



## **CORPORATE GOVERNANCE REPORT**

(As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges.)

### **1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Dynacons firmly believes and has consistently endeavored to practice good corporate governance. The Company's philosophy on corporate governance envisages the attainment of the highest levels of fairness, transparency, accountability and equity, in all facets of its operations, and in all interactions with its stakeholders, including the shareholders, employees, customers, vendors and the society at large. During the year under review the Board of Directors continued its pursuit of achieving these objectives through the adoption and monitoring of corporate strategies, prudent business plans, monitoring of the major risks of the company's business and ensuring that the company pursues policies and procedures to satisfy its legal and ethical responsibilities.

Dynacons believes that all its operations and actions must serve the underlying goal of long term value creation for its shareholders and its investors.

### **2. BOARD OF DIRECTORS**

#### **Composition and category**

The present strength of Board of Directors is **SIX**. The Board of Directors of your Company presently comprise of an Executive Chairman and Managing Director, two Executive Directors and Three Non Executive Directors. All the Three Non Executive Directors are Independent Directors. The Non Executive Directors with their diverse knowledge, experience and expertise bring in their independent judgment in the deliberations and decisions of the Board.

The Company has an executive Chairman and the number of Independent Directors is one-half of the total number of Directors. The Company, therefore, meets with the requirements of clause 49(1) (A) of the Listing Agreement with the stock exchanges.

<b>Name of Director</b>	<b>Category of Directorship</b>	<b>Attendance at last AGM</b>	<b>No of Board Meetings Attended</b>	<b>No. of other Directorships</b>	<b>No. of membership of other Board Committee</b>
Mr. Shirish Anjaria	Chairman and Managing Director	Yes	6	-	-
Mr. Parag Dalal	Executive Director	Yes	6	-	-
Mr. Dharmesh Anjaria	Executive Director	Yes	6	-	-
Mr. Mukesh P. Shah	Independent Non Executive	Yes	4	-	-
Mr. Dilip P. Palicha	Independent Non Executive	Yes	5	-	-
Mr. Viren Shah	Independent Non Executive	No	5	-	-

The composition of the Board of Directors and also the number of other Board of Directors of which he is a member/Chairperson are as under:

The Number of Directorships and the positions held on Board Committees by the Directors are in conformity with the limits on the number of Directorships and Board committee positions as laid down in the Companies Act, 1956 and the Listing Agreement.

Six Board Meetings were held during the year 2007-08. The dates on which the Board Meetings were held are as follows:

April 26, 2007, July 2, 2007, July 31, 2007, August 27, 2007, October 30, 2007, January 31, 2008.

The Board Meetings are held at the Registered Office of the Company. The agenda along with the explanatory notes are sent in advance to the directors. Additional meetings of the Board are held when deemed necessary by the Board.

Brief Resume of the Directors who are being appointed or re-appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of the companies in which they hold Directorship and Membership/Chairmanship of the Board Committees are provided below

Name of Director	Mr. Dilip P. Palicha
Age	61
Date of Appointment on the Board	March 15, 2001
Qualifications	Graduate with Certificate in Printing Technology, Associate of Federation of Insurance Institutes
Expertise	Vast Experience in Management and Administration, Insurance, Expertise in, Printing, Printing Technology & Animation.
Directorships held in other Public Companies (excluding Foreign and Private Companies)	-
Memberships/Chairmanships of Committees across public companies	-

### 3. AUDIT COMMITTEE

The Company complies with the provisions of Section 292A of the Companies Act, 1956, as well as the listing agreement pertaining to the Audit Committee and its functioning. The members of the Audit Committee and their attendance at committee meetings is as under,

Name of the Director	Category	No. of Meetings attended
Mr.Mukesh Shah	Non-Executive & Independent Director	4
Mr.Dilip Palicha	Non-Executive & Independent Director	4
Mr.Viren Shah	Non-Executive & Independent Director	4

The committee is chaired by Mr. Mukesh Shah, Chartered Accountant. All the members of the committee are Non-Executive Directors having knowledge of finance, accounts and Company law. Ms. Dipti Gupta, Company Secretary, acts as the Secretary to the Audit Committee.

Four meetings of the Audit Committee of the Board of Directors were held during the year 2007-08 on July 2, 2007, July 31, 2007, October 30, 2007, January 31, 2008.

The terms of reference of the Audit Committee includes:-

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- Recommending the appointment and removal of statutory auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the quarterly / annual financial statements before submission to the Board focusing primarily on the following:
  - Matters required to be included in the Director's Responsibility Statement.
  - Any change in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management
  - Significant adjustment arising out of audit.
  - Compliance with accounting standards.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Qualification in draft audit report.
- Any related party transaction, i.e., transaction of the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of Company at large.
- Reviewing with the management, statutory and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal auditors any significant findings and follow up thereon.
- Reviewing the finding of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.

#### **4. REMUNERATION COMMITTEE**

##### **Brief description of terms of reference**

- To approve the annual Remuneration of the Directors and Employees of the Company.
- To review the performance of the Chairman and Managing Director and the Wholetime Directors after considering the company's performance.
- To review, assess and recommend the remuneration of the Chairman and Managing Director and the Wholetime Directors

The Remuneration Committee consists of Non Executive Directors with the Chairman being an Independent Director. The members of the Remuneration Committee are Mr. Mukesh Shah, Mr. Viren Shah and Mr. Dilip Palicha. The committee is chaired by Mr. Viren Shah. The Remuneration committee met once during the year. Ms. Dipti Gupta, Company Secretary, acts as the Secretary to the Remuneration Committee.

### **Remuneration Policy**

Remuneration of employees largely consists of basic remuneration and performance incentives. The Company while deciding the remuneration package takes into consideration the employment scenario, remuneration package of the industry and the remuneration package of other Industries. The annual variable pay of Senior Managers is linked to the performance of the Company and their individual performance for the relevant year measured against specific Key Result Areas, which are aligned to the Company's objectives.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent in the organization and record merit.

The Remuneration of the Executive Directors is decided by the Remuneration Committee based on criteria such as industry benchmarks, the company's performance vis-à-vis the industry performance, track record of the Executive Directors.

### **Details of Remuneration to all the Directors for the year ended March 31, 2008**

<b>Name of Director</b>	<b>Position</b>	<b>Salary</b>
Mr. Shirish Anjaria	Chairman & Managing Director	Rs. 7,50,000
Mr. Parag Dalal	Wholetime Director	Rs. 5,70,000
Mr. Dharmesh S. Anjaria	Wholetime Director	Rs. 5,70,000

The Company has not issued any Stock options to the Executive Directors. The Non-Executive Directors of the Company have disclosed that they do not hold any Equity Shares of the Company. There has been no pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company during the year under review.

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

### **Functions**

The Shareholders Committee is chaired by Mr. Dilip Palicha. The Company Secretary, Ms. Dipti Gupta is the Compliance Officer of the Company. The composition of the committee and details of the meetings attended by the Directors are given below :

<b>Name of the Director</b>	<b>Category</b>	<b>No. of Meetings attended</b>
Mr. Dilip Palicha	Non-Executive & Independent Director	4
Mr. Viren Shah	Non-Executive & Independent Director	4
Mr. Mukesh Shah	Non-Executive & Independent Director	2

The committee meets at frequent intervals, to approve inter-alia, transfer/ transmission of Equity shares, issue of duplicate share certificate and reviews the status of investors' grievances and redressed mechanism and recommend measures to improve the level of investor services. Details of share transfer / transmission approved by the committee are placed at the Board meetings from time to time. Ms. Dipti Gupta, Company Secretary, acts as the Secretary to the Shareholders / Investor Grievance Committee.

During the year under review 6 complaints were received from shareholders/investors which were replied/resolved to the satisfaction of the investors. Of the above, the complaints outstanding as on March 31, 2008 were Nil. The number of pending share transfers as on March 31, 2008, were Nil.

## **6. REPORT ON CORPORATE GOVERNANCE**

The quarterly compliance report has been submitted to the Stock Exchanges where the Companies equity shares are listed in the requisite format duly signed by the Compliance Officer.

## **7. GENERAL BODY MEETINGS**

The last three Annual General Meetings of the Company were held as under :-

- **12<sup>th</sup> AGM** : September 27, 2007 at 12.00 noon at Karl Residency, 36/38, Lallubhai Park Road, Andheri (W), Mumbai -400058.  
Number of Special Resolutions passed : None
- **11<sup>th</sup> AGM** : September 27, 2006 at 12.00 noon at Karl Residency, 36/38, Lallubhai Park Road, Andheri (W), Mumbai -400058.  
Number of Special Resolutions passed : None
- **10<sup>th</sup> AGM** : September 22, 2005 at 12.00 noon at Karl Residency, 36/38, Lallubhai Park Road, Andheri (W), Mumbai -400058.  
Number of Special Resolutions passed: None

## **8. CODE OF CONDUCT**

The Board of Directors has laid down Code of conduct for all Board Members and Senior Management of the Company. The copies of Code of Conduct as applicable to the Executive Director (including Senior Management of the Company) and Non Executive Directors are uploaded on the website of the Company – [www.dynacons.com](http://www.dynacons.com)

## **9. DISCLOSURES**

- a) Materially significant related party transactions i.e. transactions of the company of material nature with its Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large : **None**
- b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: **NIL**

- c) A qualified Practicing Company Secretary carried out a Secretarial Audit reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- d) The Company has laid down procedures to inform the Board of Directors about the Risk Management and its minimization procedures. The Audit Committee and the Board of Directors review these procedures periodically as per guidelines of SEBI / Stock Exchange.
- e) The Company has established a mechanism called "Whistle Blower Policy" for employees to report to the management instances of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy. No person has been denied access to the Audit Committee.
- f) During the financial year 2007-08, the Company did not raise any proceeds through Public Issue, Right Issue and/or Preferential Issue.

## 10. MEANS OF COMMUNICATION

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are widely published in Leading newspapers and local language newspapers. After adoptions by the Board of Directors in their Board Meeting the financial results, presentations and official news releases are posted on the company's website: [www.dynacons.com](http://www.dynacons.com). The Management Discussion and Analysis Report is a part of the Annual Report for the year.

## 11. GENERAL SHAREHOLDER INFORMATION

### 11.1 Annual General Meeting :-

- |                 |   |
|-----------------|---|
| - Date and Time | September 30, 2008 at 12:00 noon  |
| - Venue         | Hotel Karl Residency,<br>36, Lallubhai Park Road, Andheri<br>(West), Mumbai 400058. |

### 11.2 Financial Calendar: -

#### April - March

Financial Reporting for quarter ending: -

- |                  |             |
|------------------|-------------|
| - June 30        | End July    |
| - September 30   | End October |
| - December 31    | End January |
| - March 31       | End April   |
| - Annual Results | End June    |

### 11.3 Book Closure Date

September 26, 2008 to September 30, 2008. (Both days inclusive)

### 11.4 Dividend Payment Date

N.A.

**11.5 (a) Listing of Equity Shares on Stock Exchanges at:**

Name	Code Nos.
The Bombay Stock Exchange Ltd., Mumbai	32365 / 532365
The National Stock Exchange of India Ltd.	dynacons

(b) Listing of Global Depository Receipts N. A.

(c) Demat ISIN numbers in NSDL & CDSL INE417B01024

(d) Annual listing fees for the year 2007-08 have been duly paid to all the above Stock Exchanges.

**11.6 Stock Market Data**

	<b>Bombay Stock Exchange (BSE) (in Rs.)</b>		<b>National Stock Exchange (NSE) (in Rs.)</b>	
	Month's high price	Month's low price	Month's high price	Month's low Price
April 2007	0.49	0.40	0.50	0.40
May 2007	0.49	0.39	0.50	0.40
June 2007	0.47	0.40	0.45	0.40
July 2007	0.72	0.45	0.75	0.40
Aug. 2007	1.11	0.57	1.30	0.55
Sep. 2007	1.06	0.77	1.05	0.75
Oct. 2007	0.88	0.62	0.90	0.60
Nov. 2007	0.92	0.63	0.90	0.60
Dec. 2007	1.90	0.78	2.25	0.80
Jan. 2008	2.75	1.44	3.35	1.65
Feb. 2008	1.63	1.00	1.70	1.05
Mar. 2008	1.07	0.77	1.10	0.70

**11.7 Registrar and transfer Agents :**

**Bigshare Services Pvt. Ltd.**

SEBI Regn. No. INR 00001385  
E-2, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (E), Mumbai- 400 072  
Tel : 28470652/3  
Fax: 28475207

**11.8 Share Transfer System**

The Company's shares are traded on the Stock Exchanges compulsorily in Demat mode. Shares in physical mode which are lodged for transfer at Share Transfer Agent are processed and subject to exercise of option under compulsory transfer-cum-demat procedures. Share Certificates are either dematted or returned within the time prescribed by the authorities. The Share related information is available on-line.

### 11.9 Distribution of Shareholding as on 31st March, 2008

No of Equity Shares	No of Folios	%	Total Holding in Rupees	%
1-5000	9722	58.67	20852488	7.04
5001-10000	3394	20.48	29091310	9.82
10001-20000	1834	11.07	32205346	10.87
20001-30000	480	2.90	12595386	4.25
30001-40000	358	2.16	13632784	4.60
40001-50000	179	1.08	8542528	2.88
50001-100000	329	1.99	24178364	8.16
100001 & above	274	1.65	155055794	52.36
Total	16570	100.00	296154000	100.00

### 11.10 Shareholding of Directors

Sr. No.	Name of Directors	No. of Shares	Percentage (%)
1.	Mr. Shirish Anjaria	8788000	5.93
2.	Mr. Dharmesh Anjaria	8779500	5.93
3.	Mr. Parag Dalal	8680000	5.86

### 11.11 Dematerialization of Shares as on March 31, 2008

Total No. of shares	Shares in physical form	Percentage %	Share in demat form	Percentage %
148077000	30268300	20.44	117808700	79.56

### 11.12 Shareholding Pattern as on March 31, 2008

Category	No of Shares held	Percentage of Shareholding
Indian Promoters	39794500	26.87%
Private Corporate Bodies	21150518	14.28%
Indian Public	84973206	57.39%
NRI/OCBs	1728772	1.17%
Trust	40000	0.03%
Transit	390004	0.26%
Total	148077000	100.00%

11.13 Outstanding GDRs / ADRs : N .A

11.14 Compliance Officer : Ms. Dipti Gupta

**11.15 Address for Investor Correspondence** : 78, Ratnajyot Ind. Estate,  
Irla Lane, Vile Parle (west),  
Mumbai – 400 056

**11.16 Corporate Ethics:**

The consistent endeavor of Dynacons Systems & Solutions Ltd is to enhance the reputation of the Company and irrespective of the goals to be achieved, the means are as important as the end. The Company has adopted "the Code of Conduct for prevention of Insider Trading", which contains policies prohibiting insider trading. As per SEBI / Stock Exchanges Guidelines the Company has also promulgated Code of Conduct to be followed by Directors and Management