

# SURAJ PRODUCTS LIMITED

## CORPORATE GOVERNANCE REPORT-2015-16:

As per the guidelines of SEBI & amended Listing Agreement with the stock exchanges, the company is making efforts to implement the guidelines taking into consideration the size and location of the company.

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company continues to commit to maintain the highest standards of integrity, transparency and accountability in all facts of its operations and to create shareholder's value on sustainable basis. The company is committed to achieve and maintain the highest standards of Corporate Governance; it believes that good Corporate Governance with transparency and independence as its key ingredients provides the market oriented framework for the running of companies.

#### 1. BOARD OF DIRECTORS:

##### A. The composition of the Board:

As on 31<sup>st</sup> of March, 2016, the Board of Directors of Suraj Products comprises of five directors. The Board consists of the Chairman, who is Promoter & Executive Director, one Executive Director and three Non-Executive Directors, of which two are independent Directors. Details of composition of Board of Directors are given below:

Sl.No.	Name of the Directors	Status	Category	Shareholding in the Company
1	Sri Y. K. Dalmia	Chairman	Promoter and Executive Director	9,91,500
2	Smt. S. Dalmia	Director	Promoter and Non Executive Director	7,72,400
3	Sri S. N. Kabra	Director	Non-Executive and Independent Director	NIL
4	Sri R. P. Agarwal	Director	Non Executive and Independent Director	NIL
5	Sri Gagan Goyal	Director	Executive Director	NIL

##### B. Number of Board Meetings:

During the year 2015-16, the Board of the Company met four times on 22.05.2015, 08.08.2015, 14.11.2015, and on 06.02.2016. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

Name of the Directors	Attendance Particulars		Number of other Directorship and Committee Chairmanship / Membership		
	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Sri Y. K. Dalmia	4	Yes	5	1	1
Smt. S. Dalmia	4	Yes	4	2	1
Sri S.N. Kabra	4	Yes	6	4	2
Sri R. P. Agarwal	3	Yes	--	3	--
Sri Gagan Goyal	4	Yes	--	2	--

#### 2. AUDIT COMMITTEE:

The Audit Committee consists of Sri S.N. Kabra, Sri R. P. Agarwal and Sri Gagan Goyal. Sri S. N. Kabra acts as Chairman of the Committee. During the period under review four Audit Committee meetings were held on 22.05.2015, 08.08.2015, 14.11.2015, and 06.02.2016.

The composition of the Audit Committee and attendance of its meetings are given below:

Name of the Directors	No. of Audit Committee Meeting Attendance
Sri S.N. Kabra	4
Sri R.P. Agarwal	3
Sri Gagan Goyal	4

##### Term of reference of the Audit Committee:

The committee is entrusted with review of quarterly, half yearly and annual financial statements before submission to the Board. The scope of the audit committee, inter alia, includes review of the Company's financial reporting process, the financial statements; review the adequacy of the internal control systems. The Company Secretary acts as the secretary of the Committee.

#### 3. REMUNERATION COMMITTEE:

A Committee of Directors comprising of Mrs. Sunita Dalmia, Mr. S.N.Kabra and Mr. R.P.Agarwal has been formed as Compensation / Remuneration Committee for the purpose of recommending of the Executive Director, Senior Executives and Key Managerial Personnel's remuneration / revision / merit increment and related matters. No sitting fees are payable for the meeting of this Committee. Smt. Sunita Dalmia acts as Chairman of the Committee.

The purpose of the Remuneration committee of the company shall be to discharge the Board's responsibilities relating to remuneration of the Company's Executive Directors and Key Managerial Personnel. The committee has overall responsibility for approving and evaluating and recommending plan, policies and programs relating to remuneration of Executive Directors and Key Managerial Personnel of the Company.

#### 4. MANAGERIAL REMUNERATION:

The remuneration of Chairman was fixed in the AGM held on 27.09.2014 and the remuneration of Executive Director was fixed in the AGM held on 24.09.2011.

##### (a) REMUNERATION TO DIRECTORS:

Following remuneration was paid to Directors during the Financial Year 2015-16:

Mr. Y.K.Dalmia, Chairman	- ` 39,00,000 (27,75,000)
Mr. Gagan Goyal, Executive Director	- ` 7,04,040 (6,08,000)

5. **SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:**

Shareholders' & Investors' Grievance Committee consists of Sri S.N. Kabra, Sri R.P. Agarwal and Smt. Sunita Dalmia. Sri S.N.Kabra acts as Chairman of the Committee. Sri A.N.Khatua, Company Secretary Serves as the Secretary of the Committee. The Committee to look into redressing of shareholders and investors grievances like transfer of shares, non receipt of Balance sheet, etc.

During the financial year 2015-16 the Committee held three meetings 08.08.2015, 14.11.2015, and 06.02.2016.

The committee received 41 complaints from investors during the year and all of have been resolved. There is no complaint outstanding at the end of the year.

Mr. Gagan Goyal acts as Compliance Officer to this Committee under the Security Exchange Board of India (SEBI) Notification.

7. **SHARE TRANSFER COMMITTEE:**

The Company has a Share Transfer Committee consisting of Sri Y. K. Dalmia, Sri S.N. Kabra, and Sri Gagan Goyal. Sri Y. K. Dalmia acts as Chairman of the Committee. The Share Transfer Committee meets as and when required and is entrusted with transfer / transmission of shares, issue of duplicate share certificates, changes of name / status, transposition of names, sub-division / consolidation of share certificates, dematerialization / rematerialization of shares, etc.

8. **CEO/ CFO CERTIFICATION:**

A certificate from the Chairman on the Financial Statements of the Company was placed before the Board at its meeting held on 30.05.2016.

9. **RISK ASSESSMENT & MINIMIZATION PROCEDURE:**

The risk assessment and its minimization procedures have been laid down by the company and the same been informed to board members. The procedures are periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

10. **GENERAL BODY MEETING:**

a). **ANNUAL GENERAL MEETING**

Date	Venue	Time	No. of Special Resolution
29 <sup>th</sup> Sept. 2012	Registered Office of the Company at Barpali	11.30 A.M.	--
27 <sup>th</sup> Sept. 2013	Registered Office of the Company at Barpali	11.30 A.M.	3
27 <sup>th</sup> Sept. 2014	Registered Office of the Company at Barpali	11.30 A.M.	--
28 <sup>th</sup> Sept. 2015	Registered Office of the Company at Barpali	11.30 A.M.	--

b) During the year, no resolution was passed through postal ballot in accordance with Section 108 of the Companies Act, 2013.

11. **DISCLOSURES:**

- RELATED PARTY DISCLOSURE: There are no materially significant related party transactions with its Promoters, the Directors or the Management and their Subsidiaries or relatives etc., which may have potential conflict with the interest of the Company at large.
- NON-COMPLIANCE PENALTIES: There were no instances of non-compliances and no penalties/ strictures have been imposed/ passed by Stock Exchange, SEBI or any other statutory authority during last three years on any matter related to the capital markets.
- CODE OF CONDUCT: The Board formulated a code of conduct for the Board Members and the Senior Management of the company. All Board Members and senior management personnel have affirmed their compliance with the code.
- During the financial year 2015-16, there is no audit qualification in the Company's financial statements.

12. **MEANS OF COMMUNICATION:**

- The quarterly, half yearly and full year results are taken on record by the Board of Directors and submitted to the Stock Exchanges in terms of the requirements of Clause 41 of the Listing Agreement and are published in News papers.
- The financial results are displayed on the Company's Website viz: [www.surajproducts.com](http://www.surajproducts.com)
- The Management Discussion and Analysis Report is attached with Director's Report in this 25th Annual Report of the Company posted to the Share holders.

13. **GENERAL INFORMATION FOR SHARE HOLDERS:**

a. 25 <sup>th</sup> Annual General Meeting:			
Day	Date	Time	Venue
Monday	28 <sup>th</sup> September, 2016	11:30 AM	Regd. Office: Vill: Barpali, P. O.: Kesramal (Rajgangpur), Dist.: Sundargarh, Odisha.
Date of Book Closure		The Company's Register of members & share books will remain closed from 25 <sup>th</sup> Sept. to 28 <sup>th</sup> Sept. 2016	

b. **Financial Calendar** (Tentative): Quarterly Result: Last week of succeeding month - Accounts 2016-17: May, 2017

c. **Listing at Stock Exchange: (i) Bombay Stock Exchange Ltd. (ii) Calcutta Stock Exchange Ltd.**

d. **Stock Code: 518075 at BSE and 13054 at CSE**

e. **Dematerialization of shares and liquidity:**

The shares of the Company are dematerialized with Central Depository Services (India) Ltd and National Securities Depository Limited. The addresses of the Depositories are as under:

**1. National Securities Depository Limited**  
(ISIN –INE069E01019)  
Trade world, 4<sup>th</sup> Floor,  
Kamala Mills Compound  
Lower parel, Mumbai – 400013

**2. Central Depository Services (India) Limited**  
(ISIN – INE069E01019)  
Phiroze Jeejeebhoy Towers,  
28<sup>th</sup> Floor, Dalal Street, Senapati Bapat Marg,  
Mumbai – 400023

No. of Shares held in dematerialized and physical mode as on 31<sup>st</sup> March, 2016 is as under:

Particulars	No. of Shares	% of total capital issue
Held in dematerialized form in CDSL	81,90,134	71.85
Held in dematerialized form in NSDL	14,97,366	13.13
Physical	17,12,500	15.02
<b>TOTAL</b>	<b>1,14,00,000</b>	<b>100.00</b>

**f. Public Deposit:**

The Company has not accepted any deposit during the year under review.

**g. Registrar & Share Transfer Agent:**

M/s MCS Share Transfer Agent Limited,  
12/1/5, Manoharpukur Road, Ground Floor, Kolkata – 700026 Telephone: 033-40724052 E-mail: mcssta@rediffmail.com  
Contact Person: Mr. Partho Mukherjee

**h. CIN Number:** The CIN of the Company granted by Ministry of Corporate affairs is L26942OR1991PLC002865

**i. Share Transfer System:**

Share transfer system is entrusted to the Registrar and Share Transfer Agent. Transfer Committee is empowered to approve the share transfers. Transfer committee Meeting is held as and when required. The share transfers, issue of duplicate certificate etc are endorsed by Directors / Executives / Officers as may be authorised by the Transfer Committee. Grievances received from members and miscellaneous correspondences are processed by the Registrar within 15 days.

**14. DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH 2016:**

**a. Details of shareholding as on 31<sup>st</sup> March, 2016**

Category	No. of Shares	% of Share Holding
Promoters Group	79,01,800	69.31
Private Corporate Bodies	14,30,789	12.55
Indian Public	20,67,411	18.14
<b>Total</b>	<b>1,14,00,000</b>	<b>100.00</b>

**b. Distribution of shareholding as on 31<sup>st</sup> March, 2016:**

Category	No. of Shares	No. of Shareholder	Percent Shares	Percent Holders
1 - 500	1260108	8070	11.0536	93.8045
501 - 1000	281067	316	2.4655	3.6731
1001 - 5000	383975	183	3.3682	2.1272
5001 - 10000	148162	18	1.2997	0.2092
10001 - 50000	129832	7	1.1389	0.0814
50001 - 100000	95056	1	0.8338	0.0116
and Above	9101800	8	79.8404	0.0930
<b>Total</b>	<b>11400000</b>	<b>8603</b>	<b>100.0000</b>	<b>100.0000</b>

**c. Shareholding pattern as on March 31, 2016:**

Category	No of shareholders	Total Share	% of Equity
Promoter & Promoter Group	7	79,01,800	69.32
Resident Individuals	8536	21,35,993	18.76
Body Corporate	60	13,62,207	11.92
<b>Total</b>	<b>8603</b>	<b>114,00,000</b>	<b>100%</b>

**15. SECRETARIAL AUDIT:**

As stipulated by Securities Exchange Board of India (SEBI), a qualified practicing Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out in every half year and year ending and the report thereon is submitted to Stock Exchanges and is also placed before the Board of Directors.

**16. CORPORATE ETHICS:**

The Company adheres to high standards of business ethics, compliance with various statutory and legal requirements and commitment to transparency in business dealing.

The Executive Director of the Company is appointed as Compliance Officer and is responsible for adherence to the code.

**17. COMPLIANCE CERTIFICATE OF AUDITORS:**

The Company has obtained a certificate from the Statutory Auditors confirming the compliance with the conditions of Corporate Governance.

**18. PLANT - LOCATION:**

Village – Barpali, Post – Kesramal (Rajgangpur)  
Dist – Sundargarh, Odisha, PIN – 770 017

**19. ADDRESS FOR CORRESPONDENCE:**

SURAJ PRODUCTS LIMITED  
Village – Barpali, Post – Kesramal (Rajgangpur)  
Dist – Sundargarh, Odisha. PIN – 770 017  
EPBxNo:-9437049074, E-mail: suproduct@gmail.com,  
Web Site: www.surajproducts.com

**Annexure to the Corporate Governance Report:**

**AUDITOR'S CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT(S)**

To  
The members of  
SURAJ PRODUCTS LIMITED

We have reviewed the implementation of Corporate Governance procedures by M/s. Suraj Products Limited during the year ended 31<sup>st</sup> March, 2016 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

As per Schedule of implementation stipulated in clause 49 of the Listing Agreements with Stock Exchanges, the Company is supposed to comply with all the conditions by March, 2016. During the year, initiated steps to set up various Committees and comply with the other requirements during the course of the year in stages.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Corporate Governance Clause of the listing agreements with Stock Exchanges have been substantially complied with by the Company and that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

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.

19, R.N.Mukherjee Road  
Kolkata – 700001  
Dated: the 30<sup>th</sup> day of May, 2016

For RUSTAGI & CO  
Chartered Accountants  
(ASHISH RUSTAGI)  
Membership No. 062982

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**DECLARATION UNDER CLAUSE 49(1)(D)**

As required under Clause 49 of the Listing Agreement(s) with Stock Exchanges relating to Corporate Governance I hereby declare that all the members of the Board of Directors and the senior Management personnel have compliance with the company's code of conduct, to the year ended 31<sup>st</sup> March, 2016.

For Suraj Products Limited

Place: Barpali  
Date: 30<sup>th</sup> day of May, 2016

Y. K. Dalmia  
Chairman

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**CERTIFICATE OF CHAIRMAN AND CHIEF FINANCIAL OFFICER ON CORPORATE GOVERNANCE:**

The Board of Directors  
Suraj Products Limited

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2016 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together 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 our knowledge and belief, no transactions entered into by the Company during the year ended 31<sup>st</sup> March, 2016 which is fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
- (i) significant changes, if any, 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 frauds of which we 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.

-Sd/-  
Y.K.Dalmia  
Chairman

-Sd/-  
M.K.Hati  
Chief Financial Officer (CFO)

Place: Barpali  
Date: 30<sup>th</sup> day of May, 2016

## MANAGEMENT DISCUSSION & ANALYSIS REPORT:

The Board takes pleasure in presenting your Company's 25<sup>th</sup> Annual Report for the year 2015-16 along with the Compliance Report on Corporate Governance.

### INDUSTRY STRUCTURE & DEVELOPMENT:

Sponge iron is an intermediate product as source of metalics for electric steel making. Other sources of metalics are either steel scrap or pig iron from Blast furnace.

The Sponge iron industry in India is divided into two types, those who are integrated with steel making and those in merchant sector. Suraj Products Limited belongs to the merchant sector.

In the Modern Economy Steel is a vital component to the development. The strength of steel industry shows the growth & development of all major industrial economies. Consumption of steel is a significant indicator of socio-economic development of the people of the country. Since incubation period for setting up integrated steel plants is large, the growth in demand of steel during the year was met generally by secondary steel sector or through import of steel. One of the sources of metalics for secondary steel making sector is sponge iron and pig iron. Sponge iron industry, therefore, witnessed continued development for its product during the year. The trend is likely to continue in future.

### COMPANY'S PERFORMANCE:

Gross Turnover:	625,142,472
Profit before Taxation:	6,005,622
Profit after Taxation :	4,294,609

### OPPORTUNIES, THREATS & FUTURE OUTLOOK:

#### a) OPPORTUNITIES:

Growth in the steel demand has strong correlation with growth in GDP of Nation. The Indian economy was expected to grow at a growth rate of 7 % of GDP but unfortunately the same could not happen. As a result the steel demand is unlikely to grow at expected pace. The demand for sponge Iron in medium term shall be at healthy level due to closure of many sponge iron plants for want of iron ore. Increase in price at international market and unavailability of quality scrap provides huge opportunities for growth of Sponge Iron industry. Company is located in Orissa which has abundant stock of Iron ore and coal, the basic raw material for sponge iron industry & hence is ideally located to take advantage of the growing demand.

#### b) THREATS:

The cost of iron ore and coal constitute more than 80% of cost of production. Therefore the profitability of the Company depends on market price of these raw materials. The only way to reduce the cost of iron ore and coal is to have captive mines for these raw materials, which the company does not have. The emergence of large players may pose threat due to their economies of scale.

### RISK AND CONCERN:

Increasing trend in raw material prices and non- availability of good quality raw material is the area of concern for the Company. Company is keeping close watch on these and taking appropriate steps timely.

### SEGMENT- WISE/ PRODUCT- WISE PERFORMANCE:

During the year, the Company produced 24,814 MT of sponge iron compared to 28,955 MT in the previous year. The production of pig iron for the year was 13,689 MT as compared to last year's production of 12,151 MT.

Sales of sponge iron during the year totaled to 24,328 MT in compared to 29,084 MT in the previous year. Pig iron sales during the year totaled to 13,445 MT in comparison to last year's sale of 12,109 MT. Company is continuously focusing on the quality consistency and better marketing strategies.

### INTERNAL CONTROL SYSTEM & THEIR ADEQUACY:

The company has adequate and effective internal control system commensurate with its size and nature of business to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly, applicable statutes, the Suraj Products Limited code of conduct and Corporate policies are duly complied with Internal audit and other control are reviewed periodically by Audit Committee.

### HUMAN RESOURCES:

Company possesses good quality of human resources. The Board wishes to place on record its appreciation for the sustained efforts and devoted contribution made by all the employees for its success.

### DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:

The Company is committed to provide a safe and conducive work environment to its employees. During the year under review, no case of sexual harassment was reported.

### SAFETY MEASURES:

Suraj Products Limited has taken the following initiatives during the year in order to safeguard the health of the workers; Unsafe conditions in the plant are regularly inspected by the safety committee and deficiencies are attended immediately.

### SAFETY TRAINING:

Training of various Safety Standards is imparted to all employees.

### HEALTH CHECK- UP:

About 40 Medical Camps with qualified and experience medical practitioners were conducted in nearby villages and about 3,000 patients availed the service.

### CAUTIONARY STATEMENT:

Actual results could differ materially from those stated above. Important factors that could make a difference to the Company's operation include, among others, economic condition affecting demand/supply and price conditions in the market in which the company operates, changes in Government regulations, tax laws and others statutes and incidental factors.