

MORARKA FINANCE LIMITED.

NOMINATION & REMUNERATION POLICY

PREFACE:

Pursuant to Section 134(3)(e) read with Section 178(1) & (3) of the Companies Act, 2013 there shall be a need for all the listed companies and such other companies as specified in this act to have policy on Director's appointment and remuneration.

The company being listed entity on both the bourses of BSE, is required to form a policy on Director's appointment and remuneration including the criteria for determining qualifications, positive attributes, independence of a director and other matters mentioned in section 178(3) of the Companies Act, 2013, which is as follows:

Appointment of Executive & Non-executive Directors:

While appointment of any person as a director of the company, the Nomination & Remuneration Committee shall consider the following:

No person shall be eligible for appointment as a managing or whole-time director (hereinafter referred to as managerial person) of a company unless he satisfies the following conditions, namely

(a) he had not been sentenced to imprisonment for any period, or to a fine exceeding one thousand rupees, for the conviction of an offence under any of the Statutory Acts as mentioned in Schedule V of the Companies Act, 2013.

(b) he had not been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (52 of 1974):

Provided that where the Central Government has given its approval to the appointment of a person convicted or detained under sub-paragraph (a) or sub-paragraph (b), as the case may be, no further approval of the Central Government shall be necessary for the subsequent appointment of that person if he had not been so convicted or detained subsequent to such approval.

(c) he has completed the age of twenty-one years and has not attained the age of seventy years:

Provided that where he has attained the age of seventy years; and where his appointment is approved by a special resolution passed by the company in general meeting, no further approval of the Central Government shall be necessary for such appointment;

(d) where he is a managerial person in more than one company, he draws remuneration from one or more companies subject to the ceiling provided in section V of Part II;

(e) he is resident of India as per explanation I of Schedule V of the Act.

Further, Nomination & Remuneration committee shall ensure while appointing the independent directors the requirements stated in Section 150 (4) of the Companies Act, 2013.

Remuneration to Independent / Non-Executive Directors:

1. Payment of Remuneration :

None of the independent / Non executive directors shall be entitled to any remuneration as stated in section 197(1)(ii)(a) and (b) of Companies Act, 2013.

2. Payment of sitting fees:

All the independent / Non Executive directors shall be entitled to receive sitting fees for attending Board Meetings and / or Committee Meetings as may be decided by the Board from time to time, which shall not exceed Rs 1,00,000 per meeting. At present, they have not been paid any sitting fees seeing the mediocre size of the company.

3. Payment / Reimbursement of Out of pocket expenditure:

Besides sitting fees as stated above, the independent / non-executive directors shall also entitled to receive out of pocket expenditure for an amount of Rs 250 per meeting subject to the approval of shareholders in ensuing general meeting of the company, if required.

Remuneration to Whole time / Executive Directors:

The company is having no any executive director on its board at present. Shri G R Morarka is a Non Executive Chairman, Ms Priyanka Morarka, daughter of Shri G R Morarka is a Non executive director.

Pursuant to the requirements of Section 203 of the Companies Act, 2013, the company has three Key Managerial Personnel (KMPs) being Chief Executive Officer (Vice President), Chief Financial Officer and a Company Secretary.

Remuneration:

In case if the company has adequate profits:

In case of the company employs executive directors, then all of them putting them together shall be entitled to get overall upto 10% of the net profits computed in a manner stated in Section 198 of the Companies Act, 2013. Further, in no case it shall exceed 5% of the net profits computed in the manner stated in Section 198 of the Act to a single executive director.

In case if the company has losses or inadequate profits:

If during any financial year the company has incurred losses or it has earned inadequate profits then in such case, the remuneration to the whole time / executive directors shall be payable as per the provisions of Schedule V of the Companies Act, 2013 on the basis of effective capital of the company.

Maximum Remuneration payable to each of the three executive directors may extend to the maximum of Rs 60 lacs per annum plus 0.01% of the effective capital in excess of Rs 250 crores.

Besides above, the whole time directors may also be entitled to get such other benefits / emoluments/ allowances / perquisites as stated in section IV of Schedule V of the Companies Act, 2013 in the manner and to the extend provided there at.

The company shall approach the Central Government for payment / increase in remuneration exceeding the amount stated in Schedule V of the Companies Act, 2013 in case if the company has losses or inadequate profits or terms and conditions stipulated in schedule V have not been met with.

In terms of academic qualifications, although there shall be no any written norms but the preference shall be given to IAS, IPS, CS, CA, CMA and other professional persons to be inducted on the Board of the company. The person should have a skill and experience in the arena of his profession. He should enhance the quality of governance and should be a team member to provide positive input in strategic management to the and being in the top brass of the company. To be an independent director, the person should fulfil the following criteria as specified in Section 149 (6) of the Companies Act, 2013.

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (e) who, neither himself nor any of his relatives—
 - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - (iii) holds together with his relatives two per cent. or more of the total voting power of the company;
or
 - (iv) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- (f) who possesses such other qualifications as may be prescribed.

The nomination and remuneration committee understands and acknowledges the matters set out in Section 178(4)(a)(b)&(c) and shall always endeavour to reward the quality directors and other key managerial personnel [section 203(1)]. The qualification, merits and experience shall be asserted while deciding the remuneration and it shall be endeavour to attract, retain and enhance the human capital being biggest asset of the company.

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