

DISCLOSURES IN DIRECTORS' REPORT

**CS MANOJ HURKAT
PRACTISING COMPANY SECRETARY**

FINANCIAL PERFORMANCE/OPERATIONS

1. **Section 134 of the Companies Act, 2013:** The state of the company's affairs.
As per Rule 8(5) of The Companies (Accounts) Rules, 2014, Board Report shall contain:
 - (i) the financial summary or highlights
 - (ii) the change in the nature of business, if any
2. **Section 131(1) of the Companies Act, 2013:** Detailed reasons or report for revision of financial statement in the relevant financial year in which such revision is being made.
3. **Section 134 of the Companies Act, 2013:** Material changes and commitments, if any, affecting the financial position of the company.
4. **Rule 8(1) of The Companies (Accounts) Rules, 2014:** The report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented.
5. **Rule 8(5)(iv) of The Companies (Accounts) Rules, 2014:** The report of the Board shall also contain the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

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6. **Rule 8(5)(viii) of The Companies (Accounts) Rules, 2014:** The details in respect of adequacy of internal financial controls with reference to the Financial Statements
7. **Rule 8(5)(vii) of The Companies (Accounts) Rules, 2014:** The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;
8. **Section 134 of the Companies Act, 2013:** Amount of Dividend, if any.
9. **Section 134 of the Companies Act, 2013:** Transfer to reserves, if any.

BOARD OF DIRECTORS

1. **Section 134 of the Companies Act, 2013:** Directors' Responsibility Statement containing the following disclosures:

- That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- That the directors had prepared the annual accounts on a going concern basis; and
- That the directors, in the case of a **listed company**, **had laid down internal financial controls** to be followed by the company and that such internal financial controls are adequate and were operating effectively. **(New Disclosure under Companies Act, 2013)**
- That the directors had devised proper systems to ensure **compliance with the provisions of all applicable laws** and that such systems were adequate and operating effectively. **(New Disclosure under Companies Act, 2013)**

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2. **Section 134 of the Companies Act, 2013:** In case of **listed company or other public company having paid up capital of Rs. 25 Crores or more**, statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors. **(Requirement of Rule 8(4) of The Companies (Accounts) Rules, 2014 also)**
3. **Section 134 of the Companies Act, 2013:** Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report & by the company secretary in practice in his secretarial audit report.
4. **Section 134 of the Companies Act, 2013:** Number of meetings of Board.
5. **Section 168(1) of the Companies Act, 2013:** Fact of resignation of Director.
As per Rule 8(5)(iii) of The Companies (Accounts) Rules, 201, Board Report shall contain: The details of directors or key managerial personnel who were appointed or have resigned during the year
6. **Section 149 (7) of the Companies Act, 2013:** Declaration of fulfillment of the criteria of independence by independent directors.
7. **Section 149 (10) of the Companies Act, 2013:** Re-appointment of independent directors after term of 5 years.

SHARE CAPITAL

1. **Rule 4(4) of The Companies (Share Capital and Debentures) Rules, 2014:**
Disclose the details of equity shares with differential rights, as per the details prescribed in Rule, in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed
2. **Rule 8(13) of The Companies (Share Capital and Debentures) Rules, 2014:**
Disclose the details of sweat equity shares, as per the details prescribed in Rule, in the Board's Report for the year in which the shares are issued.
3. **Clause 43(C) of the Listing Agreement:** If there are material variations between projected utilization of funds and/or projected profitability statement made by it in its prospectus or letter of offer or object/s stated in the explanatory statement to the notice for the general meeting for considering preferential issue of securities, and the actual utilization of funds and/or actual profitability, the company shall furnish an explanation in the Directors' Report.

COMMITTEES

1. **Section 177(8) of the Companies Act, 2013:** Composition of an Audit Committee and reasons for not accepting recommendations of Audit Committee by the Board (Companies having Audit Committee)
2. **Section 177(10) of the Companies Act, 2013:** Details of establishment of Vigil mechanism. (Companies required to form Vigil Mechanism)
3. **Section 134 of the Companies Act, 2013:** Statement indicating development and implementation of a risk management policy, if any.
4. **Section 178(4) of the Companies Act, 2013:** Policy on director's appointment and remuneration (Companies having Nomination & Remuneration Committee)

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5. **Section 135(2) of the Companies Act, 2013:** Composition of the CSR Committee & CSR policy developed or implemented by the Company.
6. **Section 135(5) of the Companies Act, 2013:** Reasons for not spending at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy.
7. **Rule 9 of The Companies (Accounts) Rules, 2014:** Disclosure of contents of Corporate Social Responsibility Policy as per annexure attached to the Companies (Corporate Social Responsibility Policy) Rules, 2014.
8. **Rule 8 of Companies (CSR Policy) Rules, 2014:** The Board's Report of a company covered under these rules pertaining to a financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure.

REMUNERATION

1. **Section 197(12) of the Companies Act, 2013:** Ratio of the remuneration of each director to the median employee's remuneration (**Applicable to Listed Companies**)

2. **Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:** Every listed company shall disclose in the Board's report-
 - The ratio of remuneration of each director to the median remuneration of the employees;
 - % increase in remuneration of each Director, KMP and of % increase in median remuneration of employees
 - Explanation of relationship between average increase in remuneration & Company performance Comparison of remuneration of each KMP against performance of company
 - Variation in market cap/ net worth of company
 - Justification of increase in managerial remuneration with that of increase in remuneration of other employees
 - Key parameters for any variable remuneration of directors
 - Ratio of remuneration of highest paid director to other employees who gets remuneration more than highest paid director
 - Affirmation that remuneration is as per remuneration policy of the Company

3. Section 197 (14) of the Companies Act, 2013: Any director who is in receipt of any commission from the company and who is a MD or WTD of the company shall not be disqualified from receiving any remuneration or commission from any holding company or subsidiary company of such company subject to its disclosure by the company in the Board's report.

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EMPLOYEES

1. **Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:** A statement showing following details of every employee of the Company who was in receipt of remuneration in excess of Rs. 60 Lacs, if employed throughout the year or Rs. 5 Lacs per month, if employed for part of the financial year or received remuneration in excess of that drawn by the MD/WTD/Manager & holding 2% or more of equity share capital of the Company (himself alongwith spouse & dependent children):

- Name, age & designation of the employee
- remuneration received;
- nature of employment, whether contractual or otherwise;
- qualifications and experience of the employee;
- date of commencement of employment;
- the age of such employee;
- the last employment held by such employee before joining the company;
- the percentage of equity shares held in the alongwith spouse & dependent children
- whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager

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2. **Section 67(3) of the Companies Act, 2013**: Giving of any loans to persons in the employment of the company other than its directors or KMP, for an amount not exceeding their salary or wages for a period of six months to purchase or subscribe for fully paid-up shares in the company or its holding company to be held by them by way of beneficial ownership, then disclosures of voting rights not exercised directly by the employees in respect of shares to which the scheme relates.

3. **Section 67(3) of the Companies Act, 2013**: Any provision of money in accordance with any scheme for the purchase /subscription for, fully paid-up shares in the company or its holding company & if such shares held by trustees for the benefit of the employees or such shares held by the employee of the company, then disclosures of voting rights not exercised directly by the employees in respect of shares to which the scheme relates.

Employees Stock Option Scheme

1. **Rule 12(9) of The Companies (Share Capital and Debentures) Rules, 2014:** The Board of directors, shall, inter alia, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- options granted;
- options vested;
- options exercised;
- the total number of shares arising as a result of exercise of option;
- options lapsed;
- the exercise price;
- variation of terms of options;
- money realized by exercise of options;
- total number of options in force;
- **employee wise details of options granted to;-**
 - (i) key managerial personnel.
 - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.
 - (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

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2. **Rule 16(4) of The Companies (Share Capital and Debentures) Rules, 2014:** Disclose details of voting rights not exercised directly by the employees in respect of shares to which the scheme for provision of money for purchase of or subscription for shares by employees or by trustees for the benefit of employees, as per the details prescribed in Rule.

3. **Clause 14 of SEBI (Share Based Employee Benefits) Regulations, 2014:** In addition to the information that a Company is required to disclose, in relation to employee benefits under the Companies Act, 2013, the board of directors of such a Company shall also disclose the details of the scheme(s) being implemented, as specified by SEBI in this regard **(w.e.f. 28th October, 2014)**

DEPOSITS

1. Rule 8 of The Companies (Accounts) Rules, 2014:

(v) The details relating to deposits, covered under Chapter V of the Act:

Amount of Deposit Accepted	
Amount that remained unpaid or unclaimed at the end of the financial year	

(vi) There has been default in repayment of deposits or payments of interest thereon during the year, details are as under:

Amount at the beginning of the Year	
Maximum amount during the year	
Amount at the end of the year	
Deposits which are not in Compliance with the requirement of Schedule V of the Act	

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. **Clause 49(IV)(i) of the Listing Agreement:** As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders.

CORPORATE GOVERNANCE

1. **Clause 49(VI)(i) of the Listing Agreement:** There shall be a separate section on Corporate Governance in the Annual Reports of company, with a detailed compliance report on Corporate Governance.
2. **Schedule V (Part II) (Section II)(B)(iv)(IV) of the Companies Act, 2013:** Disclosures shall under the heading “Corporate Governance”, if any, attached to the financial statement:
 - all elements of remuneration package such as salary, benefits, bonuses,
 - stock options, pension, etc., of all the directors;
 - details of fixed component and performance linked incentives along with the performance criteria;
 - service contracts, notice period, severance fees;
 - stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.
3. **Clause 49(VII)(1) of the Listing Agreement:** The company shall obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in clause 49 of listing Agreement and annex the certificate with the directors’ report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

1. **Section 134 of the Companies Act, 2013:** The conservation of energy, technology absorption, foreign exchange earnings and outgo shall contain following details: **(requirement of Rule 8(3) of The Companies (Accounts) Rules, 2014)**

Conservation of energy	Technology absorption	Foreign exchange earnings and Outgo
The steps taken or impact on conservation of energy.	The efforts made towards technology absorption.	The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows
The steps taken by the company for utilizing alternate sources of energy.	The benefits derived like product improvement, cost reduction, product development or import substitution.	----
The capital investment on energy conservation equipments.	In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)- (a) the details of technology imported; (b) the year of import; (c) whether the technology been fully absorbed; (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	---
----	The expenditure incurred on Research and Development	----

FORM MGT-9

1. **Section 92(3) of the Companies Act, 2013: Extract of the annual return (Format given in Form MGT-9)**

CONTRACT OR ARRANGEMENT

1. **Section 188 (2) of the Companies Act, 2013:**
Particulars of every contract or arrangement entered into under Section 188 (1) along with the justification for entering into such contract or arrangement **in the Form AOC-2 (Requirement of Rule 8(2) Companies (Accounts) Rules, 2014 also)**

LOANS, GUARANTEES OR INVESTMENTS

1. **Section 134 of the Companies Act, 2013:**
Particulars of loans, guarantees or investments under Section 186 (**No Format prescribed**)

SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

1. **Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:** The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

THANK YOU

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