

J.H.Ranade & Associates,

Company secretaries

24/A, 25/A, Dhanalaxmi Chambers, Off Gokhale Road, Nr. Railway Station, Thane (West) 400 602.
Tel. (9522) 2544 24 34

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Sinnar Bidi Udyog Ltd.

We have examined the compliances of conditions of corporate governance by Sinnar Bidi Udyog Ltd., for the year ended on 31st March, 2012, as stipulated in clause 49 of the listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Fer J.H. Ranade & Associates
Company Secretaries

S/d
J.H.Ranade
Proprietor
FCS-4317 CP-2520

Date: 20th July 2012

Place: Thane

MANAGEMENT DISCUSSION AND ANALYSIS:

Business of the Company:

The Company operates in the tobacco industry, with tobacco processing and trading as its core activity. The working of the company during the year could be summarized as under:

Abridged Profit & Loss Statement for 2011-12

(Rs. in lacs)

| <i>Particulars</i> | <i>2011-12</i> | <i>2010-11</i> |
|--------------------------------|----------------|----------------|
| Net Sales | 146.3 | 325.01 |
| Other Income | 216.35 | 50.61 |
| Total Income | 362.65 | 375.62 |
| Manufacturing & Other Expenses | 173.62 | 332.89 |
| PBDIT | 189.03 | 42.73 |
| Depreciation | 3.64 | 4.63 |
| PBIT | 185.39 | 38.1 |
| Interest | - | 1.24 |
| PBT | 185.39 | 36.76 |
| Current & Differed Tax | 55.44 | 7.72 |
| PAT | 129.95 | 29.14 |

Industry structure and developments:

India ranks among the top 5 five countries in both production and consumption of tobacco and tobacco products.

Beedis are rolled from a forest leaf known as "DIOS-PYRUS ME LOMOXYLAN" which is abundantly available in tropical/sub-tropical climatic forests scattered in Andhra Pradesh, Kerala, Karnataka, Orissa, Tamilnadu, Madhya Pradesh etc. Owing to its cheaper cost, this product is widely used by the rural population and certain percentage of low income group among urban population who have relatively poor purchasing power.

Tobacco Industry in India is a labour intensive industry and employs 10 million people. Out of these, around 60 lakh are directly employed in the rolling of bidi activity. The rest are tendu leaves cultivators in the forest areas of the country. Maharashtra is home to around 2.5 to 3 lakh of this workforce. Solapur district alone employs nearly 65,000 workers in different activities of bidi industry. Andhra Pradesh and Karnataka also house tobacco processing units. Bidi products are 100 per cent natural with low nicotine and tar percentages. Also, Bidi is an important source of income, for women, whose earnings constitute on an average 45 to 50% of the total income.

Opportunities and threats:

Our Company's strength lies in the Tobacco processing plant, which is situated at Nipani in the state of Karnataka running exceptionally well, and its expertise is exhibited in developing specialised blends to satisfy its customers. Last year the Company had planned on purchase Tendu Leaves from Chattisgarh Federation, Madhya Pradesh for the purpose of trading and the Company has implemented the same. The major activity of the Company was trading tendu leaves and processing of Tobacco during the year 2011-12. Now the Company is planning to enter into the segment of trading of tobacco.

Our Company's weakness stems from the fact that it is deeply affected by the amendments made in The Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and this has impacted the business of the Company. The Government's plan to halve tobacco production by 2015 is also a major threat to the business of the Company, with raw material being scarce, which will also entail increase in costs.

Internal control systems and their adequacy

The Company has evolved a system of internal control which is adequate to its size and nature of business operations. The internal control system is designed to ensure desired level of control over the transactions. Internal audit plays an important role as it conducts audit of all key business areas as per a pre-drawn audit plan. The internal audit, among other things, looks at internal controls and gives suggestions for strengthening them.

The Company has a strong management information system which is an integral part of control mechanism and clearly defined roles and responsibilities, down the line for all managerial positions.

Material developments in Human Resources / Industrial Relations

The company's Human Resource philosophy is to work towards building a strong performance driven culture with greater accountability and responsibility at all levels. The personnel at all levels are made to identify their goals, resources and measurement of their achievement of the goals was sought.

For the workers in the tobacco industry, the Company has taken innovative employee welfare initiatives. Our deep-rooted work ethics ensure that both the management and workers help each other to achieve the goal of production and distribution of wealth upon principles of equity, reason and common good. We incessantly endeavour to create a scalable business model for our people, our biggest assets. These include working towards the benefit and safety through various welfare activities for the workers and their families, which include comprehensive medical and educational facilities.

Cautionary Statement:

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and predictions may be "forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied, important factors that could make difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in the government regulations, tax regimes, economic developments in India and other incidental factors.

CORPORATE GOVERNANCE REPORT

1. Company's philosophy :

The Company is managed and operated on lines of a social enterprise. We are remaining firmly attached to the vision and values of our founding father, facilitating as a consequence, the economic wellbeing and child welfare of our workers. We look at the customer as an entity who monetizes the value chain... Actually, all our businesses revolve around the worker.

Giving back to our employees, stakeholders and communities enriches us with loyalty, talent and opportunity. We believe it is the right thing to do.

We have evolved a way to quantify our vision. The quantification of our vision and its achievement is based on two parameters: 1) The minimum wages guidelines set by the Ministry of Labour and 2) the UNICEF yardsticks for child welfare. A regular feedback from our workers and their families on the fulfillment of these parameters fructifies our vision which is ably supported by the following core set of values:

**COMMITMENT - MEASUREMENT - FAIRNESS -
ACCOUNTABILITY - TRANSPARENCY - ENABLING GROWTH**

Our Governance Philosophy:

Your Company is committed to the Best practices in corporate governance. Sinnar Bidi Udyog Limited (SBUL) fosters the culture of focusing on transparency, integrity, responsibility and accountability. The Company has adopted various codes and systems which act as guiding principle to its functioning.

2. Board of Directors:

Composition of Board:

There are six Directors on the Board of the Company. One Executive Director and Five independent non-executive Directors. The Directors come from various disciplines and having varied experience in the field of Management.

Various committees of the board have been constituted for the implementation of Corporate governance requirements.

Board Meetings:

Board meetings are held after giving due notice and agenda to all the Directors. The Board of Directors duly met 7 times in the financial year, respectively on :

19th April,2011, 27th May,2011, 1st July,2011, 12th August,2011, 15th October, 2011, 14th November, 2011, 11th February,2012.

| Sr. No. | Name of Director | Category | Board Meetings during 11-12 | Annual General Meeting 14.09.2011 | Other Directorship / Chairmanship/ Membership in Board committees | | |
|---------|--------------------|-------------|-----------------------------|-----------------------------------|---|------------------|--------------------|
| | | | | | Director | Committee Member | Committee Chairman |
| | | | Attended | Attended | | | |
| 1 | Shri.N.L.Patil | Independent | 7 | -- | 1 | Nil | Nil |
| 2 | Shri.M.D.Deshpande | Independent | 7 | Yes | 3 | Nil | Nil |
| 3 | Shri.B.S.Pawar | Independent | 7 | -- | 2 | Nil | Nil |
| 4 | Shri.C.B.Patil | Executive | 5 | Yes | Nil | Nil | Nil |
| 5 | Shri.S.P.Baheti | Independent | 7 | -- | Nil | Nil | Nil |
| 6 | Shri.D.P.Devhad | Independent | 7 | -- | 4 | Nil | Nil |

3. Audit Committee:

Terms of reference of Audit Committee:

The terms of reference of this committee, interalia covers all the matters specified under clause 49 of the listing agreements with the Stock Exchanges. Besides, other terms as may be referred by the Board of Directors, from time to time. The Audit Committee has also powers, interalia to investigate any activity within its terms of reference and to seek information from any employee of the Company and seek legal and professional advice.

Composition and working of Audit Committee:

| Name of Director | Designation in committee | No. of meetings held | No. of meetings attended |
|--------------------|--------------------------|----------------------|--------------------------|
| Shri.N.L.Patil | Member | 4 | 4 |
| Shri.M.D.Deshpande | Chairman | 4 | 4 |
| Shri.C.B.Patil | Member | 4 | 3 |
| Shri.D.P.Devhad | Member | 4 | 4 |

The Audit committee met Four times during the financial year, on 15th April, 2011, 10th August, 2011, 20th November 2011 and 23rd January 2012.

4. Remuneration Committee:

The Company has set up a Remuneration Committee . (a non-mandatory requirement in the new Clause 49 to the listing agreement).

Terms of reference of the Remuneration Committee:

1. Review of human resource policies and practices of the Company and in particular, policies regarding remuneration of Whole-time Directors and Senior Managers.
2. In principle approval of Compensation Philosophy.
3. Review of Senior Management Compensation.
4. Induction of new people.

| <i>Name of Director</i> | <i>Designation in committee</i> | <i>No. of meetings held</i> | <i>No. of meetings attended</i> |
|-------------------------|---------------------------------|-----------------------------|---------------------------------|
| Shri.N.L.Patil | Chairman | 1 | 1 |
| Shri.D.P.Devhad | Member | 1 | 1 |
| Shri.S.P.Baheti | Member | 1 | 1 |

Remuneration is paid to the executive director, as approved by the remuneration committee and remuneration for non-executive directors was sitting fees for the board meeting. The Directors, however, have waived the payment of sitting fees for the year 2011-12, and as such, no remuneration is payable to the non-executive directors.

| <i>Name of Director</i> | <i>Relationship with other directors</i> | <i>Sitting Fees</i> | <i>Salary and allowances(Rs.)</i> | <i>Perquisites(Rs.)</i> | <i>Total (Rs.)</i> |
|-------------------------|--|---------------------|-----------------------------------|-------------------------|--------------------|
| Shri.N.L.Patil | Nil | Nil | -- | -- | -- |
| Shri.M.D.Deshpande | Nil | Nil | -- | -- | -- |
| Shri.B.S.Pawar | Nil | Nil | -- | -- | -- |
| Shri.C.B.Patil | Nil | N.A. | 2,52,175/- | -- | 2,52,175/- |
| Shri.S.P.Baheti | Nil | Nil | -- | -- | -- |
| Shri.D.P.Devhad | Nil | Nil | -- | -- | -- |

5.Shareholders' committee:

Shareholders' committee is headed by Shri.D.P.Devhad, non-executive Director. Among the members is the Compliance officer of the Company, Shri. N.L.Patil.

| <i>Name of Director</i> | <i>Designation in committee</i> | <i>No. of meetings held</i> | <i>No. of meetings attended</i> |
|-------------------------|---------------------------------|-----------------------------|---------------------------------|
| Shri.D.P.Devhad | Chairman | 21 | 21 |
| Shri.B.S.Pawar | Member | 21 | 21 |
| Shri.N.L.Patil | Member and Compliance Officer | 21 | 21 |

No shareholder complaints were received during the period under review. The shareholder's committee duly met on 2nd May, 2011, 17th May, 2011, 27th May, 2011, 24th June, 2011, 15th July, 2011, 9th August, 2011, 26th August, 2011, 5th September, 2011, 22nd September, 2011, 10th October, 2011, 25th October, 2011, 7th November, 2011, 25th November, 2011, 2nd December, 2011, 7th December, 2011, 26th December, 2011, 13th January 2012, 7th February 2012, 20th February 2012, 7th March 2012 and 27th March, 2012 to consider, inter-alia, the transfer of shares and issue of duplicate share certificates.

6. General body Meetings:

Details of last three Annual general Meetings:

| <i>Date and time of AGM</i> | <i>Venue of AGM</i> | <i>Special Resolution passed at the AGM</i> |
|--|--|---|
| 14 th September, 2011 at 1.30 p.m. | 2 Gurukrupa Apartment,N.C.Kelkar Marg,Dadar(w),Mumbai- 400028 | --- |
| 24 th September, 2010 at 1.30 p.m. | 2 Gurukrupa Apartment,N.C.Kelkar Marg,Dadar(w),Mumbai- 400028 | --- |
| 15 th September, 2009 at 1.30 p.m. | 2 Gurukrupa Apartment,N.C.Kelkar Marg,Dadar(w),Mumbai- 400028 | --- |

7. Disclosures:

1. Related party transactions: During 2011-12, the Company has not entered into related party transactions.

2. During the last three years, no penalties, strictures were imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets.

3. Whistle Blower Policy: With a view to establish a mechanism for protecting employees reporting unethical behaviour, frauds or violation of Company's Code of Conduct, the Board of Directors has adopted a Whistle Blower Policy (a non-mandatory requirement in the new Clause 49 to the listing agreement).

4. Compliance with the mandatory requirements and adoption of the non-mandatory requirements of this clause:

Compliance Report on Corporate Governance for the year ended 31st March, 2012.
Name of the Company: SINNAR BIDI UDYOG LIMITED, Code No.509887

| Particulars | Clause of Listing agreement | Compliance Status Yes/No |
|--|------------------------------------|---------------------------------|
| I Board of Directors | 49 I | |
| (A) Composition of Board | 49(IA) | Yes |
| (B) Non-executive Directors' compensation & disclosures | 49 (IB) | Yes |
| (C) Other provisions as to Board and Committees | 49 (IC) | Yes |
| (D) Code of Conduct | (49 (ID) | Yes |
| II. Audit Committee | 49 (II) | |
| (A) Qualified & Independent Audit Committee | 49 (IIA) | Yes |
| (B) Meeting of Audit Committee | | Yes |
| (C) Powers of Audit Committee 49 (IIC) | 49 (IIB) | Yes |
| (D) Role of Audit Committee | 49 II(D) | Yes |
| (E) Review of Information by Audit Committee | 49 (IIE) | Yes |
| III. Subsidiary Companies | 49 (III) | N.A. |
| IV. Disclosures | 49 (IV) | |
| (A) Basis of related party transactions | 49 (IV A) | Yes |
| (B) Disclosure of Accounting Treatment | 49 (IV B) | N.A. |
| (C) Board Disclosures | 49 (IV C) | Yes |
| (D) Proceeds from public issues, rights issues, preferential issues etc. | 49 (IV D) | N.A. |
| (E) Remuneration of Directors | 49 (IV E) | Yes |
| (F) Management | 49 (IV F) | Yes |
| (G) Shareholders | 49 (IV G) | Yes |
| V. CEO/CFO Certification | 49 (V) | Yes |
| VI. Report on Corporate Governance | 49 (VI) | Yes |
| VII. Compliance | 49 (VII) | Yes |

Disclosures by management to the Board:

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors neither participate in the discussion, nor do they vote on such matters.

Re-appointment of Directors Liable to Retire by Rotation and appointment of Directors for whom notice pursuant to section 257 has been received:

According to the Articles of Association of the Company, at every annual general meeting of the Company one-third of the Directors are liable to retire by rotation. Thus, Mr. C.B.Patil and Mr.B.S.Pawar shall retire at the ensuing Annual General Meeting of the Company and being eligible, offers themselves for re-appointment. . Details of their reappointment are included in the Notice of the annual General Meeting.

| <i>Name of Director</i> | <i>Appointm net/reapp ointment</i> | <i>Qualifications and Expertise of Director</i> | <i>Other Directorships</i> | <i>No of shares held</i> | <i>Membership of Committees</i> |
|-------------------------------------|--|--|----------------------------|----------------------------------|-------------------------------------|
| Shri.Chandrasingh Bhangwan Patil | Reappoi ntment | B.Com,MPM, LLB. 20 years experience at various levels of Management | 1 STS Exports Ltd. | 500 | Audit Committee (Member) |
| Shri.Bhausahab Sukhdev Pawar | Reappoi ntment | B.Com | 1. Vidarbha Bidi Ltd. | 150 | Shareholders Committee. |

8. Means of communication:

Quarterly Results: Quarterly Unaudited Results are published for the first three quarters of the financial year, and audited results are declared in respect of the last quarter of the financial year. The results are published in the Free Press Journal and Nav Shakti, Mumbai.

9. General Shareholder information:

i. AGM Details for the current year:

Date: 25th September, 2012

Time: 1.30 p.m.

Venue:2 Gurukrupa Apartment,N.C.Kelkar Marg,Dadar(w),Mumbai-400028

ii. Financial Year: April 1 to March 31.

For the year ended 31st March, 2012, dates of declaration of quarterly results:

First Quarter: 12th August, 2011

Second Quarter: 14th November, 2011

Third Quarter: 11th February, 2012

Fourth Quarter and Annual: 30th May, 2012

iii. Date of Book closure:

17th September, 2012 to 25th September, 2012

iv. Listing on Stock Exchanges:

The Bombay Stock Exchange Limited

The Pune Stock Exchange Limited

v. Stock Code 509887

**vi. Shareholding Patters: Following information can be summarized as on the date:
Distribution of Shareholdings:**

| SHAREHOLDING OF SHARES | SHARES | SHAREHOLDERS NUMBER | %AGE OF TOTAL | SHARES ALLOTTED | %AGE OF TOTAL |
|------------------------|--------------|---------------------|---------------|-----------------|---------------|
| 1 | - 500 | 257 | 88.3160 | 29220 | 14.6100 |
| 501 | - 1000 | 18 | 6.1860 | 11580 | 5.7900 |
| 1001 | - 2000 | 4 | 1.3750 | 5700 | 2.8500 |
| 2001 | - 3000 | 3 | 1.0310 | 6950 | 3.4750 |
| 3001 | - 4000 | 1 | 0.3440 | 3700 | 1.8500 |
| 4001 | - 5000 | 0 | 0.0000 | 0 | 0.0000 |
| 5001 | - 10000 | 4 | 1.3750 | 29710 | 14.8550 |
| 10001 | - 9999999999 | 4 | 1.3750 | 275480 | 137.7400 |
| TOTAL : | | 291 | 100.0000 | 362340 | 181.1700 |

Distribution of Shareholdings:

| Categories | No. of Holders | No. of Shares | % of Holding |
|------------------------------|----------------|---------------|--------------|
| Promoters | 7 | 84550 | 42.2750 |
| Bodies Corporate (Promoters) | 2 | 62100 | 31.0500 |
| Bodies Corporate (others) | 7 | 1000 | 0.5000 |
| Foreign Investors | - | - | -- |
| Bank/FIs | - | - | -- |
| Others | 274 | 52350 | 26.1750 |
| TOTAL : | 290 | 200000.00 | 100.00 |

vii.Registrar and Transfer Agents:

Link Intime India Private Limited (earlier known as Intime spectrum Registry Limited), C-13, Pannalal Silk Mills coumpound, LBS Marg, Bhandup -(W)

viii. Dematerialization of shares: Status of dematerialized shares:

| Particulars | No. of shares | % of holding |
|----------------------------|---------------|--------------|
| Shares held in Demat form: | 162340 | 81.17 |
| Physical | 37660 | 18.83 |

ix. Liquidity:

The public shareholding is 52350 shares, i.e.26.1750%.

x. Name, Telephone & Fax no. of the compliance Officer of the Company : **Shri.N.L. Patil, Director**
(0253) 2594231, Fax. (0253)2595698

xi. e-mail id of the compliance officer: narayan.patil@sarda.co.in

Certification by Whole-Time Director and Director and Chairman of Audit Committee to the Board:

We, C.B.Patil, and M.D.Deshpande, Directors of Audit Committee, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2012 and to the best of our knowledge and belief:

a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

b. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting.

4. We indicate to the auditors and to the Audit committee:

i. Significant changes in internal control over financial reporting during the year;

ii. Significant changes in accounting policies during the year;

iii. Instances of significant fraud of which we have become aware and involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

However, during the year, there were no such changes or instances.

C.B.PATIL
Executive Director

M.D.DESHPANDE
Director