

# GUIDANCE FOR PREPARATION OF DIRECTORS' REPORT

(01<sup>ST</sup> August 2024)

## SHORT SUMMARY:

The Companies Act, 2013, requires the Board of Directors of every company to attach its report to the financial statements to be laid before the members at the annual general meeting.

Section 134 of the Companies Act, 2013 mandates certain disclosures to be made in the Board's Report; additionally, a listed company is required to comply with disclosure requirements stated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As per the Act, it is the responsibility of the directors of the Company to Prepare a director report and make it part of the e-form AOC-4 as an annexure. However, the people who are certifying the e-form AOC-4 must check whether all the information mentioned in the directors' report is correct or not.

A professional must check every piece of information mentioned in the Directors' Report. Therefore, a question arises about how to check the information mentioned in the directors' report.

The main thrust of this editorial is "**How to Prepare a Director's Report?**" "**What are the documents or information a person has to check while preparing a Director Report?**"

**I. ADDRESS TO MEMBERS:**

Language:	How To Check the Financial Year
Your directors have pleasure in presenting the (No. of Financial Years) Annual Report together with the Audited Statement of Accounts of your Company for the financial year ended March 31, 2024.	<p>i. Check from the Annual Return/ Directors' Report of previous financial year.</p> <p>ii. Check the incorporation date and calculate to verify.</p>

**II. WEB LINK OF ANNUAL RETURN:**

Provisions:	Language:	How to check?
Section 134(3)(a) and Rule 8A(1)(a)  the WEB link where annual return i.e. MGT-7 of FY 2023-24 of company shall be published.	<p>The Company is having website i.e. _____ and annual return of Company has been published on such website. Link of the same is given below:</p> <p style="text-align: center;">OR</p> <p>The Company doesn't having any website. Therefore, no need to of publication of Annual Return.</p>	<ul style="list-style-type: none"> <li>• First Check whether Company having any website (on google, on letter head etc).</li> <li>• If Company having website check whether given link is working or not.</li> </ul>

**III. NUMBER OF BOARD MEETING:**

Provisions:	Language:	How to check?
Section 134(3)(a) and Rule 8A(1)(b)  Number of Meetings of the Board; held during the financial year 2023-24	<p>During the Financial Year 2023-24, [**] meetings of the Board of Directors of the company were held. [Preferable to state the dates of meetings]</p>	<ul style="list-style-type: none"> <li>• Check the Minutes of the Board Meeting.</li> <li>• Get the Index of Board Meetings from the Company.</li> </ul>

#### IV. EXPLANATION TO AUDITOR'S REMARKS:

Provisions:	Language:	How to check?
<p><b>Section 134(3)(f) and Rule 8A(1)(e)</b></p> <p><b>Explanation or comment by the Board on every qualification, reservation, adverse remark or disclaimer made by the statutory auditor in his report and/or by the secretarial auditor in the secretarial Audit Report.</b></p>	<p>The observations of the Statutory Auditors, when read together with the relevant notes to the accounts and accounting policies are self explanatory and do not call for any further comment.</p>	<ul style="list-style-type: none"> <li>• Check the copy of Auditor Report for the same.</li> </ul>

#### V. STATE OF AFFAIRS:

Provisions:	Language:	How to check?
<p><b>134(3)(I) and Rule 8A(1)(f)</b></p> <p><b>The State of The Company's Affairs;</b></p>	<p>The Company is engaged in the business of _____.</p> <p>There has been no change in the business of the Company during the financial year ended 31st March, _____.</p> <p>Or there is _____</p> <p>Changes in the business of the Company during the financial year ended 31st March, _____.</p>	<ul style="list-style-type: none"> <li>○ The company can find the Affairs of the Company from the Notes to Accounts (attached as part of Balance Sheet).</li> <li>○ Company can find if there is any Change in the affairs of the Company by comparing the Notes to Account of Last financial year TO current financial year.</li> </ul>

		<ul style="list-style-type: none"> <li>○ The business should match with the Main Object of MOA.</li> </ul>
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**VI. FINANCIAL HIGHLIGHTS:**

<b>Language:</b>			<b>How To Fill the Figures</b>
<p><b>The Company's financial performance for the year ended March 31, 2024:</b></p> <p><b>Sec 134 (3)(q) r/w Rule 8(5) (i)&amp;(ii)of and Rule 8A(g)</b></p>			<p>Check the Statement of Profit &amp; Loss Account for the year ended March 31, 2024. You will find required figures on the FACE of Statement of Profit &amp; Loss Account.</p> <p>Company can mention round off or actual figure as per their convenience.</p>
<b>Particulars</b>	<b>Year ended 31<sup>st</sup> March 2024</b>	<b>Year ended 31<sup>st</sup> March 2023</b>	<p><b><u>Turnover:</u></b> Section- 2(91)- "turnover" means the gross amount of revenue recognized in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.]</p> <p><b><u>Deferred tax:</u></b> As per Accounting Standard (AS) 22, deferred tax is the tax effect of timing differences.</p>
Turnover			
<b>Profit Before Tax</b>			
Less: Current Tax			
Deferred Tax			
Income Tax earlier years			
<b>Profit For The Year</b>			
Add: Balance in Profit and Loss Account			
<b>Sub Total</b>			
<b>Less:</b>			

<b>Appropriation</b>			
<b>Closing Balance</b>			

The financial summary and highlights thereof should be accompanied by the macro-economic, geo-political, financial, industry specific as well as any company specific information affecting the business of the company and the market in which it operates, along with the industry performance vis-à-vis the company's performance

**VII. MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY:**

<b>Provisions:</b>	<b>Language:</b>	<b>How to check?</b>
<p><b>Sec 134 (3) (L) and Rule 8A (1)(h)</b></p> <p><b>Details regarding any material changes / events, if any, occurring after balance sheet date till the date of the report to be stated</b></p>	<p>No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statement relates and the date of this report.</p>	<p>Check the following</p> <ul style="list-style-type: none"> <li>- Trial Balance</li> <li>- Financial Position</li> <li>- Market Condition</li> </ul>

**VIII. DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

<b>Provisions:</b>	<b>Language:</b>	<b>How to check?</b>
<p><b>Sec 134 (3)(q) r/w Rule (8)(5)(iii) of Cos (Accounts) Rules, 2014 &amp; Rule 8A(i)</b></p> <p><b>Details of Directors and KMP appointed or resigned during the</b></p>	<p>There has been no change in the constitution of Board during the year under review i.e. the structure of the Board remains the same</p>	<p>Check the Following:</p> <ul style="list-style-type: none"> <li>- DIR-12</li> <li>- MCA Data</li> <li>- Comparison from last annual return</li> <li>- Register of Director</li> </ul>

year. Details of directors retiring by rotation in the ensuing Annual General Meeting		
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**IX. DETAILS OF SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL:**

<b>Provisions:</b>	<b>Language:</b>	<b>How to check?</b>
<b>Sec 134 (3)(q) r/w Rule 8 (5) (vii) of Cos (Accounts) Rules and Rule 8A (1)(j)</b>  Details of the order passed by the authorities which impacts the going concern status and company's operations in future	No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future	Get the information from the Management of the Company and take MR Letter also.

**X. PARTICULARS OF CONTRACT AND ARRANGMENT WITH RELATED PARTIES:**

<b>Provisions:</b>	<b>Language:</b>	<b>How to check?</b>
<b>Section- 134(3)(h)</b>  The Particulars of contracts or arrangements with related party referred to in Section 188(1) of the	All related party transactions that were entered into during the financial year ended 31st March, 2024 were on an arm's length basis and were in the ordinary course of business.	Check the following: - AS-18 - Minutes of Board Meeting & General Meeting (If any Resolution passed) - RPT Registers - Proof of Arm Length

<p><b>Companies Act, 2013 for the Financial Year 2023-24 in the prescribed format AOC-2, has been enclosed with the report.</b></p>	<p>Therefore, the provisions of Section 188 of the Companies Act, 2013 were not attracted. Further, there are no materially significant related party transactions during the year under review made by the Company with Promoters, Directors, or other designated persons which may have a potential conflict with the interest of the Company at large. Details of the transactions are given in AOC-2</p>	<p>price</p>
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**XI. COMPLIANCE OF SECRETARIAL STANDARD:**

Provisions:	Language:	How to check?
<p><b>Secretarial Standard - I</b></p> <p><b>There is requirement to disclose in Directors Report that Company has complied with the provisions of Secretarial Standard.</b></p>	<p>The Company has complied with the provisions of Secretarial Standards.</p>	<p>Check the following:</p> <ul style="list-style-type: none"> <li>• Minutes</li> <li>• Meeting Documents.</li> </ul>

**FOR COMPANIES OTHER THAN OPC AND SMALL:**

**XII. DECLARATION BY INDEPENDENT DIRECTOR:**

Provisions:	Language:	How to check?
Sec 134 (3) (d) r/w Sec 149 (6) A statement of Declaration by Independent Director	The Company has received the declaration from the Independent Director.	Check the Copy of Declaration given by Independent Director.

**XIII. PARTICULAR OF LOAN AND INVESTMENT:**

Provisions:	Language:	How to check?
Section 134(3)(g) particulars of loans, guarantees or investments under section 186;	Particular of Loans given, investments made, guarantee given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the financial statement (please refer Note _____ to the standalone balance sheet).	<ul style="list-style-type: none"> <li>• Check the Loan and Investment from the Assets side of Balance sheet and relevant Notes.</li> <li>• Check the Guarantee from the Contingent Liabilities and schedule. Also check from the Notes to Financial Accounts.</li> <li>• Check whether proper compliance of 186 made or not.</li> </ul>

**XIV. AMOUNTS TRANSFERRED TO RESERVES, IF ANY:**

Provisions:	Language:	How to check?
Section- 134(3)(j)	No amount was transferred to the reserves during the	Check the Assets side of Balance sheet, if there is



<p><b>The Board of the company has decided/proposed to carry Rs_____ to its reserves</b></p>	<p>financial year ended 31<sup>st</sup> March, 2024.  The Board of the company has decided/proposed to carry Rs_____ to its reserves.</p>	<p>increase in reserve other than the balance of profit and loss account.</p>
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**XV. DIVIDEND:**

Provisions:	Language:	How to check?
<p><i>Section- 134(3)(k)</i>  <b>The amount, if any, which it recommends should be paid by way of dividend;</b></p>	<p>In view of the sustained working results during the year under review, the Board of Directors are pleased to recommend a dividend of Rs ___/- per equity share OR In view of the planned business growth, your Directors deem it proper to preserve the resources of the Company for its activities and therefore, do not propose any dividend for the Financial Year ended March 31, 2024.</p>	<p><b><u>First:</u></b> Check the Face of Statement of Profit and Loss Account; Amount of Dividend will be mention there.  <b><u>Second:</u></b> Check the Copy of General Meeting resolution in case of final Dividend and check the Board Meeting resolution in case of interim Dividend.</p>

**XVI. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Provisions:	Language:	How to check?
<p><i>134(3)(M)</i> <b>The details of Energy,</b></p>	<p>The particulars as required under the provisions of</p>	<p>Check the following - Financial of the</p>

<p><b>Technology, Absorption, Foreign Exchange Earnings and Outgo are as under:</b></p> <p>a) Conservation of Energy: b) Technology Absorption: c) Foreign Exchange Earnings/ Outgo:</p>	<p>Section 134(3) (m) of the Companies Act, 2013 in respect of conservation of energy and technology absorption have been furnished considering the nature of activities undertaken by the company during the year under review.</p>	<p>Company.</p> <ul style="list-style-type: none"> <li>- Check with directors.</li> <li>- Take a MR Letter.</li> </ul>
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**XVII. RISK MANAGEMENT POLICY:**

Provisions:	Language:	How to check?
<p><b>134(3)(N)</b></p> <p><b>Statement indicating the development and implementation of the risk management policy of the company Moreover, in case the Company has constituted a risk management committee, then the constitution and the terms of reference of the same to be disclosed.</b></p>	<p>The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.</p>	<p>Check the policy prepared by the Company. If not prepare get it prepare.</p>

**XVIII. DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013**

Provisions:	Language:	How to check?
<p><i>Section 22 of Sexual Harassment of Women at Workplace.</i></p> <p><b>The employer shall include in its report the number of cases filed, if any, and their disposal under this Act in the annual report of his organization or where no such report is required to be prepared, intimate such number of cases, if any, to the District Officer.</b></p>	<p>The Company is committed to provide a safe and conducive work environment to its employees. During the year under review.</p> <p>Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013</p>	<p>Get the information from the Management of the Company and take one MR Letter.</p>

**XIX. DETAILS OF SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES:**

Provisions:	Language:	How to check?										
<p><i>Rule 8(5)(iv)</i></p> <p><b>The name of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;</b></p>	<p>The Company does not have any Subsidiary, Joint Venture or Associate Company.</p> <p>OR</p> <p>The names of companies which have become or ceased to be the Company's subsidiaries, joint ventures or associate companies during the year under review is provided below:</p> <table border="1" data-bbox="430 1759 998 1904"> <thead> <tr> <th>S.N</th> <th>Name of the Comp</th> <th>Subsidiary /JV /Associ</th> <th>Becom e/Cea sed</th> <th>Effective Date</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	S.N	Name of the Comp	Subsidiary /JV /Associ	Becom e/Cea sed	Effective Date						<p><b>First Check:</b></p> <p>Check the Investment of the Company from Non Current Investment in the Balance Sheet, check the relevant Note and analyze about Subsidiary, Associate and Joint Venture as per definition given u/s 2(87) and 2(6) of the Companies Act, 2013.</p> <p><b>Second:</b></p> <p>Check from the</p>
S.N	Name of the Comp	Subsidiary /JV /Associ	Becom e/Cea sed	Effective Date								

	any	ate			(Accounting Standard)
					AS-18.

**XX. INTERNAL FINANCIAL CONTROL:**

Provisions:	Language:	How to check?
<p><i>Rule 8(5)(viii)</i> ICAI guidance note on adequacy of internal financial controls with reference to financial statements can be referred for this Purpose.</p>	<p>The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation was observed</p>	<p>Most listed companies are reading requirements related to IFC as those referring to IFC for financial reporting along with limited focus on the operational controls aspect.</p> <p>Auditors are required to certify that the IFC in relation to financial statement are designed and operate effectively.</p>

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