

## NOTE ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company believes that the fundamental and sound principles of Corporate Governance are transparency in operations with greater accountability and fair dealing by way of providing all the required information to the stakeholders in order to protect their interest. The Company is committed in adhering to good corporate governance practices by providing detailed information on various issues concerning the company's business and financial performance to the Shareholders of the Company. The Board is committed towards welfare of shareholders with broad principles of Corporate Governance, which may drive the actions of the Company towards achieving of company's objectives.

Bartronics India Limited has become a Listed Company with effect from 12<sup>th</sup> January 2006 and is committed to the adoption of best Corporate Governance Practices.

### 2. BOARD OF DIRECTORS:

#### a) Board Composition:

The Majority of Board of Directors of the Company consists of Professional Directors and the Composition of the Board meets with the requirement of Corporate Governance Code prescribed in Clause 49 of the Listing Agreement with not less than 50% of the Board of Directors of the Company being Non-Executive Directors and with 50% of the Board of Directors of the Company being Independent Directors. The Composition of Board is as follows:

The Board of Directors of Bartronics India Limited in total consists of 8 Directors.

1	Shri Sudhir Rao	Managing Director
2	Shri A.B.S.Reddy	Promoter - Non-Executive Director
3	Shri R.Satish Reddy	Promoter - Non-Executive Director
4	Shri B.Narayanswamy	Independent Non-Executive Director
5	Shri T.Venkateswara Rao	Whole-time Director
6	Shri K.N.Dupare	Nominee Director of IDBI – Independent Non-Executive Director
7	Shri Y R Rao	Independent Non-Executive Director
8	Shri R Subramanian	Independent Non-Executive Director

#### b) Board Procedures:

The Board of Directors of the Company has prescribed appropriate Systems and Procedures for the purpose of conducting of Meeting of Board of Directors of the Company, which can be briefed as under

- 1) The Meetings are convened by giving proper Notice to the Stock Exchanges as may be required and to the members of the Board

- 2) The Agenda and other explanatory notes are circulated among the Board Members and other invitees.
- 3) The Chairman, generally at the commencement of the meeting explains to the Board Members about the developments that have taken place in the Company.
- 4) The Chairman at the Meeting will place the information, which cannot be circulated in advance to the Members.
- 5) The Board if required, considering the necessity or urgency of the issue will take up any other item of business, which is not part of agenda.
- 6) The Minutes of the Meetings are recorded and are entered in the Minutes Book and these Minutes will be confirmed in next Board Meeting and the same will be signed by the Chairman.
- 7) The Dy. Company Secretary of the Company ensures compliance of the all applicable Provisions of Companies Act and Rules and Regulations of Stock Exchanges, SEBI or any other Statutory Authority as per the requirements

### 3. AUDIT COMMITTEE:

The Company has constituted Audit Committee as per the provisions of Section 292A of the Companies Act 1956 during the year 2005 in its Board Meeting held on 25.04.2005 and subsequently, the Audit Committee has been reconstituted with effect from 19.04.2007 consisting of:

- a) Shri R Subramanian, Chairman
- b) Shri A.B.S.Reddy, Member
- c) Shri Y R Rao, Member
- d) Shri B Narayanswamy, Member and
- e) Shri K N Dupare, Member

The Audit Committee was mainly constituted for the purpose of overseeing and monitoring the audit aspects of the Company and for reviewing with the management the annual financial statements and to review the adequacy of internal control systems, functions, structures and frequency of reporting of audit systems and to review the financial and risk management policies.

Subsequent to Listing of the Equity Shares of the Company on Bombay Stock Exchange Limited and National Stock Exchange of India Limited from 12<sup>th</sup> January 2006, the Audit Committee constituted by the Company now has additional functions / features as required under Clause 49 of the Listing Agreement.

a) The terms of reference of the Audit Committee are as under

1. To oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the Replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, 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.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. 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.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee will also mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by Management;

3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal Audit Reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by Audit Committee.

b) Composition, Name of Members and Chairman:

At Present, the Audit Committee consists of Five Members, the composition of which is as follows:

1	Shri R Subramanian	Chairman	Independent Non-Executive Director
2	Shri A.B.S.Reddy	Member	Non-Executive Director
3	Shri B.Narayanswamy	Member	Independent Non-Executive Director
4	Shri K.N.Dupare	Member	Nominee Director of IDBI – Independent Non-Executive Director
5	Shri Y R Rao	Member	Independent Non-Executive Director

4. REMUNERATION COMMITTEE:

The Remuneration Committee in the Company was reconstituted during the financial year 2006-2007 and all the members of the Remuneration Committee are Non-Executive Directors, with the Chairman being Independent Director. The Committee was mainly formed to look into the matters relating to payment of Compensation by way of salary, perquisites and other benefits to Executive Directors and to set guidelines for deciding the payment of salary and other benefits to the senior employees of the Company and other matters such as performance appraisal in relation to those senior employees.

a) Composition, Name of Members and Chairman:

The Committee currently comprises of Four Members as under

Shri R Subramanian	Chairman	Independent Non-Executive Director
Shri B. Narayanswamy	Member	Independent Non-Executive Director
Shri K.N.Dupare	Member	Nominee Director of IDBI Limited – Independent Non-Executive Director
Shri Y R Rao	Member	Independent Non-Executive Director

b) Remuneration policy

The Remuneration Committee of Board of Directors of the Company generally decides and makes recommendations to the Board of Directors about the remuneration to be paid to the Directors and other Key Managerial Persons of the Company. The Remuneration Committee recommendations about the remuneration of Directors are subject to the approval of the Members of the Company and the remuneration of the key managerial persons is to be recommended by the Remuneration Committee to the Board.

The Company is proposing to have a plan for continuous appraisal of various parameters to analyze the performance of the Directors and Key Managerial Persons and to decide the annual compensation to be paid to them.

#### 5. SHAREHOLDERS/INVESTOR GRIEVANCES COMMITTEE:

The Company has constituted Shareholders/Investor Grievances Committee for the purpose of specifically looking into the matters relating to Shareholders and Investor Grievances such as non-receipt of refund orders; non-receipt of balance sheets and non-receipt of declared dividends etc.,

a) The constitution of the Shareholders Grievance Committee is as follows

1	Shri A.B.S.Reddy	Chairman	Non-Executive Director
2	Shri Sudhir Rao	Member	Managing Director
3	Shri R.Satish Reddy	Member	Non-Executive Director
4	Shri K.N.Dupare	Member	Nominee Director of IDBI – Independent Non-Executive Director

#### 6. SHARE TRANSFER COMMITTEE:

The Company has constituted Share Transfer Committee for the purpose of specifically looking in to matters relating to share transfers, rejection of share transfers, consolidation and subdivision of shares and issue of duplicate share certificates.

Subsequent to Listing of Equity Shares, the Shares of the Company shall be traded on Stock Exchanges only in Dematerialized Form and are automatically transferred on delivery since 100% of the Shares of the Company have been dematerialized.

Composition of the committee:

The Committee presently comprises of Three Members as under

Shri Sudhir Rao	Chairman	Managing Director
Shri R.Satish Reddy	Member	Non-Executive Director
Shri K.N.Dupare	Member	Nominee Director of IDBI Limited – Independent Non-Executive Director

7. All the shareholder information, to be made available to Shareholders of the Company under Clause 49 of the Listing Agreement is provided to the Shareholders of the company such as :

1. Information on Previous Annual General Meetings
2. Details of Special Resolutions passed in the aforesaid AGM
3. Details of Special Resolutions passed through Postal Ballot
4. Post Ballot procedure (if any resolution is to be passed through Postal Ballot)
5. Disclosures on related party transactions:
6. Details about Statutory Compliances:
7. Management Discussion and Analysis Report
8. Implementation of Code of Conduct
9. Listing Particulars on Stock Exchanges
10. Stock Data
11. Book Closure intimations
12. Particulars of Share Transfer System in the Company including Particulars of Registrar and Transfer Agent
13. Plant Locations
14. Address for correspondence