

**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2010-11 (IN ACCORDANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT ENTERED INTO WITH STOCK EXCHANGE)**

Corporate governance is commonly referred to as a system by which organization are directed and controlled. It is the process by which company objective are established achieved and monitored. Corporate Governance is a reflection of the Company's culture, policies, relationship with stakeholders, commitment to values and ethical business conduct.

**1. Company's Corporate Governance Philosophy**

Rathi Steel and Power Limited's philosophy on corporate governance envisages working towards the highest levels of transparency, accountability, consistent value system, delegation across all facets of its operations leading to sharply focused and operationally effect growth. The business operations are conducted to benefit its all stakeholders, including shareholders, employee, customers, suppliers and statutory authorities.

The Company is in compliance with the requirement of the revised guidelines on Corporate Governance stipulated under clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited (BSE).

**2. (A) Board of Directors**

**Composition and category of Directors (as on 31st March 2011)**

The Company has an Executive Chairman and the number of Independent Directors is equal to 50% of the total number of Directors. As on 31st March 2011 the Company has 5 Directors on its Board, of which 3 Directors are independent. The number of Non-executive Directors is more then / equal to 50% of the total number of Directors. The Company is in compliance with the recent amendment / development of Clause 49 of the Listing Agreement pertaining to composition of Board of Directors.

The name and categories of the Directors on the Board along with their directorship held in other bodies corporate are as follows:

| Director's Name            | Designation         | Category                      | Directorship |         | No. of Committees |          |
|----------------------------|---------------------|-------------------------------|--------------|---------|-------------------|----------|
|                            |                     |                               | Public       | Private | Member            | Chairman |
| Shri Pradeep Rathi         | Managing Director   | Executive and Non Independent | 03           | 01      | Nil               | Nil      |
| Shri Prem Narayan Varshney | Whole Time Director | Executive and Non Independent | Nil          | Nil     | Nil               | Nil      |
| Shri S K Daga              | Director            | Non Executive and Independent | 01           | Nil     | Nil               | Nil      |
| Shri Ranjit Khattar        | Director            | Non Executive and Independent | 01           | 02      | Nil               | Nil      |
| Shri Dwarka Das Lakhotia   | Director            | Non Executive and Independent | Nil          | Nil     | Nil               | Nil      |

**(b) Information in case of appointment or re-appointment as required under listing agreement is given as under:**

Shri Shree Kumar Daga, aged 57 years, holds a master degree in Mechanical Engineering and has more then 31 years of experience in the various industries. He has been on our Board of Directors since March 2003 as a Non Executive and Independent Director.

14th May 2010, 28th June 2010, 13th August 2010, 25th August 2010, 03rd September 2010, 01st October 2010, 05th October 2010, 22nd November 2010, 03rd December 2010, 15th February 2011, 16th March 2011. All the Meetings except 28th June 2010 were held at the registered office of the Company.

**(c) Details of Board Meeting held during the financial year 2010-11**

11 (Eleven) Board meeting were held during the financial year 2010-11 and the gap between two Board meeting did not exceeds four months. The date on which the Board meeting were held as follows:

**(d) Detail of attendance of Directors at Board Meeting and at the Annual General Meeting held during the year:**

The last (39th) Annual General Meeting was held on 30th September 2010. The attendance at Board Meeting during the year and at the 39th Annual General Meeting was as follows:

| Name of Director's  | No of Board Meeting held | No of Meeting attended | Last AGM Attended |
|---------------------|--------------------------|------------------------|-------------------|
| Shri Pradeep Rathi  | 11                       | 11                     | No                |
| Shri P. N. Varshney | 11                       | 11                     | Yes               |
| Shri D.D.Lakhotia   | 11                       | 9                      | No                |
| Shri S. K. Daga     | 11                       | 11                     | No                |
| Shri Ranjit Khattar | 11                       | 10                     | No                |

### 3. AUDIT COMMITTEE:

The Audit Committee comprises of Independent Directors in compliance of clause 49 II (A) of the Listing Agreement. Shri S. K. Daga is the chairman

of the committee. The Chief financial officer and finance head along with statutory Auditors are invitee to the meeting. The Company Secretary acts as the secretary of the Audit Committee.

| Date of Meeting | Shree Kumar Daga | Ranjit Khattar | Dwarka Das Lakhotia |
|-----------------|------------------|----------------|---------------------|
| 14-05-2010      | Yes              | Yes            | Yes                 |
| 13-08-2010      | Yes              | Yes            | No                  |
| 03-09-2010      | Yes              | Yes            | Yes                 |
| 22-11-2010      | Yes              | Yes            | Yes                 |
| 15-02-2011      | Yes              | Yes            | Yes                 |

### 4. Remuneration Committee:

The Remuneration committee comprise of Independent Director in compliance of Clause 49(IVE) of the Listing Agreement. Shri Shree Kumar Daga is the chairman of the committee. Shri DD Lakhotia and Shri Ranjit Khattar are the other member of the Committee. The terms of reference of this committee covers the matters specified for Remuneration Committee under clause 49 of the Listing Agreement. One meeting of the Committee was held during the year.

### 5. Details of remuneration of Whole Time Directors:

| (a)                        | (Amount in Rs.) |
|----------------------------|-----------------|
| Shri Pradeep Rathi         | 13,50,000       |
| Shri Prem Narayan Varshney | 2,00,930        |

| (b)                        | Period of contract    |
|----------------------------|-----------------------|
| Shri Pradeep Rathi         | 5 years from 01-08-09 |
| Shri Prem Narayan Varshney | 5 years from 01-04-08 |

### (c) Detail of Director's Shareholding

| Name                       | No. of Shares |
|----------------------------|---------------|
| Shri Pradeep Rathi         | 436072        |
| Shri Prem Narayan Varshney | 200           |
| Shri Dwarka Das Lakhotia   | Nil           |
| Shri Ranjit Khattar        | Nil           |
| Shri Shree Kumar Daga      | Nil           |

### 6. Investor's Grievances Redressal Committee

The Company's Registrar and Share Transfer agent handle the investor's grievances in consultation with secretarial department of the Company. The Registrar has adequate skilled staff with potential qualification and advance computer system for speedy redressal of the Investor's grievances. The total process of settlement of the complaint right from its receipt to disposal is fully computerized to ensure timely settlement. It normally takes 15 days from the date of receipt of the complaint for disposal of investor grievances. Nevertheless the Company has constituted an investor grievances committee in accordance with the requirement of Clause 49 of the listing agreement for attending the investor's complaints pertaining to transfer / transmission of shares, dividend enquiry and any other related matter. Shri Shree Kumar Daga is the Chairman of the committee. Shri Pradeep Rathi and Shri Dwarka Das Lakhotia are the other member of the committee.

### 7. Status of complaints for the period 01st April 2010 to 31st March 2011

|                                       |     |
|---------------------------------------|-----|
| Number of complaints- opening Balance | Nil |
| Complaints received during the year   | 21  |
| Complaints resolved during the year   | 21  |
| Pending at the end of the year        | Nil |

## 8. DETAIL OF AGM / EGM OF THE COMPANY

| Date          | AGM / EGM | Place of Meeting  | Time       |
|---------------|-----------|---|------------|
| 05th Feb 2008 | EGM       | A-3, Ind. Area, South of GT Road Ghaziabad  | 10.00 a.m. |
| 30th Sep 2008 | 37th AGM  | The Little Theatre Group, Copernicus Marg, Next to Kamani Auditorium, New Delhi- 110001 | 10.00 a.m. |
| 30th Sep 2009 | 38th AGM  | The Little Theatre Group, Copernicus Marg, Next to Kamani Auditorium, New Delhi- 110001 | 10.00 a.m. |
| 30th Sep 2010 | 39th AGM  | Pyarelal Bhawan, 2 Bahadurshah Zafar Marg, Near ITO New Delhi- 110002                   | 10.00 a.m. |

Detail of special resolution passed in the above referred meeting as under:-

|                           |   |
|---------------------------|---|
| EGM Held on 05th Feb 2008 | Section 81(1A) Preferential Issue of convertible warrants   |
| AGM Held on 30th Sep 2008 | Revision in remuneration and tenure of whole time Director<br>Preferential issue of 105 lacs convertible warrants   |
| AGM Held on 30th Sep 2009 | Revision in tenure of Managing Director   |
| AGM held on 30th Sep 2010 | Revision in remuneration of Managing Director<br>Appointment of Directors Relative at place of profit<br>Appointment of Directors Relative at place of profit<br>Increase in borrowing limits |

During the year under review, the Company did not pass any resolution by way of postal ballot. No special resolution requiring Postal Ballot is proposed at the ensuing Annual General Meeting.

## 9. Disclosures

Neither has any non compliance with any of the legal provisions of law been made by the Company nor any penalty or stricture imposed by the stock exchange or SEBI or any other statutory authority on any matter related to the capital market during the last 3 years. The employees of the Company are accessible to the senior management for any counseling or consultation and the company has not denied any employee access to the Audit Committee. All the mandatory requirement of Clause 49 is being complied with. Information regarding related party transactions have been disclosed in Notes on Accounts in the Financial Statements of the Company.

## 10. Means of communication

The Annual, Half Yearly and Quarterly results are communicated to Stock Exchange, where the Company's share are listed, immediately after the same are taken on record / approved by the Board. Further the results are also published in newspapers which include "The Pioneer" (English) and "The Veer Arjun" (Hindi). Financial results are supplied through e-mail and mail to shareholders on demand. The results are also placed on the website of Mumbai Stock Exchange Limited at [www.bseindia.com](http://www.bseindia.com). As per clause 54 of the Listing Agreement, the information regarding shareholders can be downloaded / retrieved from [www.rathisteel.co.in](http://www.rathisteel.co.in). As a part of Green of the Green initiative, since December 2010, the annual report and quarterly results will be send by email to Shareholder whose email address are registered with the Depositories / Registrar and Share Transfer Agents of the Company.

**Whether management discussion and analysis form part of Annual Report or not: yes**

## 11. GENERAL SHAREHOLDERS INFORMATION

### (a) Annual General Meeting

The next (40th) Annual General Meeting is scheduled to be held at the Pyarelal Bhawan, 2 Bahadurshah Zafar Marg, Near ITO, New Delhi- 110002 on 30th September 2011 at 03.00 p.m.

### (b) Financial Calendar year for 2011-12 (Tentative)

|                        |                            |
|------------------------|----------------------------|
| Financial Year ending  | 31st March 2012            |
| First Quarter Results  | on or before 14th Aug 2011 |
| Second Quarter Results | on or before 15th Nov 2011 |
| Third Quarter Results  | on or before 15th Feb 2012 |
| Fourth Quarter Results | on or before 15th May 2012 |

**(c) Book Closure Date**

From 25th September 2011 to Friday 30th September 2011 (both days inclusive)

**(d) Dividend**

Pursuant to section 205(1A) of the Companies Act, 1956, the amount of dividend for the financial year 2010-11 (if declared) will be deposited with the Bank within 5 days of approval of the shareholders in the forthcoming Annual General Meeting and its payments shall be made within 30 days of its declaration.

**(e) Listing of Securities**

Mumbai Stock Exchange Limited (**Scrip 504903**)

The Company has made a request to delist its securities from Delhi Stock Exchange Limited.

**13. Stock Price data monthly High and Low Price at BSE for the year 2010-11.**

| Month & Year | High / Rs. | Low / Rs. | Volume (Shares) | Volume (Trades) |
|--------------|------------|-----------|-----------------|-----------------|
| April 10     | 25.95      | 19.00     | 887821          | 2743            |
| May 10       | 24.50      | 19.10     | 474041          | 1615            |
| June 10      | 24.85      | 20.20     | 387952          | 1118            |
| July 10      | 24.85      | 21.50     | 386420          | 1183            |
| Aug 10       | 23.50      | 21.00     | 306544          | 1306            |
| Sep 10       | 26.00      | 21.65     | 719321          | 2722            |
| Oct 10       | 32.90      | 25.00     | 2006086         | 7981            |
| Nov 10       | 30.40      | 21.80     | 630306          | 2139            |
| Dec 10       | 24.90      | 20.00     | 307519          | 1371            |
| Jan 11       | 24.40      | 17.55     | 284893          | 1314            |
| Feb 11       | 18.90      | 15.35     | 123799          | 714             |
| Mar 11       | 17.80      | 14.10     | 160727          | 498             |

**14. Distribution of Shareholding as at 31st March 2011.**

| Category (In Value) | No. of Shares | %     | No. of Share Holders | % of total Share holders |
|---------------------|---------------|-------|----------------------|--------------------------|
| 01-5000             | 2029231       | 6.48  | 12625                | 81.48                    |
| 5001-10000          | 1295483       | 4.14  | 1593                 | 10.28                    |
| 10001-20000         | 1075257       | 3.43  | 687                  | 4.43                     |
| 20001-30000         | 469705        | 1.50  | 182                  | 1.17                     |
| 30001-40000         | 297248        | 0.95  | 83                   | 0.54                     |
| 40001-50000         | 367605        | 1.17  | 77                   | 0.50                     |
| 50001-100000        | 760545        | 2.43  | 104                  | 0.67                     |
| 100001 and above    | 25013037      | 79.89 | 144                  | 0.93                     |

**15. Shareholding pattern as on 31st March 2011**

| Description                     | No. of Shares | Percentage |
|---------------------------------|---------------|------------|
| Promoters                       | 15849487      | 50.62      |
| Mutual Fund                     | 751245        | 2.40       |
| Financial Institution / Banks   | 2255543       | 7.20       |
| Foreign Institutional Investors | 0             | 0.00       |

|                  |                 |            |
|------------------|-----------------|------------|
| Bodied Corporate | 4257562         | 13.60      |
| Individual       | 7802712         | 24.93      |
| NRI              | 296080          | 0.95       |
| Clearing Members | 95482           | 0.30       |
| <b>Total</b>     | <b>31308111</b> | <b>100</b> |

**16. Share Transfer System:**

Share transfer are registered and returned within the stipulated period if the documents are complete in all respects.

**17. Dematerialization of Equity Shares:**

As at 31st March 2011, 74.27% equity capital was held in Electronic form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Normally request for dematerialization of shares are processed and confirmed within 21 days of receipt to NSDL and CDSL.

**18. Plant Locations:**

**Works**

(Ghaziabad)  
(Orissa)

**Address**

A-3, Industrial Area, Ghaziabad (U.P.)  
Vill. Potapalli and Sikirdi, Dist. Sambalpur (Orissa)

**19. Address for correspondence:**

**Rathi Steel and Power Limited** (Secretarial Department)  
24/1A, Mohan Co-Operative Ind. Estates  
Mathura Road, New Delhi- 110044

**Registrar and Share Transfer Agent:**

Mas Services Limited (Unit Rathi Steel)  
T-34, Second Floor, Okhla Ind. Area, Phase-II  
New Delhi- 110020  
Ph: 011-26387281-82-83  
Fax No. 011-26387384  
Email: info@masserv.com

**20. Investors contact:**

Compliance Officer Email ID: investors@rathisteelandpower.com

**21. Green Initiative in Corporate Governance:**

The Ministry of Corporate Affairs has taken a "Green Initiatives in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holding with the Depository through their concerned Depository participants and in case of physical holding to the Company or directly at Registrar and Share Transfer Agent of the Company.

**DECLARATION BY THE CHAIRMAN UNDER CLAUSE 49(1D) OF THE LISTING AGREEMENT**

I hereby confirm that all Board members and senior management personnel of the company have affirmed compliance with code of conduct and Senior Management as approved by the Board, for the financial year ended March 31, 2011

Place: New Delhi  
Date: 23-08-2011

Sd/-  
Pradeep Rathi  
Chairman