

## QUARTERLY COMPLIANCE REPORT ON CORPORATE GOVERNANCE

**Name of the Company** : MIRC ELECTRONICS LIMITED

**Quarter Ended** : December 31, 2007

Particulars	Clause of the Listing Agreement	Compliance Status Yes/ No	Remarks
<b>I. Board of Directors</b>	49 I	Yes	Refer enclosed note
(A) Composition of Board	49 (IA)	Yes	-do-
(B) Non-Executive Directors compensation and Disclosures	49 (IB)	Yes	-do-
(C) Other Provisions as to Board and Committees	49 (IC)	Yes	-do-
(D) Code of Conduct	49 (ID)	Yes	-do-
<b>II. Audit Committee</b>	49 (II)	Yes	-do-
(A) Qualified and Independent Audit Committee	49 (IIA)	Yes	-do-
(B) Meetings of Audit Committee	49 (IIB)	Yes	-do-
(C) Powers of Audit Committee	49 (IIC)	Yes	-do-
(D) Role of Audit Committee	49 (IID)	Yes	-do-
(E) Review of Information by the Audit Committee	49 (IIE)	Yes	-do-
<b>III. Subsidiary Companies</b>	49 (III)	Yes	-do-
<b>IV. Disclosures</b>	49 (IV)	Yes	-do-
(A) Basis of related party transactions	49 (IVA)	Yes	-do-
(B) Disclosure of Accounting treatment	49 (IVB)	Yes	-do-
(C) Board Disclosures	49 (IVC)	Yes	-do-
(D) Proceeds from Public Issues, Rights Issues, Preferential Allotments etc.	49 (IVD)	N.A.	-do-
(E) Remuneration of Directors	49 (IVE)	Yes	-do-
(F) Management	49 (IVF)	Yes	In respect of the Financial Year ended 31/03/2007 it forms the part of Directors Report in Annual Report of 2006-07

(G) Shareholders	49 (IVG)	Yes	Refer enclosed note
<b>V. CEO/ CFO Certification</b>	49 (V)	Yes	-do-
<b>VI. Report on Corporate Governance</b>	49 (VI)	Yes	-do-
<b>VII. Compliance</b>	49 (VII)	Yes	-do-

**Note 1: Details under the abovementioned points are stated below:**

## **I. BOARD OF DIRECTORS**

### **(A) Composition of Board - Clause 49 I (A)**

The present strength of the Board of Directors is six, whose composition is given below:

- Two Promoters cum Executive Directors.
- Four Independent, Non-Executive Directors.

The Chairman of the Board is an Executive Director. Out of the 6 Directors, 4 are Non-executive Independent Directors. Thus more than 50% of the Board comprises of Independent Directors.

### **(B) Non-Executive Directors Compensation and Disclosures - Clause 49 I (B):**

Non-executive Directors are entitled to Commission at the rate of one percent of the net profits of the financial year in addition to the sitting fees for attending Board Meetings of the Company. The payment of such Commission has been approved by the shareholders in the Annual General Meeting held on January 30, 2006 and the same is valid till March 2011. The Company has not issued any Stock Options till date.

### **(C) Other provisions as to Board and Committees - Clause 49 I (C)**

[i] For the Financial Year 2007-08, Board Meeting has been held on May 8, 2007, July 30, 2007 & October 30, 2007 and the next Board Meeting is scheduled to be held on January 23, 2008. The minimum information as stipulated under Annexure IA is made available to the Board in its meetings as applicable.

[ii] None of the Directors on the Board are members of more than ten Committees or act as Chairman of more than five Committees across all the Companies in which they are Directors. The Directors have been informing the Company annually about the Committee positions occupied by them in other companies and also about the changes as and when they take place.

[iii] Based on the reports received from the functional heads of the Company, the Chief Executive Officer has been reporting to the Board periodically about the compliance position in respect of the laws applicable to the Company.

### **(D) Code of Conduct -Clause 49 I (D)**

[i] The Board has laid down a Code of Conduct for all its Board members and Senior Management personnel for avoidance of conflict of interest. The Code of Conduct is posted on the Company's website [www.truthatonida.com](http://www.truthatonida.com)

[ii] The Code has been circulated to all the members of the Board and Senior Management and the compliance of the Code has been affirmed by all the members for the year ended March 31, 2008.

## **II. AUDIT COMMITTEE (CLAUSE 49 II):**

The Audit Committee as per the provisions of Clause 49 II of the Listing Agreement has been constituted with 3 members.

### **(A) Qualified and Independent Audit Committee- Clause 49 II (A)**

The constitution of the Audit Committee is as under:

<b>S.No</b>	<b>Name</b>	<b>Position</b>
1	Mr. Vimal Bhandari	Chairman and Member
2	Mr. Manoj Maheshwari	Member
3	Mr. Ranjan Kapur	Member

i] All the three Directors/ Members are Non - Executive and Independent.

ii] All the members of the Audit Committee are financially literate. The Chairman Mr. Vimal Bhandari is a Chartered Accountant. He is currently Country Manager, India of AEGON International N V and Director of AEGON India Business Services Private Limited. He has been functional head of financial services business of Infrastructure Leasing and Financial Services (IL&FS). Mr. Manoj Maheshwari is an entrepreneur with interests in consumer products, pharmaceuticals and chemical industries. Mr. Ranjan Kapur is a Country Manager, WPP Group, which is one of the world's largest communications company, and is the parent of well-known advertising agencies such as JWT, Young & Rubicam and Ogilvy & Mather.

iii] The Chairman of the Audit Committee is an Independent Director.

iv] The Chairman of the Audit Committee was present at the Annual General Meeting held on 27<sup>th</sup> September 2007, to answer shareholders queries.

v] The Audit Committee invites such of the executives as it considers appropriate [including head of the finance function] to be present in the Audit Committee meetings. The Internal Auditors and the Statutory Auditors are invited to the Audit Committee Meetings and are present in almost all the Meetings. The Chairman and Managing Director, Managing Director and Chief Executive Officer and the General Manager - Finance are also invited to the Audit Committee Meetings.

vi] The Company Secretary acts as the Secretary to the Committee.

**(B) Meetings of the Audit Committee - Clause 49 II (B)**

For the Financial Year 2007-08, Audit Committee Meeting has been held on May 5, 2007, July 30, 2007 and October 30, 2007 and the next Audit Committee Meeting is scheduled to be held on January 23, 2008 with minimum of two independent members present and in a time gap of not more than four months between two meetings.

**(C) Powers of the Audit Committee Clause 49 II (C)**

Keeping in view the Amendments in Clause 49 of the Listing Agreement the Audit Committee has been empowered with the following powers:

- a) To investigate any activity within its terms of reference.
- b) To seek information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

**(D) Role of Audit Committee - Clause 49 II (D)**

The Role of Audit Committee has been redefined in accordance with the provisions of Clause 49 II [D] viz. Sl. Nos. 1 to 13.

**(E) Review of Information by the Audit Committee- Clause 49 II (E)**

The Audit Committee inter-alia reviews the following information in its meetings as and when applicable:

1. Management discussion and analysis of financial condition for the financial year and results of operations;
2. Statement of significant related party transactions submitted by management;
3. Management letters / letters of internal control weaknesses, if any, issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Internal Auditor as applicable.

**III. SUBSIDIARY COMPANIES - CLAUSE 49 III:**

i] The Company has one unlisted subsidiary viz. Akasaka Electronics Limited (previously known as Imercious Technologies (India) Limited). The revised Clause 49 defines a 'material non-listed subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its

subsidiaries in the immediately preceding accounting year. The said Indian Subsidiary does not fulfill the criteria of 'material non-listed subsidiary'.

ii] The Audit Committee reviews the financial statements, in particular the investments (if any) made by the unlisted subsidiary company in its meetings.

iii] The minutes of the meetings of the unlisted subsidiary of the Company is placed at the Board Meetings of the Company.

#### **IV. DISCLOSURES - CLAUSE 49 (IV)**

##### **(A) Basis of Related Party Transactions - Clause 49 (IV A)**

The company has entered into related party transactions, which are not in conflict with the Company's interest, the register of contracts containing the transactions in which Directors are interested and the Statement of related party transactions is placed before the Board periodically for its approval. The details of all transactions with related parties in the manner required to be tabled before the Audit Committee as per the revised Clause 49 of the Listing Agreement are placed before the Committee.

##### **(B) Disclosure of Accounting Treatment - Clause (IV B)**

In the preparation of Financial Statements, no treatment different from that prescribed in the Accounting Standards issued by the Institute of Chartered Accountants of India has been followed.

##### **(C) Board Disclosures - Risk Management - Clause (IV C)**

The Company has laid down policies and procedures to inform Board members about the risk assessment and minimization procedures. The risk management aspects have been incorporated into a comprehensive risk warning system in order to identify and manage strategic and operational risks at the individual function level, management level and Board level. The system is based on an annual risk inventory, which covers the risks identified in the previous year, newly emerged risks and counter measures. Besides, a range of planning, forecasting and reporting instruments for risk identification and effective mitigation are also used.

##### **(D) Proceeds from Public, Rights, Preferential Issues etc. Clause 49 (IV D)**

The Company has not made any Public, Rights or Preferential Issue during the period under review.

**(D) Remuneration of Directors - Clause 49 (IV E):**

In addition to the Sitting Fees for attending meetings of the Board, the Non- Executive Directors are entitled to receive Commission at a rate not exceeding one percent of the net profits of the Company in each year. The payment of Commission has been approved by the shareholders in the Annual General Meeting for the financial year 2004-05. The pecuniary relationship or transaction of the Non-executive Directors vis-à-vis the Company is disclosed in the Annual Report of 2006-07 and will continue to be disclosed in keeping with the requirements under Clause 49 [IV E] as may be applicable. Rest of the stipulations as contained in Clause 49 [IV E] has been complied with in the Annual Report of 2006-07 to the extent applicable.

**(E) Management- Clause 49 (IV F):**

The Management Discussion and Analysis Report for the financial year ended March 31, 2007 forms part of the Annual Report for 2006-07. The Senior Management have affirmed to the Board in the financial year 2006-07, that there are no commercial or material financial transactions where there is a personal interest that may have a potential conflict with the interest of the Company at large.

**(F) Shareholders - Clause 49 (IV G)**

i] In the Annual General Meeting held on September 27, 2007, Mr. Harsh Mariwala and Mr. Manoj Maheshwari were re-appointed as Directors liable to retire by rotation. The brief resumes of the aforesaid directors, their nature of expertise in specific functional areas and names of Companies in which they hold Directorships and the memberships of the Committees of the Board have been provided to the shareholders in the Notice of the Annual General Meeting in which they were re-appointed. No new directors were appointed during the year ended March 31, 2007 and during the quarter ended December 31, 2007.

ii] The company has been periodically posting on its website its quarterly audited/ unaudited financial results.

iii] A Committee of the Board under the Chairmanship of a Non-executive Director has been formed to specifically look into the redressal of Shareholder and Investor complaints. The Committee has been designated as the 'Shareholders & Investors Grievance Committee'. The Committee meets at frequent intervals to consider share transfers and shareholders complaints/ requests and other matters within its terms of reference. All valid share transfers received during the year 2006-07 have been approved/ ratified and attended to by the Committee in accordance with the delegation of Authority conferred on the said Committee by the Board.

#### **V. CEO / CFO CERTIFICATION - CLAUSE 49 (V)**

With regard to the Financial Statements and Cash Flow for the Financial Year ended 2006-07 the CEO/CFO has certified to the Board in accordance with the provisions of revised Clause 49 [V].

#### **VI. REPORT ON CORPORATE GOVERNANCE- CLAUSE 49 VI**

The report on Corporate Governance for the financial year ended March 31, 2007 incorporating the requirements under Annexure IC to the extent applicable has been published in the Annual Report of F.Y. 2006-07.

#### **VII. COMPLIANCE - CLAUSE 49 VII**

The Company has obtained the Certificate of Statutory Auditors of the Company as regards the compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement and the same has been published in the Annual Report of F.Y. 2006-07.

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