

REPORT ON CORPORATE GOVERNANCE

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Since the paid-up share capital of the Company until the financial year 2010-11 was below Rs.3 Crores and the net worth below Rs.25 crores, the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance, were not applicable to the Company for the financial year 2011-12. However, the Board furnishes the following relevant information for the benefit of the Members. Consequent to the increase in the networth above Rs.25 Crores as evident from the audited annual accounts for the financial year 2011-12, the provisions of Clause 49 of the Listing Agreement will become applicable to the Company. The Board has taken adequate steps to ensure that all mandatory provisions of Corporate Governance will be complied with.

1. Company's Philosophy on Code of Governance

Your Company is committed to bring about good corporate governance practices. The Company serves its customers with creative and innovative ideas and solutions and displays its passion through the quality of their products and services. The Company demand's excellence in all aspects of the business, help the people succeed by providing them support and feedback and build teams that collaborate and contribute to their success. The Company aggressively promotes and protects its way of doing business. Every employee of the Company is not just an employee but an important resource and part of the family. The Company shows respect and values every employee of the Company and takes pride in their diversity. The Company has a commitment to doing business with strong corporate governance and openness by working across all organisational boundaries and strive to break down internal barriers and accept the accountability for their own actions and results.

2. Board of Directors

(a) Composition/Category of Directors

Directors	Category	Board Meetings		Last AGM Attended	# No. of Other Directorships	@Member of Committees (Chairman)
		Held	Attended			
Mr. Rajesh Batra ¹	Promoter Managing Director	4	4	Yes	4	3(chairman of 1)
Mr. Arjun Bulchandani	Independent Non-executive	4	3	Yes	None	None
Mr. H.K. Vakharia	Independent Non-executive	4	4	Yes	None	None
Mr. N.R. Mahalingam	Independent Non-executive	4	4	Yes	1	1
Dr. S.D. Israni	Independent Non-executive	4	4	Yes	3	1
Mr. Nabankur Gupta	Independent Non-executive	4	4	Yes	9	5(chairman of 2)
Mr. Rajiv Wallia ²	Executive Director	1	1	N.A.	None	None
Mr. Rajiv Batra ³	Promoter Non-executive	2	2	N.A.	1	None
Mr. N. Santhanam ⁴	Independent Non-executive	1	1	N.A.	None	None

excludes alternate directorship, directorship in foreign companies and private companies which are neither a subsidiary nor a holding company of a public company.

@ includes audit committee & shareholders'/investors' grievance committee of public companies.

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(b) Details of Remuneration

- (i) The details of sitting fees paid to the Non-executive Directors during the financial year 2011-12 and no. of shares held as on March 31, 2012 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs)	No. of Shares
Mr. Rajesh Batra ¹	4	20,000	2,78,940
Mr. Arjun Bulchandani	3	60,000	NIL
Mr. H.K. Vakharia	4	80,000	NIL
Mr. N.R. Mahalingam	4	80,000	2,560
Dr. S.D. Israni	4	80,000	NIL
Mr. Nabankur Gupta	4	80,000	NIL
Mr. Rajiv Batra ³	2	40,000	61,840
Mr. N. Santhanam ⁴	1	20,000	NIL

The details of remuneration paid to the Executive/Managing Directors during the financial year 2011-12 and no. of shares held as on March 31, 2012 are given below:

Name	Designation	Gross Remuneration (Rs.)	No. of Shares
Mr. Rajesh Batra ¹	Managing Director	43,55,750/-	2,78,940
Mr. Rajiv Wallia ²	Executive Director	14,24,220/-	N.A.

- (1) Appointed as a Managing Director w.e.f. June 1, 2011
 (2) Ceased to be an Executive Director w.e.f. June 11, 2011
 (3) Appointed as an Additional Director w.e.f. August 12, 2011
 (4) Appointed as an Additional Director w.e.f. February 10, 2012

(c) Number of Board Meetings held during the year 2011-12

The Company held 4 (four) Board Meetings during the Financial Year 2011-12. These were on May 24, 2011, August 12, 2011, November 14, 2011 and February 10, 2012.

3. Board Committes

The Board has constituted the following Committees of Directors:

(A) Audit Committee

(a) Composition

The Audit Committee consists of the following Non-executive Independent Directors:

- (1) Mr. N.R. Mahalingam, (2) Mr. Nabankur Gupta, (3) Dr. S.D. Israni and (4) Mr. N. Santhanam
 Mr. Sudhanshu Namdeo, Company Secretary acts as the Secretary to the Committee.

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The role and terms of reference of the Audit Committee include review of Internal Audit Reports and the Statutory Auditors' Report on the financial statements, general interaction with the Internal Auditors and Statutory Auditors, selection and establishment of accounting policies, review of financial statements, both quarterly and annual, before submission to the Board, review of Management Discussion and Analysis of financial condition and results of operations and review of performance of statutory and internal auditors and adequacy of internal control systems and other matters specified under Clause 49 of the Listing Agreement.

(b) Number of Meetings held during the financial year 2011-12

Since the provisions of Clause 49 of the Listing Agreement relating to constitution of Audit Committee are applicable to the Company from the Financial Year 2011-12 onwards, the Board of Directors of the Company has constituted the Audit Committee w.e.f May 25, 2012. Accordingly, the Audit Committee Meetings will be held in the coming days as and when required.

(B) Remuneration Committee

(a) Composition

The Remuneration Committee consists of the following Non-executive Independent Directors:
(1) Mr. N.R. Mahalingam, (2) Mr. Nabankur Gupta and (3) Dr. S.D. Israni

Broad terms of reference of the Remuneration Committee include determining the remuneration package of Company's Managerial Personnel.

(b) Number of Meetings held & Details of Remuneration paid during the financial year 2011-12

The Company held 1 (one) Remuneration Committee Meeting on May 24, 2011 at which meeting all Committee Members were present. The details of sitting fees paid to the Committee Members during the financial year 2011-12 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs.)
Mr. N. R. Mahalingam	1	10,000/-
Mr. Nabankur Gupta	1	10,000/-
Dr. S. D. Israni	1	10,000/-

(C) Shareholders/Investors Grievance Committee

(a) Composition

The Shareholders/Investors Grievance Committee consists of the following Directors :

(1) Mr. N.R. Mahalingam, (2) Mr. Rajesh Batra and (3) Mr. Arjun Bulchandani

Mr. Sudhanshu Namdeo, Company Secretary is designated as the Compliance Officer.

Broad terms of reference of the Shareholders/Investors Grievance Committee include to approve and register the transfers and/or transmission of equity shares of the Company, redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

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(b) Number of Meetings held & Details of Remuneration paid during the financial year 2011-12

Consequent to the applicability of the provisions of Clause 49 of the Listing Agreement from the Financial Year 2011-12 onwards, the Board of Directors has renamed the Share Transfer Committee as the Shareholders/Investors Grievance Committee w.e.f. May 25, 2012. The Company held 17 (seventeen) Shareholders/Investors Grievance Committee Meetings in the Financial Year 2011-12. However, the Members of the Committee are not entitled to remuneration and accordingly, no remuneration has been paid to any of its Committee Members.

There were no investor's complaints received during the year.

(D) Selection Committee

(a) Composition

The Selection Committee consists of the following Non-executive Independent Directors:

(1) Mr. N.R. Mahalingam, (2) Mr. Nabankur Gupta and (3) Dr. S.D. Israni

Broad terms of reference of the Selection Committee include selection of a relative of Director for holding an office or place of profit in the Company.

(b) Number of Meetings held & Details of Remuneration paid during the financial year 2011-12

The Company held 1 (one) Selection Committee Meeting on May 24, 2011 at which meeting all Committee Members were present. The details of sitting fees paid to the Committee Members during the financial year 2011-12 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs.)
Mr. N. R. Mahalingam	1	10,000/-
Mr. Nabankur Gupta	1	10,000/-
Dr. S. D. Israni	1	10,000/-

4. Details in respect of last three Annual General Meetings (AGM)

(a) Location and time where last three AGMs were held:

	I (AGM)	II (AGM)	III (AGM)
Date	08/07/2011	16/07/2010	17/07/2009
Venue	M.C. Ghia Hall, 4 th Floor Bhogilal Hargovindas Bldg. 18/20, K. Dubash Marg, Kala Ghoda, Mumbai – 400 001	Textiles Committee P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai – 400 025	Textiles Committee P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai – 400 025
Time	10.30 a.m.	10.30 a.m.	10.30 a.m.

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- (b) Whether any Special Resolution were passed in the previous three AGMs? : Yes
- (c) Whether any Special Resolutions were passed last year through postal ballot — details of voting pattern. : No
- (d) Person who conducted the postal ballot exercise ? : Not Applicable
- (e) Whether any Special Resolution is proposed to be conducted through postal ballot this year ? : No
- (f) Procedure for Postal Ballot:
The procedure for conducting the postal ballot exercise would be as per the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 read with Section 192A of the Companies Act, 1956.

5. Other Disclosures:

(a) Related Party Transactions

Disclosures on 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 interests of Company at large:

None of the transactions with any of the related parties were in conflict with the interest of the Company at large.

(b) Disclosures on Risk Management

The Company has laid down procedures to inform the Board of Directors about the Risk Assessment and Minimisation Procedure. These procedures are periodically reviewed to ensure that Executive Management controls risk through means of a properly defined framework.

(c) Code of Conduct

The Board of Directors has adopted the Code of Ethics and Business Principles for the Board of Directors and other Members of Senior Management. The said Code has been communicated to all the Directors and Members of the Senior Management. The Code has also been posted on the Company's website www.cravatex.com.

(d) Whistle Blower Policy

The Company has not adopted Whistle Blower Policy. However, the Company does not deny access to any personnel to approach the Management on any issue.

(e) 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 : None

6. CEO/CFO Certification:

The Managing Director and General Manager-Finance & Account, have provided the certificate on the financial statements & internal controls of the Company.

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7. Means of Communication

(a) Quarterly Results:

The unaudited quarterly results are announced within 45 days from the end of the quarter and the audited annual results within 60 days from the end of the last quarter, as stipulated under the Listing Agreement with the Bombay Stock Exchange Limited.

(b) Newspapers wherein results normally published:

Business Standard (in English) and in Sakal (in Marathi)

(c) Any Website, where displayed: www.crvatex.com

(d) Whether Website also displays official news releases: No

(e) Whether presentations made to institutional investors or to the analysts: No

(f) Management Discussion & Analysis Report:

The Management Discussion & Analysis Report forms part of the Annual Report.

8. General Shareholder Information

(a) Annual General Meeting will be held on Tuesday, August 14, 2012 at 10.30 a.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai – 400 025.

(b) Financial Year:

Annual General Meeting	:	August 14, 2012
Results for quarter ending June 30, 2012	:	Second week of August, 2012
Results for quarter ending September 30, 2012	:	Second week of November, 2012
Results for quarter ending December 31, 2012	:	Second week of February, 2013
Results for the year ending March 31, 2013	:	Before May 30, 2013

(c) Date of Book Closure : Tuesday, August 7, 2012 to Tuesday, August 14, 2012 (both days inclusive)

(d) Dividend Payment Date : Before September 12, 2012

(e) Listing on Stock Exchange : Bombay Stock Exchange Ltd.

(f) Stock Code : 509472

SYMBOL : CRAVATEX

Demat ISIN : INE145E01017

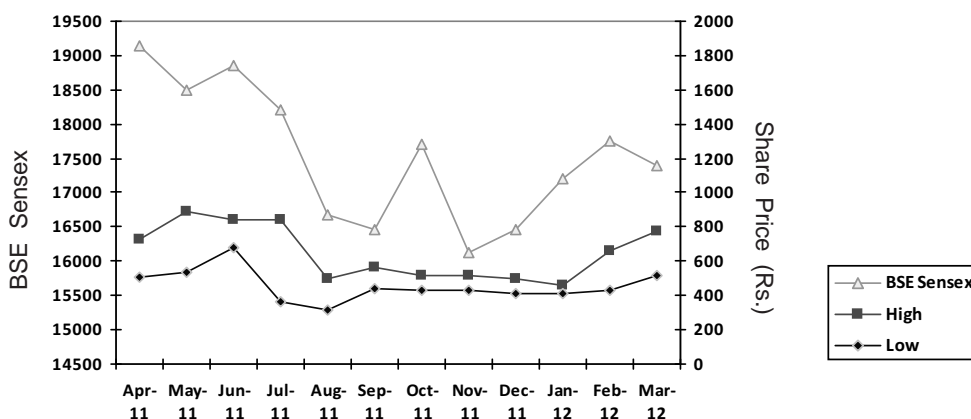
(g) Market Price Data : High: Rs.892.00 (27/05/2011)
(during Financial Year 2011-12) Low: Rs.312.75 (12/08/2011)

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High, Low and Number of Shares Traded during each month in the financial year 2011-12 on the Bombay Stock Exchange Limited:

Month	High (Rs.)	Low (Rs.)	No. of Shares	No. of Trades	Total Turnover (Rs.)
Apr 2011	729.00	510.00	11,067	391	69,91,779
May 2011	892.00	535.00	15,184	1,459	1,12,48,144
Jun 2011	842.00	682.00	5,069	477	38,65,158
Jul 2011	840.00	363.00	11,435	601	57,54,711
Aug 2011	495.25	312.75	36,672	1,325	1,42,31,669
Sep 2011	562.10	440.00	27,494	1,442	1,37,82,804
Oct 2011	514.95	433.10	8,180	445	39,47,327
Nov 2011	519.00	431.00	11,528	627	54,63,117
Dec 2011	499.00	415.50	10,209	357	45,29,215
Jan 2012	455.30	412.00	9,689	394	41,75,081
Feb 2012	659.35	430.15	23,101	1,072	1,25,41,267
Mar 2012	777.90	512.60	22,583	1,068	1,55,92,678

(h) Stock Performance:



(i) Registrars & Share Transfer Agents:

M/s. Sharepro Services (India) Pvt. Ltd.

Registered Office:

13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai-400 072.

Tel. Nos.022-67720300, 67720400 & 67720403, Fax No. 022-67720416, 28591568, 28508927.

Email : sharepro@shareproservices.com

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Investor Relation Centre:

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021.

Tel. No. 022 – 2288 1469, 6613 4700 Fax No. 022 – 2282 5484.

Email: ravi@shareproservices.com

(j) Share Transfer System:

Presently, the share transfers received in physical form are processed and share certificates are returned within a period of 15 days from the date of receipt, subject to the transfer instruments being valid and complete in all respects. The Company has also offered the facility of transfer cum demat as per SEBI guidelines.

(k) Distribution of Shareholding as on March 31, 2012:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Less than 500	2,190	93.03	2,08,299	8.06
501 to 1000	79	3.36	58,827	2.28
1001 to 2000	42	1.78	60,259	2.33
2001 to 3000	10	0.43	25,738	1.00
3001 to 4000	4	0.17	14,015	0.54
4001 to 5000	2	0.08	8,847	0.34
5001 to 10000	7	0.30	55,080	2.13
10001 and above	20	0.85	21,53,095	83.32
Total	2,354	100.00	25,84,160	100.00

Shareholding Pattern as on March 31, 2012

Category	No. of Shares	% To Paid-up Capital	No. of Shares Held in Demat	% Demat
Promoters	19,38,120	75.00	19,38,120	75.00
Banks	0	0.00	0	0.00
Bodies Corporate	14,130	0.55	12,845	0.50
NRI*	7,495	0.29	7,495	0.29
Public	6,24,415	24.16	4,29,464	16.62
Total Capital	25,84,160	100.00	23,87,924	92.41

*Total foreign shareholding in the company is 85,735 (3.32%) of which 78,240 (3.03%) is included in Indian Promoters.

(l) Dematerialisation of shares and liquidity

Of the Company's total shareholding, 23,87,924 (92.41%) shares were held in dematerialised mode by the Members of the Company of which 22,67,022 (87.73%) shares were under National Securities Depository Limited (NSDL) and balance 1,20,902 (4.68%) shares under Central Depository Services (I) Limited (CDSL) as on March 31, 2012.

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As stipulated by Securities and Exchange Board of India (SEBI), a qualified Practising Company Secretary carries out the Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and shares held in physical form as per the Register of Members vis-à-vis the total Issued and Listed Capital. This audit is carried out every quarter and the report is submitted to the Bombay Stock Exchange Ltd.

(n) In terms of Section 205C of the Companies Act, 1956, read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules 2001, the Company has credited during the financial year ended March 31, 2012, a sum of Rs.56,748/- to the Investor Education and Protection Fund (IEPF). Upto the financial year ended March 31, 2012 an amount of Rs.4,90,303/- has been credited to the Investor Education & Protection Fund.

(o) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity:

None

(p) Plant Location:

None

(q) Address for Correspondence

Sahas, 4th Floor, 414/2, Veer Savarkar Marg, Prabhadevi, Mumbai – 400 025

E-mail : investors@cravatex.com

Tel. No.: 022 – 6666 7474, Fax No.: 022 – 2431 3210

CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To

The Members of Cravatex Limited,

We have examined the provisions of Clause 49 of Listing Agreement relating to applicability of Corporate Governance to Cravatex Limited (“the Company”). Pursuant to SEBI Circular dated February 21, 2001, provisions of Clause 49 i.e. Corporate Governance shall be applicable to every Listed Company whose paid-up capital is Rs.3,00,00,000 and above or net worth is Rs.25,00,00,000 or more at any time in the history of the Company.

With respect to applicability of Clause 49 to the Company, though the Company’s paid up capital is less than Rs.3,00,00,000, the Company’s net worth has crossed the benchmark of Rs.25,00,00,000 as on 31st March 2012. As represented to us, the Management became aware of the applicability of the provisions of Clause 49 at the time when final accounts for the year ended were placed before the Board for approval on 25th May 2012 i.e. after the end of financial year 31st March 2012.

We understand that the Management has taken immediate steps for implementing the Corporate Governance provisions pursuant to Clause 49 with effect from the said meeting of the Board itself. In the circumstances, the question of examining the compliance of clause 49 of the listing agreement for the financial year ended 31st March 2012 does not arise. Hence, no review could be made of clause 49 of the listing agreement.

This certificate is issued at the request of the Company for incorporating in the Directors’ Report.

For Hemanshu Kapadia & Associates
Company Secretaries

Hemanshu Kapadia
Proprietor

C.P. No. 2285

Place: Mumbai

Dated : May 25, 2012