

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE AS REQUIRED BY OLD CLAUSE 49 OF THE LISTING AGREEMENT AND AS PER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013:

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 14<sup>th</sup> 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 27<sup>th</sup> 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 18<sup>th</sup> June, 2015, 14<sup>th</sup> August, 2015, 14<sup>th</sup> November, 2015 and 9<sup>th</sup> February, 2016. 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 2015-16 and at the last 81<sup>st</sup> Annual General Meeting held on 29<sup>th</sup> September, 2015 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	1
Shri Umesh Kumar Modi	MD	3	Yes	5	-	-
Shri Krishan Kumar Modi	NED	2	No	6	1	1
Shri Vinay Kumar Modi	NED	2	No	2	1	1
Shri Rakesh Kumar Modi	NED	4	Yes	-	-	-
Shri Manish Kumar Modi	NED	3	No	2	-	-
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.

(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 18<sup>th</sup> June, 2015, 14<sup>th</sup> August, 2015, 14<sup>th</sup> November, 2015 and 9<sup>th</sup> February, 2016. All the four meetings were attended by all its members except the meeting held on 14<sup>th</sup> August, 2015 which was not attended by Shri Manish Kumar Modi.

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

In terms of Section 177(4) of the Companies Act, 2013, and Regulation 18(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Role / Terms of Reference of Audit Committee are defined 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. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. 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. Modified Opinion(s) in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. 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;
7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. 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;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. 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;
16. 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;



17. 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;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
20. 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.

**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 Regulation 19(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The role and terms of Reference of Nomination and Remuneration Committee are defined as under:

1. Formulation of 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. Formulation of the criteria for evaluation of performance of Independent Directors and the Board of Directors;
3. Devising a policy on diversity of Board of Directors;
4. Identifying 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 of Directors their appointment and removal.
5. Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.

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 approval for payment of remuneration to Shri Mahendra Kumar Modi as Managing Director for the period from 1<sup>st</sup> November, 2014 to 31<sup>st</sup> October, 2017 and accordingly the Company has made a payment of ₹18.00 Lacs to him for the period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016.

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

Name	Sitting Fee (₹ in thousands)	Shares held	
		Equity	Preference
Shri Krishan Kumar Modi	4.0	9664	8
Shri Vinay Kumar Modi	4.0	25477	8
Shri Rakesh Kumar Modi	12.0	48901	10
Shri Manish Kumar Modi	7.5	22050	-
Shri Abhishek Modi	10.5	100	-
Shri Santosh Kumar Aggarwal	10.5	100	-

**MODI INDUSTRIES LIMITED**

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 its 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 5 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/Debentureholders/Investors complaints received during the year under review were reported to the Stakeholders Relationship Committee by the Company Secretary.

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
2014-15	29.09.2015	12.30 P.M.
2013-14	29.09.2014	12.30 P.M.
2012-13	13.11.2013	12.30 P.M.

Special resolutions for re-appointment of Statutory Auditors of the Company were passed in Annual General Meetings of the Company held on 13<sup>th</sup> November, 2013 and 29<sup>th</sup> September, 2014. However, Special Resolutions for appointment and remuneration payable to Shri Mahendra Kumar Modi and Shri Umesh Kumar Modi as Managing Directors 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 the Annual General Meeting of the Company held on 29<sup>th</sup> September, 2014 and special resolution for entering into 'Manufacturing Sub Licensing Agreement' between Modi Arc Electrode Co. (a unit of Modi Industries Limited) and Weld Excel India Limited (a related party) was passed in the Annual General Meeting of the Company held on 29<sup>th</sup> September, 2015.

No postal ballot was conducted during the Financial Year 2015-16. There is no immediate proposal for passing any resolution through Postal Ballot. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing a resolution through Postal Ballot.

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 any strictures order 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 30<sup>th</sup> September, 2014, after that Company is voluntarily complying the old Clause 49 of the listing agreement to the extent possible.

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 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](http://www.modiindustries.net). Management discussion and analysis form a part of annual report and is given in a separate chapter thereto.

10. **GENERAL SHAREHOLDERS' INFORMATION :**

(a) **Annual General Meeting :**

Date : 29<sup>th</sup> September, 2016  
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 14<sup>th</sup> Aug., 2016  
(iii) Second quarter results : Upto 14<sup>th</sup> Nov., 2016  
(iv) Third quarter results : Upto 14<sup>th</sup> Feb., 2017  
(v) Fourth quarter results (Audited) : Upto 30<sup>th</sup> May, 2017  
(vi) Annual General Meeting : End of September, 2017  
for the year 2016-17.

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

23<sup>rd</sup> September, 2016 to 29<sup>th</sup> September, 2016 (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 had issued exit order of UPSE on 9<sup>th</sup> June, 2015.

\*\*SEBI had derecognized the DSE on 19<sup>th</sup> 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 16<sup>th</sup> April, 2015 to its members.

(f) **Market Price Data : High/Low during each month in the year 2015-16:**

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 were 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 31.03.2016 :**

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	680401	248	8929	20	20.56	0.61
501 - 1000	95152	-	126	-	2.87	-
1001 - 2000	100655	-	67	-	3.04	-
2001 - 3000	44945	-	18	-	1.36	-
3001 - 4000	19580	3520	6	1	0.59	8.64
4001 - 5000	32294	9005	7	2	0.98	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	9220	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/Warrants 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.