

Annexure III to the Directors' Report

Corporate Governance

1. Company's Philosophy on Corporate Governance:

ZF INDIA is fully committed to attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its shareholders, employees, the government and its customers.

ZF INDIA believes that all its operations and actions must serve the underlying goals of achieving business excellence and increasing long-term shareholder value.

2. Board of Directors:

The Board of Directors consists of 12 Directors (excluding Alternate Directors) of whom 3 are Executive and 9 are Non-executive. The Chairman of the Board is a executive Director. The Non-executive Directors are eminent professionals with experiences in various fields. The Company has no nominee Director from any bank or financial institution.

The necessary disclosures regarding Committee positions have been made by all the Directors. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all companies in which they are Directors.

Number of Board Meetings held and the dates on which held

The Board Meetings dates are normally pre-determined. During the year ended on March 31, 2011, the Board of Directors had 4 meetings. These were held on May 27, 2010, July 14, 2010, October 28, 2010 and February 3, 2011.

The information as specified in Annexure IA to Clause 49 of the Listing Agreements entered into with the Stock Exchange is regularly made available to the Board whenever applicable and materially significant, for discussion and consideration.

Details of Composition of the Board, category, attendance of Directors, number of other committee memberships are given below:

Sr. No.	Name of the Director	Category of Directorship	Attendance Particulars		No. of other Directorship and Committee Membership / Chairmanship		
			Board Meetings	Last AGM	Other Directorship#	Committee Membership	Committee Chairmanship
1	Mr. Dinesh Munot (Chairman and Managing Director)	Executive	4	Yes	7	1	None
2	Mr. Jinendra Munot (Jt. Managing Director)	Executive	4	Yes	2	None	None
3	Mr. Utkarsh Munot (Executive Director)	Executive	4	Yes	3	None	None
4	Mr. D. S. Bomrah	Non-Executive, Independent	2	No	1	None	None
5	Mr. Manish Motwani	Non-Executive, Independent	4	Yes	8	None	None
6	Dr. Dinesh Bothra	Non-Executive	3	Yes	7	None	None
7	Mr. Walter Salvasohn	Non-Executive, Independent	None	No	None	None	None
8	Mr. Ludwig Rapp	Non-Executive, Independent	3	No	None	None	None
9	Mr. M. L. Rathi	Non-Executive, Independent	4	Yes	10	None	None
10	Dr. Hans Friedrich Collenberg	Non-Executive, Independent	1	Yes	None	None	None
11	Mr. Klaus Traeder (Alternate Director for Mr. Walter Salvasohn)	Non- Executive, Independent	4	Yes	None	None	None
12	Mr. Ajinkya Arun Firodia (appointed w.e.f. 14.07.2010)	Non-Executive, Independent	1	Yes	4	None	None
13	Mr. B. S. Iyer (Alternate Director for Dr. Hans Friedrich Collenberg)	Non- Executive, Independent	4	Yes	3	None	None
14	Mr. Shridhar S. Kalmadi	Non-Executive, Independent	3	Yes	4	None	None
15	Mr. A. H. Firodia (upto 14.07.2010)	Non-Executive,Independent	1	No	11	None	None

Includes Directorship in Private Companies.

Relationship between Directors Inter-se

1. Mr. Dinesh Munot and Mr. Jinendra Munot are brothers.
2. Mr. Dinesh Munot is father of Mr. Utkarsh Munot.
3. Mr. Dinesh Munot is father-in-law of Dr. Dinesh Bothra
4. Mr. Manish Motwani is brother-in-law of Mr. Ajinkya Firodia.

3. Audit Committee :

During the year under review, the following Directors were the members of the Audit Committee: Members: Mr. Manish Motwani – Chairman, Mr. D. S. Bomrah and Dr. Dinesh Bothra.

All the members of the Committee are Non-Executive Directors. The role, powers and functions of the Audit Committee are as stated in Clause 49 of the Listing Agreement.

The Committee reviews the financial statements before they are placed before the Board.

During the period under review, the Committee met 4 times on May 20, 2010, July 12, 2010, October 28, 2010 and February 3, 2011. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Members	Meetings attended
1.	Mr. Manish Motwani	4
2.	Mr. D. S. Bomrah	4
3.	Dr. Dinesh Bothra	3

The Committee is authorized by the Board in the manner as envisaged under Clause 49 (II)(C) of the Listing Agreement. The Committee has been assigned task as listed under Clause 49(II)(D) of the Listing Agreement. The Committee reviews the information as listed under Clause 49(II)(E) of the Listing Agreement.

The Minutes of the Audit Committee Meetings are noted by the Board of Directors at the Board Meetings. The Chairman of the Audit Committee was present at the 30th Annual General Meeting held on July 14, 2010.

4. Remuneration Committee:

During the year under review, the following Directors were the members of the Remuneration Committee: Members: Mr. D. S. Bomrah - Chairman and Mr. Manish Motwani

The Remuneration Committee has been constituted to recommend to the Board the amount of commission payable to each whole-time Director and periodically review and suggest revision of the remuneration package of the Managing/ Whole time Directors, based on performance of the Company, Statutory guidelines etc.

The Minutes of the Remuneration Committee Meetings are noted by the Board of Directors at the Board Meetings.

During the financial year, the Committee met on May 20, 2010 where both the members of the Committee were present at the meeting.

Remuneration Policy

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

Details of remuneration paid to Whole-time Directors during the year ended March 31, 2011 are as under:

Name	Salary (Rs.)	Perquisites (Rs.)*	Commission (Rs.)**	Total (Rs.)	Tenure	
					From	To
Mr. Dinesh Munot	9,065,712	2,307,809	8,500,000	19,873,521	14-12-2006	13-12-2011 *
Mr. Jinendra Munot	6,304,584	2,427,603	7,000,000	15,732,187	01-04-2008	31-03-2013
Mr. Utkarsh Munot	2,115,324	928,193	2,500,000	5,543,517	01-11-2006	31-10-2011

* Includes Company's Contribution to Provident Fund, wherever applicable.

** Commission for the Financial Year 2009-10 paid in 2010-11.

Details of remuneration paid to Non-Executive Directors for the year ended March 31, 2011 are as under :

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 5,000/- for Board Meeting and Rs. 5,000/- for Committee meeting attended.

Sitting Fees

Name	Board Meeting Fees (Rs.)	Committee Meeting Fees (Rs.)	Total (Rs.)	No. of Shares held in the Company as on 31-03-2011
Mr. D. S. Bomrah	10,000	20,000	30,000	Nil
Mr. Manish Motwani	20,000	25,000	45,000	Nil
Dr. Dinesh Bothra	15,000	20,000	35,000	Nil
Mr. Walter Salvasohn	Nil	Nil	Nil	Nil
Mr. Ludwig Rapp	15,000	Nil	15,000	Nil
Mr. M. L. Rathi	20,000	Nil	20,000	Nil
Mr. Shridhar S Kalmadi	15,000	Nil	15,000	Nil
Dr. Hans Friedrich Collenberg	5,000	Nil	5,000	Nil
Mr. Ajinkya Arun Firodia	5,000	Nil	5,000	Nil
Mr. Klaus Traeder	20,000	Nil	20,000	Nil
(Alternate Director for Mr. Walter Salvasohn)				
Mr. B. S. Iyer	20,000	Nil	20,000	Nil
(Alternate Director for Dr. Hans Friedrich Collenberg)				
Mr. A. H. Firodia- (upto 14.07.2010)	5,000	Nil	5,000	Nil

5. Shareholders' Grievance Committee :

The Board of the Company has constituted a Shareholders' Grievance Committee, comprising Dr. Dinesh Bothra. The Committee looks into redressing of shareholders' complaints like transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends, etc. and recommends measures for overall improvement in the quality of investor services.

The total number of complaints received and replied to the satisfaction of shareholders, during the year under review, was 15.

6. General Body Meetings:

Location and time for last 3 years' General Meetings were as:

Year	AGM	Location	Dates	Time
2007-08	28th AGM	Regd. Office: Gat 1242/ 44,	30-07-2008	4.30 p.m.
2008-09	29th AGM	Village- Vadu-Budruk,	29-07-2009	4.30 p.m.
2009-10	EGM	Tal. Shirur,	10-04-2010	3.30 p.m.
2009-10	30th AGM	Dist- Pune- 412 216	14-07-2010	4.30 p.m.

Postal Ballot:

No special resolution requiring a postal ballot was placed before the AGM/EGM.

7. Disclosures:

- Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.
- The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management or relatives etc. that may have a potential conflict with the interests of the Company at large.

- With regard to matters related to capital markets, the Company has complied with all requirements of the Listing Agreements entered into with the Bombay Stock Exchange as well as the regulations and guidelines of SEBI. No penalties were imposed or strictures passed against the Company by SEBI, Stock Exchanges or any other statutory authority during the last three years in this regard.
- Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a persona Interest.

