

WELCAST STEELS LIMITED

(CIN: L27104KA1972PLC002163)

Regd. Office: Plot No.15, Phase -1, Peenya Industrial Area, Bangalore – 560 058

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To,
Director

Sub.: Appointment as Independent Director under Companies Act, 2013.

Dear Sir,

We thank you for your confirmation to the Company that you are meeting the criteria prescribed under Section 149 (6) of the Companies Act, 2013 (Act) and proposed Clause 49 of the Listing Agreement (effective from 1st October 2014) and also your consent to hold the office of the Director of the Company.

We are pleased to inform that pursuant to your confirmation and based on the recommendations of the Nomination and Remuneration Committee and the Board of Directors, the Shareholders of the Company at the 42nd Annual General Meeting held on Wednesday, the 10th September 2014 have passed the resolution for your appointment as an Independent Director of the Company from (●) to (●) until otherwise decided.

As per the requirements of the Companies Act, 2013, the above is being formalized through this letter of appointment. Please note that this is neither a contract of service nor a contract of employment.

Appointment:

On the recommendations by the Board of Directors in their meeting held on 28th July 2014, your appointment will be from (●) to (●). This tenure is subject to your meeting the criteria for being an Independent Director and not being disqualified to be a Director under the applicable provisions and regulations.

As an Independent Director, you will not be liable to retire by rotation.

Role on the Board:

You are expected to provide your expertise and experience inter alia in the fields of accounts, taxation, strategic planning, management, corporate governance, restructuring, risk managements, succession planning and other fields including administrative expertise etc. including Board best practices, in the functioning of the Board and the Committee of the Board in which you may be nominated. In addition to routine board meetings, you should allow for committee meetings, preparatory work and travel, and ensure that you are in a position to make the necessary overall time commitment.

You may be nominated on one or more committees of the Board and in such event you will be provided with the relevant Committee's term of reference and specific responsibilities.

As per the Board's current assessment, you are the Chairman / members of the following Committees (●):

As an Independent Director, you shall devote time for the performance of your role and discharging duties and responsibilities as an Independent Director.

Duties and Liabilities:

The duties and liabilities that come with your appointment would be as per applicable laws, Company's policies and the Articles of Association of the Company.

The Board may reconstitute the composition of any / all committees from time to time and any such change shall be promptly communicated to you. In such an event you may also be required to serve on other committees of the Board.

The Term of References and mandates of the committees are provided as Annexure – "(1)".

You will follow "the Code for Independent Director" as per Schedule IV of the Companies Act, 2013 and Code of Conduct for the Board members as specified by the Company from time to time. We further inform that the applicable provisions of Clause 49 of the Listing Agreement will be made applicable with effect from 1st October 2014.

For your ready reference the relevant provisions have been extracted from the Companies Act, 2013 and other applicable provisions and rules made thereunder and are enclosed to this letter as Annexure – "(2)". You will also be responsible for providing guidance in the area of your expertise.

Technology:

You may give your consent by advance notification to the Chairman or Company Secretary to participate in any meeting (s) of the Board or Committee of directors, when necessary through video conferencing or other audio visual means, except for matters not to be so dealt under the Companies Act, 2013. When necessary, you can also participate through telephone, electronic mail or any other technology which permits you to communicate with every other Director, though such participation would not be reckoned as attending the meeting under the Companies Act, 2013.

Independence:

The Board of Directors of the Company inter alia has given due consideration to your decision of being qualified as 'Independent' in accordance with the provisions of Companies Act, 2013 and the Listing Agreement with the Stock Exchange. You are expected to continue to be qualified as 'Independent' during your tenure and provide periodic declaration to the effect as required by regulations. You will be identified as 'Independent Director' in the Annual Report and other documents and publications of the Company. If circumstances change and you believe it may not be possible for you to retain your independence, you should discuss this with the Chairman as soon as practicable.

Evaluation Processes

Your performance evaluation shall be done by the Board of Directors annually, without your participation. You will participate in reviewing the performance of non-Independent directors and the Board as a Whole, performance of the Chairman and other independent directors.

The Criteria for evaluation shall be determined by the Nomination Committee and disclosed in the Company's Annual Return.

Code of Conduct for Directors

You will follow the Code of Conduct for Directors and furnish an annual affirmation of the same.

You will apply the highest standards of confidentiality, and not disclose to any person or company (whether during the course of the tenure as Independent Director or at any time after its cessation), any confidential information concerning the Company and any Group Companies with which you come into contact by virtue of your position as a Director, except as permitted by law or with prior clearance from the Chairman or Company Secretary.

Availability of Directors and Officer Liability Insurance

The Directors would be covered / indemnified as per the policy of the Company.

Remuneration

You shall be entitled to sitting fee of Rs.5000/- for attending the meetings of the Board and meetings of Audit Committee either personally or through Video Conference or other audio visual means or for any other purpose whatsoever as may be decided by the Board of Directors. The fee payable shall be subject to applicable tax deduction at source.

In addition to the above, a profit related Commission may also be payable to you. In determining the amount of commission, the Remuneration Committee may consider various factors as disclosed in the remuneration policy forming part of the Board's Report. Indicative lists of the factors that may be considered are as follows:

- (i) Attendance at Board meetings;
- (ii) Attendance at Committee meetings;
- (iii) Chairmanship / membership of the Committees;
- (iv) Contribution at the Board & Committee meetings;
- (v) Performance Evaluation;
- (vi) Guidance and support to Senior Management of the Company outside the Board; and
- (vii) Performance of the Company.

You will also be entitled to reimbursement of all expenses for participation in the Board and other meetings.

Disclosures

During your tenure, you shall promptly inform the change in your other directorships or other interest as may be required under the applicable laws. You shall promptly intimate to the Company Secretary upon becoming aware of any potential conflict of interest with your position as Independent Director of the Company or to any other authority as may be required in the prescribed manner.

During the term, you shall promptly provide a declaration under Section 149 (7) of the Companies Act, 2013 upon any change in the circumstances which may affect your status as an Independent Director.

Termination:

Your directorship on the Board of the Company shall be terminated or ceased in accordance with Law. Apart from the grounds of Termination as specified in the Companies Act, 2013, your directorship may be terminated for violation of any provisions of Code of Conduct as applicable to Directors.

You may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by you in the Notice whichever is later.

Miscellaneous

All the terms as mentioned above including your appointment, remuneration, professional conduct, role and functions, duties and evaluation shall be governed by the Companies Act, 2013 and Rules made thereunder and Corporate Governance requirements under the Listing Agreement, as amended from time to time.

No waiver or modification of this letter shall be valid unless made in writing and signed by you and by the Company.

As per the provisions of Clause 49 of the Listing Agreement, this letter of appointment will be displayed on the website of the Company and the website of the relevant Stock Exchanges where the shares of the Company are listed.

This letter and any non-contractual obligations arising out of or in connection with this letter are governed by, and shall be construed in accordance with the Laws of India and subject to the exclusive jurisdiction of the Courts in India.

Acceptance of Appointment

Looking to your qualifications, experience and expertise, the Company is confident that your contribution will be of immense value for the growth of the Company.

If, the terms of appointment contained in this letter are acceptable to you, please confirm your acceptance by signing and returning the duplicate copy of this letter.

We thank you for your support and commitment towards the progress of the Company.

Yours sincerely,
For Welcast Steels Limited

(Vinod Narain)
Chairman

Agree and Accept

I have read and understood the terms of my appointment as an Independent Director of the Company as contained in this letter and I hereby affirm my acceptance to the same.

Name of the Director:

Place:

Date:

Terms of Reference of different Committees:

AUDIT COMMITTEE:

The Role of the Audit Committee shall include the following:

- (i) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (ii) Recommendation for appointment, remuneration and terms of appointment of auditors of the company.
- (iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (iv) Reviewing with the management, the annual financial statements and auditor's report thereon 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 (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - (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 judgement 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 the draft audit report.
- (v) Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- (vi) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, right issue, preferential issue, etc.) the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- (vii) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (viii) Approval or any subsequent modification of transactions of the company with related parties;
- (ix) Scrutiny of inter-corporate loans and investments;
- (x) Valuation of undertakings or assets of the company, wherever it is necessary;
- (xi) Evaluation of internal financial controls and risk management systems;
- (xii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

- (xiii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (xiv) Discussion with internal auditors of any significant findings and follow up there on;
- (xv) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- (xvi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern;
- (xvii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors;
- (xviii) To review the functioning of the Whistle Blower mechanism;
- (xix) Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- (xx) To review the Management Discussion and analysis of financial condition and results of operations;
- (xxi) To review, the appointment, removal and terms of remunerations of the Chief internal Auditor.
- (xxii) To review and discuss with the management the status and implications of major legal cases.
- (xxiii) To recommend the board, the appointment of a Cost Accountant within the meaning of the Cost and Works Accountants Act, 1959 to conduct audit of cost records of the company in compliance with the provisions of Section 148 of the Companies Act, 2013 and the rules made thereunder;
- (xxiv) To review the statements of significant related party transactions, management letters etc.
- (xxiv) carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

TERMS OF REFERENCE OF THE NOMINATION AND REMUNERATION COMMITTEE:

Nomination and Remuneration Committee:

- (i) shall identify persons who are qualified to become directors and who may be appointed in Senior Management;
- (ii) recommend to the board their appointment and removal;
- (iii) carry out evaluation of Every Director's performance;
- (iv) Devising a policy on Board diversity;
- (v) shall formulate the criteria for determining qualifications, positive attributes and independence of a director;
- (vi) recommend to the Board a Policy relating to the remuneration for the directors, Key Managerial personnel and other employees
- (vii) To administer, monitor and formulate detailed terms and conditions of the Employees Stock Option Scheme including:
 - (a) The quantum of options to be granted under Employees Stock Option Scheme per employee and in aggregate;
 - (b) The conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
 - (c) The exercise period within which the employee shall exercise the option and that the option would lapse on failure to exercise the option within the exercise period;
 - (d) The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
 - (e) The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
 - (f) The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as right issues, bonus issues, merger, sale of division and others;;
 - (g) The granting, vesting and exercising of options in case of employees who are on long leave; and the procedure for cashless exercise of options.
- (viii) to carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- (ix) to perform such other functions as may be necessary or appropriate for the performance of its duties.

The Nomination and Remuneration Committee shall look into the following while taking into account Remuneration Policy of the Company:

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmark;
- (c) remuneration to directors, KMP and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
- (d) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;
- (e) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

- (f) percentage increase in the median remuneration of employees in the financial year;
- (g) the number of permanent employees on the rolls of the company;
- (h) the explanation on the relationship between average increase in remuneration and company performance;
- (i) comparison of the remuneration of the Key Managerial Personnel against the performance of the company;
- (j) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;
- (k) comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;
- (l) the key parameters for any variable component of remuneration availed by the directors;
- (m) the ratio of the remuneration of the highest paid director to that of the employee who are not directors but receive remuneration in excess of the highest paid director during the year;

TERMS OF REFERENCE OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

- (i) Formulate and recommend to the Board a CSR policy which shall indicate the activities to be undertaken by the company specified in Schedule VII;
- (ii) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- (iii) Monitor the CSR policy from time to time;

TERMS OF REFERENCE OF THE STAKEHOLDERS RELATIONSHIP COMMITTEE:

- (i) Redressal of Shareholders and Investors complaints like transfer of shares, non- receipt of Annual Reports, non-receipt of declared dividends etc.
- (ii) Oversee the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services.

Relevant Extracts of the provisions under Companies Act, 2013

Officers in Default : Section 2(60):

“officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—

- (i) whole-time director;
- (ii) key managerial personnel;
- (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;
- (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
- (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
- (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
- (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;

The Directors’ Responsibility Statement referred to in clause (c) of sub-section (3) shall state that—

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Section 166 - Duties of Directors

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- (2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

SCHEDULE IV
[See section 149(8)]
CODE FOR INDEPENDENT DIRECTORS

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

I. Guidelines of professional conduct:

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

II. Role and functions:

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties :

The independent directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment:

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfills the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

- (4) The appointment of independent directors shall be formalized through a letter of appointment, which shall set out :
- (a) the term of appointment;
 - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
 - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
 - (d) provision for Directors and Officers (D and O) insurance, if any;
 - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
 - (f) the list of actions that a director should not do while functioning as such in the company; and
 - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal:

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. Separate meetings:

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
- (a) review the performance of non-independent directors and the Board as a whole;
 - (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

VIII. Evaluation mechanism:

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.