Appendix - VII

Clause No 49 of Listing Agreement as per SEBI Guidelines on Corporate Governance

I Board of Directors

A The company agrees that the board of directors of the company shall have an optimum combination of executive and non executive directors with not less than fifty percent of the board of directors comprising of non executive directors. The number of independent directors would depend whether the chairman is executive or non executive. In case of non executive chairman at least one third of board should comprise of independent directors.

Explanation – For the purpose of this clause the expression 'Independent directors' means directors who apart from receiving directors remuneration do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries which in judgment of the board may effect independence of judgment of the director. Except in the case of government companies institutional directors on the boards of the companies should be considered as independent directors whether the institution is an investing institution or a lending institution.

B The company agrees that all pecuniary relationship or transactions of the non executive directors vis a vis the company should be disclosed in the Annual Report.
Audit Committee

A The company agrees that a qualified and independent audit committees shall be set up and that
(a) The audit committee shall have minimum three members all being non executive directors with the majority of them being independent and with at least one director having financial and accounting knowledge
(b) The chairman of the committee shall be independent director
(c) The chairman shall be present at Annual General Meetings to answer shareholder queries
(d) The audit committee should invite such of the executives as it considers appropriate (and particularly the head finance function) to be present at the meetings of the committee but on occasions it also meet without the presence of any executives of the company. The finance director, head of internal audit and when required a representative of the external auditors shall be present as invitees for the meetings of the audit committee
(e) The company secretary shall act as the secretary to the committee

B The audit committee shall meet at least thrice a year. One meeting shall be held before finalization of annual accounts and one every six months. The quorum shall be either two members or one third of the members of the audit committee whichever is higher and minimum of two independent directors

C The audit committee shall have powers which should include the following
(a) to investigate any activity within its terms of reference
(b) to seek information from any employee
(c) to obtain outside legal or other professional advice
(d) to secure attendance of outsiders with relevant expertise if it considers necessary

D The company agrees that the role of the audit committee shall include the following

(a) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(b) Recommending the appointment and removal of the external auditor, fixation of audit fee and also approval for payment for any other services.

(c) Reviewing with management the annual financial statements before submission to the board focusing primarily on:
   - Any changes in accounting policies and practices
   - Major accounting entries based on exercise of judgment by management
   - Qualifications in draft audit report
   - Significant adjustments arising out of audit
   - The going concern assumption
   - Compliance with accounting standards
   - Compliance with stock exchange and legal requirements concerning financial statements
   - Any related party transaction i.e., transactions of the company of the material nature with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large.

(d) Reviewing with the management external and internal auditors the adequacy of internal control system.

(e) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority.
of the official heading the department reporting structure
coverage and frequency of internal audit
(f) Discussion with internal auditors any significant findings and
follow up there on
(g) Reviewing the findings of any internal investigations by the
internal auditors into matters where there is suspected fraud or
irregularity or a failure of internal control systems of a material
nature and reporting the matter to the board
(h) Discussion with external auditors before the audit commences
nature and scope of audit as well as has post audit discussion
to ascertain any area of concern
(i) Reviewing the company’s financial and risk management
policies
(j) To look into the reasons for substantial defaults in the payment
to the depositors debenture holders shareholders (in case of
non payments of declared dividends) and creditors

E If the company has set up an audit committee pursuant to provision
of the Companies Act the company agrees that the said audit
committee shall have such additional functions/ features as is
contained in the Listing Agreement

III Remuneration of Directors

A The company agrees that the board of the directors shall decide the
remuneration of non executive directors

B The company further agrees that the following disclosures on the
remuneration of directors shall be made in the section on the
corporate governance of the annual report
• 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

IV Board Procedure

A The company agrees that the board meeting shall be held at least four times a year with a maximum time gap of four months between any two meetings. The minimum information to be made available to the board is given in Annexure I

B The company further agrees that the director shall not be a member in more than ten committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore, it should be a mandatory annual requirement for every director to inform the company about the committee positions he occupies in other companies and notify changes as and when they take place.

Explanation For the purpose of considering the limit of the committees on which a director can serve, all public limited companies whether listed or not shall be included and all other companies (i.e., private limited companies, foreign companies, and companies of Section 25 of the Companies Act, etc.) shall be excluded. Further only the three committees viz. the Audit Committee, the Shareholders Grievance Committee, and the Remuneration Committee shall be considered for this purpose.
V Management

A The company agrees that as part of the directors report or as additions were to a Management Discussion and Analysis report should form part of the annual report to the shareholders. This Management Discussion and Analysis should include discussion on the following matters within the limits set by the competitive position:

(a) Industry structure and developments
(b) Opportunities and Threats
(c) Segment-wise or product-wise performance
(d) Outlook
(e) Risks and concerns
(f) Internal control systems and their adequacy
(g) Discussion on financial performance with respect to operational performance
(h) Material developments in Human Resources/Industrial Relations front including number of people employed

B Disclosures should be made by the management to the board relating to all material financial and commercial transactions where they have personal interest that may have a potential conflict with the interest of the company at large (for e.g., dealing in company shares, commercial dealings with bodies which have shareholding of management and their relatives etc.).

VI Shareholders

A The company agrees that in case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:

(a) A brief resume of the director
(b) Nature of his expertise in specific functional areas and
(c) Names of companies in which the person also holds the directorship and the membership of committees of the board

B The company further agrees that information like quarterly results presentation made by companies to analysts shall be put on company's web site or shall be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web site.

C The company further agrees that a board committee under the chairmanship of a non executive director shall be formed to specifically look into the redressing of shareholder and investors complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc. This Committee shall be designated 'Shareholders/Investors Grievance Committee'.

D The company further agrees that to expedite the process of share transfers, the board of the company shall delegate the power of the share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority shall attend to share transfer formalities at least once in a fortnight.

VII Report on Corporate Governance

The company agrees that there shall be a separate section on Corporate Governance in the annual reports of company with a detailed compliance report on Corporate Governance. Non compliance of any mandatory requirement, i.e., which is part of the listing agreement with reasons there of and the extent to which the non mandatory requirements have been adopted shall be specifically highlighted. The suggested list of items to be included in this report is given in Annexure 2 and list of non mandatory requirements is given in Annexure 3.
VIII  Compliance

The company agrees that it shall obtain a certificate from the auditors of the company regarding compliance of condition of corporate governance as stipulated in this clause and annex the certificate with the directors report which is sent annually to all the shareholders of the company. The same certificate should also be sent to the Stock Exchanges along with the annual returns filed by the company.

Notes

1. With regard to listed entities such as banks, financial institutions etc. which are incorporated under other statutes, the requirements will apply to the extent they do not violate the existing statutes or guidelines or directions issued by the relevant regulatory authority.

2. As regards the non-mandatory requirements given in Annexure 3, they shall be implemented as per the discretion of the company. However, the disclosures of the adoption/non-adoption of the non-mandatory requirements shall be made in the section on corporate governance of the Annual Report.

3. The clause 49 is to be implemented as under:

Schedule of Implementation

- By all entities seeking listing for the first time at the time of listing.
- Within financial year 2000-2001 but not later than March 31, 2001 by all entities which are included either in Group A of the BSE or in S&P CNX Nifty index as on January 1, 2000. However, to comply with the requirements, these companies may have to begin the process of implementation as early as possible.
- Within financial year 2001-2002 but not later than March 31, 2002 by all entities which are presently listed with paid up
share capital of Rs 10 crores and above or networth of Rs 25 crores or more any time in the history of the company.

- Within financial year 2002-2003 but not later than March 31, 2003 by all entities which are presently listed with paid up share capital of Rs 3 crores and above.