

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Code of Corporate Governance

Corporate Governance contains a set of guidelines, principles, processes and systems to be followed by the Directors, the management and all the employees of the Company for increasing transparency and accountability to the shareholders in particular and other stakeholders in general. Your Company's philosophy is to continue to enhance stakeholders' value and customers' satisfaction by consistently endeavoring to follow the best Corporate Governance practices.

2. Board of Directors

In terms of the Company's Corporate Governance policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees to the shareholders.

Composition

The composition of the Board of Directors of the Company is in conformity with the Code of Corporate Governance as per Regulation 17 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The Company has an optimum combination of Executive and Non-Executive Directors. As on 31st March, 2016, the Company has six directors on its Board out of which one is Whole-Time Director, five are Non-Executive Directors. Out of five Non-Executive Directors, two are Independent Directors. The Company has one Woman Director on its Board. The following is the composition of the Board as on 31st March, 2016:

<i>Name of the Director</i>	<i>Designation</i>	<i>Category</i>	<i>No. of other Directorship(s)*</i>	<i>Membership(s)/ Chairmanship(s) of Board Committees of other companies**</i>
<i>Mr. Vinod Dugar</i>	<i>Whole-Time Director</i>	<i>Executive & Promoter</i>	<i>7</i>	<i>Nil</i>
<i>Mr. Alok Jhabak</i>	<i>Director</i>	<i>Non-executive</i>	<i>18</i>	<i>Nil</i>
<i>Mr. Ravi Prakash Pincha</i>	<i>Director</i>	<i>Non-executive</i>	<i>14</i>	<i>4(including 2 as Chairman)</i>
<i>Mr. Manish Kumar Jain</i>	<i>Director</i>	<i>Non-executive & Independent</i>	<i>Nil</i>	<i>Nil</i>
<i>Mr. Pradeep Kumar Hirawat</i>	<i>Director</i>	<i>Non-executive & Independent</i>	<i>19</i>	<i>Nil</i>
<i>Mrs. Manisha Pincha</i>	<i>Director</i>	<i>Non-executive</i>	<i>1</i>	<i>Nil</i>

* Directorships of Indian Companies (listed, unlisted, private company) excluding Khatod Investments & Finance Co. Ltd are considered.

** Only memberships/chairmanships of the Audit Committee and Shareholders Relationship Committee in various public limited companies (listed, unlisted) are considered

Notes:

1. The Directorship/Committee membership is based on the Disclosures received from the Directors as on 31.03.2016.
2. None of the Directors hold Directorships in more than 20 companies pursuant to Section 165 of the Companies Act, 2013.
3. None of the Directors hold Membership and/or Chairmanship of any Committee exceeding 10 Companies and/or 5 Companies respectively as per SEBI (Listing Regulations).
4. Mr. Ravi Prakash Pincha is the husband of Mrs. Manisha Pincha. Other than this, there is no relationship, in terms of the Companies Act, 2013, between any of the Directors of the Company.

Details of Board Meetings held during the financial year

Number of Board Meetings

During the financial year ended 31st March, 2016, 06(six) Board meetings were held as follows:

Sl. No.	Date of the Meeting	Board strength	No. of Directors present
01	29/05/2015	6	5
02	10/08/2015	6	6
03	25/09/2015	6	5
04	05/10/2015	6	5
05	12/11/2015	6	6
06	10/02/2016	6	6

Attendance of Directors at Board Meetings and last Annual General Meeting

Director	No. of Board Meetings		Attendance at last AGM (10.09.2015)
	Held	Attended	
Mr. Vinod Dugar	6	3	Yes
Mrs Manisha Pincha	6	6	Yes
Mr. Pradeep Kumar Hirawat	6	6	Yes
Mr. Alok Jhabak	6	6	No
Mr. Ravi Prakash Pincha	6	6	Yes
Mr. Manish Kumar Jain	6	6	No

3. Appointment/Re-appointment of Directors

The brief resume of Director retiring by rotation and seeking re-appointment is appended in the notice for convening the Annual General Meeting (AGM).

4. Committees of the Board

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities which concern the Company and need a closer review. The Board Committees are set up under the formal approval of the Board, to carry out clearly defined roles. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. The Minutes of the meetings of all the Committees are placed before the Board for review.

The Board has established the following Committees:

A. Audit Committee

The Audit Committee of the Company acts as a link between the Management, the Statutory Auditors and the Board of Directors. The Audit Committee, *inter alia*, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

The Audit Committee is empowered, pursuant to its terms of reference, *inter alia*, to:

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

The role of the Audit Committee includes 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 134 of 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.
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. Review and monitor 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 CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) 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.

Composition of the Audit Committee

The Committee has Mr. Pradeep Kumar Hirawat as the Chairman of the Committee and Mr. Manish Jain and Mr. Alok Jhabak as Members of the Committee. The Committee comprises of two Independent Directors and one Non-Executive Director. All the members of the Committee are financially literate and the Chairman of the Committee has accounting and financial management expertise.

Details of members and their attendance at the meetings

Sl. No.	Name	Position	No. of Committee Meetings	
			Held	Attended
1	Mr. Pradeep Kumar Hirawat	Chairman	4	4
2	Mr. Alok Jhabak	Member	4	4
3	Mr. Manish Kumar Jain	Member	4	4

Details of Audit Committee Meetings and attendances:

During the financial year ended 31st March, 2016, four meetings of the Audit Committee were held as follows:

Sl. No.	Date of the meeting	Attendance
1	29/05/2015	3
2	10/08/2015	3
3	12/11/2015	3
4	10/02/2016	3

B. Nomination & Remuneration Committee

The role of the Nomination & Remuneration Committee of the Company shall *inter alia* include the following:-

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 criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
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 their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

Composition of the Nomination & Remuneration Committee:

The Nomination & Remuneration Committee comprises three members all of them being Non Executive and two amongst them being Independent Directors.

Details of members at the meetings:

Sl. No.	Name	Position	No. of Committee Meetings	
			Held	Attended
1	Mr. Pradeep Kumar Hirawat	Chairman	3	3
2	Mr. Manish Kumar Jain	Member	3	3
3	Mr. Alok Jhabak	Member	3	3

Details of Nomination & Remuneration Committee Meetings and attendances:

During the financial year 2015-16 three meetings of the Remuneration Committee was held.

Sl. No.	Date of the meeting	Attendance
1	29/05/2015	3
2	05/10/2015	3
3	10/02/2016	3

Remuneration Policy

The Company's remuneration strategy aims at attracting and retaining high-caliber talent. The remuneration policy, therefore, is market-led and takes into account respective job profile vis-à-vis the responsibility profile of individuals to attract and retain quality talent and leverage performance significantly.

Details of Remuneration of the Directors for the financial year ended 31st March, 2016

(Figures in Rs.)

Name of Director	Consolidated Salary (Rs.)	Perquisites and other Benefits	Performance bonus/ Commission	Sitting Fees	Total
Mr. Vinod Dugar	6,00,000.00	Nil	Nil	Nil	6,00,000.00

No remuneration (including sitting fee) has been paid to the Non-Executive Directors in the financial year 2015-16. Except Mr. Ravi Prakash Pincha, no other Non-Executive Director holds any shares and/or convertible instruments in the Company and also they do not have any pecuniary relationship or transaction with the Company. The Company has not granted any stock options to its Directors.

C. Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Company shall consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends. The Committee also meets as and when required for approving share transfers. All valid requests for share transfers received during the year have been acted upon and there are no share transfer requests pending as on 31.03.2016.

Composition

The Stakeholders Relationship Committee comprises of three members, one being Independent Director and one Executive Director. The Committee has Mr. Ravi Prakash Pincha as the Chairman and the Members of the Committee being Mr. Manish Kumar Jain and Mr. Vinod Dugar.

Sl. No.	Name	Position	No. of Committee Meetings	
			Held	Attended
1	Mr. Ravi Prakash Pincha	Chairman	4	4
2	Mr. Vinod Dugar	Member	4	4
3	Mr. Manish Kumar Jain	Member	4	4

Details of Stakeholders Relationship Committee Meetings and attendances:

During the financial year ended 31st March, 2016, (04) four meetings of the Stakeholders Relationship Committee were held as follows:

Sl. No.	Date of the meeting	Attendance
1	29.05.2015	3
2	10.08.2015	3
3	12.11.2015	3
4	10.02.2016	3

Mr. Jaspreet Singh Dhir, Company Secretary of the Company is acting as the Compliance Officer of the Company.

Details of shareholders' complaints

- (a) Number of shareholders' complaints received during the year : Nil
(b) Number of shareholders' complaints resolved during the year : Nil
(c) Number of complaints not solved to the satisfaction of shareholders : Nil
(d) Number of complaints pending : Nil

5. Details of General Body Meetings

a. Details of Annual General Meetings

The date, time, venue and the special resolutions passed in the last three Annual General Meetings are as under:-

Particulars	F.Y. 2014-15	F.Y. 2013-14	F.Y. 2012-13
Meeting	25 th AGM	24 th A.G.M.	23 rd A.G.M.
Day & Date	10.09.2015	Tuesday 30.09.2014	Saturday 28.09.2013
Time	04.00 P.M.	04.00 P.M.	10.00 A.M.
Venue	The Aryans School, 149, B.T. Road, Kolkata – 700 058	The Aryans School, 149, B.T. Road, Kolkata – 700 058	2B, Grant Lane, 2 nd Floor, Room No. 201, Kolkata- 700 012
No. of Special Resolution, if any passed	--	--	--

b. Postal Ballot

- Special Resolution put through postal ballot last year : Nil
Items proposed to be conducted through postal ballot this year : Nil

6. Code of Conduct

The Company is consistently endeavoring to conduct its business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Company believes that a good corporate governance structure would not only encourage value creation but also provide accountability and control systems commensurate with the risks involved. The Board of Directors has adopted the Code of Conduct for the Directors and Senior Management ("the Code"). A copy of the Code has been put on the Company's website www.khatodinv.com. The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Whole-Time Director is given below.

Compliance with Code of Conduct for Directors and Senior Management

DECLARATION

"I hereby confirm that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of financial year 2015-16."

Vinod Dugar
(Whole-Time Director)

Code of Insider Trading: The Board of Directors has also adopted Code of Practices and Procedures for Fair Disclosure of Unpublished Price sensitive information. A copy of the Code has been put on the Company's website www.khatodinv.com

7. Disclosures

a) **Disclosures on materially significant related party transactions that may have potential conflict with the interest of company at large.**

There is no materially significant related party transaction entered i.e. any transaction of material nature, with its promoters, directors or the management or relatives, etc. that may have potential conflict with the interest of the Company at large, other than in the normal course of business. The transactions with related parties have been disclosed in Note No. 14 in Notes to the Accounts forming part of the accounts for the year ended 31st March, 2016.

b) **Statutory Compliances**

The Company is generally regular in complying with the requirements of the regulatory authorities on the matters relating to the capital market and no penalties / strictures have been imposed on the Company by the Stock Exchanges or any statutory authority, during last three years.

c) **Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee.**

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Vigil mechanism and Whistle blower policy under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. Employees may also report to the Chairman of the Audit Committee. During the year under review, no employee was denied access to the Audit Committee.

d) **Details of compliance with Mandatory requirements and adoptions of the Non Mandatory Requirements as per Listing Regulations.**

The Company duly complied with all the mandatory requirements of the Listing Regulations with the stock exchanges.

e) **Disclosure of Accounting Treatment**

In preparation of Financial Statements, the Company has followed the Accounting Standards issued by The Institute of Chartered Accountants of India. The significant Accounting Standards have been set out in the notes to Accounts of the Audited Accounts.

f) **Management Discussion and Analysis Report (MDA)**

MDA forms part of the Directors' Report and the same is attached separately in this Annual Report.

8. Means of communication

- a) The quarterly financial results and annual audited financial results are normally published in Business Standard/The Financial Express in English and Dainik Lipi/Kalantar in Bengali.
- b) The quarterly financial results and annual audited financial results of the Company are sent to The Calcutta Stock Exchange Ltd.
- c) The Company's financial results are displayed on the website of the Company, www.khatodinv.com.
- d) The Company's website does not display any official news releases.
- e) No presentation was made to the institutional investors or to the analysts during the year under review.

- f) Annual Report containing, *inter alia*, Directors' Report, Auditors' Report, Audited Annual Accounts and other important information is circulated to members and others entitled thereto.

9. Compliance certificate of the auditors

The statutory auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of the SEBI Listing Regulations and the same is annexed.

10. Reconciliation of Share Capital

As per SEBI (Depositories & Participants) Regulation, 2003, certificate of Reconciliation of Share Capital Audit issued by a Practicing Company Secretary, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL, is placed before the Board on a quarterly basis and also submitted to the stock exchanges.

11. General shareholder information

Details of Annual General Meeting for F. Y. 2015-16

Date	:	Wednesday 7 th September, 2016
Venue	:	The Aryans School, 149, B.T. Road, Kolkata – 700 058
Time	:	4.00 p.m.
Book closure date	:	From Thursday, 1 st September, 2016 to Wednesday, 7 th September, 2016 (both days inclusive)
Dividend payment date	:	No dividend has been recommended for the year under review.

Tentative Financial Calendar

Financial year: 1st April to 31st March

For the year ending 31st March 2017, the results are likely to be adopted:

- on or before 14th August 2016 : First quarter (Un-audited)
- on or before 14th November 2016 : Second quarter (Un-audited)
- on or before 14th February 2017 : Third quarter (Un-audited)
- on or before 30th May 2017 : Annual (Audited)

Listing on Stock Exchange

The Calcutta Stock Exchange Ltd.
7, Lyons Range, Kolkata – 700 001
Website: www.cse-india.com

Annual Listing fee for the Financial Year 2016-17 has been paid.

Depositories

Name of the Depository	Address of the Depository	Website
National Securities Depository Ltd.	Trade World, Kamala Mills Compound, Lower Parel, Mumbai – 400 013	www.nsdl.co.in
Central Depository Services (India) Limited	P J Towers, 17 th Floor, Dalal Street, Fort, Mumbai – 400 001	www.cdslindia.com

The International Securities Identification Number (ISIN) allotted to Company's securities under the Depository system is **INE816C01017**.

Stock Code

The Calcutta Stock Exchange Ltd.
Code No. : 21083

Market price data

There was no trading in shares of the Company at The Calcutta Stock Exchange Ltd. during the financial year 2015-16.

Registrar & Share Transfer Agents

M/s Niche Technologies Private Limited
D-511, Bagree Market, 71, B.R.B. Basu Road,
5th Floor, Kolkata – 700 001
Phone No. 033-2234-3576, 2235-7270, 2235-7271
Fax No. 033-2215-6823,
e-mail: nichetechpl@nichetechpl.com

Contact Person – Mr. S. Abbas (Sr. Manager – Systems)

Share Transfer System –

The RTA performs all share transfer activities, which is a Category-I Registrar and Share Transfer Agent. Therefore, all correspondences should be made to the address mentioned above. Shareholders holding shares in the electronic form should address their correspondence to their respective depository participants.

Distribution of Shareholding

Distribution of shareholding by size as on 31st March, 2016

Range of Shares	Number of Shareholders	% of Shareholders	No. of Shares	% of Shares
Up to 500	97	62.18	26750	0.89
501 – 1000	36	23.08	29900	1.00
1001 – 5000	10	6.41	21150	0.70
5001 – 10000	1	0.64	8600	0.29
10001 – 50000	1	0.64	35300	1.17
50001 – 100000	4	2.56	309200	10.30
100001 and above	7	4.49	2571300	85.65
Total	156	100.00	3002200	100.00

Distribution of shareholding by category as on 31st March, 2016

Category	Number of Shares	% to Total
Promoters and Promoter Group	1606400	53.51
Banks, Financial institutions etc.	Nil	Nil
Private corporate bodies	1062100	35.38
Indian Public	333700	11.11
NRIs/ OCBs	Nil	Nil
Clearing Members	Nil	Nil
Total	3002200	100.00

Details of shares held by Directors as on 31st March, 2016

Name of Director	No. of Equity Shares	% of Total holding
Mr. Vinod Dugar	1111900	37.04
Mr. Mrs Manisha Pincha	Nil	Nil
Mr. Alok Jhabak	Nil	Nil
Mr. Manish Kumar Jain	Nil	Nil
Mr. Pradeep Kumar Hirawat	Nil	Nil
Mr. Ravi Prakash Pincha	500	0.02
Total	1112400	37.06

Dematerialisation of shares and liquidity

Shares held in dematerialised and physical form as on 31st March, 2016

Status of Dematerialization	No. of Share	% of Total Share
Share held in dematerialized form : NSDL	2934769	97.75
Share held in dematerialized form: CDSL	14830	0.49
Shares held in physical form	52601	1.75

Outstanding GDRs/ADRs/Warrants or any Convertible instruments

The Company has not issued any ADRs /GDRs/Warrants/Stock Options or any other convertible instruments.

Plant Location: The Company does not have any Manufacturing or Processing plant.

Address for correspondence:

Khatod Investments & Finance Company Limited
Bikaner Building, 8/1, Lalbazar Street,
1st floor, Room No.10
Kolkata-700001
Contact No- 033 4450 0500
E-mail- khatodinv@gmail.com
Website: www.khatodinv.com