



CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

The Corporate Governance Policy of KIOCL rests upon the four pillars of Transparency, Full disclosures, Independent monitoring and fairness to all.

The Company believes that conducting the business in a manner that complies with the Corporate Governance procedures and code of conducts, exemplifies each of our core values and positions us to deliver long-term returns to our shareholders, favourable outcomes to our customers, attractive opportunities to our employees and making the suppliers our partners in progress & enriching the society.

The Company has set itself the objectives of expanding its capacities and becoming more competitive in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance across the country. The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interest of all its stakeholders.

The Board considers itself as a trustee of its shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Compliance with Corporate Governance Guidelines

1. Board of Directors

(A) Composition of the Board

KIOCL being a Government Company, appointment/nomination of all Directors is done by the President of India, through the Ministry of Steel. Articles of Association of the Company stipulate that the number of directors shall not be less than five and not more than thirteen. As on 31.3.2011, there were nine Directors on the Board comprising of four whole time Directors including Chairman-cum-Managing Director, one non-official part time Director who is a Government Nominee and Four Independent Directors. In addition to the above, one non-official part time Director is vacant as on 31.3.2011. Chairman being Executive Chairman, two more Independent Directors post are vacant pursuant to clause 49 of the Listing Agreement of the Stock Exchanges and DPE guidelines on Corporate Governance. The matter of filling up of vacancies is under process from Ministry of Steel side. The members of the Board are from diversified backgrounds and have varied expertise and considerable experience in the respective fields.

The details of the Directors with regard to their category, directorship in the other companies, membership/chairmanship in Committee of the Board of other Companies and their attendance at the Board Meeting and AGM are listed below:

Sl. No.	Name of Director (S/Shri)	Category	Meeting held during respective tenure	No. Of Board meeting attended	Attendance at the last AGM held on 21.7.2010	No. Of Directorships	Number of Committees ¹	
							Member	Chairman
1.	K Ranganath	CMD	9	9	Y	Nil	Nil	Nil
2.	M B Padiyar,	Director (P&P)	9	4	N	Nil	Nil	Nil
3.	TMGK Bhat	Director (Finance)	9	9	Y	Nil	Nil	Nil
4.	Maj. Gen. (Retd.) Dr. O P Soni ² upto 1.2.2011	Director (Commercial)	1	1	N	Nil	Nil	Nil
5.	S Machendra Nathan ³ w.e.f.23.5.2010	Govt. Nominee	8	8	N	4	Nil	Nil
6.	George Elias ⁴	Govt. Nominee	6	6	N	1	Nil	Nil
7.	N R Mohanty	Independent	9	7	Y	3	1	Nil
8.	Dr. Chiranjib Sen	Independent	9	8	N	1	1	Nil
9.	B Ramesh Kumar	Independent	9	9	Y	1	Nil	Nil
10.	V R Sastry	Independent	9	6	N	1	Nil	Nil

1. Represents Membership/Chairmanship of two Committees viz.: Audit and Shareholders'/Investors' Grievance Committee.
2. In pursuance to Ministry of Steel order No5 (13)/2009-KDM dated 6.12.2010 Maj. Gen. (Retd.) Dr. O P Soni, VSM assumed the charge of Director (Commercial) w.e.f.1.2.2011.
3. Shri S Machendra Nathan, Additional Secretary & Financial Advise, Ministry of Steel appointed as Director vice Shri B S Meena, SS & FA consequent upon his elevation as Secretary to Govt. of India, Department of Heavy Industries.
4. Shri George Elias, Joint Secretary to Govt. of India and Govt. Nominee ceased to be Director Consequent to his transfer from Ministry of Steel w.e.f. 20.01.2011.

(B) Board Meetings and Procedure

The Board of Directors plays the primary role in ensuring good governance and functioning of the Company. The meetings are governed by a structured agenda. All the agenda items are backed by comprehensive agenda notes, containing all the vital information, so as to enable the Directors to have focused discussion at the meeting and to take decision. All the relevant information as enumerated in Annexure IA to clause 49 of the Listing agreement and guidelines on Corporate Governance for CPSE's issued by DPE is placed before the Board. The agenda and agenda notes are circulated to all the Directors in advance of each meeting of the Board of Directors. Where it is not practical to send the relevant information as a part of the agenda papers, the same is tabled in the meeting. The presentation covering the Company's performance, operations and business strategy are also made to the Board.

The Board periodically reviews the compliance status of all the applicable laws. All the decisions are taken after detailed discussions by the Board Members at the meetings. The members of the Board have complete freedom to express their opinion and have unfettered and complete access to information in the Company.

During the financial year 2010-11, 9(Nine) meetings of the Board were held on 10.5.2010, 4.6.2010, 26.6.2010, 12.7.2010, 11.10.2010, 25.10.2010, 23,12,2010, 27.1.2011 and 25.3.2011. The time gap between two Board Meetings is not more than four months.

(C) Code of Conduct

In pursuance to SEBI and DPE guidelines, Code of Conduct as applicable to Board level and below Board level i.e. one grade below Board level upto General Manager cadre is in existence. The same is also available on the website of the Company i.e. www.kioclltd.com. The Code of Conduct is in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.

All the Board Members and Senior Managerial Personnel have affirmed compliance to the Code of Conduct. A declaration signed by the Chairman-cum-Managing Director affirming the compliance with the Code of Conduct by the Board Members and Senior Managerial Personnel of the Company is appended at the end of this report.

2. Committees of the Board of Directors

To enable better and more focus attention on the affairs of the Corporation, the Board delegated particular matters to Committee of the Board set up for the purpose. These committees prepare the groundwork for decision making and report at the subsequent Board Meeting. The following committees are constituted by Board:

- A. Audit Committee;
- B. Remuneration Committee;
- C. Sub-Committee of Board of Directors to approve the quarterly financial results;
- D. Empowered Board Sub-Committee;
- E. Committee of Director with an enhanced power to approve the procurement proposals;
- F. Share Transfer Committee.

A. Audit Committee

The Company has an Audit Committee at the Board level functioning since 2000 with the powers and role that are in accordance with Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement and DPE guidelines. The Committee acts as a link between the management, the Statutory Auditors, Internal Auditors and the Board of Directors to oversee the financial reporting process. The Audit Committee consists of four members and all of them are Independent Directors. The majority of the Audit Committee members have accounting and financial management expertise. Director (Finance), Chief of Internal Audit, Statutory Auditors is the permanent invitees to the meeting. In addition, other Functional Directors except CMD, Senior Managerial Personnel are also invited to the Committee meetings to present reports on the respective items being discussed as and when required. Company Secretary acts as a Secretary to the Committee.

The Audit Committee observes and controls the financial reporting process of the Company with a view to provide accurate and proper disclosures. The Committee reviews the Internal Audit reports periodically as

well as action taken report. The Committee also gives directions to the management in areas needs to be strengthened. The recommendation of the Audit Committee is binding on the Board.

During the financial year 2010-11, eight meetings of the Audit Committee were held on 30.4.2010, 8.5.2010, 25.6.2010, 9.7.2010, 9.10.2010, 23.12.2010, 27.1.2011 and 14.3.2011. The time gap between two Audit Committee meetings is not more than four months.

The Composition of the Audit Committee as on 31.3.2011 and the attendance of the members at the meetings are as under:

Name of Director S/Shri	No. of meeting held during respective tenure	No. of meeting Attended
N. R. Mohanty	8	8
Dr. Chiranjib Sen	8	3
B. Ramesh Kumar	8	8
Prof. V. R. Sastry	8	7

The terms of reference of the Audit Committee are as under: -

- a) To comply with the requirements in accordance with Section 292A of the Companies Act;
- b) To comply with the requirement relating to the Audit Committee as envisaged in Clause 49 of listing agreement; and the Guidelines on Corporate Governance issued by the Department of Public Enterprises (DPE), 2010 for CPSEs.
- c) To take on record and/or to review unaudited/audited quarterly/half-yearly/annual financial statements of the Company.

B. REMUNERATION COMMITTEE

In accordance to Corporate Governance guidelines for CPSEs issued Department of Public Enterprise, the Remuneration Committee of the Company has re-constituted. The Committee presently comprises of all Independent Directors as its members.

The term of reference of the Committee is to look into the aspects of annual bonus / variable pay pool and policy for its distribution across the Executives and Non-Unionized Supervisors, within the prescribed limit. In addition to the same, any other matter, specifically referred by the Board of Director for its recommendation. During the financial year, 2(Two) meetings of the Remuneration Committee were conducted on 7.10.2010 and 25.10.2010.

The Composition of the Remuneration Committee as on 31.3.2011 and the attendance of the members at the meetings are as under:

Name of Director S/Shri	No. of meeting held during respective tenure	No. of meeting Attended
B. Ramesh Kumar	2	2
Dr. Chiranjib Sen	2	2
Prof. V. R. Sastry	2	1

C. Sub-Committee of Board of Directors to approve the quarterly financial results;

The Company has a sub-Committee of the Board with the power to consider and approve the un-audited and audited quarterly and yearly financial results of the Company. The result as approved by the Committee is subsequently placed to the Board for ratification. During the financial year, one meeting of the Committee was conducted on 30.4.2010.

The composition of the Board Sub Committee as on 31.3.2011 and the attendance of the members at the meeting is as under:

Name of Director S/Shri	Meeting held during respective tenure	No. of meeting attended
K. Ranganath	1	1
TMGK Bhat	1	1
B. Ramesh Kumar	1	1
Prof. V. R. Sastry	1	1

D. EMPOWRED BOARD SUB-COMMITTEE

In order to give additional comfort level to take a decision on any major capital investment which exceeds CMD's delegated power and requires Board's approval, an Empowered Board Sub Committee has constituted. The committee shall review and submit the recommendation on the proposal. During the year 4 (Four) meeting were held on 3.6.2010, 4.9.2010, 7.10.2010 and 4.3.2011.

The composition of the Board Sub Committee as on 31.3.2011 and the attendance of the members at the meeting are as under:

Name of Director S/Shri	Meeting held during respective tenure	No. of meeting attended
Dr. Chiranjib Sen	4	4
B. Ramesh Kumar	4	4
Prof. V. R. Sastry	4	2
M B Padiyar	4	4
Maj. Gen. (Retd.) Dr. O P Soni	1	1

E. Committee of Director with an enhanced power to approve the procurement proposals

During 2010-11 three (3) Meetings of Committee of Directors were held on 9.6.2010, 18.10.2010 and 20.12.2010.

F. Share Transfer Committee

A Share Transfer Committee consisting of the Senior Manager (F&A) and the Company Secretary is functioning to look into all the transfers, transmissions, splitting and Issue of Duplicate Share Certificates etc. The action taken by the Committee subsequently placed before the Board for ratification. There was no grievance from any of the shareholder during the year.

3. Remuneration to Directors and Policy

Being a Central Government Public Sector Enterprise, the appointment, tenure and remuneration of Directors are decided by the Government of India. The Government letter appointing the Chairman & Managing Director and other Functional Directors indicate the detailed terms & conditions of their appointment, including the period of appointment basic pay, scale of pay, dearness allowance, entitlement to accommodation etc., and it also indicates that in respect of other terms & conditions not covered in the letter, the relevant rules of the Company shall apply.

Details of remuneration of Whole time Directors during the year 2010-11 are given below:

(Rs. in Lakhs)

Name of Director	Salary	Benefits	Company Contribution to PF & Gratuity	Total for the year 2010-11
K Ranganath	30.75	5.64	4.29	40.68
M B Padiyar	25.51	11.21	4.23	40.95
TMGK Bhat	24.12	5.53	4.17	33.82
Maj. Gen (Retd) (Dr.) O P Soni*	2.36	0.01	0.26	2.63

* Part of the year

Non Official Part Time Government Nominee Directors are not paid any remuneration. They are also not paid sitting fees for attending Board Meetings. Independent Directors are paid sitting fee of Rs.10, 000/- per meeting of the Board/Committee of the Board attended. Details of sitting fees paid to the Independent Directors during year 2010-11 are given below: -

(in `)

Name of Director (S/Shri)	Sitting Fee		Total
	Board Meetings	Committee Meetings	
N. R. Mohanty	70,000/-	1,30,000/-	2,00,000/-
B. Ramesh Kumar	90,000/-	1,50,000/-	2,40,000/-
Dr. Chiranjib Sen	80,000/-	80,000/-	1,60,000/-
Prof. V. R. Sastry	60,000/-	1,50,000/-	2,10,000/-

None of the non executive Directors had any pecuniary relationship or transactions with the Company during the year. The part time Government Directors are ex-officio appointees and their terms is co-terminus with the term of respective position held by them in Government at the time of appointment on the Company's Board. The non-executive Independent Directors are appointed for a period of three years.

4. DIRECTORS SHAREHOLDING

The following Directors holding the equity shares in the Company as on 31.03.2011

Name of Director	Number of Shares held
Shri M. B. Padiyar, Director (P&P)	150
Shri TMGK Bhat, Director(Finance)	100

5. DISCLOSURES

- There was no material transaction with the Directors or the Management or their relatives that may have potential conflict with the interest of the Company at large.
- Whistle Blower Policy is not a mandatory requirement. Company is yet to frame a policy in this regard.

- c) The Company has adopted all suggested items to be included in the Report on Corporate Governance as required under the listing agreement as well as Code of Corporate Governance issued by DPE.
- d) None of the Directors on the Board is a member of more than 10 Committees and the Chairman of more than 5 Committees, across all the companies (Public Limited) in which he is a Director.
- e) There is no inter se relationship between Directors of the Company, as per declarations received.
- f) There has been no instance of the non-compliance by the Company and no penalty or stricture is imposed on the Company by stock exchange (s) or SEBI or any statutory authority, on any matters related to capital markets during last three years.
- g) As on the date of approval of accounts, the number of independent Director(s) on the Board of the Company is not sufficient.

6. Risk Management

As a part of implementation of the guidelines on Corporate Governance issued by DPE, a Risk Assessment and Minimization Policy for drawing of appropriate risk assessment, management and minimization framework as also internal risk assessment framework, integrated and aligned with Corporate and operational objectives is already put in place in the Company. A same is being reviewed at a periodical interval.

7. GENERAL SHAREHOLDERS INFORMATION

(i) Disclosure regarding appointment of Directors

The Company has provided brief resume(s) of the Directors seeking appointment at the ensuing Annual General Meeting, in the notice attached with the Annual Report.

(ii) Communications to Shareholders

The Company's quarterly financial results, official news releases and other general information about the Company are uploaded on the Company's website (www.kioclltd.com). The quarterly financial results of the Company generally published in the Financial Express, Business Standard, Mint (all editions) & Samyuktha Kannada, Udayavani (a regional daily publication from Karnataka).

(iii) Details of Annual General Meeting(s)

Year	Location	Date	Time
2009-10	Registered Office, Bangalore	21-07-2010	11.30 hrs
2008-09	Registered Office, Bangalore	28-07-2009	12.00 hrs
2007-08	Registered Office, Bangalore	30-08-2008	12.00 hrs

All the resolutions set out in the respective notices of last three Annual General Meetings were passed by the shareholders. No Special Resolution was passed at the Annual General Meeting.

An Extra ordinary General Meeting was conducted on 28.1.2011 to alter the existing Articles of Association of the Company, to facilitated dematerialization of Company's share as per the provisions of Depositories Act, 1996. The Special Resolution was approved by the shareholders.

(iv) Financial Calendar

The Company's financial year is from 1st April to 31st March.

(v) Transfer of unpaid/unclaimed dividend amounts to Investor Education & Protection Fund

Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, as required to be transferred to Investor Education & Protection Fund established by the Central Government.

Members who have so far not en-cashed their dividend warrants are requested to write to the Company/Registrar to claim the same, to avoid transfer to IEPF. List of unpaid dividend list year wise is available at the Company's website. Shareholders are requested to visit the site to know the status. Members are advised that no claim shall lie against the said Fund or the Company for the amounts of dividend so transferred to the said Fund.

The Company has transferred unclaimed Dividend amount upto the year 2002-2003 to Investor Education & Protection Fund as set up by Government of India.

(vi) CEO / CFO CERTIFICATION

As required by clause 49 of the Listing Agreement, the CEO/CFO certification is appended as an Annexure to this Report.

(vii) Annual General Meeting for the year 2010-11

Day and Date	Tuesday, 12 th July 2011
Time	11.45 a.m.
Venue	KIOCL Limited, II Block, Koramangala, Bangalore – 560034

(viii) Financial Calendar for 2011-12 (Tentative)

Financial Report for the Quarter ending June 30, 2011	Within 45 days of the end of each quarter.
Financial Report for the Quarter ending September 30, 2011	Within 45 days of the end of each quarter.
Financial Report for the Quarter ending December 31, 2011	Within 45 days of the end of each quarter.
Financial Report for the Quarter ending March 31, 2012	Within 45 days of the end of each quarter.
Annual General Meeting for the year 2011-12	Last week of September, 2012

(ix) Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from 8.7.2011 to 12.7.2011 (both days inclusive)

(x) Listing on Stock Exchanges

The Equity Shares of the Company are listed on

Sl No.	Name & address of the Stock Exchanges	Scrip Code
1.	Bangalore Stock Exchange Ltd. 51, 1st Cross, JC Road, Bangalore – 560 027	KIO
2.	Madras Stock Exchange Limited. Exchange Building, 11, Second Line Beach, Chennai – 600 001	KIO

Listing fees for the year 2010 – 11 has been paid.

(xi) Market price Date

There was no trading reported at Bangalore and Madras Stock Exchange during 2010-11.

(xii) Performance in comparison to broad based indices such as BSE Sensex, CRISIL Index etc.

Since the Company's shares are not traded on a large scale frequently, its performance cannot be compared to broad based indices such as BSE Sensex, CRISIL Index etc. in the absence of price data.

(xiii) Registrars and Transfer Agents & DP: M/s Integrated Enterprises (India) Ltd
(Earlier M/s Alpha Systems Private Limited)
Regd. Office: 30, Ramana Residency,
4th Cross, Sampige Road, Malleswaram,
Bangalore – 560003
Tel. No.: 080-23460815-818
Email id: alfint@vsnl.com.

(xiv) Share Transfer System

The shares of the Company which are in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, Integrated Enterprises (India) Limited and approved by the Share Transfer Committee. The share transfers are generally processed within a period of 15 days from the date of receipt of the transfer documents by the Company or its R&T Agent.

(xv) Investor Correspondence

In order to facilitate quick redressal grievance / queries the investors and shareholders may contact the Company Secretary at under mentioned address for any assistance:

Shri S. K. Padhi,
Company Secretary
KIOCL Limited
II Block, Koramangala,
Bangalore - 560034
Telfax 080-25531525,
e-mail/: bsecretary@kudreore.com

(xvi) Shareholders Pattern as on 31.3.2011

Category	Number of shares	Shares in dematerialized mode	Shares in Physical mode	%age of shareholding
Central Govt./State Govt.(s)	628144030	-	628144030	98.9961
Mutual Funds/UTI	1985000	-	1985000	0.3128
Financial Institutions/Banks	800000	-	800000	0.1261
Insurance Companies	2778300	2378300	400000	0.4379
Private Bodies Corporate	18300	12600	5700	0.0029
Resident Indians & others	788170	49570	738600	0.1242
Total	634513800	2440470	632073330	100.00

(xvii) Dematerialization of Shares

As per the directives of Securities & Exchange Board of India (SEBI), the Equity shares of the Company are compulsorily traded in dematerialized form for all the categories of shareholders. Accordingly, the Company has entered into Tripartite Agreements with both the Depository i.e. National Securities Depositories Limited and Central Depository Services (India) Limited (NSDL & CDSL) and our Registrar and Transfer Agent M/s Integrated Enterprises (India) Ltd. (earlier known as Alpha Systems Pvt. Ltd). The ISIN number allotted for the shares of the Company by both Depositories is **INE880L01014**.

Considering the advantages of scrip less trading, shareholders holding shares in physical form should consider dematerialization of their holding. We request the shareholders to open demat accounts with Depository Participant (DP) and convert their physical holding to electronic mode. The latest list of DP can be obtained from the website of NSDL & CDSL such as: www.nsdl.co.in & www.cdslindia.com .

In case you require any assistance / clarification in this regard, you are welcome to contact Secretary's Department at the Registered Office, II Block, Koramangala, Bangalore – 560 034, Phone No.080-25531525, or by email: bsecretary@kudreore.com or the Registrar and Transfer Agents M/s Integrated Enterprises (India) Ltd., 30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bangalore – 560003, 080-23460815-818, or by email: alfint@vsnl.com.

(xviii) Outstanding GDRs/ADRs/Warrants

There are no outstanding GDR's/ADR's/warrant's or any convertible instruments.

(xix) Registered Office: KIOCL Limited
II Block, Koramangala,
Bangalore – 560034, Karnataka
Phone: 080-25531461-470
Fax: 080-25532153-5941
Website: www.kioclltd.com

(xx) Plant Locations

The Company's plants are located at Kudremukh, Chickmagalur District and Mangalore in Dakshina Kannada District in the State of Karnataka.

(xxi) Compliance Certificate

As required under clause 49 of the listing agreement, the certificate from Statutory Auditors pertaining to compliance of conditions of Corporate Governance is being annexed with the Directors Report.

This report duly complies with the requirements of Guidelines on Corporate Governance for CPSEs and covers all the suggested items mentioned in Annexure-VII of the Guidelines. The quarterly report on compliance with the Corporate Governance requirements prescribed by DPE is also sent to Administrative Ministry regularly.

NON-MANDATORY REQUIREMENTS

1. Chairman of the Board

The Chairman-cum-managing Director of the Company, who is in whole time employment, is the Chairman of the Board. Therefore, there is no need for maintenance of a separate Chairman's office.

2. Remuneration Committee

Explained in Para 2(B) of Corporate Governance Report.

3. Shareholders Rights

The quarterly, half yearly and yearly financial results are published in the newspapers. These results are also uploaded on the website of the Company. Half yearly results are not sent to the shareholder of the Company.

4. Audit qualifications

There is no audit qualification.

5. Training of Board Members

An induction programme at the project site along with the site visits were organized for the independent Directors newly joined.

6. Mechanism for evaluating non-executive Board Members

Not adopted.

7. Whistle Blower Policy

Whistle Blower Policy is not a mandatory requirement. Company is yet to frame a policy in this regard. However, Guidelines / instructions issued by Govt. of India and CVC are being followed.