

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

[SFYPL] SHARAD FIBRES & YARN PROCESSORS LIMITED ("the Company") is committed to adhere to the corporate governance code as prescribed by the SEBI and Stock Exchange and has accordingly implemented various aspects of the code.

To implement the Corporate Governance practice [SFYPL has a well defined policy consisting of the following:

- Ensure that the Quality and frequency of Financial and Managerial Information's, which the Management shares with the Board, fully placed before the Board Members in control of the Company's affairs.
- Ensure that the Board exercises its Fiduciary responsibilities towards Shareowners and Creditors, thereby ensuring high accountability.
- Ensure that the extent to which the information is disclosed to present and potential investors is maximized.
- Ensure that the decision-making is transparent and documentary evidence is traceable through the minutes of the meetings of the Board/Committees thereof.
- Ensure that the Board, the Management, the Employees and all the other stakeholders are fully committed to maximizing long-term value to the shareowners and to the Company.
- Ensure that the core values of the Company are protected.
- Ensure that the Company positions itself from time to time to be at par with any other world-class Company in operating practices.

### 2. BOARD OF DIRECTORS:

As per the listing Agreement the board should have an optimum combination of both Executive and Non-Executive Directors. The total number of directors is 4 [Four].

The Board of Your company has 2 [ TWO ] Executive Directors and 2 [ TWO ] Non-Executive Directors. Total number of independent Directors are 2 [TWO].

The details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting, number of other Directorships and other Committee Memberships are given below:

Name	Category of membership	Attendance Particulars		No. of other Directors and all Committee Membership / Chairmanships		
		Board Meeting	Last AGM	Other Directorships	Committee Membership	Committee Chairmanship
Ravi Dalmia	CMD	6	Y	2	0	-
Aditya Dalmia	ED	6	Y	4	0	-
U.K.Nair	NE& ID	6	Y	1	0	-
Narendra Khemka	NE&ID	6	Y	0	0	-

NE& ID stands for Non Executive and Independent Director, ED : Executive Director, CMD : Chairman cum Managing Director.

During the Year ended March 31, 2011, the Board met 6 (SIX) times.

#### **INFORMATION SUPPLIED TO BOARD:**

Among others, this includes:

- Review of annual operating plans of business, capital budgets and updates.
- Quarterly results of the company and its operating units
- Minutes of meeting of audit committee and other committees.
- Information on recruitment and remuneration of senior officers just below the board level.
- General notices of interests.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution problem.
- Any material default in financial obligations to and by the company. Any issue which involves possible public or product liability claims of a substantial nature.
- Details of any joint venture of collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant development in the human resource and industrial relations fronts.
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business.
- Foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

The Board is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda of board meeting or are placed during the course of the meeting.

As mandated by the revised Clause 49, the independent Directors on the board of the Company.

- Apart from receiving Director's Sitting Fees, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates that may affect independence of the director.
- Are not related to promoters or persons occupying management positions at the board level or at one level below the board.
- Have not been an executive of the company in the immediately preceding three financial years.
- Are not partners of the firm or executives of the company or were not partners of the firm or executives of the company during the preceding three years of Statutory audit firm or the internal audit firm that is associated with the Company and Legal firm(s) and consulting firm(s) that have a material association with the Company.
- Are not material suppliers, services providers or customers or lessors or lessees of the company, which may affect independence of the Director.
- Are not substantial Shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

The Board is routinely presented with all information under the above heads whenever applicable and materially significant.

### **3. COMMITTEES OF BOARD:**

To focus effectively on the issues and ensure expedient resolution of the diverse matters, the Board has constituted a set of Committees of independent Directors with specific terms of reference / scope. The committee operates as empowered agents of the board. The inputs and details required for the decision is provided by the operating managers. The Minutes of the Meeting of the all Committees of the board are placed before the board for discussions / noting.

Details of the committee of the board and other related information are as follows:

#### **3.1 AUDIT COMMITTEE:**

The Company has a qualified and independent Audit Committee comprising of three Directors. The broad terms of reference of the Audit Committee are in consonance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. All the members have financial and accounting knowledge.

The Committee acts as a link between the Management, the Statutory Auditors and the Board of Directors of the Company. The Committee focus its attention on monitoring the financial reporting system within the company, considering quarterly & Annual Financial Results of the company and submitting its observations to the Board of Directors before its adoption by the Board, review of the internal audit report & internal control system, audit methodology and process, major accounting policies and practice, compliance with accounting standards. Committee also reviews the legal compliance reporting system.

Representative of the statutory auditors is always invited to attend these meetings.

The Audit Committee has the following powers:

- To investigate into any matter referred to it by the Board and for that purpose to have full access to the information contained in the records of the Company and external professional advice, if necessary.
- To investigate any activity within its terms of reference.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- To recommend the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the Company's financial and risk management policies.
- 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.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any areas of concern.

There were 4 [ FOUR ] meetings of the Committee during the year.

The names of member of committee and their attendance are as follows:

<b>Name of the Members</b>	<b>Status</b>	<b>No. of Meetings Attended</b>
Mr. Unnikrishnan Nair	CHAIRMAN	4
Mr. Narendra Khemka	MEMBER	4
Mr. Aditya Dalmia	MEMBER	4

The Manager - Accounts and Statutory auditors of the Company are invitees to Audit Committee meetings.

The Company is in process of appointing a full time Company Secretary to act as Secretary to the Committee. However the Company is availing services of whole time Company Secretary.

### 3.2. SHAREHOLDERS GRIEVANCE COMMITTEE:

The Company has constituted a Shareholders Grievance Committee at board level to strengthen the investor relations and to inter-alia look into issues relating to shareholders grievances pertaining to transfer of shares, non receipt of declared dividends, non receipt of annual report, issues concerning dematerialization etc.

The Shareholders Grievance Committee met 4. [Four] times during the year ended March 31, 2011.

The composition of the Shareholders Grievance Committee and details of the meetings attended by the Directors are given below:

Name of the Members	Status	No. of Meetings Attended
Mr. Unnikrishnan Nair	CHAIRMAN	4
Mr. Narendra Khemka	MEMBER	4
Mr. Aditya Dalmia	MEMBER	4

Mr. Aditya Dalmia, Director is the Compliance Officer.

#### Details of Investors Complaints received during the year:

Sr. No.	Nature of Complaints	Received	Disposed Off	Pending
1.	Non receipt of Annual Report	2	2	Nil
2.	Non Receipt of Share Certificates after transfer	1	1	Nil
3.	Non Receipt of Demat Rejected S/C's	--	--	--
4.	Others	1	1	Nil
	<b>Total</b>	<b>4</b>	<b>4</b>	<b>Nil</b>

There were no shares pending for transfer as on 31<sup>st</sup> March 2011.

#### Shareholding of Non Executive Directors

The shareholding in the Company by the Non Executive Directors in their own name is NIL

#### CODE OF CONDUCT

The Company has adopted a Code of Conduct for the Directors and senior management of the Company. The members of the Board and senior management of the Company have submitted their affirmation on compliance with the code for the effective period. The Declaration by the Chairman and Managing Director to that effect forms part of this Report.

## **MANAGEMENT DISCUSSIONS & ANALYSIS**

Management discussion and analysis report is given in a separate section forming part of the Directors' Report in this annual report.

## **STEPS FOR PREVENTION OF INSIDE TRADING**

In compliance of the SEBI (Prevention of inside Trading) Regulations as amended in 2002, the Company has issued comprehensive guidelines advising and cautioning management staff and other relevant business associates on the procedure to be followed while dealing in equity shares of the Company and disclosure requirements in this regard. Company believes that "The Code of Internal Procedure and Conduct" and 'The Code of Corporate Disclosures Policies' framed by it in this regard will help in ensuring compliance of the amended SEBI regulations.

## **DISCLOSURES:**

The necessary disclosures regarding the transactions entered into with the related parties are given in the notes to the accounts. There were no transactions of the material value with related parties viz., Promoters, Directors, or the Management or Relatives having any potential conflict with the interest of the company.

## **NON-COMPLIANCES:**

There were no instances of non compliance on any matter related to the capital market during the last three years. No penalties or strictures were imposed on the company by any Stock Exchange or SEBI or any other statutory authority on any matter related to capital market during last three years.

## **Details of compliance with mandatory requirement and adoption of non mandatory requirement.**

The Company has complied with all mandatory requirement of Clause 49 of the Listing Agreement with the Stock Exchange and has implemented the following non mandatory requirements:

### **1. AUDIT QUALIFICATION:**

It is always the companies endeavor to present unqualified financial statements. The remarks of the auditors given in their Audit Report are Self Explanatory and have been adequately dealt in the Notes to Accounts..

### **2. TRAINING OF BOARD MEMBERS:**

Directors are fully briefed about all business related matters risks assessment market conditions of the product manufactured by the company, competition and new initiative proposed by the company.

**CEO / CFO CERTIFICATION:**

As required under Clause 49 of the Listing Agreement a Certificate duly signed by Mr. Aditya Dalmia, Director has been obtained. The certificate is annexed to this report.

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE:**

The Company has obtained a certificate from Auditors of the company regarding compliance with the provisions relating to the corporate governance laid down in clause 49 of the listing agreement with the Stock Exchanges. This certificate is annexed to the report.

**DECLARATION:**

I, Mr. Aditya Dalmia, Director of Sharad Fibres & Yarn Processors Limited hereby affirm and declare, to the best of my knowledge and belief, and on behalf of the Board of Directors of the Company and senior management personnel, that:

The Board of Directors has laid down a code of conduct for all Board members and senior management of the Company ['the code of conduct'];

The code of conduct has been complied with;

**4. GENERAL BODY MEETINGS:**

The last three Annual General Meetings were held as under:

Year	Location	Date	Time
2008	Registered Office.	30.09.2008	10.00 A.M
2009	Registered Office.	30.09.2009	10.00 A.M
2010	Registered Office.	30.09.2010	10.00 A.M

All the matters as set out in the respective notices were passed by the shareholders. No special resolution was required to be put through postal ballot at last Annual General Meeting nor is proposed for ensuing Annual General Meeting.

## **5. DISCLOSURES:**

- (i) During the year, the company did not enter into any materially significant related party transactions with its promoters, directors or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the company at large. However the related party transactions are disclosed in Note No. 21, 22 and 23 of Schedule '17' to the accounts.
- (ii) No funds have been raised through issue of equity or debt in the form of public or rights or preferential issues during the year under review.
- (iii) A brief resume, nature of expertise in specific functional areas, names of companies in which the person already hold directorship and membership of committees of the Board and his shareholding in the company forms part of the notice of the Annual General Meeting, annexed to this Annual Report for the directors seeking appointment/reappointment.
- (iv) The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authority on all matters relating to capital markets during the last three years. No penalties or strictures were imposed on the company by any Stock Exchange or SEBI or any other statutory authority on any matter related to capital market during last three years.
- (v) Though there is no formal Whistle Blower Policy, the company takes cognizance of complainants made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employees of the company have been denied access to the Audit Committee of the Board of Directors of the company.
- (vi) The financial statements of the company are qualified and company is moving towards a regime of unqualified financial statements.
- (vii) The company has a periodic review and reporting to the Board of Directors of the company of risk assessment by senior executives with a view to minimize risk.
- (viii) Certificate from Mr. Aditya Dalmia, Director in terms of clause 49 (V) of the listing agreements with the stock exchanges for the financial year ended 31<sup>st</sup> March 2011 was placed before the board of directors of the company in its meeting held on 05/09/ 2011.

## **6. MEANS OF COMMUNICATION**

- (i) Quarterly results are submitted to the stock exchanges where the shares of the company are listed.
- (ii) All items required to be covered in the Management Discussion and Analysis has been included in the Annexure to the Directors' Report.
- (iii) No formal presentations were made to the institutional investors and analysts during the year under review.
- (iv) The Company has its own website i.e. [www.sharadfibres.com](http://www.sharadfibres.com) and all the vital information relating to the Company and its products are displayed on the web site.



## 7. GENERAL SHAREHOLDERS INFORMATION:

7.1. ANNUAL GENERAL MEETING : Annual General meeting.

DAY & DATE : September 30, 2011.

TIME : 10.00 A. M.

VENUE : Registered Office.

## 7.2. FINANCIAL CALENDAR:

\* Financial reporting for the quarter ended June 30, 2011 : End of July, 2011

\* Financial reporting for the quarter ended Sept.30, 2011 : End of Oct., 2011

\* Financial reporting for the quarter ended Dec. 31, 2011 : End of Jan., 2012

\* Financial reporting for the year ended March 31, 2012 : End of Apr., 2012

\* Annual General Meeting for the year ended March 31, 2012 : End of Sep. 2012

7.3. DATE OF BOOK CLOSURE: 28/09/2011 TO 30/09/2011 [Both days inclusive].

## 7.4. SHARE TRANSFER SYSTEM:

The turnaround time for completion of transfer of shares in physical is generally 15 days, if the documents are clear in all respects. The Board has delegated the responsibility of Share Transfers to the Registrar and Share Transfer Agent.

## 7.5 STOCK PRICE DATA:

The Shares of the Company is not been traded during the last year. Therefore the stock market data could not be obtained.

## 7.6 REGISTRAR & TRANSFER AGENT:

M/s. BIG SHARE SERVICES PRIVATE LIMITED  
[ Unit : SHARAD FIBRES & YARN PROCESSORS LIMITED ]  
E/2, Ansa Industrial Estate, Ground Floor,  
Sakhivihar Road, Andheri (East),  
Mumbai - 400 072.  
Tel: 022 28470652/28470653

## 7.7. COMPLIANCE OFFICER:

Mr. Aditya Dalmia , Director

#### 7.8. ADDRESS FOR CORRESPONDENCE:

##### SHARAD FIBRES & YARN PROCESSORS LIMITED

220, Unique Industrial Estate,  
Off. Veer Savarkar Marg, Prabhadevi,  
Mumbai - 400 025.  
Tel : 022 - 43226969  
Website: [www.sharadfibres.com](http://www.sharadfibres.com)

#### 7.9. LISTING:

Bombay Stock Exchange Limited, Mumbai - 400 001.  
The Stock Exchange, Chennai.  
The Stock Exchange, Ahmedabad.  
The Stock Exchange, Jaipur.

#### 7.10 STOCK CODE OF THE COMPANY:

The Stock Exchange, Mumbai  
Scrip Name : SHARAD FIBRES & YARN PROCESSORS LIMITED  
Scrip Code : 514402.

#### 7.11 DEMATERIALISATION:

The Company has applied for the Dematerialisation of the shares with the NSDL and CDSL but the permission was denied.

#### 7.12. SHAREHOLDING PATTERN AS ON MARCH 31, 2011:

<b>Category</b>	<b>No. Of shares held</b>	<b>% of shareholding</b>
Promoters & Relatives, friends	1597857	39.88
Mutual Fund & UTI	1500	0.04
Banks & Financial Institutions	1096343	27.36
Private Bodies Corporate	64900	1.62
Indian Public	1168300	29.17
NRI/OCBs	77500	1.93
Total	4006400	100.00

7.13. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31,2011:

No. of Equity Shares held	No. of Shareholders	No. of Shares held	% of Equity Capital
1-5000	932	394400	9.84
5001-10000	395	304700	7.61
10001-20000	96	152900	3.82
20001-30000	27	70900	1.77
30001-40000	13	47600	1.19
40001-50000	12	56400	1.41
50001& 100000	13	99900	2.49
100001- 99999999	30	2879600	71.88
Total	1518	4006400	100.00

7.14 OUTSTANDING GDRs/ ADRs/ WARRANTS OR ANY CONVERTIBLE INSTRUMENTS:

The Company has not issued any GDRs / ADRs / Warrants or any other convertible instruments.

7.15. PLANT LOCATION:

Survey No. 218/1/1, Dadra Village, Near Dadra Check Post, Dadra & Nagar Haveli, Silvassa [ UT].

7.16. COMPLIANCE:

A certificate has been obtained from the Statutory Auditors of the company regarding compliance of conditions of Corporate Governance and is attached to this report. The reasons for non-compliance of some of the conditions of corporate governance have been mentioned in the respective heads of the corporate governance.

7.17. CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MENAGEMENT:

The board of directors has laid down the Code of Conduct for all the board members and members of senior management of the company. Certificate from the Managing Director affirming compliance of the said code by all the board members and members of senior management of the company to whom the code is applicable is annexed separately to this report.

For and on Behalf of the Board

**FOR SHARAD FIBRES & YARN PROCESSORS LIMITED**

Sd/-

**ADITYA DALMIA**  
**DIRECTOR**

Mumbai.  
05/09/2011.

**ANNEXURE TO CORPORATE GOVERNANCE REPORT**

**Declaration regarding affirmation of Code of Conduct**

In terms of the requirements of the amended clause 49 I (D) (ii) of the listing agreement, this is to confirm that all the members of the Board and the senior managerial personnel have affirmed compliance with the code of conduct for the year ended 31<sup>st</sup> March 2011.

**FOR SHARAD FIBRES & YARN PROCESSORS LIMITED**

**Sd/-  
ADITYA DALMIA  
DIRECTOR**

Mumbai.  
05/09/2011.

**CERTIFICATION**  
**BY CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER**

The Board of Directors  
**SHARAD FIBRES & YARN PROCESSORS LIMITED**  
220, Unique Industrial Estate,  
Off. Veer Savarkar Marg, Prabhadevi,  
Mumbai - 400 025.

I, the undersigned, in my capacity as Chief Executive Officer of **SHARAD FIBRES & YARN PROCESSORS LIMITED** ("the Company"), to the best of my knowledge and belief certify that:

- a. I have reviewed the financial statements and the cash flow statement of the company for the year ended March 31, 2011 and that to the best of my knowledge and belief :
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
  - (ii) these statements present a true and fair view of the company's affairs and are in compliance with existing 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 violative of the company's code of conduct.
  
- c. I accept the responsibility for establishing and maintaining internal controls and I have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps taken or propose to take to rectify these deficiencies.
  
- d. I have indicated, based on my most recent evaluation, wherever applicable, to the Auditors and the Audit committee
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies 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.

**FOR SHARAD FIBRES & YARN PROCESSORS LIMITED**

Sd/-  
**ADITYA DALMIA**  
**DIRECTOR**

Mumbai.  
05/09/2011.

**AUDITORS' REPORT ON CORPORATE GOVERNANCE:**

To the Members of  
**Sharad Fibres & Yarn Processors Limited**

We have examined the compliance of conditions of Corporate Governance by **SHARAD FIBRES & YARN PROCESSORS LIMITED**, for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Vinod S. Mehta & Co.**  
**Chartered Accountants**  
**FRN NO. 111524W**

Sd/-  
Parag Mehta  
Partner

Mumbai  
05/09/2011.