

## REPORT ON CORPORATE GOVERNANCE

### Company's Philosophy on Corporate Governance

Your Company firmly believes in and continues to practice good Corporate Governance. Your Company's essential character is shaped by ethical practices in the conduct of its business transparency, professionalism and accountability. Your Company continuously endeavours to improve on these aspects on an ongoing basis. In order to achieve the objective, your Company is driven by the following guiding principles:

- By improving the effectiveness of the Board of Directors in supervising management; and
- Improving the quality of information and communication with stakeholders.

Your Company believes that these two principles will result in a better shareholders value.

### Board of Directors

The Board of Directors of your Company comprises of Executive Chairman, Managing Director, Executive Director and Independent Non-Executive Directors. The Managing Director of your Company is responsible for day to day operations and overall business of your Company

### Composition of our Board and the No. of Directorship held by each Director:

Name of Director	Status	No. of Board Meetings attended	Attendance at Annual General Meeting (28.09.2018)	No. of Directorships	No. of other Committee Membership	
					Chairman	Member
Mr. R. J. Sanghavi	Executive Chairman, Promoter	5	Attended	1	-	-
Mr. U. J. Sanghavi	Managing Director, Promoter	5	Attended	1	-	-
Mr. T. J. Sanghavi	Executive Director, Promoter	5	Attended	-	-	-
Mr. M. M. Vora	Non-Executive, Independent Director	5	Not Attended	-	-	2
Mr. H. S. Kamath	Non-Executive, Independent Director	2	Not Attended	-	1	1
Mrs. Ishita Gandhi	Non-Executive, Independent Director	5	Attended	-	2	2

### Inter-se relationship between the Directors

Mr. Umesh Sanghavi, Mr. Tarak Sanghavi and Mr. Rajendra Sanghavi are brothers. There is no relationship between any of the Non-Executive Independent Directors.

### Skill/Expertise/Competencies of the Board of Directors:

The Board of Directors of the Company has rich and more than 30 years' experience in business of manufacturing of polymer emulsion and they also working cooperatively towards expansion of its business in other areas. The Board has possessed with sound knowledge of finance, accounts, laws, purchase, sales, banking, administration, etc. and having strong skills in handling entire operation and control of business. The strong management is in placed to control the entire business. Beside this, Independent Directors of the company are expertise in production/process control and quality management and competent in the field of administration and general business management.

### Board Meetings

During the financial year ended on 31<sup>st</sup> March 2019, five Board Meetings were held on 30<sup>th</sup> May, 2018, 14<sup>th</sup> August 2018, 14<sup>th</sup> November 2018, 07<sup>th</sup> February 2019 and 22<sup>nd</sup> February 2019.

All material information are circulated to the Directors before the meeting or placed at the meeting including minimum information as required under Annexure X to the Listing Agreement(s). All the directors have complete and unrestricted access to any information required by them to understand the transactions and take decisions. This enables the Board to discharge its responsibilities effectively and make an informed decision. The compliance report of all laws applicable to your Company as prepared and compiled and circulated to all the Directors along with the agenda and placed/reviewed in each Board Meeting.

The Board has laid down a Code of Conduct for all Board members and Senior Management Personnel of your Company and the same has been posted on the website of your Company ([www.nikhiladhesives.com](http://www.nikhiladhesives.com)). For the year under review, all Directors and senior management personnel of your Company have affirmed their adherence to the provisions of the said Code.

Brief resume and profile of a Director retiring by rotation and eligible for re-appointment at the ensuing Annual General Meeting (AGM) are given in the Notice of AGM of your Company, annexed to this Annual Report.

## Audit Committee

The terms of reference, role and scope of the Audit Committee are in line with those prescribed by Regulation 18 read with Schedule II (Part C) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Your Company also complies with the provisions of Section 177 of the Companies Act, 2013 pertaining to Audit Committee and its functioning.

**Details of the composition and meetings held by the Audit Committee are as follows:**

Sr No.	Name of the Director	Status	No. of Meetings held	No. of Meetings attended	Date of Audit Committee Meetings
1	Mrs. Ishita Gandhi (Chairman)	Non Executive/ Independent	4	4	30 <sup>th</sup> May, 2018
2	Mr. H. S. Kamath (Member)	Non Executive/ Independent	4	2	14 <sup>th</sup> August, 2018 14 <sup>th</sup> November, 2018
3	Mr. M. M. Vora (Member)	Non Executive/ Independent	4	4	07 <sup>th</sup> February, 2019

**The brief terms of reference of the Audit Committee include: –**

- Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; To seek information from any employee.
- Recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
  - a. matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - b. changes, if any, in accounting policies and practices and reasons for the same;
  - c. major accounting entries involving estimates based on the exercise of judgment by management;
  - d. significant adjustments made in the financial statements arising out of audit findings;
  - e. compliance with listing and other legal requirements relating to financial statements;
  - f. disclosure of any related party transactions;
  - g. modified opinion(s) in the draft audit report;
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

## Stakeholders Relationship Committee

Non-Executive Director heading the Committee	Mrs. Ishita. T. Gandhi
Compliance Officer	Mr. Nirmal Tiwari (From 01 <sup>st</sup> April, 2018 to 28 <sup>th</sup> March, 2019)
Number of shareholders complaints received so far	Nil
Number of complaints not solved to the satisfaction of shareholders	Nil
Number of pending Complaints	Nil

During the year the Stakeholders Relationship Committee met 4 times i.e. 30<sup>th</sup> May, 2018, 14<sup>th</sup> August, 2018, 14<sup>th</sup> November, 2018 and 07<sup>th</sup> February, 2019.

## Terms of Reference:

The Company has a Stakeholders Relationship Committee, to look into various aspects of interest of shareholders, debentureholders and other security holders.

The Committee deals with various matters relating to:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

## Nomination and Remuneration Committee

The terms of reference of the Nomination and Remuneration Committee inter alia includes determination of your Company's policy on specific remuneration packages for Directors.

Sr No.	Name of the Director	Status	No. of Meetings held	No. of Meetings attended	Date of Remuneration Committee Meetings
1	Mr. H. S. Kamath (Chairman)	Non Executive/ Independent	2	1	14 <sup>th</sup> November, 2018
2	Mr. M. M. Vora (Member)	Non Executive/ Independent	2	2	
3	Mrs. Ishita Gandhi (Member)	Non Executive/ Independent	2	2	07 <sup>th</sup> February, 2019

#### Terms of Reference:

The broad terms of reference of the committee are to identify persons who are qualified to become directors and senior management personnel, to appraise the performance of Chairman, Managing Director, Whole Time Directors and Key Managerial Personnel and to formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees and formulation of criteria for evaluation of performance of independent directors and the board of directors.

#### Remuneration Policy

The remuneration policy of the Company is to ensure that executive directors of the Company are rewarded in a fair and responsible manner, for their individual contributions to the success of your Company. The remuneration paid to the Executive Directors is recommended by the Nomination and Remuneration Committee in accordance with the Companies Act, 2013 and approved by the Board of Directors in the Board meeting subject to the subsequent approval by the shareholders at the general meeting and such other authorities as and when required. Non-Executive Independent Directors are paid sitting fees for attending Board meetings.

#### Remuneration to Directors

The remuneration for the financial year 2018-19 are as follows:

							(Amount in ₹)
Name of the Directors	Status	Salary	Contribution to Provident Fund	Commission	Sitting Fees	Total	Contract Period (No. of years)
Mr. R. J. Sanghavi	Executive Chairman	9,00,000	1,08,000	-	-	10,08,000	5
Mr. U. J. Sanghavi	Managing Director	11,75,400	1,41,080	-	-	13,16,480	5
Mr. T. J. Sanghavi	Executive Director	9,00,000	1,08,000	-	-	10,08,000	5
Mr. M. M. Vora	Non Executive/ Independent	-	-	-	46,000	46,000	NA
Mr. H. S. Kamath	Non Executive/ Independent	-	-	-	46,000	46,000	NA
Mrs. Ishita Gandhi	Non Executive/ Independent	-	-	-	49,450	49,450	NA

Notice period for the Directors is as applicable to the senior employees of your Company. No severance fee is payable to the Directors on termination of employment. Your Company does not have a scheme for stock options for the Directors or the employees.

#### Shareholding of the Non Executive Directors as on 31<sup>st</sup> March 2019

Name of the Director	Nature of Directorship	No. of Shares held	Percentage to the paid-up capital
Mr. M. M. Vora	Independent	15,371	0.335
Mr. H. S. Kamath	Independent	800	0.017
Mrs. Ishita Gandhi	Independent	1,000	0.022

#### Independent Directors Meeting:

During the year under review, a separate meeting of Independent Directors was held on 07<sup>th</sup> February, 2019, inter alia to discuss:

- Evaluation of the performance of Non-Independent Directors and Board of Directors as a whole;
- Evaluation of the performance of the Chairman of the Company, taking in to account the views of the Executive and Non-Executive Directors; and
- Evaluation of the quality, content and timelines of flow of information between the management and the Board that is necessary for the Board to effectively and necessarily perform its duties.

All the Independent Directors of your Company were present in the meeting.

### Performance Evaluation of Board, Committee and Directors

A formal annual evaluation was carried out by the Board of its own performance and that of its committees and individual directors. During the year under review, one meeting of the Independent Directors was held wherein the performance of non-independent directors, Chairman (Non-executive) of your Company and the Board as a whole were reviewed. The performance evaluation of Committees and Independent Directors was carried out by the entire Board, excluding the director being evaluated. The Independent Directors also assessed the quality, quantity and timelines of flow of information between your Company management and the Board that is necessary for the Directors to effectively and necessarily perform their duties. The Board, its Committees and Directors evaluation provided a formal process of communication in raising issues that might not otherwise be vetted by the Board, with the underlying objectives to develop an action plan to improve the Board performance, inter alia, by ensuring compliance with the requirements of the Companies Act, 2013 and code of corporate governance.

The structure valuation process was focused on identifying areas of improvement, if any, such as creating balance of power between the Board and management, long term strategy, more effectively fulfilling the Board's oversight responsibilities, the adequacy of committee(s) structures, the assessment of Board culture to ascertain whether the same is conducive to attract right individuals to join the Board and updating the evaluating process itself.

A review of fiduciary duties of the Board, governance policy adopted by your Company and acquaintance and familiarisation of Independent Directors with your Company and its business model, their roles, rights, responsibilities in your Company, nature of the industry in which your Company operates etc. and contribution by each director, committees of the Board was also carried out during the process of evaluation. The appraisal of the Managing Director and Chief Executive Officer and his level of engagement in the affairs of your Company was an important component of the Board evaluation.

The final evaluation was thereafter deliberated and assessed taking into account inputs from the Board about evaluation of independent directors and various Committees of the Board and suggesting action plan for improving Board performance and plan for next Board, its Committee(s) and individual director's evaluation.

### General Body Meetings

Details of the last three Annual General Meetings of the Company is give below:

Financial Year	AGM	Date	Locations	Time	No. of Special Resolutions passed
2017-18	32 <sup>nd</sup>	28 <sup>th</sup> September, 2018	The Andheri Recreation Club, Dadabhai Road, Opposite Bhavans College Road, Andheri (West), Mumbai - 400058	11:00 AM	2
2016-17	31 <sup>st</sup>	28 <sup>th</sup> September, 2017	Shreeji Industrial Estate, Vadkun, College Road, Dahanu, Dist. Palghar - 401602	11:00 AM	3
2015-16	30 <sup>th</sup>	29 <sup>th</sup> September, 2016	Shreeji Industrial Estate, Vadkun, College Road, Dahanu, Dist. Palghar - 401602	11:00 AM	-

Details of Special Resolutions passed in the previous three AGMs

Date of AGM	Particulars of Special Resolutions passed there at
28 <sup>th</sup> September, 2018	1) Approval for continuation of Directorship of Mr. M. M. Vora who have attained the age of 75 years, for the remaining period of their existing term of directorship as Independent Directors of the Company. 2) Approval for continuation of Directorship of Mr. H. S. Kamath who have attained the age of 75 years, for the remaining period of their existing term of directorship as Independent Directors of the Company.
28 <sup>th</sup> September, 2017	1) Appointment of Mr. Tarak. J. Sanghavi as a Whole Time Director 2) Appointment of Mr. Rajendra. J. Sanghavi as a Chairman and Whole Time Director 3) Appointment of Mr. Umesh. J. Sanghavi as a Managing Director

No Resolution was put through Postal Ballot during the year under reference.

No Extra Ordinary General Meeting of the Company was held during the year

### Disclosures

- a) There are no materially significant party transactions entered into by your Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of your Company at large. A statement in summary form of transactions with the related parties during the year in the ordinary course of business and at Arm's Length basis is disclosed in Note No. 43 of Notes to financial statements in the Annual Report.

- b) Your Company has complied with the requirements of Stock Exchange, Securities and Exchange Board of India and other statutory authorities on matter relating to capital markets during the last three years and consequently no penalties or strictures have been imposed on your Company by these authorities.  
However, the Company failed to comply with Regulation 30 to be read with Schedules II Part A(a)(4)(h) with respect to the Audited Financial Results for the quarter and year ended on 31<sup>st</sup> March, 2018, which required to be submitted within 30 minutes of closure of Board Meeting held on 30<sup>th</sup> May, 2018. Therefore, the BSE Ltd. has imposed the fine of Rs. 5900/- on this non-compliance.  
The former Company Secretary, who also acted as Compliance Officer has resigned from his office with effect from 29.03.2019. So on the date of this report, the vacancy in this post has not been filled, which resulted into non-compliance of Section 203 read with Rule 8 of the Companies (Appointment and Remuneration of Key Managerial Personnel) Rules, 2014 and Regulation 6(1) of SEBI (LODR), 2015. No penalties imposed on this non-compliance.
- c) While preparation of the financial statements during the year under review, no accounting treatment which was different from that prescribed in the Indian Accounting Standards was followed. The significant accounting policies applied in preparation and presentation of financial statements have been set out in Note No. 1 of Notes to financial statements in the Annual Report.
- d) The Company has paid the Annual Listing Fees to BSE Ltd. and Annual Custodial Fees to NSDL and CDSL for the Financial Year 2018-19.
- e) Your Company has laid down procedures to inform the Board Members about the risk assessment and minimisation procedures covering the entire gamut of business operations of your Company. These procedures are periodically reviewed to ensure that executive management controls risks by means of a properly defined framework.
- f) The designated senior management personnel of your Company have disclosed to the Board that no material, financial and commercial transactions have been entered into during the year under review in which they have personal interest, which may have a potential conflict with the interest of your Company at large.
- g) The Managing Director and the CFO have furnished a duly signed Certificate to the Board for the year ended 31<sup>st</sup> March, 2019 in accordance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) and the same has been placed in the Board Meeting held on 30<sup>th</sup> May, 2018.
- h) In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended Mr. Nirmal Tiwari (from 01<sup>st</sup> April, 2018 to 28<sup>th</sup> March, 2019) has been designated as the Compliance Officer of your Company under your Company's Code of Conduct for Prevention of Insider Trading. He is responsible for adherence to the Code by your Company and its designated employees. Your Company also adheres to the disclosure practices for Prevention of Insider Trading as specified in the aforesaid SEBI Regulations.
- i) Your Company has adopted Vigil Mechanism/Whistle Blower Policy for developing a culture where it is safe for all directors/employees to raise concerns about any unacceptable practice and any event of misconduct. The Policy allows unrestricted access to all employees and others to approach the Audit Committee and there has been no instance during the year where any personnel has been denied access to the Audit Committee. The quarterly report with number of complaints received under the policy and their outcome is being placed before the Audit Committee. The same is placed on the website of the Company ([www.nikhiladhesives.com](http://www.nikhiladhesives.com)).
- j) Your Company is familiarising the Independent Directors on its Board on a quarterly basis and the detail of familiarisation programme are posted on the website of your Company and is available at the weblink <http://www.nikhiladhesives.com>
- k) Your Company has presently not adopted certain non-mandatory requirements in regard to maintenance of Non-Executive Chairman's office, sending half-yearly declaration of financial performance to each household of shareholders and reporting of internal auditors directly to the Audit Committee.
- l) The Policy on materiality of Related Party Transactions and dealing with Related Party Transactions as approved by the Board is uploaded on the Company's website and the same is available at the web link <http://www.nikhiladhesives.com>.
- m) During the year under review, there were no cases filed or reported pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
- n) there is a delay in transferring/crediting those shares in respect of which dividend has not been paid or claimed for seven consecutive years or more to the demat account of Investor Education and Protection Fund authority which were due for transfer during the year.

#### **Means of Communication**

Quarterly/Half-yearly financial results of your Company are forwarded to the BSE Ltd. and published in Free Press Journal (English Daily) and Navshakti (Marathi Daily) and the same are uploaded on your Company's website ([www.nikhiladhesives.com](http://www.nikhiladhesives.com))