

# **REPORT ON CORPORATE GOVERNANCE**

## **COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company aims at achieving transparency, accountability and equity across all facets of operation and in all interactions with stakeholders, while fulfilling the role of a responsible corporate representative committed to sound corporate practices. The Company adheres to good corporate practices which constantly undergo changes and betterment, keeping its core goal in mind — maximizing stakeholder value. Adherence to the business ethics and commitment to Corporate Social Responsibility will help the Company achieve excellence. The Company believes that all its operations and actions must ultimately enhance overall benefits over a sustained period of time.

## **BOARD OF DIRECTORS**

The Company has 3 Executive Directors and the number of Independent Directors is 50% of the total number of Directors. As on 31st March, 2015, the Company has 6 Directors on its Board, of which 3 Directors are independent. The number of Non-Executive Directors (NEDs) is 50% of the total number of Directors. The Company is in compliance with the Clause 52 of the SME listing Agreement pertaining to compositions of directors.

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees, across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given below:

Name of the Director	Category	No. of Board Meetings attended	Attendance at last AGM (Yes/No)	No. of Directorships in other public Limited Cos.	No. of Chairmanship/ Memberships of Committees in other Public Ltd. Cos. *	
					Chairmanship	Memberships
Mr. Sanjay Gupta	Non Independent Executive Chairman	17	Yes	1	Nil	Nil
Mrs. Shakuntl	Non Independent	12	Yes	-	Nil	Nil

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Name of the Director	Category	No. of Board Meetings attended	Attendance at last AGM (Yes/No)	No. of Directorships in other public Limited Cos.	No. of Chairmanship/ Memberships of Committees in other Public Ltd. Cos. *	
					Chairmanship	Memberships
Mr. Sidhan t Gupta	Non Independent Executive Director	17	No	1	Nil	Nil
Mr. Deepa k Gupta	Independent Non-Executive Director	17	Yes	-	Nil	Nil
Mrs. Rita Gupta	Non Independent Executive Director	5	Yes	-	Nil	Nil
CA Saurabh Gupta	Independent Non-Executive Director	17	Yes	-	Nil	Nil
CA Sanjeev Kr. Jain	Independent Non-Executive Director	17	Yes	-	Nil	Nil

**Notes:-**

1. During the Financial Year 2014-15, Seventeen Board Meetings were held and the gap between two meetings did not exceed four months. The Board Meetings were held on 24<sup>th</sup> April 2014, 1<sup>st</sup> May 2014, 2<sup>nd</sup> June 2014, 19<sup>th</sup> June 2014, 4<sup>th</sup> July 2014, 24<sup>th</sup> July, 2014, 13<sup>th</sup> August 2014, 10<sup>th</sup> September 2014, 26<sup>th</sup> September, 2014, 20<sup>th</sup> October, 2014, 14<sup>th</sup> November 2014, 19<sup>th</sup> December 2014, 29<sup>th</sup> December 2014, 8<sup>th</sup> January, 2015, 16<sup>th</sup> February 2015, 27<sup>th</sup> February, 2015, and 9<sup>th</sup> March, 2015.
2. \*Only three Committees, namely, Audit Committee and Shareholders'/Investors' Grievance Committee, Nomination and Remuneration Committee have been considered.
3. The information as required under Clause 52 is being made available to the Board.

4. The Board periodically reviews compliance reports of all laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

### **CODE OF CONDUCT**

The Company has framed Code of Conduct which is applicable to all Directors and members of Senior Management. Pursuant to this Code all the Directors & Senior Management have affirmed compliance with this Code for the year ended March 31, 2015. A declaration of compliance of this Code signed by Managing Director is annexed to this report.

### **COMMITTEES OF THE BOARD**

Currently there are three committees of the Board: Audit Committee, Nomination and Remuneration Committee & Stakeholders Relationship Committee. The terms of reference of the Committee(s) detailing their scope of work are determined by the Board from time to time. The Board periodically reviews the minutes of the meetings of Audit Committee & Shareholders Grievance/Transfer Committee. Composition, terms of reference, number of meetings and related attendance etc., of these committees are detailed.

### **AUDIT COMMITTEE**

The Audit Committee of the company has been dealing with matters prescribed by the Board of Directors on a case to case basis. In general, the primary role/objective of the Audit Committee is to review the financial statements of the Company, strengthen internal controls & look into all transactions having monetary implications on the functioning of the Company. The nomenclature, constitution and terms of reference of the Committee are as per the provisions of the Section 177 of the Companies Act, 2013 and Clause 52 of the Listing Agreement of the Stock Exchange.

As on March 31, 2015, the Committee had three Directors. Out of that two Directors are Non-Executive and Independent Directors in accordance with the prescribed guidelines. Mr. Saurabh Gupta is the Chairman of the Committee. The other members are Mr. Deepak Gupta and Mr. Sanjay Gupta, Managing Director of the Company. The members of the Committee have adequate knowledge in the field of finance, accounting, and law. The Scope of the functioning of the Audit Committee is to review, from time to time, the internal control procedures, the accounting policies of the Company and such other functions, as may be recommended from time to time by SEBI, Stock Exchanges and/or under the Companies Act, 2013, which inter-alia include review of:

1. The recommendation for appointment, remuneration and terms of appointment of auditors of the company.

2. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
3. Examination of the financial statement and the auditor's report thereon;
4. Approval or any subsequent modification of transactions of the company with related parties;
5. Scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;
8. Monitoring the end use of funds raised through public offers and related matters.
9. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
10. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control system.
11. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority to the official heading the department, reporting structure coverage and frequency of internal audit.
12. Discussion with internal auditors any significant findings and follow-up thereon.
13. Reviewing the findings of any internal investigations by the internal auditors into matter 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.
14. Discussion with the 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.
15. 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.
16. To review the functioning of the Vigil Mechanism. The Chairperson of Audit Committee will act as the chairperson of the vigil mechanism.

The CFO of the Company is permanent invitees to the meetings of the Committee. The Company Secretary acts as Secretary to the Committee. During the year, 5 (Five ) meetings of the Audit Committee were held on 21<sup>st</sup> April, 2014, 19<sup>th</sup> June, 2014, 24<sup>th</sup> July, 2014, 14<sup>th</sup> November, 2014, 9<sup>th</sup> March, 2015 in due compliance with the stipulated provisions. The attendance record of members of the Audit Committee is given as under:

NAME OF THE MEMBER	CATEGORY	NO. OF MEETINGS ATTENDED
CA Saurabh Gupta	Chairman	5
Mr. Deepak Gupta	Member	5
Mr. Sanjay Gupta	Member	5

### **NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee shall be deemed to be “Nomination and Remuneration Committee” within the meaning of Clause 52 of the Listing Agreement, Section 178 of the Companies Act, 2013 and for all other purposes as may be required under any / all Acts, Rules, Regulations, Circulars etc, for the time being or as amended from time to time.

The CFO of the Company is permanent invitees to the meetings of the Committee. The Company Secretary acts as Secretary to the Committee. During the year, 2 (Two) meetings of the Nomination and Remuneration Committee were held on 19<sup>th</sup> June, 2014, 27<sup>th</sup> February, 2015, in due compliance with the stipulated provisions. The attendance record of members of the Committee is given as under:

NAME OF THE MEMBER	CATEGORY	NO. OF MEETINGS ATTENDED
CA Sanjeev Kr. Jain	Chairman	2
Mr. Deepak Gupta	Member	2
CA Saurabh Gupta	Member	2

The Committee has been constituted to recommend/review the remuneration package of the Whole Time Directors apart from deciding other matters. The remuneration policy is directed towards rewarding performance based on review of achievements which are being reviewed periodically which is in consonance with the existing industry practices. This committee meets as and when required. Ms. Preeti Gupta, Company Secretary & Compliance Officer of the Company acts as Secretary to the Committee.

### **STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Board has constituted Stakeholders relationship Committee to specifically consider and resolve the grievances of security holders of the Company. The Stakeholders Relationship Committee consists of the following directors:

NAME OF THE MEMBER	CATEGORY	NO. OF MEETINGS ATTENDED
Mr. Deepak Gupta	Chairman	3
CA Sanjeev Kr. Jain	Member	3
Mr. Sanjay Gupta	Member	3

The CFO of the Company is permanent invitees to the meetings of the Committee. The Company Secretary acts as Secretary to the Committee. During the year, 3 (Three) meetings of the Nomination and Remuneration Committee were held on 8<sup>th</sup> July, 2014, 17<sup>th</sup> October, 2014, and 5<sup>th</sup> January 2015 in due compliance with the stipulated provisions. The attendance record of members of the Committee is given as above.

The terms of reference of the Committee include the following:

1. It shall have the authority to investigate into any matter in relation to transfer of securities or referred to it by the Board and for this purpose, shall have full access to information contained in the records of our Company and external professional advice, if necessary.
2. To investigate any activity within its terms of reference.
3. To seek any information from any employee.
4. To seek information from share transfer agents.
5. To obtain outside legal or other professional advice.
6. To secure attendance of outsiders with relevant expertise, if it consider necessary.
7. To approve issue of duplicate share certificates and to oversee and review all matters connected with the transfer, transmission and issue of securities.
8. To approve share transfer / transmission securities periodically, whether by circular resolution or otherwise.
9. To look into redressing of shareholders' complaint like transfer of shares, non-receipt of balance sheet, non receipt of declared dividends etc.
10. To oversee the performance of the Registrar and transfer Agents an recommended measures or overall improvement in the quality of investors services.

Details pertaining to the numbers of complaints received and resolved and the status thereof during the financial year ended 31<sup>st</sup> March 2015 are given as follows:

Detail of complaints received/resolved during the year

- ❖ No. of Complaints received during the year : Nil
- ❖ No. of Complaints not resolved to the satisfaction of Shareholders : Nil
- ❖ No. of Pending Complaints : Nil
- ❖ No. of Pending share transfer as on 31.03.2015 : Nil

## **GENERAL BODY MEETING**

### **(I) Annual General Meeting (AGM) Detail**

The last three Annual General Meeting were held at 9/51, Bazar Gali, Vishwas Nagar, Delhi, the Registered Office of the company. The other detail is as follows:

<b>YEARS</b>	<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>SPECIAL RESOLUTION PASSED</b>
2012	Friday	07.09.2012	11.30 A. M.	NIL
2013	Monday	29.07.2013	11.30 A. M.	NIL
2014	Monday	25.08.2014	11.30 A. M.	2

### **(II) Extra Ordinary General Meeting Detail**

During the period no Extra Ordinary General Meeting was held.

### **(III) Postal Ballot**

During the year One Postal Ballot was held to pass the following Resolutions:

- Re-Appointment Of Mr. Sanjeev Kumar Jain As An Independent Director for 5 years as per Companies Act, 2013
- Re-Appointment of Mr. Deepak Gupta as an Independent Director for 5 years as per Companies Act, 2013.
- Re-Appointment of Mr. Saurabh Gupta as an Independent Director for 5 years as per Companies Act, 2013.
- Creation of Charges/Mortgages In Respect Of Borrowings as per Section 180 (1) (a) of Companies Act, 2013.
- Adoption of New Set of Articles of Association as per Companies Act, 2013.
- To Amend Main Objects of the Memorandum of Association by adding Clause III (A) (6) and III (A) (7).
- Deletion Of The Other Objects Clause Of The Memorandum Of Association as required by Companies Act 2013
- Amendment of the Liability Clause of Memorandum of Association as required by Companies Act, 2013.
- To Replace “Ancillary or Incidental to the Attainment of the Main Objects” Clause Of The Memorandum Of Association Of The Company with “Matters which are necessary for furtherance of the objects specified in clause III (A)”.
- Appointment of Mrs. Rita Gupta as Whole-Time Director.

The Results of Postal Ballot was hereby declared on 7<sup>th</sup> April, 2015.

## **DISCLOSURES**

**(i) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large.**

The Board of Directors receives the required disclosures, from time to time, relating to financial and commercial transactions from the key managerial personnel of the company and have been disclosed under the Related Party Transactions as per Accounting Standards 18 “Related Party Disclosures” issued by ICAI to the Notes to Accounts of the Annual Report for the year ended March 31, 2015. There have been no materially significant related party transactions which may have a potential conflict with the interests of the Company.

**(ii) Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to Capital Markets, during the last three years.**

During the last three years, there have been no instances of non compliance by the Company, no penalties or strictures were imposed on the Company by any Stock Exchange, Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter relating to the Capital Markets.

**(iii) Whistle Blower Policy and affirmation that no Personnel have been denied access to the audit committee.**

The Company promotes ethical behavior in all its business activities and has put in place mechanism of reporting illegal or unethical behavior. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or the Chairman of Audit Committee. The reports received from any employee will be reviewed by the Audit Committee. The Directors and Management Personnel are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices. Any employee, if he/she so desires, have free access to meet Senior Level Management and report any matter of concern. No employee of the Company is denied access to the Audit Committee to make any representation. During the year, no Personnel had approached the Audit Committee.]

**(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of clause 52 of SME Listing Agreement.**



The Company has fully complied with mandatory requirements as stipulated under clause 52 of SME Listing Agreement with the National Stock Exchange SME Emerge and has also adopted the following non-mandatory requirements as prescribed in Annexure 1D to the clause 52 of the Listing Agreement.

**(i) Nominations and Remuneration Committee**

The Company has set up a Nominations and Remuneration Committee to approve specific aspects of the remuneration of Directors and Senior Management Personnel.

**MEANS OF COMMUNICATION**

**(I) Half Yearly/ Annual Results**

Half Yearly and Annual Results published at company's website [www.sancopipes.com](http://www.sancopipes.com) as well as at [www.nseindia.com/emerge](http://www.nseindia.com/emerge).

**(II) News Releases**

Official News, Releases are displayed on the Company website

**(III) Website**

The Company's website [www.sancopipes.com](http://www.sancopipes.com) contains a separate dedicated section to Investors, where the shareholders information and Financial Results are available.

**GENERAL SHAREHOLDER INFORMATION**

**(I) Annual General Meeting**

Day, Date and Time : Wednesday, September 30, 2015 at 12.30 P. M.  
Venue : "Sancos" D-9, Aditya Mega Mall, CBD Ground, Shahdara Delhi-110032.  
Period of Book Closure : September 29, 2015 10:00 A.M. to September 30, 2015 6:00 P.M.  
Dividend Payout Date : N. A.

**(II) Listing on Stock Exchange**

The company's shares are listed with NSE Emerge stock exchange. The details regarding the Stock Exchange and Stock code are as under:

<i>Name of the Stock Exchange along with its Address</i>	<i>Symbol</i>
National Stock Exchange Limited SME EMERGE Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051.	SANCO

**(III) Market Price Data**

The High, Low Share Price of the Company on the National Stock Exchange Emerge (NSEemerge), Number of Shares traded and Net Turnover, during the period from April, 2014 to March, 2015 are as under:

Month	Share Prices		Volume	Net turnover (In Lacs)
	High	Low		
April 2014	18.50	16.55	192000	34.6
May 2014	18.30	18.00	24000	4.34
June 2014	22.85	18.05	256000	50.82
July 2014	26.90	18.00	592000	121.32
August 2014	29.70	21	504000	137.86
September 2014	19.35	18.05	24000	4.47
October 2014	20.85	16	72000	13.25
November 2014	18.90	15.40	1112000	189.63
December 2014	21.30	19.55	288000	57.86
January 2015	21.30	19.40	32000	6.52
February 2015	21.05	19.40	56000	11.19
March 2015	22	17.80	56000	11.53

\*Source: [www.nseindia.com/emerge](http://www.nseindia.com/emerge)

**(IV) Distribution of Shareholding and Shareholding Pattern**

The Distribution of shareholding and shareholding pattern of the shares as on 31.03.2015 are as follows:

Category	No. of Shareholders	No. of Shares	No. of Shares in Demat form	% of Shareholding
Promoters/ Promoters Group	12	6170000	6170000	72%
Non Promoter Institutions (Bank/Mutual Fund/ State Govt./FIs/FIIs)	NIL	NIL	NIL	NIL
Other Public Non Institutions (Individual/Body Corporate/ NRIs)	104	2400000	2400000	28%

**(V) Dematerialization of Shares and Liquidity RTA**

The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for demat facility. As on 31.03 2015, 8570000 Equity Shares aggregating to 100% of the total Equity Capital is held in dematerialized form, of which 21.38% (1832000 Equity Shares) of total equity capital is held in NSDL & 78.62% (6738000 Equity Shares) of total equity capital is held in CDSL as on 31.03. 2015.

Security Code No of the company with NSDL and CDSL (ISIN) – INE 782L01012.

**(VI) Registrar and Share Transfer Agent**

The company has appointed Beetal Financial & Computer Services (P) Ltd. as the Registrar and Share Transfer Agent of the company. The Correspondence address of the agent is as follows:

Beetal Financial & Computer Services (P) Ltd.  
Beetal House, 3<sup>rd</sup> Floor  
99 Madangir, Behind Local Shopping Centre,  
Near Dada Harsukhdas Mandir,  
New Delhi – 110 062  
Email – [beetal@beetalfinancial.com](mailto:beetal@beetalfinancial.com)

**(VII) Plant Location  
WORKS (Existing)**

Village Satiwala,  
Tehsil Paonta Sahib,  
Himachal Pradesh - 173025

**(VIII) Correspondence Address**

The Investor's may send their correspondence to the Registrar and Share Transfer agent or directly to the company at the following Address:

D-161, Surajmal Vihar (Near Karkardooma Court)  
New Delhi –110092.  
Email: [ipo@sancopipes.com](mailto:ipo@sancopipes.com)

## **DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT**

To,  
The Board of Directors,  
Sanco Industries Ltd.

The Company has framed a specific Code of Conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 52 of the Listing Agreement to further strengthen Corporate Governance practices in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them.

Place: Delhi  
Date: 29<sup>th</sup> May, 2015

Sd/-  
**Sanjay Gupta**  
(Managing Director)