

# REPORT ON CORPORATE GOVERNANCE

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

The Philosophy of Northgate Technologies Limited on corporate governance envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its operations and in its interaction with its stakeholders including the members, shareholders, employees, the Government and other regulatory authorities. Northgate is committed to achieving the highest standards of corporate governance. Northgate believes that all its operations and actions must serve the underlying goal of enhancing the overall shareholders value, on a continuous basis.

## 2. BOARD OF DIRECTORS

The Board of directors of the company has an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. The company has an Executive Chairman and more than 50% of the Board consisting of independent and Non-Executive Directors.

### a) Composition and Category of Board of Directors

Category	No. of Director	% of Total Board
Promoter, Executive and Non-Independent Director	02	34%
Executive and Non-Independent Director	01	16%
Non-Executive and Independent Director	03	50%
Total	06	100%

### b) Attendance of each Director at the Board Meetings held during FY 2009-10 and at the Last Annual General Meeting

The Board of Directors met nine times during the year 2009-10 on April 15, 2009; May 15, 2009; May 23, 2009; July 31, 2009; September 01, 2009; October 30, 2009; December 10, 2009; January 29, 2010; and February 15, 2010.

Name and Designation of the Director	Board Meetings Attended during the year	Attendance at Last AGM (Yes/No)
Mr. Venkat S Meenavalli, Chairman and Managing Director	09	Yes
Mr. K. Bhaskara Reddy Executive Director	09	Yes
Mr. P. Parthasarathi Independent Director	09	Yes
Mr. T. Naresh Kumar Independent Director	09	Yes
Mr. Y. Ramesh Independent Director	09	Yes
Mr. P.Srinivasu@ Executive Director	02	N.A.
Mr.K.Sujit Kumar@ Non-Independent and Non-Executive	Nil	N.A.

@ Appointed as Director with effect from January 29, 2009

**c) Number of other Boards or Board Committees in which Directors are member or Chairperson.**

Name of the Director	Board@		Committee	
	Chairman	Director	Chairman	Member
Mr. Venkat S Meenavalli	Nil	03	Nil	Nil
Mr. K. Bhaskara Reddy	Nil	01	Nil	Nil
Mr. P. Parthasarathi	Nil	03	03	03
Mr. T. Naresh Kumar	01	03	03	03
Mr. Y.Ramesh	Nil	Nil	03	03
Mr. P.Srinivasu	Nil	01	Nil	Nil

@Directorships in Foreign Companies are excluded

**3. Audit Committee**

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and as per the provisions of Clause 49 of the Listing Agreement. The Audit Committee consists of Independent Directors and provides assistance to the Board of Directors in fulfilling its overall responsibilities. The Company Secretary of the Company act as Secretary of the Committee.

**(a) Brief description of terms of reference;**

The term of reference of the Audit Committee is in conformity with the provisions of Clause 49 of the Listing Agreement which inter alia, includes the following:

- ❖ Overseeing of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- ❖ Reviewing the adequacy of internal audit functions;
- ❖ Reviewing the quarterly and annual financial statements before submission to the Board;
- ❖ Reviewing the adequacy of internal control and their compliance thereof; and
- ❖ Reviewing the company's financial and risk management policies.

**(b) Composition, name of members and Chairperson**

The Composition of the Audit Committee is as follows:

- |                         |          |
|-------------------------|----------|
| 1. Mr. P. Parthasarathi | Chairman |
| 2. Mr. T. Naresh Kumar  | Member   |
| 3. Mr. Y. Ramesh        | Member   |

**(c) Meetings and attendance during the year**

During the financial year 2009-10, the Audit Committee met 5 times on the following dates: April 15, 2009; May 15, 2009; July 31, 2009; October 30, 2009 and January 29, 2009. Mr. P. Parthasarathi, Chairman of the Committee attended the last Annual General Meeting and addressed the queries of shareholders.

<b>Name of the Director</b>	<b>Meetings attended</b>
Mr. P. Parthasarathi	5
Mr. T. Naresh Kumar	5
Mr. Y. Ramesh	5

#### **4. Compensation / Remuneration Committee**

##### ***(a) Brief description of terms of reference;***

The terms of reference of the Compensation Committee, *interalia* include determination of compensation package of Executive Directors and Senior Management of the Company and to frame policies and procedures for Employee Stock Option plans approved by the members of the company.

##### ***(b) Composition, name of members and Chairperson:***

The Composition of Remuneration Committee is as follows:

##### **Name of the Director**

Mr. P. Parthasarathi	Chairman
Mr. Y. Ramesh	Member
Mr. T. Naresh Kumar	Member

##### ***(c) Meetings and Attendance during the year***

During the financial year 2009-10, the Compensation Committee met once on January 29, 2010.

<b>Name of the Director</b>	<b>Meetings attended</b>
Mr. Y. Ramesh	<b>01</b>
Mr. P. Parthasarathi	<b>01</b>
Mr. T. Naresh Kumar	<b>01</b>

##### ***(d) Remuneration policy***

The Company has a credible and transparent policy in determining and accounting for the remuneration of the Executive/ Non executive Directors. Their remuneration is determined in accordance with the experience and nature of responsibilities as well as industry standards. The same is subject to the approval of the Remuneration Committee of the Board of Directors and the members.

##### ***(e) Details of Remuneration to Directors***

The Non-Executive Directors has not been paid any remuneration except sitting fees for attending the Board Meetings. The details of remuneration paid to the Whole time Directors including the Managing Director are as follows:

Name of Director	Relationship with other directors	Salary Rs.
Mr. Vankat S Meenavalli, Chairman and Managing Director	Nil	36,00,000
Mr. K. Bhaskara Reddy, Executive Director	Nil	24,00,000
Mr.P.Srinivasu, Executive Director	Nil	4,00,000
<b>Total</b>		<b>64,00,000</b>

## 5. Shareholders / Investor Grievance Committee:

The Investors' Grievance Committee focuses on shareholders' grievances and strengthening of investor relations. The functions of the committee include the redressal of shareholders/investor complaints/grievances pertaining to transfers/transmissions of shares, dividend, and dematerialization of shares, replacement of lost/stolen/mutilated share certificates and other related issues. There are no complaints pending as on the date of this report. The Committee comprised of Mr. Venkat S. Meenavalli, Chairman and Mr. K. Bhaskara Reddy, Mr. Y.Ramesh, as Members.

The details of investor's complaints received and resolved during the financial year 2009-10 is as under.

No. of Investor's Complaints received during the financial year 2009-10	No. of Investor's Complaints resolved during the financial year 2009-10	Investor Complaints pending at the end of 2010
14	14	None

## 6. General Body Meeting

### (a) Details of date, time and venue of the last three Annual General Meetings of the Company

Financial year ended	Date	Venue	Time	No. of Special Resolutions
March 31, 2009	30.09.2010	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	11.00 A.M.	One
March 31, 2008	30.09.2009	Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad	11.00 A.M	Six
March 31, 2007	01.08.2007	Hotel Taj Deccan, Road No.1, Banjara Hills, Hyderabad	11.00 A.M	Six

### (b) Details date, time and venue of the last Extra Ordinary General Meetings of the Company

Sl.No.	Date	Venue	Time	No. of Resolutions
1	11.05.2009	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	11.30 A.M	One

**(c) Details of Special Resolutions passed at the last Annual General Meeting of the Company:**

At the Annual General Meeting held on September 30, 2009, Special Resolution was passed for appointment of Mr.Y.Ramesh as Director.

(d) No special resolution has been passed by the Company in the last year through postal ballot. As on date, the company does not have any proposal to pass any special resolution by way of postal ballot.

**7. Disclosures**

- (a) The summary of the materially significant relating party transactions is given in the Notes to the Accounts appearing in this Annual Report. However, none of the related party transactions have potential conflict with the interests of the Company at large, as all the transactions were entered into on an arms-length basis.
- (b) The Company has complied with all the requirements of the Listing Agreement of the Stock exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets, in the last three years. There were no non-compliances by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to Capital Market during the last three financial years.
- (c) The Company has complied with the requirements relating to Corporate Governance as mandated by Listing Agreements with the Stock Exchanges and also with the non-mandatory requirements as Remuneration Committee, Disclosures, Communication and General Information to the shareholders.

**8. Means of Communication**

**Quarterly Results**

All vital information relating to the Company including its financial performance are posted on the Company's website [www.northgatetech.com](http://www.northgatetech.com).

The quarterly un-audited/ audited financial results of the company are generally published in two financial news papers (Financial Express and Andhra Prabha) in English and a vernacular newspaper.

The Company has a dedicated help desk with email ID [investorcare@northgatetech.com](mailto:investorcare@northgatetech.com), in the Secretarial Department for providing necessary information to the investors.

**9. General Shareholders Information:**

- (a) Annual General Meeting
  - Date : 30<sup>th</sup> September, 2010
  - Time : 04.30 p.m.
  - Venue : Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad – 500 063
- (b) Financial Year : 1 April to 31 March

(c) Date of Book Closure : From September 28, 2010 to September 30, 2010  
(inclusive of both days)

(d) Listing on Stock Exchange : The National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E), Mumbai-400 051

(e) Stock Code : NORTHGATE

(f) Market price date: High / Low during the each month in the financial year 2008-09 and performance in comparison to broad based indices, NIFTY and Sensex (BSE) etc.,

Month & Year	NSE(in Rs.)		NIFTY		BSE (in Rs.)		Sensex	
	High	Low	High	Low	High	Low	High	Low
April 2009	47.60	33.50	3517.25	2965.70	47.65	34.00	11492.10	9546.29
May 2009	58.50	33.20	4509.40	3478.70	57.90	33.50	14930.54	11621.30
June 2009	60.00	35.40	4693.20	4143.25	59.85	35.45	15600.30	14016.95
July 2009	42.00	28.50	4669.75	3974.10	42.25	28.75	15732.81	13219.99
August 2009	40.80	33.60	4743.75	4353.45	40.80	33.40	16002.46	14684.45
September 2009	52.45	39.80	5087.60	4576.60	52.40	39.60	17142.52	15356.72
October 2009	43.50	29.15	5181.95	4687.50	43.30	29.15	17493.17	15805.20
November 2009	32.40	26.00	5138.00	4538.50	32.25	26.25	17290.48	15330.56
December 2009	34.05	26.80	5221.85	4943.95	33.85	26.90	17530.94	16577.78
January 2010	33.40	22.00	5310.85	4766.00	33.40	22.20	17790.33	15982.08
February 2010	25.40	19.00	4992.00	4675.40	25.35	19.00	16669.25	15651.99
March 2010	21.85	16.80	5329.55	4935.35	21.95	16.80	17793.01	16438.45

(g) Registrar and Transfer Agent:

M/s. CIL Securities Ltd  
214, Raghava Ratna Towers, Chirag Ali Lane,  
Hyderabad-500 001.  
Phone: 91-40 2320 2465, 2320 3155 Fax: 91-40 2320 3028  
Email: [cilsec@hotmail.com](mailto:cilsec@hotmail.com)

(h) Share Transfer System:

Share transfers are registered and returned within a period of fifteen days from the date of receipt, if the documents are in order in all respects.

(i) Distribution of shareholding:

Category	Number of Members	(%) of Total Members	Number of Equity Shares	(%) of Total Shareholding
0-5000	19126	96.77	9921436	28.33
5001-10000	343	1.74	2568057	7.33
10001-20000	149	0.75	2165949	6.19
20001-30000	56	0.28	1396740	3.99
30001-40000	20	0.10	700817	2.00
40001-50000	17	0.08	791639	2.27
50001-100000	29	0.15	2137877	6.10
100001-above	25	0.13	15336075	43.79
<b>Total</b>	<b>19765</b>	<b>100.00</b>	<b>35018590</b>	<b>100.00</b>

(j) Dematerialization of shares and Liquidity:

As on 31<sup>st</sup> March 2010, 99.94% of the paid up equity capital of the Company is in dematerialized form. The trading of Equity shares in the Stock Exchanges is under compulsory dematerialization. The ISIN of the scrip is INE217G01019.

(k) As on March 31, 2010 7,21,000 Global Depository Receipts representing 3,60,500 equity shares of nominal value of Rs. 10/- each are outstanding. The Global Depository Receipts were listed on Luxembourg Stock Exchange.

Depository for GDRs : Citibank N.A. New York  
ISIN No: : US6664432050

(l) Address for correspondence:

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Email: [investorcare@northgatetech.com](mailto:investorcare@northgatetech.com)  
Website: [www.northgatetech.com](http://www.northgatetech.com)

## 10. Code of Conduct

The Board has laid down a Code of Conduct for all Board members and Senior Management of the company. The code of conduct is available on the website of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. The Chief Executive Officer (CEO) has signed a declaration to this effect, which is enclosed at the end of this report.

## 11. Management Discussion and Analysis

The detail of Management Discussion and Analysis Report is enclosed to this report.