

Annexure to the Directors' Report

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy

Corporate Governance is about commitment of values and about ethical business conduct. It is about how an organization is managed. Our Corporate Governance philosophy stems from the belief that business strategy and plans should be consistent with the welfare of all stakeholders and should be in line with the national economic policies of the Government of India. The Company has always focused on good corporate governance and believes that corporate governance is not just limited to creating checks and balances, it is more about creating organization excellence leading to increasing employee and customer satisfaction and shareholder value.

2. Board of Directors

- i) The Company has in all eight Directors with considerable professional experience in divergent areas connected with corporate functioning. The Board is headed by Mr. Sunder Lal Dugar, the Non-Executive Chairman of the Company, Mr. Manoj Toshniwal, the Managing Director and Mr. Ramesh Chandra Bardia, the Jt. Managing Director of the Company and is entrusted with the substantial power of management of the Company subject to superintendence, control and directions of the Board.
- ii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than five Committees across all the companies in which he is a Director.
- iii) During the financial year under review, Mr. Punyapriya Dasgupta, Whole-time Director designated as Director, Operations, of the Company resigned and ceased to be a Director w.e.f. 6th November, 2010. Three directors were appointed viz. Mr. Praveen Chandra Sood as Whole-time Director, designated as Director, Business Development (w.e.f. 23rd October, 2010), Mr. Arun Kumar Datta (w.e.f. 28th January, 2011) and Mr. Saubir Bhattacharyya (w.e.f. 22nd February, 2011) as Additional Director (Category - Non-Executive Independent Director). Two Directors, Mr. Sunder Lal Dugar and Mr. Suraj Mall Singhi, who had retired by rotation at the last Annual General Meeting and being eligible for reappointment, were re-appointed by the shareholders.

During the financial year under review, five Board Meetings were held i.e. on 14th April, 2010, 26th July, 2010, 23rd October, 2010, 28th January, 2011 and 22nd February, 2011. The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting and also the number of Directorships held by Directors is mentioned below:

Name of Director	Category of Director	Attendance Particulars		No. of Directorships in other bodies corporate ¹	No. of Chairmanship/ Membership of Board Committees in other Companies ²		No. of Equity Shares held
		Board Meetings	Last AGM		Chairman	Member	
Mr. Sunder Lal Dugar	P/ Chairman/ NED	5	Yes	10	Nil	Nil	199020
Mr. Manoj Toshniwal	P/MD	5	Yes	8	Nil	Nil	900000
Mr. Ramesh Chandra Bardia	P/ Jt. MD	4	Yes	7	Nil	Nil	1900000
Mr. Suraj Mall Singhi	I/ NED	4	No	2	Nil	Nil	Nil
Mr. Arun Kumar Datta **	I/ NED	0	NA	3	Nil	3	Nil
Mr. Saubir Bhattacharyya **	I/ NED	NA	NA	1	Nil	Nil	Nil
Mr. Praveen Chandra Sood *	ED	1	NA	—	Nil	Nil	Nil
Mr. Durga Prasad Sharma	ED	5	Yes	—	Nil	Nil	Nil
Mr. Punyapriya Dasgupta #	ED	3	No	—	—	—	—

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P	Promoter	MD	Managing Director
ED	Executive Director	NED	Non-Executive Director
I	Independent		

- # Mr. Punyapriya Dasgupta ceased to be a Director w.e.f. 06.11.2010.
- * Mr. Praveen Chandra Sood was appointed as a Whole-time Director designated as Director, Business Development w.e.f. 23.10.2010.
- ** Mr. Arun Kumar Datta and Mr. Saubir Bhattacharyya were appointed as Additional Directors (Category - Non-Executive Independent Director) w.e.f. 28.01.2011 and 22.02.2011 respectively.
- ¹ The Directorships held by the Directors as mentioned above do not include Alternate Directorships and Directorships held in Foreign Companies, Companies registered under Section 25 of the Companies Act, 1956 and Private Limited Companies.
- ² In accordance with Clause 49 of the Listing Agreement, Memberships/ Chairmanships of only the Audit Committees and Shareholders'/ Investor Grievance Committees in all Public Limited Companies have been considered.

3. Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956. The purpose of the Audit Committee is to assist the Board of Directors ("the Board") in reviewing the financial information which will be provided to the shareholders and others, reviewing the systems of internal controls established in the Company, appointing, retaining and reviewing the performance of independent accountants/ internal auditors and overseeing the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

a) Terms of Reference

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement of the statutory auditor, fixing of audit fees and approving payments for any other services.
- Discussion with the statutory auditors before the audit commences of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including quarterly/ half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - i) any changes in accounting policies and practices;
 - ii) major accounting entries based on exercise of judgment by management;
 - iii) qualifications in draft audit report;
 - iv) significant adjustments arising out of audit;
 - v) the going concern assumption;
 - vi) compliance with accounting standards;
 - vii) compliance with stock exchange and legal requirements concerning financial statements;
 - viii) any related party transactions as per Accounting Standard 18.
- Reviewing the Company's financial policies.
- Reviewing with management quarterly, half-yearly, nine months and annual financial statements, standalone as well as consolidated before submission to the Board for approval.

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- Reviewing with the management and the Statutory Auditors anticipated changes in the Accounting Standards.
- Reviewing the statements of significant related party transactions, the financial statements and/ or investments made by the unlisted Subsidiary Companies.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

b) Composition

The Audit Committee at present comprises of three members, all being Non-Executive Independent Directors viz. Mr. Suraj Mall Singhi (Chairman), Mr. Arun Kumar Datta and Mr. Saubir Bhattacharyya. During the financial year ended on 31st March, 2011, the Committee met four times i.e. on 14th April, 2010, 26th July, 2010, 23rd October, 2010, and 28th January, 2011 and the attendance of the members at the Audit Committee meetings was as follows:

Name of the Member	Status	No. of meetings attended
Mr. Suraj Mall Singhi	Chairman	4
Mr. Manoj Toshniwal**	Member	4
Mr. Ramesh Chandra Bardia**	Member	4
Mr. Durga Prasad Sharma**	Member	4
Mr. Punyapriya Dasgupta *	Member	3
Mr. Arun Kumar Datta **	Member	NA
Mr. Saubir Bhattacharyya **	Member	NA

* Mr. Punyapriya Dasgupta ceased to be a Director and hence a member of the Audit Committee w.e.f. 06.11.2010

** During the financial year under review, the Audit Committee was reconstituted at the Board Meeting held on 22nd February, 2011 by inducting Mr. Arun Kumar Dutta and Mr. Saubir Bhattacharyya as members of the Audit Committee. Mr. Manoj Toshniwal, Mr. Ramesh Chandra Bardia and Mr. Durga Prasad Sharma ceased to be members of the Audit Committee w.e.f. 22nd February, 2011.

At the invitation of the Committee, the Internal Auditors and Statutory Auditors also attended the Audit Committee Meetings as and when required to answer and clarify the queries raised at the Meetings. The Company Secretary of the Company acts as the Secretary of the Audit Committee.

4. Remuneration of Directors

- a) The Directors are paid remuneration by way of salary and sitting fees wherever applicable. The Company pays sitting fees of ` 10,000 per meeting to the Non-Executive Directors for attending the meeting of the Board and ` 5,000 for attending the meeting of Audit Committee and Remuneration Committee.

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Details of remuneration paid to Directors during the financial year ended 31st March, 2011:

(Figures in `)

Name of the Director	Salary, Perquisites & Allowance	Commission	Sitting Fees	Total
Mr. Sunder Lal Dugar	-	-	-	-
Mr. Manoj Toshniwal	52,51,613	-	-	52,51,613
Mr. Ramesh Chandra Bardia	50,00,000	-	-	50,00,000
Mr. Suraj Mall Singhi	-	-	40,000	40,000
Mr. Arun Kumar Datta **	-	-	-	-
Mr. Saubir Bhattacharyya **	-	-	-	-
Mr. Praveen Chandra Sood *	9,45,645	-	-	9,45,645
Mr. Durga Prasad Sharma	26,40,028	-	-	26,40,028
Mr. Punyapriya Dasgupta #	14,61,621	-	-	14,61,621

Mr. Punyapriya Dasgupta ceased to be a Director w.e.f. 06.11.2010.

* Mr. Praveen Chandra Sood was appointed as a Whole-time Director designated as Director, Business Development w.e.f. 23.10.2010.

** Mr. Arun Kumar Datta and Mr. Saubir Bhattacharyya were appointed as Additional Directors (Category – Non-Executive Independent Director) w.e.f. 28.01.2011 and 22.02.2011 respectively.

b) Service Contract, Notice Period and Severance Fees

The employment of Mr. Manoj Toshniwal, Mr. Ramesh Chandra Bardia, Mr. Praveen Chandra Sood and Mr. Durga Prasad Sharma are contractual.

c) Stock Option Details, if any

Nil

d) Remuneration Policy

The Policy Dossier prescribes for payment of Compensation to Executive Directors by way of salary and other perquisites. The remuneration policy is in consonance with the existing industry practice.

e) Remuneration Committee

The Company has a Remuneration Committee comprising of three non-executive independent directors. The Committee was re-constituted on 22nd February, 2011. Mr. Arun Kumar Datta is the Chairman of the Committee and Mr. Suraj Mall Singhi and Mr. Saubir Bhattacharyya are the other two members.

The Remuneration Committee met once on 23.10.2010 during the year under report and the meeting was attended by all the members of the Committee on the said date.

5. Investors' Grievance Committee

a) Terms of Reference

The Investors' Grievance Committee oversees the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend/ annual reports, approval of physical shares, etc.

b) Composition

At present the Committee comprises of three members. Mr. Saubir Bhattacharyya, a Non-Executive Independent Director is the Chairman of the Committee. The other members of the Committee are Mr. Manoj Toshniwal and Mr. Ramesh Chandra Bardia.

The Committee oversees the performance of M/s. Maheshwari Datamatics Private Limited, the Registrar & Share Transfer Agent of the Company and recommends measures to improve the level of investor related services. The Committee deals with the applications for subdivision and consolidation of share certificates and issue of duplicate share certificates, etc. The Committee also keeps a close watch on all complaints/ grievances of shareholders.

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Details of Compliance Officer:

Name : Mr. Chandra Sekhar Adhikary
Designation : Company Secretary
Address : "Constantia Office Complex", South Block, 8th Floor, 11, Dr. U. N. Brahmachari Street, Kolkata - 700 017
Phone : 033-22893122/ 23/ 24, 033-40158829
Fax : 033-22893121
E-mail : info@emcpower.com
Website : www.emcpower.com

E-mail Id earmarked for redressing Investors queries in terms of Clause 47(f) of the Listing Agreement is info@emcpower.com

During the financial year under review, transfer of 1,165 shares and transmission of 200 shares were effected. There were no share transfer/ transmission application pending for registration as on 31st March, 2011. The Company did not receive any complaint from the members during the financial year ended on 31st March, 2011.

During the financial year ended on 31st March, 2011 the committee met ten times i.e. on 14th April, 2010, 30th April, 2010, 15th July, 2010, 16th August, 2010, 15th September, 2010, 13th October, 2010, 15th November, 2010, 30th November, 2010, 15th January, 2011 and 15th March, 2011 and the attendance of the members at the Investors' Grievance Committee meetings was as follows:

Name of the Member	Status	No. of meetings attended
Mr. Saubir Bhattacharyya*	Chairman	—
Mr. Manoj Toshniwal	Member	10
Mr. Ramesh Chandra Bardia	Member	9
Mr. Punyapriya Dasgupta**	Member	6

* Mr. Saubir Bhattacharyya was appointed as the member and Chairman w.e.f. 22.02.2011

** Mr. Punyapriya Dasgupta ceased to be a Director and hence a member w.e.f. 06.11.2010

6. General Body Meetings

The venue and the time of the last three Annual General Meetings of the Company are as follows:

Financial Year	Date	Time	Location
2009-10	07.09.2010	10:30 a.m.	Bharatiya Bhasha Parishad, 36 A, Shakespeare Sarani, Kolkata - 700 017
2008-09	15.09.2009	10:30 a.m.	Bharatiya Bhasha Parishad, 36 A, Shakespeare Sarani, Kolkata - 700 017
2007-08	25.09.2008	10:30 a.m.	Bharatiya Bhasha Parishad, 36 A, Shakespeare Sarani, Kolkata - 700 017

All Special Resolutions set out in the Notices for the Annual General Meetings were passed by the shareholders at the respective meetings with requisite majority.

None of the Resolutions proposed for the ensuing Annual General Meeting need to be passed by the Postal Ballot Mechanism.

7. Disclosures

- There are no materially significant related party transactions of the Company, in general, which have potential conflict with the interest of the Company at large.
- No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital market for non-compliance by the Company during the last three years.

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- iii) The Company, in general, has complied with all the applicable mandatory requirements. The Company has not adopted the non-mandatory requirements of the Listing Agreement.
- iv) Periodical disclosures from Senior Management relating to all material financial and commercial transactions, where they had or were deemed to have had personal interest, that might have had a potential conflict with the interest of the Company at large were disclosed before the Board.
- v) The Company has followed the Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India in preparation of its financial statements.
- vi) The Company has complied at its best and as far as it was practically possible and feasible to it with all the mandatory and non-mandatory requirements of the revised Clause 49 of the Listing Agreement. The extent of compliance of the following non-mandatory requirements are given below:
 - a) With regard to training of Board Members, the Directors of the Company are continuously trained in the business model of the Company and the risk profile of business parameters through various presentations at Board/ Committee Meetings.
 - b) With regard to Whistle Blower Policy, the Company is examining the formulation and implementation of the same, after which the same would be submitted to the Board.

8. Means of Communication

- i) Since the financial results in respect of each quarter and annual audited financial results of the Company are sent to the Stock Exchange immediately after they are approved by the Board/ Committee and also published in 'The Financial Express', in English and 'Kalantar', in Bengali in Kolkata editions, the same were not separately sent to the shareholders.
- ii) The Company's official website is www.emcpower.com.
- iii) No presentation was made to any Institutional Investors or to any Analyst during the year under review.

9. General Shareholders' Information

i) 55th Annual General Meeting

Date : 26th August, 2011

Time : 10:30 a.m.

Venue : Bharatiya Bhasha Parishad, 36 A, Shakespeare Sarani, Kolkata - 700 017

ii) Tentative Financial Calendar

Financial Year	1 st April, 2011 to 31 st March, 2012
Result for the quarter ending 30 th June, 2011	by 14 th August, 2011
Result for the quarter ending 30 th September, 2011	by 14 th November, 2011
Result for the quarter ending 31 st December, 2011	by 14 th February, 2012
Result for the year ending 31 st March, 2012	by 30 th May, 2012
Annual General Meeting	September, 2012

iii) Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from 22nd August, 2011 to 26th August, 2011 (both days inclusive) for the purpose of holding 55th Annual General Meeting of the Company convened on 26th August, 2011.

iv) Listing on Stock Exchange and Stock Code

The Equity Shares of the Company are listed on The Calcutta Stock Exchange Limited. The Stock Code is 10015045. Under the depository system, International Securities Identification Number (ISIN) allotted to the Equity Shares of the Company is INE950A01018. Annual listing fee for the year 2011-12 has been paid by the Company.

v) Market Price Data

There has been no trading of the Equity Shares of the Company on the Stock Exchange. Accordingly the question of comparison of the prices of Company's shares with the broad-based indices does not arise.

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vi) Registrar & Share Transfer Agent

The Company has appointed M/s. Maheshwari Datamatics Private Limited as its Registrar & Share Transfer Agent (RTA) for handling work related to share registry in terms of both physical and electronic modes. Accordingly, all correspondences, shares for transfer, transmission, demat/ remat requests and other communications in relation thereto should be mailed/ hand delivered to the said RTA directly at the following address:

M/s. Maheshwari Datamatics Private Limited

6, Mangoe Lane, 2nd Floor, Kolkata - 700 001. Tel: 22435809/ 22435029 Fax: (033) 22484787

E-mail: mdpl@cal.vsnl.net.in

vii) Share Transfer System

After the requests for transfer/ transmission of shares in physical form are approved by the Investors' Grievance Committee the same is sent to the Registrar & Share Transfer Agent for completing the necessary procedural formalities and dispatch to the shareholders. Share transfer requests, if found valid and complete in all respect, are normally effected within a period of 15 days from the date of receipt. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement with Stock Exchange and files a copy of the certificate with the Stock Exchange.

viii) Distribution of Shareholding

The distribution pattern of shareholding of your Company as on 31st March, 2011 is as follows:

Category of Shareholders	No. of Shares	% of Shareholding
(A) Shareholding of Promoter and Promoter Group		
(A1) Indian		
(a) Individuals/ Hindu Undivided Family	1,23,20,224	37.334%
(b) Bodies Corporate	2,04,73,889	62.0421%
Sub Total (A1)	3,27,94,113	99.3761%
(A2) Foreign		
(a) Individuals/ Hindu Undivided Family	—	0.00%
(b) Bodies Corporate	—	0.00%
Sub Total (A2)	—	0.00%
Total Shareholding of Promoter and Promoter Group (A)=(A1) + (A2)	3,27,94,113	99.3761%
(B) Public Shareholding		
(B1) Institution		
(a) Financial Institutions/ Banks	50	0.0002%
(b) Insurance Companies	5,000	0.0152%
Sub Total (B1)	5,050	0.0153%
(B2) Non-Institution		
(a) Bodies Corporate	8,051	0.0244%
(b) Individual Holding		
(i) Nominal Share Capital upto ` 1 Lakh	1,92,786	0.5842%
(ii) Nominal Share Capital in excess of ` 1 Lakh	—	0.00%
Sub Total (B2)	2,00,837	0.6086%
Total Public Shareholding (B)=(B1) + (B2)	2,05,887	0.6239%
Total (A) + (B)	3,30,00,000	100.00%

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Distribution of shareholding of the Company by number of shares held as on 31st March, 2011 is as follows:

	Shareholders		Shareholding	
	Number	%	Number	%
Upto - 500	1,225	94.376	1,26,637	0.3837
501 - 1000	36	2.7735	27,500	0.0833
1001 - 2000	12	0.9245	16,550	0.0502
2001 - 3000	1	0.077	2,950	0.0089
3001 - 4000	2	0.1541	6,800	0.0206
4001 - 5000	1	0.077	5,000	0.0152
5001 - 10000	3	0.2311	20,450	0.0620
10001 & Above	18	1.3867	3,27,94,113	99.3761
Total	1,298	100	3,30,00,000	100

ix) Dematerialisation of Shares and Liquidity

The Equity Shares of the Company are traded in dematerialised form at The Calcutta Stock Exchange Limited under depository systems with both the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited. About 78.59% of the Equity Shares of the Company have already been dematerialized as on 31st March, 2011.

x) Outstanding GDRs/ ADRs/ Warrants or Convertible Instrument

The Company had never issued any GDRs/ ADRs/ Warrants or Convertible Instrument.

xi) Address for Correspondence

Electrical Manufacturing Company Limited

Registered Office: Constantia Office Complex
11, Dr. U. N. Brahmachari Street, (South Block),
8th Floor, Kolkata - 700 017
Tel : 22893122/ 23/ 24
Fax : 22893121
E-mail : info@emcpower.com

M/s. Maheshwari Datamatics Private Limited

6, Mangoe Lane, 2nd Floor
Kolkata - 700 001
Tel : 22435809/ 22435029
Fax : (033) 22484787
E-mail : mdpl@cal.vsnl.net.in

10. CEO/ CFO Certificate

The Managing Director and the Head of the Finance and Accounts function has certified to the Board the particulars as stipulated vide Clause 49.V of the Listing Agreement.

11. Management Discussion & Analysis Report

The same has been dealt in the Annual Report separately and forms part of the Corporate Governance Report.

12. Insider Trading

The Company has adopted the Code of Internal Procedures and Conduct framed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, to, *inter alia*, prevent insider trading in the shares of the Company.

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13. Code of Conduct & Ethics

The Company has also adopted a Code of Conduct and Ethics (Code) for the members of Board of Directors and Senior Management Personnel of the Company and the Company is in the process of posting the same at the Company's Website at www.emcpower.com. The essence of the Code is to conduct the business of the Company in an honest and ethical manner, in compliance with applicable laws and in a way that excludes considerations of personal advantage. All Directors and Senior Management Personnel have affirmed compliance with the Code, and a declaration to this effect, signed by the Managing Director, is attached to this report.

14. Cautionary Statement

Details given here in above relating to various activities and future plans may be 'forward looking statements' within the meaning of applicable laws and regulations. The actual performance may differ from those Expressed or implied.

15. Certificate

The Company has obtained a Certificate from CS A. K. Labh, Practising Company Secretary of M/s. A. K. Labh & Co., Company Secretaries regarding compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is enclosed herewith.

All material requirements with respect to Corporate Governance as stipulated in the Listing Agreement have been complied with.

For and on behalf of the Board

Place : Kolkata
Date : 21st July, 2011

Manoj Toshniwal
Managing Director

Ramesh Chandra Bardia
Joint Managing Director