

# REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) ushered in a formal code of corporate governance (hereinafter “the Code”) through Clause 49 in the Listing Agreement executed by the Company with stock exchanges. Clause 49 lays down several corporate governance practices which listed companies are required to adopt. The Code has been periodically upgraded to ensure the adoption of best corporate governance practices by the corporates. This report sets out the compliance status of the Company with the requirements of corporate governance, as set out in Clause 49, for the financial year 2009-10.

## Company’s Philosophy on Corporate Governance

The Company believes that the Code prescribes only a minimum framework for governance of a business in corporate framework. The Company’s philosophy is to develop this desired minimum framework and institutionalise the spirit it entails. This will lay the foundation for further development of superior governance practices which are vital for growing a successful business. The Company recognises that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance. It is the Company’s endeavour to attain highest level of governance to enhance the stakeholder’s value.

## 1. BOARD OF DIRECTORS

The Board comprises of 8 directors of which 6 are Non-Executive Directors (75% of the Board strength) and 4 are Independent Directors (50% of the Board strength). The composition of the Board complies with the requirements of the Code.

The Board of Directors of the Company met four times during the year on 15<sup>th</sup> May, 2009, 29<sup>th</sup> July, 2009, 31<sup>st</sup> October, 2009 and 27<sup>th</sup> January, 2010.

Composition of Board and other related matters:

Name & Designation of the Director	Category	No. of other Directorships held <sup>(2)</sup>	No. of other Board Committees of which Member / Chairman <sup>(2)</sup>	Board meetings attended	Attendance at the last AGM
Sudhir Mehta, Chairman	NED	4	2 (1 as Chairman & 1 as Member)	3	Yes
Markand Bhatt	NED	3	1 (as Member)	4	Yes
S. H. Bhojani	NED (I)	1	Nil	4	Yes
Dr. Prasanna Chandra	NED (I)	Nil	Nil	4	Yes
Kiran Karnik	NED (I)	3	Nil	2	Yes
Sanjay Lalbhai	NED (I)	2	1 (as Member)	2	No
Mihir Thakore <sup>(1)</sup>	NED (I)	Nil	Nil	Nil	N.A.
Dr. C. Dutt, Director (Research & Development)	WTD	Nil	Nil	4	Yes
Samir Mehta, Managing Director	WTD	3	2 (as Member)	4	Yes

### Notes:

- Mihir Thakore resigned and ceased to be a Director with effect from 6<sup>th</sup> May, 2009.
- This number excludes the Directorships / Committee memberships held in private limited companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956 and that of the Company. Also it includes the Chairmanship/Membership only in the Audit Committee and Shareholders’ Grievance Committee.
- NED – Non-Executive Director; NED (I) – Non-Executive & Independent Director; WTD – Whole Time Director.
- Sudhir Mehta & Samir Mehta are brothers; none of the other Directors have any inter se relationship.

S. H. Bhojani and Dr. Prasanna Chandra are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. Relevant details pertaining to them are provided in the Notice of the Annual General Meeting.

## 2. AUDIT COMMITTEE

During the year under review, four meetings of the Committee were held on 15<sup>th</sup> May, 2009, 29<sup>th</sup> July, 2009, 31<sup>st</sup> October, 2009 and 27<sup>th</sup> January, 2010.

The composition of the Committee as on 31<sup>st</sup> March, 2010 as well as the particulars of attendance at the Committee during the year are given in the table below:

Name & Designation	Category of Directorship	Qualification / Competence	No. of meetings attended
Dr. Prasanna Chandra, Chairman	Independent Non-Executive	MBA, Ph.D. in Finance	4
S. H. Bhojani	-- do --	B.Sc., LL.M.	4
Kiran Karnik	-- do --	B.Sc. (Hons.), PGDBM-IIM-A	2
Mihir Thakore*	-- do --	B.Com, LL.B., Senior Advocate	Nil

\* ceased to be a member of the Committee with effect from 6<sup>th</sup> May, 2009 as resigned from the Board

The composition of the Committee complied with the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

The Chairman of the Committee attended the Annual General Meeting of the Company.

The Company Secretary acts as the Secretary to the Audit Committee. In addition to the above, the Committee meetings were also attended by the Vice President (Finance), Chief Operating Officer, Statutory Auditors and Internal Auditors. Cost Auditor and other executives of the Company also attended the meeting as and when required.

The broad terms of reference of the Committee are to review and recommend the financial statements and to review the adequacy of internal control systems and internal audit function. The detailed terms of reference of the Committee as approved by the Board are given below:

- i Reviewing internal controls and internal audit function and their adequacy with the management / internal auditors.
- ii Reviewing with the management, performance of statutory and internal auditors.
- iii Oversight of the financial reporting process / disclosures and review of interim & annual financial statements before Board approval.
- iv Appointment/ reappointment/ replacement/ removal of statutory auditors & fixation of their audit fees & fees for other services.
- v Periodic discussions with the statutory auditors of the Company (whether before, during or after the audit) on internal control systems, nature & scope of audit, audit observations and areas of concern, if any.
- vi Investigate any matter referred to it by the Board or within its terms of reference.
- vii Review the outcome of internal investigations of material fraud, irregularity & failure of internal control system.
- viii To look into substantial defaults, if any, in payments to depositors, debenture-holders, creditors & shareholders.
- ix Discussion with the internal auditors any significant findings and follow up there on.
- x Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - A Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
  - 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 Qualifications in audit report, if any.

- xi To review the following information:
- A Management Discussion and Analysis of financial conditions and results of operations;
  - B Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - C Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - D Internal audit reports relating to internal control weaknesses; and
  - E The appointment, removal and terms of remuneration of the chief internal auditor.

In addition to the above, the Committee also reviews the financial statements of all Subsidiaries of the Company and shall have such functions / role / powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable laws.

### 3. SHAREHOLDERS COMMITTEE

The Securities Transfer & Investors' Grievance Committee, as a sub-committee of the Board, inter alia, reviews shareholder / investor grievances. The Committee met 6 times during the year. The constitution and functioning of the Committee is as given below:

Name & Designation of Director	Category	No. of meetings attended
Sudhir Mehta, Chairman	Non-Executive Director	6
Markand Bhatt	Non-Executive Director	6
Samir Mehta	Managing Director	6

Mahesh Agrawal, Vice President (Legal) & Company Secretary, provided secretarial support to the Committee and was also the designated Compliance Officer for such matters.

99.18 % of the equity shares of the Company are held in dematerialised form & the handling of physical transfer of shares is minimal. The table below sets out details of pending transfers of equity shares as at 31<sup>st</sup> March, 2010:

Duration	Transfers pending	Nature / Reason
0 – 15 days	Nil	---
16 – 30 days	Nil	---
> 30 days	Nil	---

During the year the Company received 7 complaints from the shareholders and the same were attended within a reasonable period of time. No complaint was pending as on 31<sup>st</sup> March, 2010.

### 4. MANAGERIAL REMUNERATION

#### Remuneration Committee

This is a non-mandatory requirement of Clause 49 of the Listing Agreement. The Board has not formed a Remuneration Committee and all decisions on appointment and remuneration of Directors are taken by the Board of Directors and approved by the shareholders in general meeting.

#### Managing Director / Whole Time Director

The appointment and remuneration of Samir Mehta, Managing Director was fixed by the Board and approved by the shareholders at the Annual General Meeting held on 21<sup>st</sup> July, 2006 for a period of 5 years with effect from 1<sup>st</sup> April, 2006. His remuneration was revised with effect from 1<sup>st</sup> April, 2008 and approved by shareholders at the Annual General Meeting held on 29<sup>th</sup> July, 2008. Appointment and remuneration of Dr. C. Dutt, Director (Research & Development) was approved by the shareholders at the Annual General Meeting held on 29<sup>th</sup> July, 2008 for a period up to 31<sup>st</sup> December, 2011, with effect from 1<sup>st</sup> July, 2008.

## Independent Non Executive Directors (INEDs)

1. INEDs are compensated for their services to the Company by way of commission. The shareholders have approved, at the Annual General Meeting held on 29<sup>th</sup> July, 2009 with effect from 1<sup>st</sup> October, 2009, a ceiling of 0.50% of net profits as the ceiling of aggregate of such commission per year for a period of 5 years.
2. Within the ceiling, Chairman of the Board has power to decide the commission amount for each of the INEDs. The commission was determined on the participation of the Directors in the meetings of Board and / or Audit Committee and the tenure during the year for which they were the Directors.
3. In case of inadequacy of profits, commission upto Rs. 5.00 lacs shall be payable as minimum remuneration to each INED who is also member of any Committee of the Directors and upto Rs. 3.00 lacs to each INED who is not a member of any such Committee of the Directors subject to approval of shareholders.
4. The commission for any financial year shall become due on approval by the Board of financial statements for that year.

Details of remuneration of Directors for the year 2009-10 are as under:

(Rs. in lacs)

Name & Designation of Directors <sup>5</sup>	Sitting Fees	Salary & Perquisites <sup>#</sup>	Commission	Total
Sudhir Mehta, Chairman	Nil	Nil	Nil	Nil
Markand Bhatt	Nil	Nil	Nil	Nil
S. H. Bhojani	Nil	Nil	10.00	10.00
Dr. Prasanna Chandra	Nil	Nil	10.00	10.00
Kiran Karnik	Nil	Nil	6.50	6.50
Sanjay Lalbhai	Nil	Nil	Nil	Nil
Mihir Thakore <sup>1</sup>	Nil	Nil	0.29	0.29
Dr. C. Dutt, Director (Research & Development)	Nil	177.15	Nil	177.15
Samir Mehta, Managing Director	Nil	279.20	300.00 <sup>##</sup>	579.20
<b>Total</b>	<b>Nil</b>	<b>456.35</b>	<b>326.79</b>	<b>783.14</b>

### Notes:

1 Mihir Thakore has resigned and ceased to be a director with effect from 6<sup>th</sup> May, 2009.

\$ The terms of appointment of all Whole Time Directors are governed by the resolutions of the shareholders and applicable rules of the Company. None of the Directors are entitled to a severance fees.

# Includes salary, house rent allowance, contribution to provident / gratuity / superannuation funds & approved perquisites. Directors have not been granted any stock options during the year.

## Commission as approved by the Board subject to maximum of such a rate of the eligible net profits so that total remuneration does not exceed 5% of such profits amounting to Rs. 1519.77 lacs.

Amarchand Mangaldas & Suresh A Shroff & Co., a law firm in which S. H. Bhojani, an Independent Non-executive Director, is a partner, were paid Rs. 6.92 lacs as professional fees for legal services provided during the year. Apart from above, there were no other pecuniary relationship / transactions with the Non-Executive Directors.

## Shareholding of Non-Executive Directors

Details of the equity shares held by Non-Executive Directors as on 31<sup>st</sup> March, 2010 are as under:

Name of the Directors	No. of equity shares
Sanjay S. Lalbhai	800
Sudhir Mehta	3,801,428

## 5. GENERAL BODY MEETINGS

Details of the Annual General Meetings (AGM) held during last three years are as under:

AGM	Date	Time	Venue	No. of special resolutions passed
34 <sup>th</sup> AGM	31-Jul-07	9:30 AM	H.T.Parekh Convention Center, Ahmedabad Management Association, Vastrapur, Ahmedabad	-
35 <sup>th</sup> AGM	29-Jul-08	9:30 AM	-- do --	-
36 <sup>th</sup> AGM	29-Jul-09	9:30 AM	-- do --	-

No special resolutions were passed in the last three Annual General Meetings of the Company. During the current year, no resolution is proposed to be passed through postal ballot.

## 6. DISCLOSURES

### a. Legal Compliances

The Company follows a formal management policy and system of legal compliance & reporting to facilitate periodical review by the Board of compliance status of laws applicable to the Company and steps taken to rectify non-compliances, if any.

There were no instances of material non-compliance and no strictures or penalties were imposed on the Company either by SEBI, stock exchanges or any statutory authorities on any matter related to capital markets during the last three years.

### b. Code of Business Conduct

The Code of Business Conduct adopted by the Company has been posted on the web site of the Company. The members of the Board and senior management of the Company have submitted their affirmation on compliance with the Code of Business Conduct for the effective period. The declaration by the Managing Director to that effect forms part of this report as Annexure 1.

### c. Related Party Transactions

Transactions with related parties are disclosed in detail in Note 27 of Schedule 21 annexed to the financial statements for the year. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the Company at large.

### d. Mandatory & Non-Mandatory Clauses

The Company has complied with all mandatory requirements laid down by the Clause 49. The non-mandatory requirements complied with have been disclosed at the relevant places.

## 7. COMMUNICATION TO SHAREHOLDERS

During the year, audited quarterly, half-yearly and annual financial results on the standalone basis and un-audited quarterly & half-yearly and audited annual financial results on the consolidated basis of the Company were submitted to the stock exchanges soon after the Board meeting approved these and un-audited quarterly and half-yearly and audited annual financial results on the consolidated basis were published in two leading newspapers - The Business Standard (English) & Jaihind/ Jansatta (Gujarati). These were also promptly put on the Company's website [www.torrentpharma.com](http://www.torrentpharma.com). All official news release of relevance to the investors are also made available on the website for a reasonable period of time.

## 8. GENERAL SHAREHOLDER INFORMATION

### a. 37<sup>th</sup> Annual General Meeting

Date & Time	Friday, 30 <sup>th</sup> July, 2010 at 9:30AM
Venue	J. B. Auditorium, Torrent AMA Center, Ground Floor, Ahmedabad Management Association, Vastrapur, Ahmedabad – 380 015

### b. Tentative Financial Calendar for the year 2010-11

Financial year	1-April to 31-March
First Quarter results	Fourth week of July 2010
Half Yearly results	Fourth week of October 2010
Third Quarter results	Fourth week of January 2011
Results for year-end	Second week of May 2011

### c. Date of Book Closure

8<sup>th</sup> June, 2010 to 10<sup>th</sup> June, 2010 (both days inclusive)

### d. Dividend payment date

The proposed dividend, if approved at the ensuing Annual General Meeting will be distributed on or around 3<sup>rd</sup> August, 2010.

### e. Listing on Stock Exchanges and Security Codes

Name of Stock Exchange	Security Code
Bombay Stock Exchange Ltd., Mumbai (BSE)	500420
The National Stock Exchange of India Ltd., Mumbai (NSE)	TORNTPHARM

The Company has paid the annual listing fees for the year 2010-11 to both of the above stock exchanges.

### f. Market Price Data

The closing market price of equity share on 31<sup>st</sup> March, 2010 (last trading day of the year) was Rs.545.15 on BSE & Rs. 545.45 on NSE.

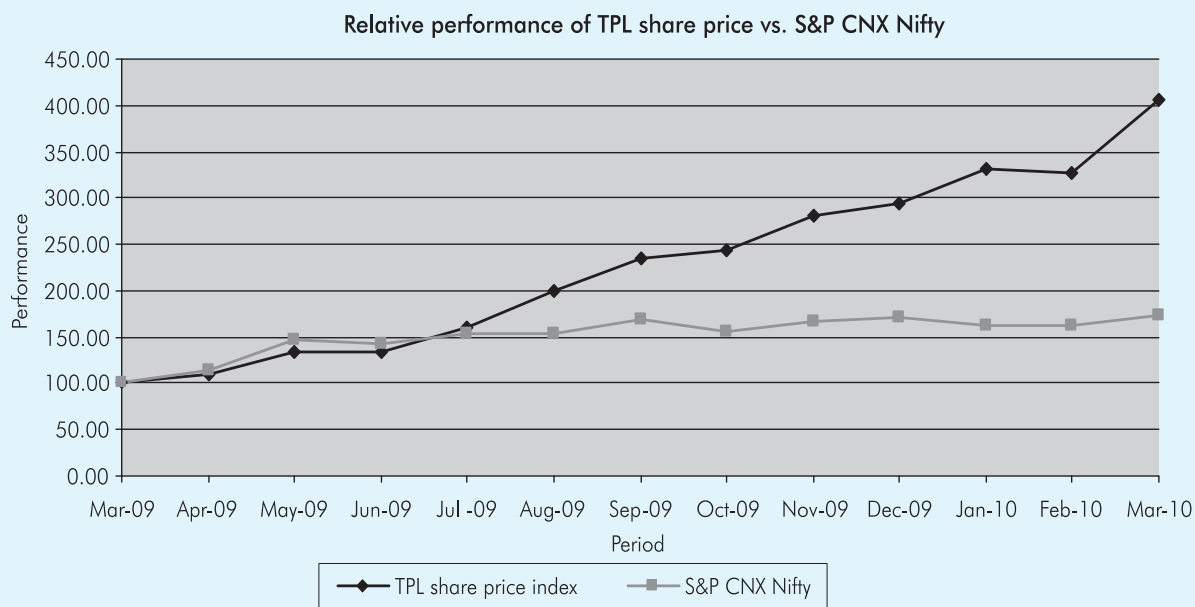
The monthly movement of equity share prices during the year at BSE & NSE are summarized below:

Monthly Share Price movement during 2009-10 at BSE & NSE						
Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
Apr – 09	162.50	132.20	298,544	162.90	131.50	268,783
May – 09	194.40	146.70	668,800	197.80	138.00	851,827
Jun – 09	191.00	164.00	900,648	194.90	148.00	4,837,302
Jul – 09	224.45	173.55	655,997	223.90	167.70	962,458
Aug– 09	288.00	202.25	1,133,632	286.50	202.05	1,891,261
Sep – 09	319.95	257.05	1,264,081	319.80	251.00	2,133,755
Oct – 09	355.00	285.00	612,960	349.90	285.20	1,414,181
Nov – 09	408.00	312.25	598,726	408.00	325.70	1,211,965
Dec – 09	448.00	375.00	1,504,063	447.90	374.05	3,333,449
Jan – 10	457.00	379.15	1,243,828	456.90	368.40	2,047,429
Feb – 10	490.80	410.00	420,326	490.00	410.10	1,035,969
Mar – 10	548.85	438.00	782,713	549.95	438.00	1,253,656
<b>Total</b>			<b>10,084,318</b>			<b>21,242,035</b>
<b>% of volume traded to outstanding shares</b>			<b>11.92%</b>			<b>25.11%</b>

The performance of the equity share price of the Company vis-à-vis the S&P CNX Nifty at NSE is as under:

Month	TPL Share Price at NSE**	S&P CNX Nifty**	Relative Index for comparison purpose	
			TPL share price index	S&P CNX Nifty
Mar - 09	134.00	3020.95	100.00	100.00
Apr - 09	146.00	3473.95	108.96	115.00
May - 09	178.50	4448.95	133.21	147.27
Jun - 09	179.75	4291.10	134.14	142.04
Jul - 09	215.25	4636.45	160.63	153.48
Aug - 09	266.45	4662.10	198.84	154.33
Sep - 09	315.15	5083.95	235.19	168.29
Oct - 09	327.65	4711.70	244.51	155.97
Nov - 09	376.45	5032.70	280.93	166.59
Dec - 09	394.10	5201.05	294.10	172.17
Jan - 10	443.80	4882.05	331.19	161.61
Feb - 10	437.70	4922.30	326.64	162.94
Mar - 10	545.45	5249.10	407.05	173.76

\*\* closing data on the last day of the month



### g. Distribution of Shareholding as at 31<sup>st</sup> March, 2010

By size of shareholding:

From - To	Mode of Holding	Shares held		No. of shareholders	
		Number	% Total	Number	% Total
1 - 5,000	Physical	694,266	0.82	2,275	10.59
	Electronic	3,668,149	4.34	19,042	88.62
5,001 - 10,000	Physical	-	-	-	-
	Electronic	315,307	0.37	43	0.20
10,001 - 50,000	Physical	-	-	-	-
	Electronic	1,396,851	1.65	57	0.27
50,001 - 100,000	Physical	-	-	-	-
	Electronic	1,428,797	1.69	18	0.08
Above 100,000	Physical	-	-	-	-
	Electronic	77,107,990	91.13	52	0.24
<b>Total</b>	<b>Physical</b>	<b>6,94,266</b>	<b>0.82</b>	<b>2,275</b>	<b>10.59</b>
	<b>Electronic</b>	<b>83,917,094</b>	<b>99.18</b>	<b>19,212</b>	<b>89.41</b>
	<b>Total</b>	<b>84,611,360</b>	<b>100.00</b>	<b>21,487</b>	<b>100.00</b>

By category of shareholders:

Category	No. of Shares		Total Shares	% of Holding
	Electronic	Physical		
Promoters' Group	60,501,860	-	60,501,860	71.51
Mutual Funds and UTI	5,556,460	-	5,556,460	6.57
Banks, FIs & Insurance Companies	504,810	-	504,810	0.60
Foreign Institutional Investors / NRIs	5,602,212	-	5,602,212	6.62
Other Bodies Corporate	5,495,546	10,240	5,505,786	6.51
Indian Public	6,256,206	684,026	6,940,232	8.19
<b>Total</b>	<b>83,917,094</b>	<b>694,266</b>	<b>84,611,360</b>	<b>100.00</b>

### h. Dematerialisation of securities

The equity shares of the Company are traded compulsorily in the dematerialized segment of all the stock exchanges and are under rolling settlement. Approximately 99.18% of the shares have been dematerialised. The demat security (ISIN) code for the equity share is INE685A01028.

### i. Share transfer system

To expedite the transfer of shares held in physical mode the powers to authorise transfers have been delegated to specified officials of the Company. The transfers which are complete in all respects are taken up for approval generally every ten days and the transferred securities dispatched to the transferor within 21 days. The details of transfers / transmission approved by the delegates are noted by the Securities Transfer & Investors' Grievance Committee meeting at its next meeting.

The Company has signed necessary agreements with two depositories currently functional in India viz. National Securities Depository Ltd. & Central Depository Services (India) Ltd. The transfer of shares in depository mode need not be approved by the Company.

**j. Outstanding GDRs / ADRs / Warrants / any other convertible instruments**

The Company does not have any outstanding instruments of the captioned type.

**k. Registered Office**

Torrent House, Off Ashram Road, Ahmedabad – 380 009

Telephone: 079-26585090

Fax: 079-26582100

**l. Plant Locations**

1. Village Indrad, Taluka Kadi, Dist. Mehsana (Gujarat)

2. Village Bhud, Baddi, Teh. Nalagarh, Dist. Solan (Himachal Pradesh)

**m. Sikkim Project Site**

32 No. Middle Camp, NH - 31A, East District, Gangtok (Sikkim)

**n. Research & Development Facility**

Village Bhat, Dist. Gandhinagar, Pin 382 428 (Gujarat)

**o. Compliance Officer**

Mahesh Agrawal,

VP (Legal) & Company Secretary,

Torrent Pharmaceuticals Limited,

Torrent House, Off Ashram Road, Ahmedabad – 380 009 (Gujarat)

Telephone: 079-26585090; Fax: 079-26582100

E-mail: maheshagrawal@torrentpharma.com

**p. Investor services**

E-mail: investorservices@torrentpharma.com

**q. Registrars & Transfer Agents**

Karvy Computershare Private Limited

Unit: Torrent Pharmaceuticals Limited,

Plot No. 17 to 24, Vittalrao Nagar, Madhapur,

Hyderabad – 500 081

Tel No: 040 - 44655000

Fax No. 040 - 23420814

Contact person: K S Reddy

E-mail : einward.ris@karvy.com

For & on behalf of the Board

Ahmedabad  
6<sup>th</sup> May, 2010

**Sudhir Mehta**  
Chairman

# ANNEX 1 TO CORPORATE GOVERNANCE REPORT

To  
The Shareholders,

## **Affirmation of Compliance with Code of Business Conduct**

I, Samir Mehta, Managing Director, declare that the Board of Directors of the Company has received affirmation on compliance with the Code of Business Conduct for the period from 1<sup>st</sup> April, 2009 or the date of their joining the Company, whichever is later to 31<sup>st</sup> March, 2010 from all members of the Board and employees under Senior Management Cadre comprising CEO / COO/ Executive Directors (not a member of the Board), Vice Presidents and General Managers.

Ahmedabad  
6<sup>th</sup> May, 2010

**Samir Mehta**  
Managing Director