

## 1. Company's Philosophy On Code Of Governance

The primary objective of Corporate Governance is to create and adhere to a corporate of conscience and consciousness, transparency and openness and to develop capabilities and identify opportunities that best serves the goal of value creation. A Company to succeed on a sustained basis must maintain global standards of corporate conduct towards its employees, stakeholders, and society. The Company believes in attainment of highest levels of transparency in all facets of its operations and has always focused on good corporate governance.

## 2. Board of Directors

The total strength of the Company's Board as of date is 5 comprising, one (1) Executive Director, One (1) Non-Executive Director, and three (3) independent Directors.

The composition of the Board of Directors is given below :-

Name of Director	Category	Number of directorship held in other public Companies	Number of membership of Board Committees held in other Companies
Shri J. R. Mehta	Promoter, Executive	Nil	Nil
Smt. Amita J. Mehta	Promoter, Non-Executive	Nil	Nil
Dr. Bharat Bhatia	Independent, Non-Executive	Nil	Nil
Mr. N. L. Bhatia	Independent, Non-Executive	1	1
Shri. V.G. Joshi	Independent, Non-Executive	Nil	Nil

## Board Procedure

The Board meets at least once in each quarter to review the quarterly performance and the financial results. A detailed agenda is sent to each Director in advance of the Board Meeting. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company, with presentation by functional heads. The Board's role, functions responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments, compliance with statutory/regulatory requirements, major accounting provisions and write-offs are considered by the Board.

### Attendance of Directors at the Board Meetings and the last Annual General Meeting

The Board of Director met ten (10) times during the financial year on the following dates : 7<sup>th</sup> May, 2009, 30<sup>th</sup> June, 2009 31<sup>st</sup> July, 2009, 25<sup>th</sup> August, 2009, 8<sup>th</sup> October, 2009, 31<sup>st</sup> October, 2009, 5<sup>th</sup> November, 2009, 5<sup>th</sup> December, 2009, 9<sup>th</sup> January, 2010 and 31<sup>st</sup> January, 2010 The attendance of Directors at Board Meetings and the last Annual General Meeting (AGM) was as under:-

Name of Director	Held during the tenure	Attended	A.G.M
Shri J.R.Mehta	10	10	✓
Smt. Amita J.Mehta	10	10	✓
Shri V.G. Joshi	10	6	✓
Dr. Bharat Bhatia	10	6	✓
Mr.N.L.Bhatia	10	8	✓

### Shareholding of Non-executive Directors

The Individual shareholding of Non-executive Directors (including shareholding as joint holder) as on 31<sup>st</sup> March, 2010 is given below:

Name	No. of shares held
V.G. Joshi	10

### 3. Audit Committee:

The Audit Committee comprises of three Independent Directors who possess knowledge of corporate finance, accounts and company law. The Chairman of the Committee is a Non-Executive Director nominated by the Board. The Company Secretary of the Company is Secretary to Audit Committee. The Statutory Auditors are also invited to the Meeting. The constitution of the committee is given below.

Name of the Director	Category
Mr. N.L. Bhatia	Chairman, Independent, Non-Executive
Dr. Bharat Bhatia	Independent, Non-Executive
Mr. V.G.Joshi	Independent, Non-Executive

### Broad terms of reference

The terms of Reference of the Audit Committee includes those specified under Clause 49 of the Listing Agreement and those under Section 292A of the Companies Act, 1956. A few of them are given below:

1. Reviewing of the financial reporting process and the disclosure of the Financial Information
2. Reviewing the Financial statements and Auditors' Report before its submission to the Board,
3. Reviewing the accounting policies and practices followed by the Company
4. Recommending the appointment of Statutory Auditors, fixation of audit fee and also approval for payment of any other services.
5. Reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by The Institute of Chartered Accountants of India during the year. Compliance of the AS as applicable to the Company has been ensured in the Financial Statements for the year ended March 31, 2010.
6. Reviewing the internal controls, risk management policies and practices and related party transactions and other terms of reference as specified under Clause 49 of the Listing Agreement to the extent they are applicable to the Company.

### Meetings and Attendance

During the financial year ended March 31, 2010, four (4) Audit Committee Meetings were held on 20<sup>th</sup> June, 2009, 27<sup>th</sup> July, 2009, 26<sup>th</sup> October, 2009 and 25<sup>th</sup> January, 2010. All the four (4) meetings were attended by all the members of the Audit Committee.

### 4. Remuneration of Directors

The Company pays sitting fees to all its independent and Non-executive directors. Except sitting fees no remuneration is paid to Non-Executive/ Independent Directors of the Company. The details of remuneration paid to the directors for the year ended 31<sup>st</sup> March, 2010.

Director	Relationship with other directors	Business relationship with the Company	Sitting fees	Salary Rupees	Total
Jayesh R. Mehta	Husband of Mrs. Amita J. Mehta	Promoter and Managing Director	-	5,47,092	5,47,092
Amita J. Mehta	Wife of Mr. Jayesh R. Mehta	Promoter Group	<u>50,000</u>	-	50,000
N.L. Bhatia	None	None	60,000	-	60,000
Dr. Bharat Bhatia	None	None	50,000	-	50,000
V.G. Joshi	None	None	50,000	-	50,000

## 5. Shareholders / Investors Grievance Committee

### Composition

The Shareholders / Investors Grievance Committee comprise of three Directors and the Chairman of the Committee is an Independent Director:

Name of the Director	Category of Directorship
Shri V.G. Joshi	Independent, Non-Executive
Shri J.R.Mehta	Promoter, Executive
Dr. Bharat Bhatia	Independent,

### FUNCTIONS

The Committee deals with various matters relating to :

- transfer/transmission of shares;
- issue of duplicate share certificate
- review of shares dematerialized and all other related matter
- investor grievances and redressal mechanism and recommend measures to improve the level of investor services,

Details of shares transfer/transmission, consolidation and dematerialisation approved by the Committee are placed at the Board Meetings from time to time.

### Meetings and Attendance

The number of meetings attended by the members is as under

Name of the Director	No. of meetings held during the tenure	No of meetings attended
Dr. Bharat Bhatia	17	17
Shri V.G. Joshi	17	17
Shri J.R Mehta	17	17

### Investor Grievances

The following are the nature of complaints received during the year ended 31<sup>st</sup> March, 2010.

Nature of Complaint	Received during the year	Received during the year 2008-09
Non-receipt of Share Certificate	3	Nil
Others	Nil	6
Total	3	6

The Complaints are generally responded within seven days from their lodgment with the Company.

There are no pending complaints as on 31st March, 2010.

The number of share transfers and dematerialisation requests pending as on 31st March, 2010 were Nil.

The Company has designated the email-id 'compliance@chandnitextiles.com' exclusively for the purpose of registering complaints by investors electronically.

## 6. Note on Directors Re-Appointment

Mr. V.G. Joshi is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Brief profile regarding Mr. V.G.Joshi is given below:

Mr. Vasant G. Joshi, aged 67 years is an Arts graduate and has over 45 years of experience in the field of accounts, administration and indirect taxes. He started his career in the year 1964 with Associated Precision bearings Star Ltd. (formerly known as Suessen Textile Bearing Ltd) as an Accounts Officer. In the year 1986 he joined a Company in the Textile Industry. He is on our Board since the year 2003

He is not a director of any other public limited companies in India.

## 7. General Body Meetings

Location and time, of last three Annual General Meetings were held is given below :

Financial Year	Date	Location of the meeting	Time
2006-2007	September 29, 2007	The Queenie Captain Auditorium, C/o, the NAB- Workshop for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai 400 030	3.00 p.m
2007-2008	September 30, 2008		
2008-2009	September 30, 2009		

## POSTAL BALLOT

During the year, the Company sought shareholders approval by Ordinary Resolution for Disposal of Textile Undertaking and by Special Resolution for Change in name of the Company through Postal Ballot as set out in the Notice dated 3<sup>rd</sup> December, 2009

The aforesaid Resolutions were passed by an overwhelming requisite majority. The results of the Postal Ballot which were announced on 9<sup>th</sup> January, 2010 are given below :

Particulars	Cast in favour		Cast against	
	No of votes	% of votes	No of votes	% of votes
Resolution 1	1,30,26,004	99.96%	5,600	0.04%
Resolution 2	1,30,25,604	99.96%	5,500	0.04%

Mr. Bharat Upadhyay, practicing Company Secretary, was appointed as Scrutinizer for conducting the Postal Ballot exercise.

## **Procedure for Postal Ballot**

After receiving the approval of the Board of Directors, the Notice, Explanatory Statement alongwith the Postal Ballot Form and reply paid self addressed envelope, were dispatched to the shareholders to enable them to consider and vote on the proposals within a period of 30 days from the date of dispatch. The calendar of events was filed with the Registrar of Companies, Maharashtra within the stipulated period. The Scrutinizer, after due verification, submitted his report and the results of the Postal Ballot were duly declared on 9<sup>th</sup> January, 2010. The same were posted at the Registered Office of the Company and have been published in the newspapers.

## **9. Code of Conduct**

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmation of compliance with the respective codes have been made by the Directors and Senior Management of the Company . Declaration signed to this effect by Mr. J.R. Mehta, Managing Director is appended at the end of this report.

## **10. Management Discussion & Analysis Report**

The Management Discussion and Analysis Report for the year ended March 31, 2010 is discussed separately and forms part of this Annual Report.

## **11. Disclosures**

No transactions of material nature is entered into by the Company with Promoters, Directors or Management, or their relatives etc. that may have a potential conflict with interests of the Company. The register of contracts containing the transactions in which the Directors are interested is placed before the Board regularly. There is no material pecuniary transaction with the independent/non-executive directors. Transactions with related parties are disclosed in Note No. 11 of Schedule 19 to the Accounts in the Annual Report. No penalties, strictures have been imposed on the Company either by SEBI or stock exchange or other statutory body for non-compliance on any matter related to capital market. The Company has raised an amount of Rs.10 crores through preferential issue of 62,50,000 equity shares of the face value of Rs. 10/- each at a premium of Rs.6/- each. The funds have been utilized for working capital requirements. The requisite certification from the Chief Financial Officer as required to be given under clause 49(V) has been placed before the board of directors of the company.

## **12. Means of Communication**

- (i) The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement.
- (ii) The approved financial results are forthwith sent to the BSE and are published in the newspapers.

## **13. General Information for Shareholder**

### **a. Annual General Meeting**

- Date and time : September 9, 2010 at 3.00 p.m.

- Venue : The Queenie Captain Auditorium C/o the NAB – Workshop  
for the Blind, Dr. Annie Besant Road, Prabhadevi, Mumbai  
– 400 030

**b. Financial Calender**

Financial reporting for :

Quarter ending June,2010	by 15 <sup>th</sup> August, 2010
Quarter ending September,2010	by 15 <sup>th</sup> November, 2010
Quarter ending December, 2010	by 15 <sup>th</sup> February,2011
Year ending March,2011	by 30th May, 2011
Annual General Meeting for the year ended March 31,2011	In September,2011

**c. Dates of Book Closure** : September 6, 2010 to September 9, 2010 (Both days inclusive)

**d. Registered Office** : 110, T.V. Industrial Estate,  
52, S.K.Ahire Marg,  
Worli, Mumbai – 400 030

**e. Listing of Equity Shares**

**Equity Shares** Bombay Stock Exchange Limited  
(Scrip Code:522292)

**f. Listing Fees**

Listing Fees to the Bombay Stock Exchange Limited for the year 2009-10 has been paid.

**g. Stock Market Data**

Monthly high & low quotations and volume of shares traded on Bombay Stock Exchange for financial year 2009-10 are :

Month	High (Rs.)	Low (Rs.)	Volume of Shares traded
April 2009	10.18	8.29	86,998
May 2009	14.30	10.35	2,64,822
June 2009	15.25	11.85	2,50,908
July 2009	14.00	10.38	1,16,848
August 2009	16.60	11.01	2,41,363
September 2009	17.25	12.80	2,87,300
October 2009	21.40	14.05	2,62,796
November 2009	34.95	18.15	8,37,262
December 2009	38.85	32.55	7,22,124
January 2010	53.90	36.25	5,24,098
February 2010	58.25	45.40	4,15,849
March 2010	60.85	51.00	3,76,377

**h. Registrars and Share Transfer agents :**

PURVA SHAREGISTRY (INDIA) PVT. LTD.  
Shiv Shakti Industrial Estates, Unit No. 9,  
7-B, J.R. Boricha Marg, Sitaram Mill Compound,  
Mumbai – 400 011  
Tel .: 23016761 / 23018261  
E-Mail – busicomp@vsnl.com

**i. Share transfer system**

All shares have been transferred and returned in 21 days from the date of receipt, so long as the documents have been clear in all respects.

**J. Distribution of shareholding as at March 31, 2010.**

Slab of shareholdings No.of Shares	No.of Shareholders	%	Amount (Rs.)	%
Upto 5000	3161	83.18	5092230	3.16
5001-10000	286	7.53	2517120	1.56
10001-20000	142	3.74	2201090	1.36
20001-30000	69	1.82	1824090	1.13
30001-40000	25	0.66	905690	0.56
40001-50000	20	0.53	955020	0.59
50001-100000	31	0.82	2290360	1.42
100001 and above	66	1.74	145587030	90.22
Total	<b>3800</b>	<b>100.00</b>	<b>161372630</b>	<b>100.00</b>



**Shareholding Pattern as on March 31, 2010**

Sr. No.	Category of shareholder	No. of share holders	Total number of shares	%
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>			
<b>-1</b>	<b>Indian</b>			
(a)	Individuals/ Hindu Undivided Family	21	6282875	38.93
(b)	Bodies Corporate	1	422211	2.62
	<b>Total Shareholding of Promoter and Promoter Group (A)</b>	<b>22</b>	<b>6705086</b>	<b>41.55</b>
<b>(B)</b>	<b>Public shareholding</b>			
<b>-1</b>	<b>Institutions</b>			
(a)	Financial Institutions/ Banks	1	400	0.00
	<b>Sub-Total (B)(1)</b>	<b>1</b>	<b>400</b>	<b>0.00</b>
<b>-2</b>	<b>Non-institutions</b>			
(a)	Bodies Corporate	158	477162	2.96
(b)	Individuals -			
i.	Individual shareholders holding nominal share capital up to Rs. 1 lakh.	3564	1384702	8.58
ii.	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	45	7498487	46.47
(c)	Any Other (specify) NRI Repat & Non Repat	11	71426	0.44
	<b>Sub-Total (B)(2)</b>	<b>3778</b>	<b>9431777</b>	<b>58.45</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>3779</b>	<b>9432177</b>	<b>58.45</b>
	<b>TOTAL (A)+(B)</b>	<b>3801</b>	<b>16137263</b>	<b>100</b>
	<b>GRAND TOTAL (A)+(B)</b>	<b>3801</b>	<b>16137263</b>	<b>100</b>

#### k. Dematerialisation of Shares And Liquidity

Trading in the Company's shares is permitted only in dematerialized form as per notifications issued by the Securities and Exchange Board of India. The Company has entered into agreements with National Securities Depository Limited and Central Depository Services (India) Limited, whereby the investors have option to dematerialize their shares with either of the depositories.

#### Status of Dematerialisation of Shares

PARTICULARS	NO OF SHARES	% TO TOTAL CAPITAL
National Securities Depository Limited	1405670	8.71
Central Depository Services (India) Limited,	10598327	65.68
<b>TOTAL DEMATERIALISED</b>	<b>12003997</b>	<b>74.39</b>
PHYSICAL	4133266	25.61
<b>GRAND TOTAL</b>	<b>16137263</b>	<b>100</b>

#### l. Investors correspondence :

##### (i) Avanti Sankav

Company Secretary  
110, T.V. Industrial Estate,  
52, S.K. Ahire Marg,  
Worli,  
Mumbai – 400 030  
Tel No.: 91-22- 24966911 Fax : 91-22-24950328  
E-mail: compliance@chandnitextiles.com

##### (ii) Share Registrars and Transfer agent

Purva Sharegistry (India) Pvt. Ltd.  
Shiv Shakti Estates, Unit No.9,  
7-B, J.R. Boricha Marg, Sitaram Mill Compound,  
Mumbai – 400 011  
Tel. No. : 23016761 / 23018261

**m. Address of (i) Factory** : 22/1, Village – Ringanwada,  
Daman – 396210  
(Union Territory)  
Via Vapi (W.Rly)

**Tel No.** : 0260 3295015 , 0260 2240360  
**Fax No** : 0260 2240360

(ii) **Godown** : Survey No. 743/1  
Opposite Jolly Containers,  
Village Dabhel,  
Daman - 396210

**Certification under clause 49(1)(D) of the Listing Agreement**

All the Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for Chandni Textiles Engineering Industries Ltd for the financial year ended 31<sup>st</sup> March, 2010

For Chandni Textiles Engineering Industries Ltd

Mumbai

28<sup>th</sup> May, 2010

J.R. Mehta  
Managing Director



# CHANDAN PARMAR & CO.

Chartered Accountants

Alli Chambers, Gr. Floor, Homi Modi 2nd Cross Lane, Fort, Mumbai - 400 023.  
Tel.: 2266 4433 Fax: 2266 2255 E-mail: cmparco@yahoo.co.in

## AUDITOR'S CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

TO  
THE MEMBERS OF  
CHANDNI TEXTILES ENGINEERING INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Chandni Textiles Engineering Industries Limited for the year ended 31<sup>st</sup> March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchange.

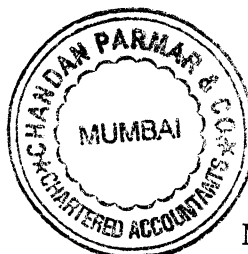
The compliance of conditions of Corporate Governance is the responsibility of the company's management. Our examination was limited to review of procedures and implementation thereof adopted by the company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit 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 and representations made to us by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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 has conducted the affairs of the Company.

For CHANDAN PARMAR & CO.

Chartered Accountants  
ICAI FRN NO.101662W



*Deepak H. Padachh*

(Deepak H. Padachh)

Partner

Membership No. 45741

Place : Mumbai

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