

CORPORATE GOVERNANCE REPORT FOR FY 2010-11

CORPORATE GOVERNANCE AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES

(1) **Company's Philosophy:** Your company firmly believes in good corporate governance. Towards this, the Company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of the basic tenets of the corporate governance.

(2) **Board of Directors**

(a) **Composition of Board:** The Board consists of ten directors as on the date of report. Out of these ten directors, eight are non-executive directors which include four independent directors. The company did not have any material pecuniary relation or transaction with non-executive directors during the year under review.

(b) **Board Procedure:** During the year, four Board meetings were held on 28th April, 2010, 12th August, 2010, 1st November, 2010 and 8th February, 2011. The Board was presented with the relevant and necessary information at its meetings. None of the directors is a member of more than ten committees or acting as Chairman of more than five Committees across all companies in which he is a director. The attendance at the Board meetings during the year 2010-11 and at the last Annual General Meeting held on 27th September, 2010 and also number of other directorship are given herein below:

Name	Category	No. of Board meetings attended	Attendance at previous AGM	No. of outside Directorships @	No. of other Committee(s) \$	
					Membership	Chairmanship
Shri Mahendra Kumar Modi	MD	4	Yes	2	1	-
Shri Umesh Kumar Modi	MD	4	Yes	7	-	-
Shri Krishan Kumar Modi	NED	1	No	11	2	1
Shri Vinay Kumar Modi	NED	-	No	3	2	3
Shri Rakesh Kumar Modi	NED	4	No	-	-	-
Shri Suraj Parkash Modi	NED	4	No	-	-	-
Shri Manish Modi	NED	4	Yes	3	-	-
Shri Abhishek Modi	NED	2	Yes	5	-	-
Shri Santosh Kumar Aggarwal	NED	4	No	-	-	-
Shri Krishna Kumar Jain	NED	4	No	1	1	1

MD: Managing Director, NED: Non Executive Director, @ excludes Private Limited Companies & Foreign Companies. \$ Represents Audit Committee and Investor's Grievance Committee.

(c) **Relationship amongst Directors:** Shri Krishan Kumar Modi, Non-Executive Director, Shri Vinay Kumar Modi, Non-Executive Director and Shri Umesh Kumar Modi, Managing Director are real brothers. Shri Manish Modi, Non-Executive Director, is son of Shri Mahendra Kumar Modi, Managing Director and Shri Abhishek Modi, Non-Executive Director, is son of Shri Umesh Kumar Modi, Managing Director.

(3) **Audit Committee:** (a) **Terms of Reference:** Terms of Reference of the Audit Committee specified by the Board are as contained in clause 49 of the Listing Agreement.

(b) **Composition :** The 'Audit Committee' of the Company consists of 4 Non Executive Independent Directors, namely, (1) Shri Suraj Parkash Modi, (2) Shri Rakesh Kumar Modi, (3) Shri Santosh Kumar Aggarwal and (4) Shri Krishna Kumar Jain as members and Shri Ajay PS Saini as Secretary of the Committee.

During the year, Four Audit Committee meetings were held on 28th April, 2010, 12th August, 2010, 1st November, 2010 and 8th February, 2011. All four meetings were attended by all its Members.

(4) **Remuneration of Directors:** The Remuneration Committee consists of 4 Non Executive Independent Directors, namely, (1) Shri Suraj Parkash Modi, (2) Shri Rakesh Kumar Modi, (3) Shri Santosh Kumar Aggarwal and (4) Shri Krishna Kumar Jain as members and Shri Ajay PS Saini as Secretary of the Committee. The decisions regarding remuneration of executive and non-executive directors are taken by the entire Board on recommendation of the Remuneration Committee subject to such approvals from the Shareholders or Central Government as may be necessary. The Company does not pay any remuneration to the non-executive directors except payment of sitting fees for attending Board/ Committee meetings. Details of remuneration paid to the directors during the year under review are given below :

(a) **Executive Directors:** No remuneration has been paid to Shri Umesh Kumar Modi, Managing Director during the year under review. The Central Government has accorded its approval for payment of remuneration to Shri Mahendra Kumar Modi, as Managing Director for the period 1st November, 2009 to 31st October, 2012 and accordingly the Company has made a payment of ₹ 18.00 Lacs to him for the period 1st April, 2010 to 31st March, 2011.

(b) **Non- Executive Directors:**

Name	Sitting Fees (₹ in thousands)	Shares held	
		Equity	Preference
Shri Krishan Kumar Modi	2.0	9664	8
Shri Vinay Kumar Modi	—	25477	8
Shri Rakesh Kumar Modi	13.5	48901	10
Shri Suraj Parkash Modi	13.5	870	—
Shri Manish Modi	8.0	22050	—
Shri Abhishek Modi	4.0	100	—
Shri Santosh Kumar Aggarwal	10.0	100	—
Shri Krishna Kumar Jain	10.0	100	—

(5) **Share, Transfer and Investors' Grievance Committee:** The Committee, consisting of four members i.e. Shri Mahendra Kumar Modi, Managing Director, Shri Umesh Kumar Modi, Managing Director, Shri Suraj Parkash Modi, Independent-Non-Executive Director and Shri Rakesh Kumar Modi-Independent Non-Executive Director, has been entrusted with the work of Share/Debt Transfer and dealing with investors grievances. Shri Suraj Parkash Modi Chaired all meetings of the committee held during the year under review. Shri Ajay PS Saini, Company Secretary, acts as Secretary to the Committee and is Compliance Officer under Clause 49 of the Listing Agreement. All transfers, transmissions etc. of Shares and Debentures were effected within the stipulated period by the Company.

All 30 Shareholders/ Investors complaints, received directly from them or through SEBI/ Stock Exchanges and other authorities during the year under review, have been replied by the company and none remained outstanding at the end of the year under review. The status of Shareholders/Investors complaints received during the period under review were reported to the Share Transfer and Investors Grievance Committee by the Compliance Officer.

- (6) **General Body Meetings** : The last three Annual General Meetings were held at Modi Industries Transit House (Modi Industries Complex), Modinagar, on the following dates and time.

Financial Year	Date	Time
2009-10	27-09-2010	12.30 P.M.
2008-09	29-09-2009	03.00 P.M.
2007-08	27-09-2008	11.00 A.M.

Special resolutions for re-appointment of Statutory Auditors of the company were passed in the last three Annual General Meetings of the Company. However, Special Resolution for remuneration payable to Shri Mahendra Kumar Modi as Managing Director of the Company was passed in the Annual General Meeting of the Company held on 29th September, 2009. The Company has so far no business which had to be conducted through postal ballot for passing any resolution at general meetings.

- (7) **Disclosures** : There were no transactions of the company of material significance with its directors or the management, their subsidiaries or relatives during the year which may have potential conflict with interest of the company. There was no non-compliance during the last three years by the company on any matters related to capital markets. Consequently, neither any penalties were imposed nor strictures passed on the company by Stock Exchanges, SEBI or any Statutory Authority. During the year Shri Sanjay Bhatia joined as the group C.E.O. of Electrodes, Paints and Gas Units of the Company. The company has complied with all the mandatory requirements of revised Clause 49.
- (8) **Means of Communication** : The Quarterly results of the Company are published in English and Local Language newspapers as required under the Listing Agreement. All financial and other vital information are promptly communicated to the Stock Exchanges on which company's shares are listed. The company is in the process of creating the website. Management discussion and analysis form a part of annual report and is given in a separate chapter thereto.

(9) **General Shareholders' Information:**

(a) **Annual General Meeting:**

Date: 29th September, 2011, **Time:** 12.30 P.M., **Venue:** Modi Industries Transit House (Modi Industries Complex), Modinagar.

(b) **Financial Calender:**

- (i) Financial Year : April to March
(ii) First Quarter Results : With in 45 days from the end of the quarter
(iii) Second Quarter Results : With in 45 days from the end of the quarter
(iv) Third Quarter Results : With in 45 days from the end of the quarter
(v) Fourth Quarter Results : With in 45 days from the end of the quarter

(c) **Date of Book Closure:** 24th September, 2011 to 29th September, 2011 (both days inclusive).

(d) **Dividend Payment Date:**

The Directors have not recommended any dividend on shares in view of accumulated losses.

(e) **Stock Exchange Listing** : Shares of the company are listed on:

Uttar Pradesh Stock Exchange Ltd., Kanpur (U.P.)
Delhi Stock Exchange Limited, New Delhi

(f) **Stock Code** :

Uttar Pradesh Stock Exchange Ltd., -- Z-493, Delhi Stock Exchange Limited, -- 013154

(g) **Market Price Data: High/ Low during each month in the year 2010-11**

The Company is a Sick Industrial Unit. There have been no transactions of Company's Shares on the Stock Exchanges, where the shares of the Company are listed, since long.

(h) **Registrar and Transfer Agents:**

Company has not appointed any Registrar for Shares/ Debentures transfer. All such work is done in-house at Company's Share Department.

(i) **Share Transfer System** :

Shares lodged with the Company for transfer are processed and returned to the shareholders within the stipulated time, provided transfer documents are complete and valid in all respect.

(j) **Distribution of Shareholding as on 31-03-2011.**

Distribution of Shareholding	Number of		Number of Shareholders		% age of Shareholding	
	Equity Shares of ₹ 10 each	Pref. Shares of ₹ 100 each	Equity Shares	Pref. Shares	Equity Shares	Pref. Shares
Upto 500	681607	248	8938	19	20.60	0.61
501-1000	96824	-	129	-	2.93	-
1001-2000	97722	-	65	-	2.95	-
2001-3000	37135	-	15	-	1.12	-
3001-4000	32657	3520	10	1	0.98	8.64
4001-5000	27988	9005	6	2	0.85	22.10
5001-10000	92957	14344	13	2	2.81	35.21
10001 and above	2242324	13624	53	1	67.76	33.44
Total	3309214	40741	9229	25	100.00	100.00

(k) **Dematerialisation of Shares and Liquidity:**

The Company is a Sick Industrial Company within the meaning of Section 3(1)(o) of The Sick Industrial Companies (Special Provisions) Act, 1985 and all its shares are held in physical form.

(l) **Outstanding GDRs/ADRs/Warrant or any Convertible Instruments, Conversion date and likely impact on Equity:**

The Company has no GDRs/ADRs/or any convertible instrument.

(m) **Plant Location:** At Modinagar, District Ghaziabad(U.P.) 201204

(n) **Address for Correspondance:**

Modi Industries Limited, Registered Office: P.O. Modinagar, District-Ghaziabad (U.P.), Pincode-201204.