

DIRECTORS' REPORT

This document would help in preparing Board of Directors Report under Companies Act 2013



CA. Pramod Jain

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26th August 2015



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BOARD OF DIRECTORS' REPORT

STATUTORY SUMMARY

Section	Rule	Forms
134 (3) to (6)	Companies (Accounts) Rules 2014 • Rule 8 to Rule 11	AOC-2 Particulars of contracts and arrangements with related parties
		Annexure Companies (CSR Policies) Rules, 2014
		MGT 9 Extract of Annual Report

IMPORTANCE

- These reports are primary source of information for an investor to understand the company, management views and to analyse the Financials.
- The Companies Act, 2013 has enhanced the accountability and responsibilities of directors by clearly defining their duties and responsibilities, qualification of independent directors and mandating certain disclosures such as evaluation of performance of board, CSR policy, whistle blower mechanism, risk policies etc in the Board's report.
- Board Report together with complete Financial Statements and Auditors' Report are to be sent along with notice of Annual General meeting to members of the company.
- Board Report is the only document along with Financial Statements that can be revised / re-opened u/s 131 now.
- The Board Report has to be of Standalone Financial Statements of the company and not of the Consolidated Financial Statements. However, it shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and JV companies included in the CFS is presented.



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OLD POINTS WHICH SHALL CONTINUE

Reporting by directors in Directors' Report under Companies Act 2013 has increased tremendously. However, there are certain points which are still to be reported which were also required under the 1956 Act. These are:-

1. State of the Company's Affairs.
2. Amount, if any, proposed to be carried to reserves.
3. Proposed dividends, if any
4. Material changes and commitments, if any, which affect financial position of the company in between the year end and the date of directors' report.
5. Explanation to qualifications, if any, in auditor's report.
6. Particulars of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.
7. Significant changes in the nature of business or businesses in which company or its subsidiaries have an interest.
8. Particulars of employees drawing a specified 1 which are required to be given under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014.
9. Directors Responsibility Statement containing:
 - a. Applicable accounting standards have been followed with explanation for any material departures
 - b. Selected accounting policies have been applied consistently 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 and loss of the company for that period.
 - c. Proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
 - d. The annual accounts are prepared on a going concern basis.
10. In addition to the above, listed companies have to attach a Corporate governance report as per Clause no.49 giving details such as composition of board, audit committee, subsidiary companies, disclosures and other useful information to shareholders.



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NEW REPORTING POINTS FOR ALL COMPANIES

Apart from the old reporting points certain new points are also to be reported by directors in the Directors Report. These new points are as per Section 134(3), Companies (Accounts) Rules 2014 and various other provisions under the Act. New points which are to be reported by all companies including Private companies are:

1. The extract of the annual return in MGT 9.
2. Number of meetings of the Board. (It was covered earlier in case of listed companies only)
3. New Clause in Directors' Responsibility Statement - Directors had devised proper systems to ensure compliance with provisions of all applicable laws and that such system were adequate and operating effectively.
4. Particulars of Loans, Guarantees or Investments u/s 186
5. Particulars of contracts or arrangements with Related Parties referred to in section 188(1) to be reported in the Form AOC-2.
6. Statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company. (Earlier listed companies only were reporting under clause no.49).
7. Details of Directors or Key Managerial Personnel who were appointed or have resigned during the year
8. Names of companies which have become or ceased to be its Subsidiaries, Joint Ventures or Associate companies during the year along with reasons therefore.
9. Details relating to Deposits covered under Chapter V of the Act namely a) Accepted during the year (b) remained unpaid or unclaimed as at the end of the year(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved,
10. Orders passed by Regulators or Courts or Tribunal which impact the going concern status and company's operations in future.
11. Apart from existing points, new reporting in Directors Responsibility Statement:
 - a) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



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12. Details in respect of adequacy of Internal Financial Controls with reference to the Financial Statements.
13. In case of Revision of or Re-opening of Financial Statements or Board's Report, detailed reasons to be stated. (3rd Proviso to s. 131(1))
14. Voting rights not exercised by employees regarding purchase of its own shares by employees or by trustees for benefit of employees as per S.67(3) read with rule 16(4) Company (Share Capital & Debenture) Rules 2014
15. Transfer Of Unclaimed Dividend To Investor Education And Protection Fund
16. Disclosures under Companies (Share Capital and Debenture) Rules, 2014 regarding:-
 - a. Disclosures pursuant to shares with differential voting rights
 - b. Disclosure pursuant to Issue of Sweat Equity Shares
 - c. Disclosure pursuant to Employee Stock Option and Employee Stock Purchase Schemes
17. As per Rule 5(2) of Cos. (Appointment and Remuneration of Managerial Personnel) Rules, 2014 :
 - a. If employed throughout the Financial Year, was in receipt of remuneration for that year which, in aggregate, was not less than Rs. 60 Lacs (Old Requirement);
 - b. If employed for a part of the Financial Year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Rs. 5 Lacs per month (Old Requirement);
 - c. If employed throughout Financial Year or part thereof, was in receipt of remuneration in that year which, in aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the MD or WTD or Manager and holds by himself or along with his spouse and dependent children, not less than 2% of the equity shares of the company.

NEW REPORTING POINTS FOR LISTED COMPANIES AND SPECIFIED COMPANIES

Listed companies and certain specified companies i.e., companies who on basis of net-worth, paid up capital, turnover, net profit, etc. are required to make specific disclosures in Director's Report. The new disclosures for such specified companies are:

1. A statement on declaration given by independent director u/s 149(6).



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2. Listed companies and specified companies u/s 178(1) to disclose company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided u/s 178(3).
3. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by not only statutory auditor in his report but also by the Company Secretary in practice in his Secretarial Audit Report, wherever is applicable.
4. The details about the policy developed and implemented by the company on Corporate Social Responsibility initiatives taken during the year along with related annexure.
5. In case of a listed company and every other public company having paid-up share capital of Rs. 25 crores or more, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors as per Rule 8(4).
6. Apart from existing points, new reporting in Directors Responsibility statement for listed companies would include:
 - a. Internal Financial Controls laid have been followed by the company and that such controls are adequate and are operating effectively.
7. Re-appointment of independent director after term of 5 years u/s 149(10)
8. Composition of audit committee & reasons for not accepting recommendations of audit committee, if any u/s. 177(8)
9. Details of Establishment of Vigil mechanism u/s. 177(10)
10. Policy formulated by Nomination and Remuneration committee regarding criteria for determining qualifications, positive attributes & independence of director u/s 178(4)
11. For listed company Rule 5(1) of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014
 - a. Ratio of remuneration of each director to median remuneration of the employees of company for FY;
 - b. Percentage increase in remuneration of each director, CFO, CEO, CS or Manager, if any, in the FY;
 - c. Percentage increase in the median remuneration of employees in the FY;
 - d. No. of permanent employees on the rolls of company;
 - e. Explanation on relationship between average increase in remuneration & co. performance;



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- f. Comparison of remuneration of KMP & performance of co.;
- g. Variations in market capitalisation of co., PE ratio as at closing date of current FY and previous FY and % increase over decrease in market quotations of shares of co. in comparison to rate at which co. came out with last public offer in case of listed cos., and in case of unlisted companies, variations in net worth of co. at current FY and previous FY;
- h. Average percentile increase already made in salaries of employees other than managerial personnel in last FY and its comparison with percentile increase in managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in managerial remuneration
- i. Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;
- j. Key parameters for any variable component of remuneration availed by the directors;
- k. Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;
- l. Affirmation that the remuneration is as per the remuneration policy of the company.

12. Secretarial audit report in prescribed form shall be annexed to Board's report as per Section 204

ONE PERSON COMPANY

The Board Report would contain explanations or comments by Board on every qualification, reservation, adverse remarks made by Statutory Auditor in his report.

SIGNING OF BOARD'S REPORT

Board's Report and annexures forming part of it, has to be signed as under:-

- If authorised by the Board
 - by the Chairperson of the company
- If not authorized by the Board:
 - by at least two directors, one of whom shall be a Managing Director; or
 - by One director where there is one director.



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PENALTY FOR NON-COMPLIANCE

Contravention

If Company contravenes the provisions of Section 134, then the punishment shall be:

On Company

- Fine which shall not be less than Rs. 50,000 but which may extend to Rs.25 Lacs

On Officer in Default

- Imprisonment for a term which may extend to 3 years; or
- With fine which shall not be less than Rs.50,000 but which may extend to Rs.5lacs; or
- With both

I hope this document would be of use to you. I thank CS. Divya Khurana in assisting me to compile this document.

Best Regards

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(Disclaimer: Though full efforts have been made to state the interpretations and case laws correctly, yet the author is not responsible / liable for any loss or damage caused to anyone due to any mistake / error / omissions)



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ANNEXURE-1

DRAFT OF DIRECTOR'S REPORT

To the Members,

Your Directors have pleasure in submitting their Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March,

1. FINANCIAL RESULTS

The Company's financial performance for the year under review alongwith previous years figures are given hereunder:

Particulars	For the C.Y. Ended....	For the P.Y. ended....
Net Sales /Income from Business Operations		
Other Income		
Total Income		
Less: Interest		
Profit before Depreciation		
Less: Depreciation		
Profit after depreciation and Interest		
Less: Current Income Tax		
Net Profit after Tax		
Dividend (including Interim if any and final)		
Net Profit after dividend and Tax		
Amount transferred to General Reserve		
Balance carried to Balance Sheet		

Performance and Financial Position of the Subsidiaries, Associates and Joint Venture companies

Subsidiaries

Associates

Joint Ventures

2. DIVIDEND



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In the month ofthe Company declared an Interim Dividend of Rs.....per share. Your Directors are pleased to recommend a final dividend of Rs.....per share aggregating to Rs....per share (both inclusive interim and final) for the current financial year. The dividend if approved and declared in the forthcoming Annual General meeting would result a total Dividend outflow of Rs.....and Dividend Distribution Tax of Rs..... aggregating a total outflow of Rs.....

or

Your Directors are pleased to recommend a dividend of Rs...per share aggregating to Rs....per share for the current financial year. The dividend if approved and declared in the forthcoming Annual General meeting would result a Dividend outflow of Rs.....and dividend Distribution Tax of Rs..... aggregating a total outflow of Rs.....

or

No Dividend was declared for the current financial year due to conservation of Profits/due to loss incurred by the Company /due to insufficient profit.

3. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 125 of the Companies Act, 2013, any unclaimed or unpaid Dividend relating to the financial year.....is due for remittance on.....to the Investor Education and Protection Fund established by the Central Government.

or

Since there was no unpaid/unclaimed Dividend declared and paid last year, the provisions of Section 125 of the Companies Act, 2013 do not apply.

or

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there was no dividend declared and paid last year.

4. REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS

Your Directors wish to present the details of Business operations done during the year under review:

- a. Production and Profitability
- b. Sales
- c. Marketing and Market environment
- d. Future Prospects including constraints affecting due to Government policies



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5. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate on the date of this report or

The following material changes and commitment occurred during the year under review affecting the financial position of the Company.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, Foreign exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in Annexure.....and is attached to this report.

or

The provisions of Section 134(m) of the Companies Act, 2013 do not apply to our Company. There was no foreign exchange inflow or Outflow during the year under review.

or

The provisions of Section 134(m) of the Companies Act, 2013 do not apply to our Company. The total Foreign Exchange Inflow was Rs.....and Outflow was Rs.....during the year under review.

7. STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY

The Company has adopted the following measures concerning the development and implementation of a Risk Management Policy after identifying the following elements of risks which in the opinion of the Board may threaten the very existence of the Company itself.

- a.
- b.
- c.
- d.



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or

The Company does not have any Risk Management Policy as the elements of risk threatening the Company's existence are very minimal.

8. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

or

The Company has developed and implemented the following Corporate Social Responsibility initiatives during the year under review.

The Annual Report on Company's CSR activities of the Company is furnished in Annexure.... and attached to this report.

or

The Company has made the relevant provisions for CSR activities in the Books of Accounts and has deposited the money in a separate Bank Account. The Company shall find out ways and means to spend the same in the coming months and shall submit the relevant report in the ensuing year. The Company could not spend the money before finalising this report as the time was too short to identify suitable projects for spending the same.

9. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The particulars of Loans, guarantees or investments made under Section 186 are furnished in Annexureand is attached to this report.

or

There was no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

The particulars of Contracts or Arrangements made with related parties made pursuant to Section 188 are furnished in Annexure.....(Form AOC 2) and are attached to this report.

or



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There was no contract or arrangements made with related parties as defined under Section 188 of the Companies Act, 2013 during the year under review.

11. EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS AND THE PRACTICING COMPANY SECRETARY IN THEIR REPORTS

There were no qualifications, reservations or adverse remarks made by the Auditors in their report. The provisions relating to submission of Secretarial Audit Report in not applicable to the Company.

or

There was no qualifications, reservations or adverse remarks made by the either by the Auditors or by the Practising Company Secretary in their respective reports.

or

The explanations /comments made by the Board relating to the qualifications, reservations or adverse remarks made by the Auditors in their report are furnished Annexure ... and is attached to this report. The provisions relating to submission of Secretarial Audit Report in not applicable to the Company.

or

The explanations /comments made by the Board relating to the qualifications, reservations or adverse remarks made by the Auditors and the Practising Company Secretary in their respective reports are furnished Annexure and are attached to this report.

or

The explanations /comments made by the Board relating to the qualifications, reservations or adverse remarks made by the Auditors in their report are furnished Annexure and is attached to this report. There was no an adverse comment, qualifications or reservations or adverse remarks in the Secretarial Audit Report.

12. COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES

The provisions of Section 178(1) relating to constitution of Nomination and Remuneration Committee are not applicable to the Company and hence the Company has not devised any policy relating to appointment of Directors, payment of Managerial remuneration, Directors qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013.

or



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The Company's Policy relating to appointment of Directors, payment of Managerial remuneration, Directors' qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013 is furnished in Annexure and is attached to this report

13. PARTICULARS OF EMPLOYEES

The Company did not employ any such person whose particulars are required to be given under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014.

or

The particulars of employees drawing a specified remuneration which are required to be given under under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 are furnished in Annexure and attached to this report.

or

The table containing the names and other Particulars of employees of the Company in accordance with the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is appended as Annexure of the Board's report.

14. ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is furnished in Annexure (MGT 9) and is attached to this Report.

15. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR UNDER REVIEW

The Company hadBoard meetings during the financial year under review.

16. DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 the Board hereby submit its responsibility Statement:—

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;



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(b) the directors had selected such accounting policies and applied them consistently and made judgments 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 and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis;

(e) the directors, in the case of a listed company, had laid down Internal Financial Controls to be followed by the company and that such internal financial controls are adequate and were operating effectively. (Not applicable to an unlisted Company, including Private Company); and

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

17. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company does not have any Subsidiary, Joint venture or Associate Company.

or

The details of financial performance of Subsidiary/ Joint Venture/Associate Company are furnished in Annexure and attached to this report.

18. DEPOSITS

The Company has neither accepted nor renewed any deposits during the year under review.

or

The details of deposits accepted/renewed during the year under review are furnished hereunder

S.NO	PARTICULARS	AMOUNT	IN RS.
a)	Amount accepted during the year		
b)	Amount remained unpaid or unclaimed as at the end of the year		
c)	whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved		
	i) at the beginning of the year		
	ii) maximum during the year		



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iii)at the end of the year

19. DIRECTORS

There was no Director who got re-elected/reappointed during the year under review Mr.....who was appointed as Additional Director onand holds the said office till the date of the Annual General Meeting. A notice has been received from a member proposing his candidature for his reappointment.

or

Mr.....and Mr.....retire at this Annual General Meeting and being eligible offer themselves for re-election.

20. DECLARATION OF INDEPENDENT DIRECTORS

The Independent Directors have submitted their disclosures to the Board that they fulfil all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

or

The provisions of Section 149 pertaining to the appointment of Independent Directors do not apply to our Company.

21. STATUTORY AUDITORS

M/s _____, Chartered Accountants, were appointed as Statutory Auditors for a period ofyears in the Annual General Meeting held on..... Their continuance of appointment is to be ratified in the ensuing Annual General Meeting.

22. RISK MANAGEMENT POLICY

The Statement showing the details regarding the development and implementation of Risk Management Policy of the Company is furnished in Annexure.... and attached to this report. The risk management includes identifying types of risks and its assessment, risk handling and monitoring and reporting.

23. DISCLOSURE OF COMPOSITION OF AUDIT COMMITTEE AND PROVIDING VIGIL MECHANISM



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The provisions of Section 177 of the Companies Act, 2013 read with Rule 6 and 7 of the Companies (Meetings of the Board and its Powers) Rules, 2013 is not applicable to the Company.

or

The Audit Committee consists of the following members

- a.
- b.
- c.

The above composition of the Audit Committee consists of independent Directors viz., Mr..... and Mr..... who form the majority.

The Company has established a vigil mechanism and overseas through the committee, the genuine concerns expressed by the employees and other Directors. The Company has also provided adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the chairman of the Audit Committee on reporting issues concerning the interests of co employees and the Company.

24. SHARES

a. BUY BACK OF SECURITIES

The Company has bought backequity shares of Rs.....each for a total consideration of Rs.....in accordance with the provisions of Section 68 of the Companies Act, 2013 read with Rule 17 of the Companies (Share Capital and Debentures) Rules, 2014. The said buy back of shares constituted% of the total paid up Capital and free reserves.

or

The Company has not bought back any of its securities during the year under review.

b. SWEAT EQUITY

The Company has issuedEquity of Shares of Rs.....each as Sweat Equity in accordance with the provisions of Section 54 of the Companies Act, 2013 read with Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014

or

The Company has not issued any Sweat Equity Shares during the year under review.

c. BONUS SHARES

The Company has issuedshares of Rs.....as Bonus Shares to the existing shareholders of the Company in the proportion ofshare for every.....shares held in accordance with the provisions



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of Section 63 of the Companies Act, 2013 read with Rule 14 of the Companies(Share Capital and Debentures), Rules 2014.

or

No Bonus Shares were issued during the year under review.

d. EMPLOYEES STOCK OPTION PLAN

The Company had issuedEquity Shares of Rs.10/- aggregating to Rs.....under the Employees Stock Option Plan during the year under review .

or

The Company has not provided any Stock Option Scheme to the employees.

25. INTERNAL FINANCIAL CONTROLS

The Company had laid down Internal Financial Controls and such internal financial controls are adequate with reference to the Financial Statements and were operating effectively

26. ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to bankers, business associates, consultants, and various Government Authorities for their continued support extended to your Companies activities during the year under review. Your Directors also acknowledges gratefully the shareholders for their support and confidence reposed on your Company.

By Order of the Board of Directors

For PRIVATE LIMITED/ LIMITED

Managing Director

Director Chairperson (if authorized by the Board)

Date:

Place: