



# GAGAN POLYCOT INDIA LIMITED

## CORPORATE GOVERNANCE REPORT 2009-2010

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company believes that good corporate governance is essential to achieve long-term corporate goals and to enhance stakeholder's value. There is no one universal model of a corporate governance code. Different environments require specific solutions to meet the demands of legal compliances and regulations. However there is a single thread, which weaves through the tapestry of governance that calls for the affairs of a company to be controlled and regulated in a manner that is transparent, ethical and accountable. In pursuit of this objective, your Company is committed to achieving transparency in all its dealings, providing high quality products and services to its customers and stakeholders. This places a significant emphasis on integrity, proper internal controls and regulatory compliances, which cannot be compromised. The basic philosophy of Corporate Governance in your Company has been to achieve business excellence, to enhance shareholder value, keeping in view the needs and the interest of all its stakeholders and customers.

### 1. BOARD OF DIRECTORS

#### 1.1 The constitution of the Board as on 31st March 2010.

The Board of Gagan Polycot India Limited consists of 6[Six] directors, two of whom are non-executive. The executive directors, Mr. Pawan Kumar Bagla, Managing Director, Mrs. Rachana Bagla Executive Director, Mr. Jitendra Bagla, Mr. Gagan Bagla represent the promoter group. Mr. Pawan Kumar Bagla is the Chairman and Managing Director of the Company. The 2 non-executive directors are independent directors. The Board has no Institutional and Nominee directors.

According to Clause 49 of the Listing Agreement if the Chairman is an executive, at least half of the Board should consist of non-executive, independent directors. This provision is been failed to be adequately met at Gagan Polycot India Limited. The two non-executive independent directors besides maintaining the desired level of independence of the Board ensure a blend of executive and independent directors. All non-executive directors are persons of eminence, and bring a wide range of expertise and experience to the Board.

As per statutory requirements, at least two third of the Board should consist of retiring directors. Of these, one third is required to retire every year and if eligible, may seek reappointment by the shareholders. Two of 6 directors in Gagan Polycot India Limited will be retiring director by rotation.

#### 1.2 Board Meetings and Agenda.

In compliance with the provisions of clause 49 of the listing agreement, the Board meets at least once in every quarter to review the performance and to deliberate and consider other items on the agenda. During the Year 2009-2010, the Board of Directors met 7(Seven) times on the following dates,

22nd day of June 2009, 17th day of July 2009, 24th day of September, 2009, 15th day of October 2009, 27th January 2010 , 29th January, 2010 and 15th February, 2010

A detailed Agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board discharge its responsibilities effectively.

The Chairman briefs the Board at every meeting on the overall performance of the Company, followed by presentations by the Executive Directors. The non-executive directors are also given opportunities to express their respective opinions. A detailed report is also placed at every Board Meeting. The Board also reviews:

- Strategy and business plans
- Annual operating and capital expenditure budgets.
- Investment and exposure limits.
- Compliance with statutory / regulatory requirements and review of major legal issues.
- Major accounting provisions and write-offs.

The dates of meeting were generally decided well in advance.

#### 1.3 Attendance record of directors.

The composition of the Board and the attendance record of all the directors at the Board meetings held during 2009-2010, as well as at the last Annual General Meeting are as follows:



Name of Director	Designation	Board Meetings Attended	Whether attended last AGM on
Mr. Pawan Kumar Bagla	Chairman & Managing Director	7	Yes
Mrs. Rachana Pawankumar Bagla	Director	7	Yes
Mr. Jitendra Kumar Bagla	Director	7	Yes
Mr. Gagan Bagla	Director	5	Yes
*Mr. Hemang Sampat	Additional Director	1	No
*Mr. Rajesh Mehta	Additional Director	1	No

**\*Mr. Rajesh Mehta and Mr. Hemang Sampat are appointed as Additional Directors w.e.f . 29.01.2010**

#### 1.4 Outside Directorships and Membership of Board Committees.

The number of outside directorships and committee positions held by the directors of Gagan Polycot India Limited can be summarized as follows:

Name of Director	Directorships in		Membership of Board Committees
	Listed Companies	Unlisted Public Limited Companies	
Mr. Pawan Kumar Bagla	Nil	Nil	Nil
Mrs. Rachana Pawankumar Bagla	Nil	Nil	Nil
Mr. Jitendra Kumar Bagla	Nil	Nil	Nil
Mr. Gagan Bagla	Nil	Nil	Nil
Mr. Rajesh Mehta	Yes	Yes	Yes
Mr. Hemang Sampat	Yes	Yes	Yes

## 2. BOARD COMMITTEES:

The Board has constituted three committees viz. Audit Committee and Remuneration Committee and Investors Grievance Committee. The roles and responsibilities assigned to these committees covered under the terms and reference approved by the Board are subject to review by the Board from time to time and the minutes of meetings of these committees are reviewed and taken note the Board. The details as to the composition, terms of reference, number of meetings and related attendance etc. of these committees are provided herein below:

### 2.1 Audit Committee

#### 2.1.1. Constitution and Composition of the Audit Committee

With a view to ensuring compliance with the various requirements under the Companies Act, 1956 and Clause 49 of the Listing Agreement, Gagan Polycot India Limited has set up its Audit Committee. The Company has been taking measures from time to time to improve the effectiveness of the Committee.

**The Audit Committee consists of three Directors :**

1. Mr. Hemang Sampat
2. Mr. Rajesh Mehta
3. Mrs. Rachana Bagla

Mr. Hemang Sampat is the Chairman of the Committee and all except Mrs., Rachana Bagla are independent, non-executive directors.

#### 2.1.2 Attendance at Audit Committee meetings:

Name of Director	Category	Status	Number of Meeting	
			Held	Attended
*Mr. Hemang Sampat	Non Executive, Independent	Chairman	1	1
*Mr. Rajesh Mehta	Non Executive, Independent	Member	1	1
Mrs. Rachana Bagla	Executive	Member	4	4

**\*Mr. Rajesh Mehta and Mr. Hemang Sampat are appointed as Additional Directors w.e.f. 29.01.2010**



## 2.2 REMUNERATION COMMITTEE

### 2.2.1 Constitution and Composition of the Remuneration Committee.

Gagan Polycot India Limited has set up its Remuneration Committee to review the remuneration package of the executive directors and for recommending suitable revisions to the Board. It should be noted that the remuneration of the Managing Director and Executive Director is subject to the approval of the Board of Directors and the Members as well as such other approvals as may be required. Besides, approval of the Central Government may also be necessary in certain circumstances. The Company has been taking measures from time to time to improve the effectiveness of the committee. The Remuneration Committee consists of three Directors:

1. Mr. Pawankumar Bagla
2. Mr. Jitendra Bagla
3. Mrs. Rachana Bagla

### 2.2.2 Meetings, Attendance and Topics Discussed.

During 2009-2010, the remuneration committee met once on the 1<sup>st</sup> day of April 2009. The meeting was scheduled well in advance and was attended by all the members of the Committee.

### 2.2.3 Remuneration paid / payable to Directors during the Financial Year 2009-2010.

Name of Director	Salary/Allowances Amount Rupees	Sitting Fees Amount Rupees	Total Amount Rupees
Mr. Pawan Kumar Bagla	250000	-----	250000
Mrs. Rachana Pawankumar Bagla	192000	-----	192000
Mr. Jitendra Kumar Bagla	156000	-----	156000
Mr. Gagan Bagla	180000	-----	180000
Mr. Rajesh Mehta	-----	-----	-----
Mr. Hemang Sampat	-----	-----	-----

**The Directors have voluntarily waived the Sitting fees for the Financial Year 2009-2010.**

### 2.2.4 Share Holder / Investor Grievance Committee:

The Shareholder/investor Grievance Committee was set up with objective of consideration and speedy disposal of shareholder, and investor requirements & compliance there to. The committee specifically looks into the shareholders and investor complaints on matters relating to transfer of shares, non receipt of Annual Report, non receipt of dividend, etc. in addition the committee also looks into matters which can facilitate better investors services and relations. The company has taken measures from time to time to improve the effectiveness of the committee. The grievance committee consists of three directors namely

1. Mrs. Rachana Bagla
2. Mr. Jitendra Bagla
3. Mr. Hemang Sampat

Mrs. Rachana Bagla is the chairperson of the committee of the three the two are non-executive directors

### 2.2.5 Compliance Officer:

The committee oversees the performance of share transfer and recommends measures to improve the shareholders/investors service. Mr. Pawan Kumar Bagla is the Compliance Officer during the financial year ended 31<sup>st</sup> March, 2010.

## 3. GENERAL BODY MEETINGS

The details of the last three General Body Meetings can be summarized as follows:

Type of Meeting	Date of the Meeting	Place of the Meeting	Time of the Meeting
19th Annual General Meeting	30-09-2007	Malegaon HCG., C. Shiwar, M. Road, Malegaon-423203.	03:30 PM
20th Annual General Meeting	29-09-2008	201/202 Gagan Towers, Tilak Road, Malegaon 423203	10:00 AM
21st Annual General Meeting	29-09-2009	201/202 Gagan Towers, Tilak Road, Malegaon 423203	10:00 AM

The Company has not passed any resolution through postal ballot during the last year.

## 4. DISCLOSURES

### 4.1 Materially significant related party transactions:

There were no related party transactions, pecuniary transactions made by the Company with its promoters, directors, management and their relatives, for which the approval from the Central Government is pending as per section 25 that may have potential conflicts with the interest of the Company at large.



## 4.2 Means of Communication

The Quarterly Financial Results have not been published in English and vernacular newspaper.

## 5. GENERAL SHAREHOLDERS INFORMATION

### 5.1. Annual General Meeting

Date & Time : 30<sup>th</sup> September, 2010 at 10.00 a.m.

Venue : 201/202 Gagan Towers, Tilak Road, Malegoan 423203

### 5.2. Financial Calendar

#### Financial Reporting

April 2011 to March 2011

Unaudited first quarter financial results : July 2010

Unaudited second quarter financial results : October 2010

Unaudited third quarter financial results : January 2011

Unaudited third quarter financial results : April 2011

### 5.3 Dividend

Dividend declared for the financial year ended 31st March 2010 at Nil

### 5.4. Distribution of Shareholding

The pattern of shareholdings among various categories as on 31<sup>st</sup> March 2011 is as follows:

Category	Number of shares held	Percentage
Promoters	398900	9.90%
Promoter's Relatives & Associates	0	0
Financial Institutions	0	0
Banks	0	0
Mutual Funds	39200	0.97%
Corporate Bodies	405500	10.07%
Non Resident Indians	0	0
Individuals / Others	3184700	79.06%

### 5.5 DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011 :

No. of Equity Shares held	No. of Share Held	No. of Share Holders	% of Equity Capital
Upto 500	1340	368800	9.16
500 - 1000	482	402200	9.98
1001 - 2000	207	334900	8.31
2001 - 3000	113	295200	7.33
3001 - 4000	46	169300	4.20
4001 - 5000	30	142200	3.53
5001 - 10000	60	413500	10.26
10001 - 100000	38	1902200	47.22
<b>Total</b>	<b>4374</b>	<b>5000000</b>	<b>100</b>

### 5.6 Book Disclosure:

The Register of Members and Share Transfer Books of the company will remain closed from the 23rd day of September, 2010 to 30th day of September, 2010 both days inclusive.

### 5.7 Registrar and Share Transfer Agent:

Name : Adroit Corporate Services [India] Private Limited.

SEE1 REG No. : INR000002277

Registered Office : 19, Jafferbhoy Industrial Estate. 1st Floor, Makwana Road. Andheri (East) MUMBAI - 400 059.

Telephone : 022-22702485 12264 1376.

Fax : 022-2264 1349,

E-mail : adroit@vsnl.net



### 5.8 Share Transfer System and the scheme of transfer-cum- demat:

Application for Transfer of Share held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company or at the Registered office of that company which later on are sent to the Registrar and Share Transfer Agent The Share Transfer Committee promptly attends to share transfer formalities so as to dispose them within one month of their receipt.

### 5.9 Stock Code:

Sr. No.	Name of the Stock Exchange	Scrip Code
1	Bombay Stock Exchange	531196
2	Delhi Stock Exchange	
3	Ahmedabad Stock Exchange	
4	Vadodara Stock Exchange	

### 5.10 Address for Correspondence

Investors and shareholders can correspond with the registered office of the company at the following address : 201/202 Gagan Towers, Tilak Road, Malegoan 423203

Shareholders correspondence should be addressed to the Company's above-mentioned address.

## 6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ☞ Industries Structure and Development:-

Your directors are pleased to inform you that due to the over all recessionary trend and the meltdown in the Textile Sector, your company could not maintain growth in its profit through higher turnover Is achieved. Your company managements are exploring new market for its products. The company has not taken any loan / advance from any bank or institutions.

### ☞ Building (Construction ) Segment :

Due to very weak demand, there is no added operations n this segment requiring reporting.

### ☞ Company Prospectus :

The company deals in Indian Market. The purchasing power of the masses is increasing every year in our country. The company hopes to increase its profit as higher sales are being achieved. We are also trying to tie with foreign buyers and also to install imported SULZER looms with a view to diversify the production.

### ☞ Risk Management :

The company is subject to business risks, both internal & external and has taken adequate steps to mitigate the same. the major risks associated with the company are outlined below

### ☞ Raw Material Price :

Raw material cost is about 75% of the company's sales. Thus any major hikes in raw material prices can affect the operations of the company adversely. The company's Sales are customer driven and hence pricing Is order based. The company is, generally able to pass on the increase in raw material price to its customers .

### ☞ Domestic Competition :

The company faces competition in all the segments that it operates from both the organized and unorganized and sectors.

### ☞ Cautionary Statement :

Statement in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be "forwarding looking statements" within the meaning of the applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied.

FOR GAGAN POLYCOT INDIA LIMITED

Sd/-

Date: 25.08.2010

Place: Malegaon

Mr. Pawan Kumar Bagla  
Managing Director



## 7. CEO & CFO CERTIFICATION

### CEO/CFO CERTIFICATION TO THE BOARD (Under Clause 49(V) of Listing Agreement)

Date: 25.08.2010

I, Pawan Bagla, Director of Gagan Polycot India Limited Certify that --

a) I have reviewed the financial statements and the cash flow statement for the year 2009-10 and that to the best of our knowledge and belief:

- ☞ These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ☞ These statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year 2009-10 which are fraudulent, illegal or violative of the Bank's code of conduct;

c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Bank and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the Auditors and the Audit Committee -

- ☞ Significant changes in internal control over the financial reporting during the year 2009-10
- ☞ Significant changes in accounting policies during the year 2009-10 and that the same have been disclosed in the notes to the financial statements; and
- ☞ Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over the financial reporting.

**FOR GAGAN POLYCOT INDIA LIMITED**  
Sd/-

Date: 25.08.2010

Place: Malegaon

**Mr. Pawan Kumar Bagla**  
Managing Director



## DECLARATION ON CODE OF CONDUCT

To,  
The Member of  
**GAGAN POLYCOT INDIA LIMITED**

I, Mr. Pawan Kumar Bagla, Managing Director of Gagan Polycot India Limited declare that to the best of my knowledge and belief, all the members of the Board of Directors and the designated personnel in the senior management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31<sup>st</sup> March 2010.

**FOR GAGAN POLYCOT INDIA LIMITED**  
Sd/-

**Date: 25.08.2010**

**Place: Malegaon**

**Mr. Pawan Kumar Bagla**  
**Managing Director**





## CERTIFICATE

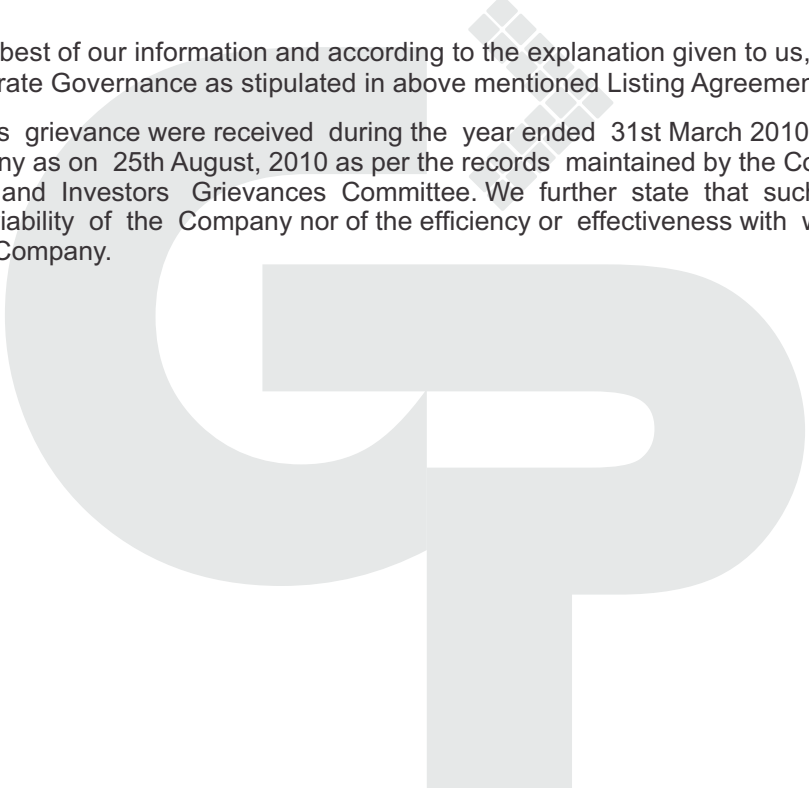
To,  
The Member of  
**GAGAN POLYCOT INDIA LIMITED**

We have examined the compliance of the conditions of Corporate Governance by Gagan Polycot India Limited for year ending 31st March 2010 as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges in India.

The compliance of Conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to the procedures and Implementation thereof, adopted by the Company for ensuring the compliance of the Condition of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, the Company has complied with the conditions of Corporate Governance as stipulated in above mentioned Listing Agreements.

We state that no Investors grievance were received during the year ended 31st March 2010. No investor grievances are pending against the Company as on 25th August, 2010 as per the records maintained by the Company and presented to the Share / Debenture Transfer and Investors Grievances Committee. We further state that such Compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management had conducted the affairs of the Company.



**ForAMD & Co.**  
**Chartered Accountant**  
**Sd/-**

**Arvind M Darji**  
**Partner**  
**M. No. 41748**

**Date: 25.08.2010**

**Place: Malegaon**