESH KABRA**  
**PARTNER**  
**Membership No. 044075**