



# REPORT ON CORPORATE GOVERNANCE

## Philosophy

Corporate Governance is a continuous process of adopting & following the best in class concept, seeking to provide an enabling environment to harmonise the goal of maximising stakeholder value while maintaining a customer centric focus. Corporate Governance is a wide framework of systems, rules, interfaces & principles that are ingrained into the fiduciary corporate culture & values resulting in a simplified & transparent corporate structure driven solely by business needs.

Corporate Governance stems from its belief that timely disclosures, transparent accounting policies and a strong and independent board go a long way in preserving shareholders trust while maximising long term shareholder value.

The primary objective of Corporate Governance is to promote fairness, transparency, accountability & responsiveness directing the Company to not only work towards the enhancement of shareholders' value but also towards the overall betterment of all stakeholders viz shareholders, creditors, customers, employees & society at large.

## Company's Philosophy on Code of Corporate Governance

Corporate governance is the application of best management practises, compliance of laws & adherence to ethical standards to achieve the Company's object of enhancing shareholder value and discharge of social responsibility. The Corporate Governance structure in the Company assigns responsibilities & entrusts authority among different participants in the organization viz Board, the senior management, employees etc. The Company had in fact adopted Corporate Governance & disclosure practises much before it was mandated by legislation.

## Board of Directors

The main role of the Board of Directors is to oversee how the management serves the interest of all its stakeholders. To achieve its role, the Directors have enunciated Corporate Governance principles to ensure the independence of the Board and to be kept informed of key risk and strategic issues facing Vascon.

## Composition of the Board of Directors

As on 31<sup>st</sup> March, 2010 the Board of Vascon

consisted of five directors - One Managing Director, two Non-Executive Directors and two Non-Executive Independent Directors.

Given in the table below is the composition of the Board and inter alia the other directorships held by each of the directors.

As on March 31,2010

| Name                                    | Position                        | Date of Joining | Directorship U/s 275 of the companies Act,1956 in other Public Limited Companies | Number of Committee Chairmanships/ Memberships held in other Public Limited Companies |                         |
|---|---------------------------------|-----------------|--|---|-------------------------|
|   |                                 |                 |  | Committees membership   | Committees Chairmanship |
| V. Mohan<br>DIN NO: 00071517            | Chairman & Independent Director | May 12,2007     | 5  | 1   | NIL                     |
| R. Vasudevan<br>DIN NO : 00013519       | Managing Director               | Jan 1,1986      | NIL  | NIL   | NIL                     |
| K. G. Krishnamurthy<br>DIN NO: 00012579 | Non-Executive Director          | June 21,2006    | 6  | 3   | NIL                     |
| Ameet Hariani<br>DIN NO: 00087866       | Non-Executive Director          | Sept 19,2007    | 3  | 3   | 1                       |
| R. Kannan<br>DIN NO: 00017321           | Independent Director            | Sept 19,2007    | NIL  | NIL   | NIL                     |

1. The directorship/committee membership is based on the latest disclosures received from the Directors.
2. None of the directors is a member of the Board of more than 15 companies in terms of Section 275 of Companies Act, 1956; member of more than 10 committees & chairman of more than 5 committees across all companies in which he is a director.
3. None of the directors are related inter-se.

## Board Meetings

The Board met ten times during the financial year 2009-10. The maximum time gap between two meetings was not more than four calendar months and any member of the Board is free to suggest any improvement. These were held on April 16,2009, June 23,2009, August 27, 2009, September 16,2009 November 10, 2009, December 14, 2009, January 5, 2010, January 22, 2010, February 1, 2010 and February 8, 2010.

The Company has a well-defined process of placing vital sufficient information before the Board such that the information earmarked under Clause 49 of the Listing Agreement(s) are covered to the fullest extent.



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The Minutes of the Meetings of all the Committees namely, Audit Committee, IPO Committee, Investors Grievance Committee, Share Transfer Committee and Remuneration Committee of the Company are placed before the Board as and when held during the year.

The number of Board meetings and attendance of all Directors during the financial year 2009-10 is given in the table below:-

|                         | No of Board Meetings held | No of Board Meetings attended | Attendance at Last AGM |
|-------------------------|---------------------------|-------------------------------|------------------------|
| V. Mohan*               | 10                        | 9                             | Yes                    |
| R. Vasudevan            | 10                        | 10                            | Yes                    |
| Amar Lulla <sup>§</sup> | 10                        | 1                             | Yes                    |
| K. G. Krishnamurthy *   | 10                        | 9                             | Yes                    |
| Ameet Hariani *         | 10                        | 8                             | Yes                    |
| R. Kannan *             | 10                        | 7                             | Yes                    |

\*Were given leave of absence on request.

<sup>§</sup> Resigned as director in Board Meeting held on September 16, 2009.

### Committees of Board

The Company has following Board Level Committees.

1. Audit Committee,
2. Remuneration/Compensation Committee,
3. Shareholders' Grievance Committee,
4. IPO Committee

### Audit Committee

The Audit Committee has been constituted as per provisions of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. It was constituted on February 17, 2007 and reconstituted on September 16, 2009. It now comprises of three directors.

Given in the table below is the constitution of committee and attendance records of members

| Name             | Status                          | No of meetings attended |
|------------------|---------------------------------|-------------------------|
| Mr. V. Mohan     | Chairman & Independent Director | 2                       |
| Mr. R. Kannan    | Independent Director            | 2                       |
| Mr. R. Vasudevan | Managing Director               | 2                       |

The Company Secretary acts as Secretary to the Audit Committee.

Terms of reference of the Audit Committee are broadly as under

1. If the remuneration to Auditors is not fixed by shareholders and is delegated to the Board then the Audit Committee should make a suitable recommendation to the Board.
2. Where the Audit Committee finds the quality, efficiency and contribution of the Auditor is not satisfactory then, the Audit Committee shall take up the matter with the Auditor and in case he does not resign, the Audit Committee shall find a suitable replacement and recommend his appointment to the Board, including terms & conditions as to remuneration or otherwise.
3. To approve payment to the Auditor for services other than Audit.
4. To approve the bill of the Auditor for services in any other capacity.
5. To examine any changes in accounting policies and the reasons thereof.
6. To examine major accounting entries based on the exercise of judgment by management.
7. Where the Auditor made some qualifications in his draft report, to examine the details causing such qualification and suggest suitable addendum in the Director's Report.
8. Reviewing with the management, the quarterly financial statement before submission to the board for approval.
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 material nature and reporting the matter to the Board.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.
11. To carry out such other functions as may be specifically referred to by the Board from time to time.
12. Relationships with Suppliers and Customers  
The Directors and senior management employees of the Company during the course of interaction with suppliers and customers, shall neither receive nor offer or make, directly and indirectly, any illegal payments, remuneration,



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gifts, donations or comparable benefits which are intended or perceived to obtain business or uncompetitive favors for the conduct of its business. However this is not intended to include gifts of customary nature.

### 13. Interaction with Media

The Directors and senior management employees other than the designated spokespersons shall not engage with any member of press and media in matters concerning the Company. In such cases, they should direct the request to the designated spokespersons.

### 14. Safety and Environment

The Directors and senior management employee shall follow all prescribed safety and environment-related norms.

During the year the Audit committee met on June 23, 2009 and January 5, 2010

### Remuneration/Compensation Committee

The Remuneration/Compensation Committee was constituted on June 11, 2007 and was reconstituted on September 16, 2009 now comprises of three directors. Given in the table below is the constitution of committee

| Name              | Status                          |
|-------------------|---------------------------------|
| Mr. V. Mohan      | Chairman & Independent Director |
| Mr. R. Kannan     | Independent Director            |
| Mr. Ameet Hariani | Non-executive Director          |

### Terms of reference of Remuneration / Compensation Committee are broadly as under

- To discharge the Board's responsibilities relating to compensation to the Company's Executive Directors.
- To approve and evaluate the Executive Director's compensation plans, policies and programmes of the Company
- To formulate, administer and adopt the Employees' Stock Option Plan (ESOP) of the Company
- To determine the quantum of option to be granted under an ESOP per employee and the total number in aggregate.
- To determine at such intervals, as the Committee considers appropriate, the persons to whom shares or options may be granted.
- To decide the conditions under which option vested in employees may lapse in case of termination of employment for misconduct.
- To determine the exercise period within which the employee should exercise the option and that the option would lapse on failure to exercise the option within the exercise period.
- To determine the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of the employee.
- To determine the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
- To determine the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, sale of division and others. In this regard the following shall be taken into consideration by the committee- (i) The number and the price of the ESOP shall be adjusted in a manner such that the total value of the ESOP remains the same after the corporate action. (ii) For this purpose global best practices in this area including the procedures followed by the derivatives markets in India and abroad shall be considered.
- To determine the grant, vest and exercise of option in case of employees who are on long leave.
- To determine the procedure for cashless exercise of options.
- To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or option and/or vary/amend the terms to adjust to the situation that may arise.
- To approve the transfer of the shares in the name of the employee at the time of exercise of options by such employee under ESOP.
- To review and approve any disclosures in the annual report or elsewhere in respect of



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compensation policies or directors' compensation.

16. To obtain such outside or professional advice as it may consider necessary to carry out its duties
17. To invite any employee or such document as it may deem fit for exercising of its functions.
18. To attend to such matters with respect to the remuneration of senior and other employees as may be submitted to it by the Managing Director.
19. To attend to any other responsibility as may be entrusted by the Board.

The Company Secretary acts as Secretary to the Remuneration/Compensation Committee.

The Company has no pecuniary relationship or transaction with its Non Executive Directors other than payment of sitting fees. The Company has sought the expert legal advice of Hariani & Co, Solicitors & Advocates in certain matter and a sum of Rs. 26,17,640/- has been paid as professional fees to the said firm during the year ended 31st March,2010. Mr Ameet Hariani , Non Executive Director of Company is the Senior Partner of the said firm. The aforesaid professional fees is not considered material enough to have potential conflict with the interest of the Company.

In accordance with the Extra Ordinary General Meeting held on June 12, 2006 the Shareholders have approved the remuneration payable to Mr. R Vasudevan, Managing Director subject to the provisions of Section 198, 309 and other applicable provisions of the Companies Act, 1956.

Non-executive directors are paid sitting fees pursuant to Section 310 of the Companies Act, 1956.

Given in the table below are the details of remuneration paid/payable to the directors and their shareholding for the year ended March 31, 2010.

| Name of Director              | R. Vasudevan | V. Mohan | Amar Lulla | K. G. Krishnamurthy | Ameet Hariani | R. Kannan |
|-------------------------------|--------------|----------|------------|---------------------|---------------|-----------|
| Salary Commission & Ex-gratia | 31191600     | NIL      | NIL        | NIL                 | NIL           | NIL       |
| other perquisites             | 750000       | NIL      | NIL        | NIL                 | NIL           | NIL       |
| Contribution to PF            | 1058400      | NIL      | NIL        | NIL                 | NIL           | NIL       |
| Sitting fees                  | NIL          | 90000    | 10000      | 90000               | 80000         | 70000     |
| Total                         | 33000000     | 90000    | 10000      | 90000               | 80000         | 70000     |
| Shareholding of directors     | 9277529*     | NIL      | NIL        | NIL                 | NIL           | NIL       |

\* includes 7477528 equity shares held jointly with Mrs. Lalitha Vasudevan & 54546 equity shares held jointly with Mrs. Thangam Moorthy and 1745455 equity shares under his own name under Employee Stock Option Scheme,2007 of the Company.

During the year no Remuneration/Compensation committees meetings were held.

### Shareholders Grievance Committee

The Shareholders Grievance Committee was constituted on June 11,2007 and reconstituted on September 16, 2009 to specially oversee & redress the issues pertaining to the Investor Grievances.

Given in the table below is the constitution of Committee and attendance records of the members

| Name             | Status                          | No of meetings attended |
|------------------|---------------------------------|-------------------------|
| Mr. V. Mohan     | Chairman & Independent Director | 1                       |
| Mr. R. Vasudevan | Independent Director            | 1                       |

Terms of reference of Shareholders Grievance Committee are broadly as under

1. Transfer/ Transmission of shares
2. Issue of duplicate share certificate
3. Review of share dematerialized and all related matters
4. Non receipt of Annual Report and dividend
5. Monitors expeditious redressed of investors grievance
6. All others matters related to shares / Debentures

During the year Shareholders Grievance Committee met on February 1, 2010

Consequent to the listing of the shares of the Company in the National Stock Exchange of India Limited and Bombay Stock Exchange Limited on February 15, 2010, following complaints were received from shareholders/investors and resolved.

Given in the table below is the status of complaints as on March 31, 2010.

| No of compliants received | No of Compliants resolved | No of complaints pending |
|---------------------------|---------------------------|--------------------------|
| 23                        | 23                        | NIL                      |

The Company Secretary acts as secretary to the Shareholders Grievance Committee.



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### *Details of Compliance Officer*

M Krishnamurthi  
Company Secretary  
T: +91-20-30562305 F: +91-20-26131071  
email: compliance.officer@vascon.com  
Website: www.vascon.com

### **IPO Committee**

Our IPO Committee was constituted on September 19, 2007 and was reconstituted on September 16, 2009 for all matters relating to public issue and allotment of shares of the Company in consultation with the stock exchanges concerned, SEBI and NSDL & CDSL.

### Composition

1. Mr. V Mohan (Chairman)
2. Mr. R. Vasudevan
3. Mr. Ameet Hariani

Mr. M Krishnamurthi, Company Secretary has been designated as Compliance Officer of the Company. During the year the IPO Committee met on January 18, 2010, January 22, 2010 and February 1, 2010.

The IPO Committee delegated the entire IPO process & its documentation such as, preparation of prospectus, due diligence process, filing documents with Stock Exchanges, Reserve Bank of India, Department of Industrial Policy & Promotion (DIPP), Registrar of Companies, NSDL/CDSL, Registrar & Transfer Agents, etc to Mr. R Vasudevan, Managing Director, Mr. D. Santhanam, Chief Financial Officer, Mr. Shiv Prakash Nair, Executive Director and Mr. M Krishnamurthi, Company Secretary and Compliance Officer.

### **Disclosures**

#### Subsidiary Companies

During the year, none of the subsidiaries was a material non listed Indian subsidiary company as per the criteria given in Clause 49 of the Listing Agreement.

#### **Policy for Prevention of Insider Trading**

In pursuance of the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved "Policy for Prevention of Insider Trading". The objective of the policy is to prevent trading of shares

of the Company by an insider on the basis of unpublished price sensitive information. Under the policy, insiders are prohibited from dealing in the Company's shares during the closure of trading window. To deal in the securities over a specific limit, permission of Compliance Officer is required. All Directors/designated employees are required to disclose related information periodically as defined in the Code, which in turn is forwarded to the Stock Exchanges. The Company Secretary has been designated as the Compliance Officer. A copy of the Prevention of Insider Trading Policy has also been hosted on the website of the Company, www.vascon.com.

### **Code of Conduct**

The Code of Conduct (the Code) as recommended by the Corporate Governance Committee and adopted by the Board is a comprehensive Code to ensure good governance and provide for ethical standards of conduct on matters including conflict of interest, acceptance of positions of responsibility, treatment of business opportunities and the like. The Code is applicable to all the Directors & the Senior Management Personnel of the Company. An annual affirmation of compliance with the Code has been obtained from all members of the Board & Senior Management Personnel as on 31<sup>st</sup> March, 2010.

A copy of the Code of Conduct has been hosted on the Company's website www.vascon.com

In terms of Clause 49 of the Listing Agreement, a declaration signed by the Managing Director is stated hereunder:

I hereby confirm that

All members of the Board & Senior Management Personnel of the Company have affirmed compliance with Vascon's Code of Conduct for the financial year 2009-10.

Mumbai  
8.5.2010

Managing Director



# REPORT ON CORPORATE GOVERNANCE

## General Shareholder Information

25<sup>th</sup> Annual General Meeting

Date: 28<sup>th</sup> July, 2010

Time: 4.00 p.m.

**Venue:** Wisteria Ballroom, Lavender Bough, next to Swaminarayan Temple, 90 Feet Road, Garodia Nagar, Ghatkopar (East), Mumbai – 400 077

Last three Annual General Meetings

| YEAR    | DATE AND TIME               | VENUE  | SPECIAL RESOLUTION (S) PASSED   |
|---------|-----------------------------|--|---|
| 2006-07 | June 11, 2007. at 12.00 P.M | The Conference Room of HDFC HIREF, 6th Floor, Raman House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai-20 | 1. Amendement of Memorandum of Association on Increase in Authorised Capital of the Company.<br><br>2. Futher issue of shares u/s 81(1A) of the Companies Act, 1956.<br><br>3. Adoption of the new set of Articles of Association of the Company. |
| 2007-08 | Aug 25, 2008 at 3.00 P.M.   | The Conference Room of HDFC HIREF, 6th Floor, Raman House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai-20 | NIL   |
| 2008-09 | Aug 27, 2009 at 12.00 P.M.  | The Conference Room of HDFC HIREF, 6th Floor, Raman House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai-20 | NIL   |

All special resolutions in the Annual General Meeting held in 2007 were passed through show of hands. There is no proposal to conduct postal ballot for any matter in ensuing Annual General Meeting.

## Financial year

The Financial year is 1<sup>st</sup> April to 31<sup>st</sup> March .

## Financial Results on Company's Website

The annual results of the Company are published in leading newspapers in India , Economic Times and Maharashtra Times and also displayed on its web site [www.vascon.com](http://www.vascon.com). Presentation to analysts, as and when made, are immediately placed on the website for the benefit of the shareholders and public at large.

## Book Closure

20<sup>th</sup> July, 2010 to 28<sup>th</sup> July, 2010 for the purpose of Annual General Meeting.

## Listing on Stock Exchanges

The Company's equity shares are listed on The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). Listing fees for the financial year has been paid in full for both the stock exchanges.

## Stock Code/ Symbol

National Stock Exchange of India Limited – VasconEQ

Bombay Stock Exchange Limited – 533156

ISIN NO: INE893I01013

## Master Price Data: High, Low during each month in last financial year

| Month          | Equity shares |           |            |           |
|----------------|---------------|-----------|------------|-----------|
|                | NSE           |           | BSE        |           |
|                | High (Rs.)    | Low (Rs.) | High (Rs.) | Low (Rs.) |
| February, 2010 | 171.95        | 120.25    | 173.45     | 120.00    |
| March 2010     | 156.70        | 120.90    | 156.90     | 119.00    |

## Registrar and Transfer Agents & Share Transfer System:

Karvy Computershare Private Limited

Plot No. 17 to 24, Vittalrao Nagar

Madhapur

Hyderabad - 500 081

T: + 91- 040 - 44655000 F: +91-040-23420814

Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Investor grievance id: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Website: [www.karvy.com](http://www.karvy.com)

Contact Person: S V Raju, Asst. General Manager  
SEBI Registration No.: INR000000221

The Company's shares are covered under the compulsory dematerialized list and are transferable through the depository system. Shares sent for transfer in physical form are registered and return within a period of 30days from the date of receipt of the document, provided the documents are valid and complete in all respects.



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## Distribution of shareholding as on 31<sup>st</sup> March, 2010

| No. of Equity Shares held | Shareholders        |            | Equity shares held |            |
|---------------------------|---------------------|------------|--------------------|------------|
|                           | No. of shareholders | % to Total | No. of shares      | % to Total |
| 001-500                   | 5639                | 84.86%     | 583388             | 0.65       |
| 501-1000                  | 787                 | 11.84 %    | 451268             | 0.50       |
| 1001-2000                 | 95                  | 1.43 %     | 134235             | 0.15       |
| 2001-3000                 | 20                  | 0.30 %     | 50551              | 0.06       |
| 3001-4000                 | 13                  | 0.20 %     | 46862              | 0.05       |
| 4001-5000                 | 12                  | 0.18 %     | 55653              | 0.06       |
| 5001-10000                | 25                  | 0.38 %     | 192330             | 0.21       |
| 10001 & Above             | 54                  | 0.81 %     | 88501763           | 98.32      |
| <b>Total</b>              | <b>6645</b>         | <b>100</b> | <b>90016050</b>    | <b>100</b> |

## Shareholding pattern as on 31<sup>st</sup> March, 2010

| Category                               | No. of Shares held | % to Total |
|--|--------------------|------------|
| <b>Promoters Holdings</b>              | 34701823           | 38.55      |
| <b>Public Share holding:</b>           |                    |            |
| Mutual Funds                           | 3720159            | 4.13       |
| Banks, Financial Institutions & others | 288075             | 0.32       |
| Insurance companies                    | 0                  | 0          |
| Foreign Institutional Investors        | 1225661            | 1.36       |
| Bodies Corporate                       | 47639728           | 52.92      |
| NRI/Foreign Nationals                  |                    |            |
| Indian Public                          | 2440604            | 2.72       |
| <b>Total</b>                           | <b>90016050</b>    | <b>100</b> |



- Promoters Holdings 34701823 shares
- Mutual Funds 3720159 shares
- Banks, Financial Institutions & others 288075 shares
- Insurance companies 0 shares
- Foreign Institutional Investors 1225661 shares
- Bodies Corporate 47639728 shares
- NRI/Foreign Nationals 0 shares
- Indian Public 2440604 shares

**Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:** N.A.

### Address for correspondence

#### Registered Office

15/16, Hazari Baug, LBS Marg, Vikhroli (W.)  
Mumbai 400 083  
T: +91-22-25781143, F: +91-20-26131071

#### Corporate Office

'Phoenix', Bund Garden Road, Pune 411 001  
T: +91-20-30562200/300 F: +91-20-26131071  
email: vascon@vsnl.com

#### Compliance Officer

M Krishnamurthi  
Company Secretary  
T: +91-20-30562305 F: +91-20-26131071  
email: compliance.officer@vascon.com  
Website www.vascon.com

#### Shareholders' Correspondence

Registrar & Transfer Agents for all matters relating to transfer/dematerialization of shares, payment of dividend, IPO refunds/demat credits at

#### Karvy Computershare Private Limited

Plot No. 17 to 24, Vittalrao Nagar  
Madhapur  
Hyderabad - 500 081  
T: + 91- 040 - 44655000 F: +91-040-23420814  
Email: einward.ris@karvy.com  
Investor grievance id: einward.ris@karvy.com  
Website: www.karvy.com  
Contact Person: S V Raju, Asst. General Manager  
SEBI Registration No.: INR000000221

