



**ARIHANT** capital markets Ltd.

# Corporate Governance Highlights



## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

ARIHANT is committed to placing the *Investor First*, by striving to increase the efficiency of operations as well as systems and processes so as to maximize the value to the stakeholders. Your company is a high believer in moral values, ethics and transparency. It aims at achieving not only the highest possible standards of legal and regulatory compliances, but also of effective management.

The Securities and Exchange Board of India (SEBI) monitors and regulates the corporate governance of listed companies in India through Clause 49 of the Listing Agreement. Your Company has complied with all mandatory and even certain non-mandatory requirements of this clause as well as the regulations set by the stock exchange.

The Company has a comprehensive structure to address all kinds of compliance risks. There is an independent department for compliance that is staffed by experienced and qualified personnel who ensure strict adherence to regulatory prescriptions. Periodic training on compliance is imparted to operating staff.

In the light of the amendment in the Listing Agreement, the Company has taken all steps to keep itself within the ambit of the required provisions. In the following paragraphs, we have explained the compliance with the requirements as required:

## 1. BOARD OF DIRECTORS

### (A) Size and Composition of the Board:

The current policy of your Company is to have an optimum combination of executive and non-executive directors, with not less than 50 per cent consisting of non-executive directors to maintain the independence of the board, and to separate the board functions of governance and management. Besides, with an Executive Director as the head of the board, half of the board members are independent directors. This confirms the provisions of the amended clause 49. The board consists of seven members at present and believes that the current size is appropriate, based on the Company's present circumstances.

The composition of the board and the number of outside directorships held by each of the directors is given in the table below:

S. No.	Name of the Director	Position	No. of directorship(s) held in other companies	No. of outside committee position held	
				Member	Chairman
1.	Mr. Ashok Kumar Jain	Managing Director	5	Nil	Nil
2.	Mrs. Anita Surendra Gandhi* <sup>#</sup>	Whole-time Director	Nil	Nil	Nil
3.	Mr. Sunil Kumar Jain	Non-executive	1	Nil	Nil
4.	Mr. Akhilesh Rathi	Non-executive Independent	3	Nil	Nil
5.	Mr. Pankaj Kumar Gupta*	Non- executive Independent	1	Nil	1
6.	Mr. Paragbhai Rameshbhai Shah*	Non- executive Independent	Nil	Nil	Nil
7.	Mr. Rakesh Jain	Non-executive Independent	1	Nil	Nil

\* Appointed as Additional Director with effect from January 30th, 2010.

<sup>#</sup>Mrs Anita Gandhi, additional director, appointed as a whole time director w.e.f. February 1<sup>st</sup>, 2010

- No directors, other than Mr. Ashok Kumar Jain and Mr. Sunil Kumar Jain, are related to any other directors.
- Other directorships do not include alternate directorships, directorships of private limited companies, of companies registered under section 25 of the Companies Act, 1956 and of companies incorporated outside India.
- Chairmanship/membership of board committees includes chairmanship/membership of audit committee and shareholders/investors grievances committee only. The membership/chairmanship of board committee of private limited companies, foreign companies and companies registered under section 25 of the Companies Act, 1956 are excluded for the aforesaid purpose.

### (B) Definition of Independent Directors:

According to Clause 49 of the Listing Agreement with Indian stock exchanges, 'independent director' shall mean a non-executive director of the company who:

- a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect the independence of the director;
- b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- c. has not been an executive of the company in the immediately preceding three financial years;
- d. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - The statutory audit firm or the internal audit firm that is associated with the company, and
  - The legal firm(s) and consulting firm(s) that have a material association with the company.
- e. is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and
- f. is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.

Thus, it will enable the director to exercise independent judgment and carry out his responsibilities.

### (C) Selection of Directors

*Nominations and Appointments:* The board's Corporate Governance and Nominating Committee will be responsible for identifying and recommending to the board qualified candidates for board membership, based primarily on the following criteria:

- Judgment, character, expertise, skills and knowledge useful to the oversight of the Company's business;
- Diversity of viewpoints, backgrounds, experiences, and other demographics;
- Business or other relevant experience; and
- The extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other board members will build a board that is effective, collegial and responsive to the needs of the Company.

*Invitations:* The invitation to join the board shall be extended by the board via the chairman or any other independent director of the Company designated by the chairman.

### (D) Board Meetings:

The board meetings are held once every quarter and additional meetings are arranged as and when required. The agenda papers along with explanatory statements are circulated well in advance before the meetings are held.

All directors are expected to make every effort to attend meetings of the board and the Committees of which they are members. Attendance via telephone or video conferencing may be used to facilitate a director's attendance.

## 2. COMMITTEES

### (A) Audit committee:

Your company has a qualified and independent audit committee that operates with three directors as members, of which, two members (two-thirds of the members) are independent directors. All members of audit committee are financially literate and have the accounting and related financial management expertise as per the mandatory requirement. The chairman of the committee is an independent Director. Company Secretary of the Company is the Secretary of the committee. The audit committee meetings are held four times in a year as required.

The composition of our Audit Committee as per the above norms is as follows:

S. No.	Name of the Director	Position
1.	Mr. Akhilesh Rathi	Chairman
2.	Mr. Sunil Kumar Jain	Member
3.	Mr. Rakesh Jain	Member

### (B) Share Transfer/Investors Grievance Committee:

The committee reviews all matters connected with security transfers and transmission, redressal of shareholders/investor complaints like non-transfer of shares, non-receipt of balance-sheet, non-receipt of dividend, etc. The committee oversees the performance of the registrar and transfer agents and recommends measures for the overall improvement of the quality of investor services. The Company Secretary acts as the Secretary of the Company and is also the Compliance Officer of the Company. The composition of the committee is as follows:

S. No.	Name of the Director	Position
1.	Mr. Akhilesh Rathi	Chairman
2.	Mr. Ashok Kumar Jain	Member
3.	Mr. Sunil Kumar Jain	Member
4.	Mr Rakesh Jain	Member

**(C) Remuneration Committee:**

The Company has constantly endeavoured to uphold the principles of transparency and integrity and in pursuit of the same the board members have decided to follow the non-mandatory requirement of Clause 49 of forming a Remuneration Committee.

The committee's main aim is to recommend and review the remuneration package of the Managing Director and the senior management of the Company. The remuneration of the directors is subject to the approval of board and shareholders at the general meeting.

The composition of the Committee is as follows:

S. No.	Name of the Director	Position
1.	Mr. Akhilesh Rathi	Chairman
2.	Mr. Rakesh Jain	Member
3.	Mr. Sunil Kumar Jain	Member

**3. DISCLOSURES**

- **Accounting Treatment:** Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the same is disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report
- **Basis of Related Party Transactions:** Details of material individual transactions with related parties, which are not in the normal course of business, are placed before the Audit Committee. Details of material individual transactions with related parties or others, which are not at an arm's length basis, are also placed before the Audit Committee, together with management's justification for the same.
- **Remuneration of Directors:** The prescribed disclosures on the remuneration of directors are duly made in the Annual Report. The criteria of making payment to non-executive directors and the shares held by them including convertible instruments, if any, are disclosed in the report.

**4. OTHER REQUIREMENTS**

- The company publishes its quarterly results in the newspapers.
- The Management Discussion and Analysis Report is appended in the Balance Sheet as required.
- The Auditor's Certificate of Compliance of conditions on Corporate Governance is also duly presented in the Balance Sheet.