

CORPORATE GOVERNANCE REPORT

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 end, 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 :**

- (i) The Board consists of eight directors as on the date of report. Out of these eight directors, six are non-executive directors. The Company did not have any material pecuniary relation or transaction with non-executive directors during the year under review.
- (ii) Presently the Company has not complied with the requirement of independent directors and women director in the composition of the Board and various Board Committee(s), wherever required. The Company is a sick industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 as declared by the Hon'ble BIFR vide their order dated 14th March, 1991. The Hon'ble Supreme Court in SLP (Civil) Nos. 23095 – 23097 of 2010 (M.K. Modi vs. U.K. Modi) has passed an order dated 27th August, 2010 directing the parties therein to maintain "status quo" with regard to the management of the Company.

In view of the above order of Hon'ble Supreme Court, Board of Directors are unable to appoint any new director under provisions of Companies Act, 2013 and/or Listing Agreement to comply with the composition of Board and/or various Board Committees.

(b) **BOARD/SHAREHOLDERS' MEETINGS :**

During the year under review, four Board meetings were held on 30th June, 2014, 14th August, 2014, 14th November, 2014 adjourned and held on 9th December, 2014 and 30th March, 2015. 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 2014-15 and at the last Annual General Meeting held on 29th September, 2014 and also number of other directorship are given herein below:

Name	Category	No. of Board meetings Attended*	Attendance at previous AGM	No. of Directorship(s) and Committee Membership(s)/Chairmanship(s) of other Indian Public Limited Companies		
				Other Directorship(s)	Committee Membership(s) \$	Committee Chairmanship(s) \$
Shri Mahendra Kumar Modi	MD	4	Yes	3	1	-
Shri Umesh Kumar Modi	MD	3	Yes	5	-	-
Shri Krishan Kumar Modi	NED	1	No	6	1	1
Shri Vinay Kumar Modi	NED	1	No	2	1	1
Shri Rakesh Kumar Modi	NED	4	Yes	-	-	-
Shri Manish Kumar Modi	NED	4	Yes	2	1	-
Shri Abhishek Modi	NED	4	Yes	4	-	-
Shri Santosh Kumar Aggarwal	NED	4	No	-	-	-

MD: Managing Director, NED: Non-Executive Director
\$ Represents Audit Committee and Stakeholders Relationship Committee.

* excluding the meeting, scheduled to be held on 14th November, 2014 and attended by Shri Rakesh Kumar Modi and Shri Santosh Kumar Aggarwal, was adjourned for the want of quorum and again held on 9th December, 2014.

(c) **BOARD PROCEDURE :**

As per Corporate Policy, statutory and material information is placed before the Board with a view to enable it to discharge efficiently its responsibilities in formulating the strategies and policies for the growth of the Company. The Agenda and other relevant papers are circulated prior to the scheduled dates of the meetings. The day to day affairs of the Six Units (viz. Electrode, Gas, Paint, Vanaspati, Lantern and Soap Units) and Three Units (viz. Sugar, Distillery and Steel Units) are managed by Shri Mahendra Kumar Modi, Managing Director and Shri Umesh Kumar Modi, Managing Director respectively and Corporate Office by both the Managing Directors subject to supervision and control of the Board of Directors. Opinion and advice of non-executive Directors are considered valuable guidance. For specific matters, the various Committees of the Directors deliberate in detail, analyze situations, information and firm up views and advise the Board on decision making and follow up actions as may be considered appropriate.

(d) **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 Kumar 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) **COMPOSITION:**

The 'Audit Committee' of the Company, as on the date of report, consists of four Non-Executive Directors, namely, (1) Shri Rakesh Kumar Modi, (2) Shri Manish Kumar Modi, (3) Shri Abhishek Modi and (4) Shri Santosh Kumar Aggarwal, as members. The Company Secretary acts as Secretary to the Committee.

During the year, four Audit Committee Meetings were held on 30th June, 2014, 14th August, 2014, 14th November, 2014* adjourned and held on 9th December, 2014* and 30th March, 2015. All the four meetings were attended by all its members.

* excluding the meeting, scheduled to be held on 14th November, 2014 and attended by Shri Rakesh Kumar Modi and Shri Santosh Kumar Aggarwal, was adjourned for the want of quorum and again held on 9th December, 2014.

(b) **ROLE & TERMS OF REFERENCE OF AUDIT COMMITTEE:**

In terms of Section 177(4) of the Companies Act, 2013, and Clause 49 (III)(D) and SEBI guidelines, the Role / Terms of Reference of Audit Committee are redefined as under :

The Audit Committee shall have powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the Audit Committee shall include the following:

1. 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;
2. Examination of the financial statements and the auditors' report thereon,
3. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company, including filling of casual vacancy;
4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
5. 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 judgment 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
6. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
7. Review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
8. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
9. Monitoring the end use of funds raised through public offers and related matters.
10. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
11. Approval or any subsequent modification of transactions of the Company with related parties;

The term "related party transactions" shall have the same meaning as provided in Clause 49(VII) of the Listing Agreement and also the provisions of Companies Act, 2013 read with relevant rules thereto.

12. Scrutiny of inter-corporate loans and investments;
13. Valuation of undertakings or assets of the Company, wherever it is necessary;
14. Evaluation of internal financial controls and risk management systems;
15. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
16. 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;
17. Discussion with internal auditors of any significant findings and follow up there on;
18. 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;
19. 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;
20. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
21. To review the functioning of the Whistle Blower mechanism;
22. Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate;
23. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Board has established a vigil mechanism and framed a policy under the name “**Whistle Blower Policy**” for its Directors and employees to report genuine concerns or frauds and no personnel has been denied access to the Audit Committee. The policy is uploaded on the website of the Company where full information is provided.

4. **NOMINATION AND REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS :**

The Nomination and Remuneration Committee*, as on the date of report, consists of four Non-Executive Directors, namely, (1) Shri Rakesh Kumar Modi, (2) Shri Manish Kumar Modi, (3) Shri Abhishek Modi and (4) Shri Santosh Kumar Aggarwal, as members. The decisions regarding remuneration of executive, non-executive directors and Key Managerial Personnel are taken by the entire Board on recommendation of the Nomination and 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.

* *Remuneration Committee has been renamed as 'Nomination and Remuneration Committee' with effect from 14th August, 2014.*

ROLE AND TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE.

In terms of Section 178(2), (3) and (4) of the Companies Act, 2013 and Rules made thereunder and Clause 49(IV) and SEBI guidelines are as under:

1. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
 2. Formulate the criteria for evaluation of Independent Directors and the Board;
 3. Devising a policy on Board diversity;
 4. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
 5. The Company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.
- The Committee shall ensure that:
- (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 successfully;
 - (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) Remuneration to directors, key managerial personnel 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.

Nomination & Remuneration Policy of the Company forms part of the Annual Report.

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 approvals for payment of remuneration to Shri Mahendra Kumar Modi as Managing Director for the period from 1st November, 2012 to 31st October, 2014 and from 1st November, 2014 to 31st October, 2017 and accordingly the Company has made a payment of ₹18.00 Lacs to him for the period from 1st April, 2014 to 31st March, 2015.

(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	2.0	25477	8
Shri Rakesh Kumar Modi	15.5	48901	10
Shri Manish Kumar Modi	10.0	22050	-
Shri Abhishek Modi	10.0	100	-
Shri Santosh Kumar Aggarwal	13.0	100	-

5. **STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Stakeholders Relationship Committee*, consisting of three members i.e. Shri Mahendra Kumar Modi & Shri Umesh Kumar Modi, Managing Directors, and Shri Rakesh Kumar Modi, Non-Executive Director, has been entrusted with the work of Share/Debenture transfer and dealing with Investors grievances. Shri Rakesh Kumar Modi chaired all meetings of the Committee held during the year under review. The 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 20 Shareholders / Debentureholders / 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 upto 15th April, 2014 and 16th April, 2014 to 31st March, 2015 were reported to the Stakeholders Relationship Committee by the Dy. Company Secretary and Company Secretary respectively.

* Share Transfer & Investors' Grievance Committee has been renamed as 'Stakeholders Relationship Committee' with effect from 14th August, 2014.

6. **COMMITTEE OF DIRECTORS:**

The Committee of Directors, presently consisting of three members i.e. Shri Mahendra Kumar Modi & Shri Umesh Kumar Modi, Managing Directors and Shri Rakesh Kumar Modi, Non-Executive Director. During the year under review no meeting of Committee of Directors was held.

7. **GENERAL BODY MEETINGS :**

The last three Annual General Meetings were held at Modi Industries Transit House (Modi Industries Complex), Modinagar, Distt. Ghaziabad (U.P.), on the following dates and time:

Financial year	Date	Time
2013-14	29.09.2014	12.30 P.M.
2012-13	13.11.2013	12.30 P.M.
2011-12	19.12.2012	12.30 P.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 Resolutions for remuneration payable to Shri Mahendra Kumar Modi as Managing Director of the Company were passed in the Annual General Meetings of the Company held on 29th December, 2012 and 29th September, 2014. Special resolutions for appointment and remuneration payable to Shri Umesh Kumar Modi as Managing Director of the Company and for renewal of lease agreement in favour of Modi Rubber Limited and for borrowing money from time to time under Section 180(1)(c) of the Companies Act, 2013 were passed in Annual General Meeting of the Company held on 29th September, 2014.

The Company has so far no business which had to be conducted through postal ballot for passing any resolution at general meetings.

8. **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 material 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. The Company has generally complied with almost all the mandatory requirements of old Clause 49 of the listing agreement, till the date of its applicability i.e., upto 30th September, 2014.

9. **MEANS OF COMMUNICATION :**

The Quarterly results of the Company are generally published in English and local language news-papers as required under the Listing Agreement. All financial and other vital information are generally communicated to the Stock Exchanges on which Company's

shares are/were listed. Company's Financial Results and Shareholding Pattern for each quarter and Annual Accounts of the Company are being uploaded on the Company's Website – www.modiindustries.net. Management Discussion and Analysis Report forms a part of Annual Report and is given in a separate chapter thereto.

10. **GENERAL SHAREHOLDERS' INFORMATION :**

(a) **Annual General Meeting :**

Date : 29th September, 2015
Time : 12.30 P.M.
Venue : Modi Industries Transit House
(Modi Industries Complex)
Modinagar, Distt. Ghaziabad (U.P.)

(b) **Financial Calendar :**

(i) Financial year : April to March
(ii) First quarter results : Upto 14th Aug., 2015
(iii) Second quarter results : Upto 14th Nov., 2015
(iv) Third quarter results : Upto 14th Feb., 2016
(v) Fourth quarter results (Audited) : Upto 30th May, 2016
(vi) Annual General Meeting : End of September, 2016
for the year 2015-16.

(c) **Date of Book Closure :**

23rd September, 2015 to 29th September, 2015 (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 and Stock Code:**

Shares of the Company are/were listed on:

*U.P. Stock Exchange Limited, Kanpur.

(Stock Code Z-493)

**Delhi Stock Exchange Limited, New Delhi.

(Stock Code 013154)

* SEBI has issued exit order of UPSE on 9th June, 2015.

**SEBI has derecognized the DSE on 19th November, 2014.

U.P. Stock Exchange Limited, Kanpur as a Regional Stock Exchange of the Company has referred the Company to the Dissemination Board of National Stock Exchange of India Limited (NSE) and NSE has also confirmed by its Circular Ref. No. 07/2015 (Download Ref. No. NSE/CML/29461) dated 16th April, 2015 to its members.

(f) **Market Price Data : High/Low during each month in the year 2014-15:**

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.

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

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

(h) **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.

(i) **Distribution of Shareholding as on 31.03.2015 :**

Distribution of shareholding	Number of		No. 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	681479	248	8934	20	20.59	0.61
501 -1000	94637	-	125	-	2.86	-
1001 -2000	100655	-	67	-	3.04	-
2001 -3000	44945	-	18	-	1.36	-
3001 -4000	23223	3520	7	1	0.70	8.64
4001 -5000	28088	9005	6	2	0.85	22.10
5001 – 10000	115779	14344	16	2	3.50	35.21
10001 and above	2220408	13624	51	1	67.10	33.44
TOTAL	3309214	40741	9224	26	100.00	100.00

(j) **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.

(k) **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.

(l) **Plant Location :**

At Modinagar,
District Ghaziabad (U.P.) 201204.

(m) **Address for Correspondence :**

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