

## ANNEXURE-B

### Report on Corporate Governance

#### (A) The Company's philosophy on Corporate Governance

As a part of growth strategy the Company believes in adopting the 'best practices' that are followed in the areas of Corporate Governance across various geographies. The Company aims at achieving transparency, accountability and equity in all facets of its operations, and in all interactions with stakeholders, including shareholders, employees, government authorities, lenders and other constituents, while fulfilling the role of a responsible corporate representative committed to good corporate practices. The Company is committed to achieve good standard of Corporate Governance on a continuous basis by laying emphasis on ethical corporate citizenship and establishment of good corporate culture which aims at true Corporate Governance.

The key elements of good Corporate Governance include honesty, trust and integrity, openness, performance operations, responsibility and accountability, mutual respect and a commitment to the organization. The Corporate Governance framework of the Company ensures that a timely and accurate disclosure is made on all material matters regarding the Company, including the financial statements, performance, ownership and governance of the Company. The Board believes good Corporate Governance is voluntary and self-disciplining. The Board supports principles of good governance and lays appropriate emphasis on regulatory Compliance, integrity and accountability.

The Company believes that all its operations and actions must result in enhancement of shareholders values in terms of maximizing shareholder's benefits, over a sustained period of time.

#### (B) Board of Directors:

##### a) The Composition of the Board of Directors

Name of the Director	Category	No. of Board Meetings	Attendance of meetings during 2010-11		No. of Directorships and Committee Memberships/ Chairmanships		
			Board Meeting	Last AGM	Other Directorships*	Committee Membership	Committee Chairmanship
Mr. Bhagwati Prasad Jalan	Chairman	5	5	No		---	---
Mr. Niraj Jalan	Director	5	2	No		---	---
Mr. Kamal Prakash	Director	5	5	No		---	---
Mr. Vimal Prakash	Director	5	2	No		---	---
Mr. Vijay Kumar Agarwal	Director	5	5	No		---	---
Mr. Sushil Kumar Agarwal	Director	5	1	No		---	---
Mr. Saket Agarwal	Director	5	2	No		---	---
Mr. Suresh Prasad Nepak	Managing Director	5	5	YES		---	---
Mr. Raj Kumar Bajoria	Independent Director	5	5	YES	1	2	1
Mr. S.C. Mishra	Independent Director	5	2	YES		2	1
Mr. P.K. Gupta	Independent Director	5	1	No		1	---

\* The Directorships held by the directors as mentioned above, excludes directorships of Private Limited Companies., Foreign Companies registered under Section 25 of the Companies Act 1956. During the Year the Board Met for five times on the following dates:-

The Board met on following days :-

14<sup>th</sup> May 2010 , 31<sup>st</sup> July 2010,12<sup>th</sup> August 2010, 29<sup>th</sup> October 2010, 31<sup>st</sup> Jan 2011 .

## (C) Committees of the Board

The Company has two Board level Committees :

1. Audit Committee
2. Shareholders Committee

### 1. Audit Committee:

#### a) Composition & Meetings :

In terms of the clause 49 of the Listing Agreement, the Audit Committee constituted by the board consists of three directors all of whom are non- executive independent director. All the members have accounting and financial management expertise. Shri S.C.Mishra, Chairman of the Committee is knowledgeable in finance and accounts and has vast experience in corporate affairs.

The Composition of Audit Committee & the details of meeting attended by the Directors are given below:

SL. No.	Members of Audit Committee	Category	No. of Meetings Attended
1	Mr. S.C.Mishra	Independent, Non	4
2	Mr. Raj Kumar Bajoria	Executive	4
3	Mr. P.K.Gupta	-do-	4
		-do-	4

The Audit Committee met four time during the year on 14<sup>th</sup> May 2010, 31<sup>st</sup> July 2010,29<sup>th</sup> October 2010 , 31<sup>st</sup> Jan 2011. All the meetings were carried out at Corporate Office i.e. 30-D, Jawaharlal Nehru Road, Kolkata.

The necessary quorum was present at the meetings.

#### b) Brief terms of references of the Audit Committee

The role and terms of reference of the Audit Committee covers the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act , 1956 besides other terms as may be referred to by the Board of Directors . These include oversight of the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible ; reviewing annual and quarterly financial statements with management before submission to the board ; reviewing the adequacy of the internal control systems with management , external and internal auditors and reviewing the Company's financial risk and management policies.

### 2. Shareholders Committee :-

#### a) Share Transfer Committee :-

The share transfer committee was constituted to deal with various matters relating to Share transfer / transmission, issue of duplicate share certificates, approving the split and consolidation request and other materials relating to transfer and registration of shares.

The members of the committee are Sri Suresh Prasad Nepak, Managing Directors and Sri Amulya Prasad Sahoo , DGM Finance. The committee met on following occasions 22/4/2010, 15/11/2010 & 22/1/2011.

**b) Shareholders' / Investors' Grievances Committee:**

The Company has constituted Shareholders'/Investors' Grievance Committee to look into the investors' complaints and to redress the same expeditiously.

The Shareholders'/ Investors Grievance Committee comprises of the following two Directors and majority of whom are Non - Executive Independent Directors.

Mr. Raj Kumar Bajoria	–	Chairman
Mr. S.C.Mishra	-	Member

The Shareholders'/Investors' Grievance Committee reviews and redress all the grievances periodically and meets as when required.

The Company has not received any grievances during the financial year 2010-11.

**D. Remuneration to Directors:**

There is no Remuneration Committee. No Sitting fess has been paid to any Director .Remuneration Paid to the Managing Director is decided by the Board of Directors on the approval of shareholders at the general meetings.

**E. Code of Conduct :**

The Company has laid down a code of conduct for all Board Members and senior management personnel of the Company. All the directors and designated personnel in the senior management have affirmed compliance with the code through the year under review. A declaration to this effect duly signed by Director to this effect is enclosed at the end of this report

**F. Annual General Meetings:**

The Annual general Meetings of the Company (AGMs) have been held at the following places in the last three years:

Year	Location	Date	Time
2010	Hotel Sishmo , Bhubaneswar	30.09.2010	12:30PM
2009	Hotel Sishmo , Bhubaneswar	30.09.2009	12:30PM
2008	Hotel Sishmo , Bhubaneswar	30.09.2008	12:30PM

No special resolution was put through postal ballot.

**G. Disclosures:**

**a) Disclosures on materially significant related party transactions i.e. transaction of the Company of material nature with its Promoters, the Directors or the Management their relatives, or subsidiaries, etc. that may have potential conflict with the interest of the Company at large**

The details of related party transactions during the year have been set out in the Annexure under Schedule "0" of the Annual Accounts.

**b) Details of Non-Compliance by the Company, penalties, stricture imposed on the Company by the Stock Exchanges, SEBI or any statutory authorities or any matter related to capital markets :**

The company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authorities on all matters related to capital Markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory Authority

**c) Disclosure on Accounting treatment in preparation of Financial Statements:**

The Company follows the guidelines as laid down in the Accounting Standard, prescribed by the Institute of Chartered Accountants of India for the preparation of Financial Statements.

## **H. Means of Communication:**

**a) Financial Results:**

Shareholders were intimated through the press about the quarterly performance and financial results of the Company. The quarterly and half-yearly unaudited financial results and the annual audited financial results are published in newspapers i.e. Samay and Indian Express Bhubaneswar Edition , The Quarterly results are not sent individually to the shareholders and are also sent immediately to the stock exchange with which the shares of the company are listed.

**b) Management's Discussion and Analysis Report:**

The Management's Discussion and Analysis report form part of the Annual Report.

## **I. General Shareholders' information:**

**a) Annual General Meeting**

Date and Time Venue 30<sup>th</sup> September 2011 at 12: 30 PM  
Hotel Sishmo , Bhubaneswar Dist Khurda , Odisha

**b) Financial Year Calendar for 2011-12 (Tentative and subject to change)**

Results for the quarter ending 30 <sup>th</sup> June, 2011	July ,2011
Results for the quarter ending 30 <sup>th</sup> September, 2011	October 2011
Results for the quarter ending 31 <sup>st</sup> December, 2011	January 2012
Results for the quarter ending 31 <sup>st</sup> March, 2012	May 2012
Annual General Meeting for the year Ended 31 <sup>st</sup> March 2012	September 2012

**c) Date of Book Closure:**

The books will be closed for the Annual General Meeting from 25<sup>th</sup> September, 2011 to 30<sup>th</sup> September, 2011 (both days inclusive).

**c) Dividend Payment :-**

Due to brought forward losses no dividend has been declared

**d) Listing on Stock Exchanges:**

**Address of Stock Exchange:**

The Calcutta Stock Exchange Association. Limited  
7, Lyons Range  
Kolkata – 700 001

The Bombay Stock Exchange  
Phiroze Jeejeebhoy Towers  
Dalal Street , Mumbai – 400 001

**e) Stock Code:**

The Calcutta Stock Exchange Association Limited (Physical form). - 19120  
The Bombay Stock Exchange (Physical Form ) – 502294

**f) Registrar and Transfer Agent:**

M/s S K Computers

34/ 1 A Sudhir Chatterjee Street

Kolkata-700006

**i) Share Transfer System:**

All the shares are being transferred and returned within 30 days from the date of receipt, so long as the documents have been cleared in all respect. The share Transfer Committee approves the share transfers. Share Transfer are done in Physical form. The Company is taking steps to offer to the Shareholders facility of dematerialization shares and trading in the depository System.

During the year ended 31<sup>st</sup> March 2011 , 548496 Nos of shares under 22 Nos .of transfers were affected. The Share Transfer Committee met six (6) Number of times during the financial year 2010-11.

**j) Distribution of Shareholding as at 31<sup>st</sup> March 2011**

(i) According to Category of Holding:

Shareholders	As on 31 <sup>st</sup> March 2011		As on 31st March, 2010	
	No. of Shares	%	No. of Shares	%
Promoters	4378116	63.81	6057254	88.28
Banks, Financial Institutions & Insurance Companies	50000	0.73	389946	5.68
Private Corporate Bodies ( Excluding Promoters)	2000	0.03	2000	0.03
Indian Public	2431334	35.43	412250	6.01
Total	6861450	100	6861450	100

(ii)

(iii) According to Number of Shares held:

Shareholding Range	No. of shareholders	% of Shareholders	No. of shares	% of Shareholding
Up-to 500	2950	95.59	313600	4.57
500-1000	90	2.92	69300	1.01
1001-2000	20	0.65	29300	0.43
2001-3000	1	0.03	2050	0.03
3001-4000	--	--	--	--
4001-5000	--	--	--	--
5001-10000	--	--	--	--
10001 and above	25	0.81	6447200	93.96
Total:	3086	100	6861450	100

- k ) Dematerialisation of Shares:** As stated earlier, the Company' shares are listed on the Stock Exchange. As per the SEBI notifications, trading in Company's shares has been made compulsorily in dematerialised form w.e.f. 26<sup>th</sup> December, 2000 and Company's Registrar & Transfer Agent are under process of getting the shares tradable and in demat mode
- l ) Address for Correspondence:** **Nilachal Refractories Limited**  
Plot No – P/597 BJB Nagar, Lewis Road,  
Bhubaneswar – 751 014, Odisha.
- m ) Plant Location:** **Nilachal Refractories Limited**  
Ipitata Nagar , Dhenkanal , Odisha  
759013
- n) Registered Office:** **Nilachal Refractories Limited**  
Plot No – P/597 BJB Nagar , Lewis Road ,  
Bhubaneswar – 751 014, Odisha.

**To the Shareholders of Nilachal Refractories Limited**

Sub : Compliance with Code of Conduct.

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Suresh Prasad Nepak  
Managing Director

**CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION, ISSUED PURSUANT TO THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT.**

**To the Board of Directors of Nilachal Refractories Limited**

Dear Sirs,

**Sub : CEO Certificate on Financial Statements for the Financial Year 2010-11**

I have reviewed the financial statement, read with the cash flow statement of Nilachal Refractories Limited for the year ended March, 31, 2011 and that to the best of my knowledge and belief, I state that;

- (a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) I have indicated to the Auditors and the Audit Committee;
  - (i) significant changes in the internal control over financial reporting during the year.
  - (ii) significant changes in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements ; and
  - (iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Yours Sincerely

(Amitabh Chowdhury )  
Chief Executive Officer

Place: Kolkata

Dated: 27<sup>th</sup> June 2011