

Corporate Governance Report**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company is committed and continues to focus on good Corporate Governance by being transparent and by maintaining a high level of integrity, accountability and social responsibility. This report is prepared in conformity with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

BOARD OF DIRECTORS

The Board consists of 8 Directors of which 4 Directors are Independent as on March 31, 2014.

The composition of the Board of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, as also the number of other Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2014 are as follows:

Name of the Director	Category	Financial Year 2013-14 Attendance at		Number of Directorships in other public companies*	Committee positions in other public companies**	
		Board Meetings	Last AGM		Member	Chairman
S C Gupta	Independent NED	6	Yes	8	8	-
Salil Taneja	Promoter ED	4	No	1	-	-
Rajiv Goel	ED	6	Yes	1	1	-
O P Kakkar	Independent NED	4	Yes	-	-	-
K K Rai	Independent NED	6	Yes	2	2	-
Vinod Sethi @	Independent NED	4	Yes	6	-	-
J P Sureka	Promoter NED	5	Yes	3	5	1
B R Taneja	Promoter NED	5	Yes	1	-	-
S Khatanhar	Independent NED (IDBI Bank Nominee)	3	Yes	-	-	-

NED: Non-Executive Director

ED: Executive Director

* This does not include directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

** This includes only Audit and Shareholders'/ Investors' Grievance Committees.

@ Director upto February 11, 2014.

Corporate Governance Report (contd.)

During the year under review, Six Board Meetings were held as under:

Sr. No	Date of Meeting
1	May 28, 2013
2	August 12, 2013
3	November 13, 2013
4	February 11, 2014
5	March 06, 2014
6	March 28, 2014

- The composition of the Board of the Company is in conformity with the stipulations in Clause 49 of the Listing Agreement.
- The Board has complete access to all the relevant information available within the Company.

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 2013, Mr. J. P. Sureka, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re - appointment.

In compliance to relevant provisions of the Companies Act, 2013, the appointment Mr. S C Gupta and Mr. K K Rai as Independent Director(s) is being placed before the Members at the ensuing Annual General Meeting.

Brief resume of the Directors proposed to be appointed / re-appointed is given in Notice convening the Annual General Meeting.

AUDIT COMMITTEE

The terms of reference of the Audit Committee are in conformity with the stipulations in Clause 49 of the Listing Agreement with the Stock Exchanges and provisions of Section 292A of the Companies Act, 1956.

Composition, Meetings and Attendance during the year:

The composition of Audit Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman / Member	Number of Meetings Attended
Vinod Sethi@	Chairman (Independent)	5
S C Gupta	Member (Independent)	4
K K Rai	Member (Independent)	5
J P Sureka	Member	4

@ Director upto February 11, 2014.

During the year under review, Five Meetings of Audit Committee were held as under:

Sr. No.	Date of Meeting
1	May 28, 2013
2	August 12, 2013
3	September 27, 2013
4	November 13, 2013
5	February 11, 2014

Mr. Vinod Sethi, the Chairman of the Audit Committee was present at the last Annual General Meeting.

Mr. K K Rai was appointed as Chairman of the Audit Committee in the Board meeting held on March 6, 2014.

MANAGERIAL REMUNERATION

a. REMUNERATION COMMITTEE:

The Company has a Remuneration Committee of Directors.

The Remuneration Committee is empowered to fix, review and recommend the remuneration payable to the Whole-time Directors of the Company from time to time including the annual increase in their remuneration.

Composition, Meetings and Attendance during the year:

The composition of Remuneration Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman / Member	Number of Meetings Attended
K K Rai	Chairman upto March 5, 2014 and Member w.e.f. March 6, 2014	2
S C Gupta	Member upto March 5, 2014 and Chairman w.e.f. March 6, 2014	1
Vinod Sethi@	Member	1
J P Sureka#	Member	1

@ Director upto February 11, 2014.

Appointed on March 6, 2014

During the year under review, Two meetings of Remuneration Committee were held as under :

Sr. No	Date of Meeting
1	September 27, 2013
2	March 28, 2014

The Company does not have any Employee Stock Option Scheme.

b. Remuneration Policy

- Based on the recommendations of the Remuneration Committee, the remuneration of the

Corporate Governance Report (contd.)

Whole-time Directors is decided by the Board of Directors, which inter-alia is based on the criteria such as industry benchmarks, financial performance of the Company, performance of the Whole-time Directors, etc.

- The Company pays remuneration by way of salary, perquisites, allowance and commission to its Whole-time Directors.
- Based on the recommendations of the Remuneration Committee, the Board of Directors decides the payment of remuneration to the Non-Executive Directors. No remuneration is paid to any Non-Executive Director except Mr. B. R. Taneja and Mr. O. P. Kakkar.

The Company pays sitting fee of Rs. 20,000/- each for attending Board and Committee Meetings, to all the Non-Executive Directors subject to terms of remuneration, if any paid.

- There has been no change in the Remuneration Policy of the Company.

c. Remuneration to Directors:

A Statement on the remuneration paid to the Whole-time Directors, Mr. B R Taneja and Mr. O. P. Kakkar and sitting fees paid to Non-Executive Directors, during the financial year 2013-14 is given below:

Name of the Director	Salary & Perquisites (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)
S C Gupta	NA	-	280000
Salil Taneja	6518086	-	NA
Rajiv Goel	7432809	-	NA
O P Kakkar	3600000	-	NA
K K Rai	NA	-	340000
Vinod Sethi@	NA	-	280000
J P Sureka	NA	-	200000
B R Taneja	3390000	-	100000
S Khatanhar	NA	-	100000
TOTAL	20940895	-	1300000

@ Director upto February 11, 2014.

Note: Salary and perquisites include other allowances, Contribution to Provident Fund and Superannuation, Leave Travel Allowance, Medical Reimbursement and Accommodation provided.

Service of the Whole-time Directors may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof. There is no separate provision for payment of severance fees.

The Company has received the approval of the Central Government for payment of remuneration to Mr. O P Kakkar, Non-Executive Director of the Company.

The Company has applied to the Central Government for the waiver of recovery of excess remuneration from Mr. Salil Taneja and Mr. Rajiv Goel, Whole-Time Directors of the Company, for Financial Year 2012-13 and for payment of remuneration to the said Whole-Time Directors in event of absence or inadequacy of profits, in Financial Year 2013-14.

Details of shares of the Company held by its Non-Executive Directors as on March 31, 2014 are given below:

Name of the Director	Number of shares
S C Gupta	Nil
O P Kakkar	85,204
K K Rai	Nil
J P Sureka	1,20,380
B R Taneja	90,793
Suresh Khatanhar	Nil

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Company has a Shareholders'/ Investors' Grievance Committee of Directors to look into the redressal of shareholder and investors' complaints like Transfer or Credit of Shares, non-receipt of Annual Reports / Dividends etc.

Composition, Meetings and Attendance during the year:

The composition of Shareholders'/ Investors' Grievance Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman / Member	Number of Meetings Attended
K K Rai	Chairman	4
S C Gupta	Member	3
Vinod Sethi @	Member	4

@ Director upto February 11, 2014.

During the year under review, Four Meetings of Shareholders'/ Investors' Grievance Committee were held as under:

Sr. No.	Date of Meeting
1.	May 28, 2013
2.	August 12, 2013
3.	November 13, 2013
4.	February 11, 2014

Corporate Governance Report (contd.)

COMPLIANCE OFFICER

Mr. Nilesh Jain, Company Secretary is the Compliance Officer of the Company for ensuring compliance with the requirements of the Listing Agreement with the Stock Exchanges and under SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

During the year under review all the complaints / grievances that were received from the shareholders/investors, have been attended to and satisfactorily resolved. No valid transfer/ transmission of shares were pending as on March 31, 2014.

Details of investor complaints received and redressed during the Financial Year 2013-14 are as follows:

Number of complaints pending at the beginning of the year	Nil
Number of complaints received during the year	9
Number of complaints disposed off during the year	9
Number of complaints remaining unresolved at the end of the year	Nil

CODE OF CONDUCT

The Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is posted on the website of the Company.

CEO/ CFO CERTIFICATION

In accordance with Clause 49(V) of the Listing Agreement with the Stock Exchanges, the CEO and CFO have given their certificate to the Board.

GENERAL BODY MEETINGS

Location and time of General Meetings held in last Three years:

Year	Type	Date	Venue	Time	Number of Special Resolutions passed
2012-13	AGM	12.08.2013	Hyatt Regency, Weikfield IT Park, Pune -411014	11.00 AM	-
2011-12	AGM	27.09.2012	Hotel Le Meridien, Regal Hall, Pune – 411 001	11.00 AM	3
2010-11	AGM	30.09.2011	Vivanta by Taj Blue Diamond, Pune – 411 001	11.30 AM	2

All special resolutions moved at the Annual General Meetings were passed unanimously by show of hands.

POSTAL BALLOT

None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

OTHER DISCLOSURES

- i) Details of related party transaction are furnished under Notes to Financial Statement.
- ii) There were no instances of material non-compliances and no strictures or penalties 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.
- iii) Mr. B R. Taneja, Director is father of Mr. Salil Taneja, CEO. Except as mentioned above, none of the other Directors have any relation inter-se.
- iv) The Company has complied with all the mandatory requirements and adopted part of the non-mandatory requirements.

MEANS OF COMMUNICATION

The quarterly results are normally published in one English daily newspaper and one vernacular (Marathi) daily newspaper. The quarterly results are also displayed on the Company's website.

Presentations were made to Institutional Investors and to the Analysts during the period under review.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

The Company has designated the E-mail ID "secretarial@ismt.co.in" exclusively for investor servicing.

GENERAL SHAREHOLDER INFORMATION

AGM Date and Time	September 26, 2014 at 10:00 AM
Venue	Hyatt Regency Pune, Weikfield IT Park, Pune Nagar Road, Pune -411014.
Financial Year	April 01 to March 31
Date of Book Closure	From September 22, 2014 to September 26, 2014 (both days inclusive)
Dividend Payment date	Not applicable
Listed on Stock Exchange	BSE and NSE
Security Code (BSE)	532479
Security Code (NSE)	ISMTLTD
ISIN Number allotted to equity shares	INE732F01019
Registered Office	Lunkad Towers, Viman Nagar, Pune 411 014

Corporate Governance Report (contd.)

The Company has paid listing fees for the Financial Year 2014-15 to the Stock Exchanges where the shares of the Company are listed.

STOCK MARKET DATA AND SHARE PRICE PERFORMANCE**BOMBAY STOCK EXCHANGE LIMITED (BSE):****(Rs.)**

Month	Market price		BSE 500 INDEX	
	High	Low	High	Low
April 2013	11.54	9.27	7413.56	6872.16
May 2013	13.65	9.45	7748.63	7374.61
June 2013	12.20	9.10	7465.12	6868.43
July 2013	10.32	8.75	7444.46	6888.21
August 2013	9.64	8.55	7060.53	6301.27
September 2013	12.92	8.76	7413.62	6539.15
October 2013	11.18	9.86	7667.42	6978.73
November 2013	13.65	10.30	7737.66	7348.20
December 2013	11.99	9.65	7862.72	7558.21
January 2014	15.30	10.50	7902.67	7401.20
February 2014	12.75	9.75	7714.56	7320.93
March 2014	12.45	10.05	8315.58	7648.69

NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE):**(Rs.)**

Month	High	Low
April 2013	11.50	9.25
May 2013	13.80	9.50
June 2013	12.70	9.10
July 2013	10.00	8.75
August 2013	9.60	8.55
September 2013	12.90	8.80
October 2013	11.25	9.70
November 2013	13.25	10.20
December 2013	12.25	9.65
January 2014	13.85	10.55
February 2014	12.80	9.75
March 2014	12.50	10.05

Source: BSE & NSE websites.

REGISTRAR AND SHARE TRANSFER AGENT

Shareholders may contact Registrar and Share Transfer Agent at the following addresses:

<p>Sharepro Services (India) Pvt. Ltd. 13, AB Samhita Warehousing Complex 2nd Floor, Saki Naka Telephone Exchange Lane, Off. Andheri Kurla Road, Saki Naka, Andheri East, Mumbai - 400 072. Tel.:- +91 - 22 - 67720300 / 400 Fax.- 022 – 28591568 e-mail:sharepro@shareproservices.com</p>
<p>Sharepro Services (India) Pvt. Ltd. 3, Chintamani Apartments, Lane No 13, Off V.G.Kale Path 824/D, Bhandarkar Road Pune - 411004 Tel. +91-20-25662855 e-mail: sharepropune@vsnl.net</p>

As regards to the shareholding in electronic form shareholders are requested to write to their respective Depository Participant and provide Bank Mandate details, N-ECS particulars, email ID etc. so as to facilitate expeditious payment of Corporate Action, if any.

SHARE TRANSFER SYSTEM

The Company's shares are traded compulsorily in Demat segment on the Stock Exchanges. Shares received for transfer in physical mode are processed and valid transfers are approved within prescribed time limit.

Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchanges, certificate on half yearly basis have been filed with the Stock Exchanges for due compliance of share transfer formalities by the Company. In terms of guidelines issued by SEBI, the Reconciliation of Share Capital Audit Report for all the quarters have been filed with the Stock Exchanges, which inter-alia gives details about the reconciliation of Share Capital (both physical and demat).

DISTRIBUTION OF SHAREHOLDING OF THE COMPANY AS ON MARCH 31, 2014

Shareholding of Nominal Value of Rs.	No. of Share Holder(s)	% to Total %	No. of Shares	% to Total
Upto 5,000	127747	96.79	20379535	13.91
5,001 10,000	2032	1.54	3086641	2.11
10,001 20,000	1106	0.84	3175437	2.17
20,001 30,000	447	0.34	2229770	1.52
30,001 40,000	159	0.12	1116171	0.77
40,001 50,000	118	0.09	1102029	0.75
50,001 1,00,000	195	0.15	2757666	1.88
1,00,001 And above	170	0.13	112654134	76.89
Total	131974	100.00	146501383	100.00

Corporate Governance Report (contd.)

DEMATERIALISATION OF SHARES AND LIQUIDITY

86.78% of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2014.

OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY:

The Company has no outstanding GDRs and the Company has not issued any ADRs / Warrants or any convertible instruments during the period under review.

CORPORATE FILING AND DISSEMINATION SYSTEM:

The financial and other information filed by the Company, from time to time is also available on the Corporate Filing and Dissemination System maintained by BSE and NSE and can be accessed on the URL - www.corpfilings.co.in.

The quarterly compliance report on corporate governance as prescribed under Clause 49 of the Listing Agreement and the shareholding pattern of the Company as prescribed under Clause 35 of the Listing Agreement executed with the Stock Exchanges are also filed through NSE Electronic Application Processing (NEAP) System.

UNCLAIMED / OUTSTANDING DIVIDEND ON EQUITY SHARES:

To facilitate investors who have not claimed the dividend amount for earlier years on the Equity Shares from the Company, details

of the unclaimed amount are being displayed on the Ministry of Corporate Affairs (MCA) website :www.iepf.gov.in

Investors are requested to browse the said site to find out the outstanding amount, if any, and claim the same from the Company, before transfer to the Investor Education and Protection Fund as per the provisions of the Companies Act, 2013.

PLANT LOCATIONS

The Company has manufacturing facilities at:

1. MIDC Industrial Area, Ahmednagar - 414111
2. MIDC Industrial Area, Baramati - 413133
3. Jejuri Morgaon Road, Jejuri – 412303
4. Structo Hydraulics AB, Storfors, Sweden
5. Village Kurla, Warora, Chandrapur – 422910

ADDRESS FOR CORRESPONDENCE

Lunkad Towers, Viman Nagar, Pune 411 014

For and on behalf of the Board of Directors

S C Gupta
Chairman

Pune, May 28, 2014

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT, PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

As required by Clause 49(D)(ii) of the Listing Agreement, this is to confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. The Code is available on the Company's web site.

I confirm that the Company has in respect of financial year ended on March 31, 2014, received from the senior management team of the Company and the Members of the

Board, a declaration of compliance with Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team comprises of employees in the Vice President and above Cadre as on March 31, 2014.

For ISMT Limited

Pune, May 28, 2014

Salil Taneja
Chief Executive Officer