

CORPORATE GOVERNANCE REPORT
CORPORATE GOVERNANCE AS REQUIRED
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. In terms of the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985 ('SICA') the Company was declared a sick industrial company by the Ld. 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 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 3rd June, 2016, 22nd August, 2016, 3rd November, 2016 and 1st March, 2017. 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 2016-17 and at the last 82nd Annual General Meeting held on 29th September, 2016 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) in other Indian Public Limited Companies
Shri Mahendra Kumar Modi	MD	4	No	1
Shri Umesh Kumar Modi	MD	3	No	5
Shri Krishan Kumar Modi	NED	3	No	6
Shri Vinay Kumar Modi	NED	1	No	2
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

(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 3rd June, 2016, 22nd August, 2016, 3rd November, 2016 and 1st March, 2017. All the four meetings were attended by all its members except the meeting held on 1st March, 2017 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, 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. During the year under review a meeting of Nomination and Remuneration Committee was held on 22nd August, 2016 which was attended by all its Members.

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. 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 amounting to ₹18.00 Lacs per annum to Shri Mahendra Kumar Modi as Managing Director for the period from 1st November, 2014 to 31st October, 2017.

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

Name	Sitting Fee (₹ in thousands)	Shares held	
		Equity	Preference
Shri Krishan Kumar Modi	6.0	9664	8
Shri Vinay Kumar Modi	2.0	25477	8
Shri Rakesh Kumar Modi	13.0	48901	10
Shri Manish Kumar Modi	8.0	22050	-
Shri Abhishek Modi	10.5	100	-
Shri Santosh Kumar Aggarwal	10.5	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/Debtenture 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. All transfers, transmissions etc. of Shares and Debtentures were effected within the stipulated period by the Company. During the year under review five meetings of Stakeholders Relationship Committee were held on 26th April, 2016, 24th June, 2016 3rd November, 2016, 12th December, 2016 and 1st March, 2017. All the five meetings were attended by all its Members except the meeting held on 24th June, 2016 which was not attended by Shri Umesh Kumar Modi.

All 13 Shareholders / Debtenture holders / Investors complaints, received directly from them or through SEBI 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/Debtenture holders/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
2015-16	29.09.2016	12.30 P.M.
2014-15	29.09.2015	12.30 P.M.
2013-14	29.09.2014	12.30 P.M.

No postal ballot was conducted during the Financial Year 2016-17. 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 the Companies Act, 2013.

9. **MEANS OF COMMUNICATION:**

Annual Report of the Company are being uploaded on the Company's website www.modiindustries.net and also other necessary information/ notice etc. is published in news paper, wherever required.

10. **GENERAL SHAREHOLDERS' INFORMATION:**

(a) **Annual General Meeting:**

Date : 21st December, 2017
Time : 12.30 P.M.
Venue : Modi Industries Transit House
(Modi Industries Complex)
Modinagar, Distt. Ghazlabad (U.P.).

(b) **Financial Calendar:**

(i) Financial year : April to March
(ii) Annual Financial Results : Upto September, 2018
(Audited)
(iii) Annual General Meeting : End of September, 2018
for the financial year 2017-18.

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

15th December, 2017 to 21st December, 2017 (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 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 9th June, 2015.

**SEBI had derecognized the DSE on 19th November, 2014 and issued exit order on 23rd January, 2017.

U.P. Stock Exchange Limited, Kanpur as a Regional Stock Exchange of the Company had referred the Company to the Dissemination Board of National Stock Exchange of India Limited (NSE) and now the Company has been removed from Dissemination Board of NSE. As on the date of Report, status of the Company is of an Unlisted Company.

(f) **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.

(g) **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.

(h) **Distribution of Shareholding as on 31.03.2017 :**

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	680051	248	8924	20	20.55	0.61
501 - 1000	94282	-	125	-	2.85	-
1001 - 2000	100655	-	67	-	3.04	-
2001 - 3000	44945	-	18	-	1.36	-
3001 - 4000	19580	3520	6	1	0.59	8.64
4001 - 5000	32594	9005	7	2	0.98	22.10
5001 - 10000	115829	14344	16	2	3.50	35.21
10001 and above	2221278	13624	51	1	67.12	33.44
Total	3309214	40741	9214	26	100.00	100.00

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

All shares of the Company are held in physical form.

(j) **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.

(k) **Plant Location :**

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

(l) **Address for Correspondence :**

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