



# **KAMA Holdings Limited**

**Annual Report  
2012-13**

# BOARD OF DIRECTORS

Mr. Kartikeya Bharat Ram, Chairman  
Mr. Ashish Bharat Ram  
Mr. Rajat Lakhanpal, Whole-time Director & Company Secretary  
Mr. Mukul Khandelwal  
Mr. Amitav Virmani  
Mr. Dharendra Datta

## Auditors

Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, New Delhi

## Bankers

HDFC Bank Ltd.

## Registered Office

C-8, Commercial Complex, Safdarjung Development Area, New Delhi – 110 016

## Corporate Office

Block C, Sector – 45, Gurgaon 122 003 (Haryana)

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# NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of KAMA Holdings Limited will be held on Friday, the 23rd August, 2013 at 11.00 A.M. at Modi Hall, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 to transact the following businesses:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2013 and the Profit & Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To declare dividend on 8% Non-Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Mr. Ashish Bharat Ram, who retires by rotation, and being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. Amitav Virmani, who retires by rotation, and being eligible, offers himself for re-election.
5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**  
 "RESOLVED that M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, New Delhi (Registration No.000038N) be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual general meeting at a remuneration to be fixed by the Board of Directors/Audit Committee and service tax thereon and re-imbursement of travelling and other incidental expenses, if any, incurred in connection with the audit."
6. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**  
 "RESOLVED that subject to such consents and permissions, if any, as may be necessary, approval be and is hereby accorded in terms of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and the Schedule(s) thereto, including any statutory amendment or re-enactment thereof, to the re-appointment of Mr. Rajat Lakhanpal as Whole-time Director & Company Secretary with authority to the Board to revise his designation at its discretion and other terms and conditions of the appointment including as to remuneration as are set out hereunder :-"

## Tenure

1st April, 2013 to 31st March, 2018

## Functions

To look after the day to day business and affairs of the Company subject to the direction, control and superintendence of the Board of Directors.

## Remuneration

Subject to the overall limit on remuneration payable to all the managerial personnel taken together, the remuneration payable to Mr. Rajat Lakhanpal shall comprise salary, perquisites and commission, as may be decided by the Board/Remuneration Committee within an overall ceiling of 5% of the net profits of the Company, computed in the manner laid down in Section 349 of the Companies Act, 1956.

## Remuneration for a part of the Year

Remuneration for a part of the year shall be computed on pro-rata basis.

## Minimum Remuneration

In the event of absence or inadequacy of profits in any financial year during his tenure, Mr. Rajat Lakhanpal will be entitled to remuneration

by way of salary, perquisites and commission not exceeding the ceiling limit as specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 as and by way of minimum remuneration.

## Termination

The appointment of Mr. Rajat Lakhanpal as Whole-time Director may be terminated by either party giving to the other one calendar months' notice in writing.

In the event of termination of this appointment of Mr. Rajat Lakhanpal by the Company, he shall be entitled to receive compensation in accordance with the provisions of the Companies Act, 1956 or any statutory amendment or re-enactment thereof.

RESOLVED FURTHER that in the event of any further authorization/ revision in the levels of permissible managerial remuneration, the Board of Directors/ Remuneration Committee be and is hereby authorized to alter, vary and increase the remuneration of Mr. Rajat Lakhanpal, notwithstanding the overall remuneration set out above, as may then be prescribed/ permissible without requiring any further resolution or consent of or reference to the general meeting."

By Order of the Board  
for KAMA HOLDINGS LIMITED

Place: New Delhi  
Date: May 30, 2013

**Rajat Lakhanpal**  
Whole-time Director &  
Company Secretary

## NOTES:

1. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ATTACHED HERewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 16th August, 2013 to Friday, 23rd August, 2013 (both days inclusive).  
The dividend, when declared will be payable to the preference shareholders whose name stand on the Register of Preference Shareholders as on Friday, 16th August, 2013.
4. Shareholders seeking any information regarding accounts to be given at the meeting should write to the Company at its Corporate Office at Block C, Sector – 45, Gurgaon 122 003 (Haryana) at least seven days before the meeting so as to enable the management to keep the information ready.
5. Shareholders are advised that those who have not encashed their dividend warrant(s) so far for the financial years ended 31st March 2006 and thereafter may send their outdated dividend warrants to M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad- 500 081 for issue of 'payable at par' cheques/ demand drafts in lieu thereof.
6. Shareholders holding shares in physical form are advised to provide their bank account details viz. bank account number, name of bank and address, MICR and IFSC Code (alongwith a copy of the cancelled cheque of that bank account) to M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad- 500 081 to enable timely payment of dividend, when declared, to the shareholders.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

### Item Nos. 3 & 4

Mr. Ashish Bharat Ram and Mr. Amitav Virmani shall retire by rotation and being eligible, offer themselves for re-appointment.

Brief resume of the Directors being re-appointed are as under:

#### Mr. Ashish Bharat Ram

Mr. Ashish Bharat Ram (44) holds a Masters' degree in Business Administration on Corporate Strategy from Cornell University, USA and has 18 years working experience in senior positions including in the Company's international subsidiaries. He is the Managing Director of SRF Ltd. which is engaged in the business of manufacture of tyre cord fabric, refrigerant gases and packaging films.

Mr. Ashish Bharat Ram is Chairman of Shareholders /Investors Grievance Committee, Member of Committee of Directors-Financial Resources and Remuneration Committee of KAMA Holdings Ltd.

He holds 12,09,860 fully paid up equity shares of Rs.10 each (18.75% of the total paid up equity share capital) jointly with Mr. Kartikeya Bharat Ram and 95,82,975 fully paid up 8% Non-Cumulative Redeemable Preference Shares of Rs. 10 each (74.18% of the total paid up preference share capital) jointly with Mr. Kartikeya Bharat Ram who is his relative.

| Directorships in other public limited companies | Committee Chairmanship/ Membership*                  |
|---|--|
| SRF Ltd.  | Shareholders'/Investors' Grievance Committee- Member |
| Shri Educare Ltd.                               | Audit Committee - Member                             |
| SRF Fluorochemicals Ltd.                        | -  |
| SRF Holiday Home Limited                        | -  |
| Transport Corporation of India Limited          | -  |
| KHL Investments Limited                         | -  |

\*Only Shareholders' Investors' Grievance Committee and Audit Committee considered.

Mr. Ashish Bharat Ram is interested in the resolution. Mr. Kartikeya Bharat Ram who is a relative of Mr. Ashish Bharat Ram, may be deemed to be interested in the Resolution.

No other Director of the Company is concerned or interested in the resolution.

#### Mr. Amitav Virmani

Mr. Amitav Virmani (40) holds a Master's degree in Business Administration in Marketing & General Management from University of North Carolina at Chapel Hill, NC and has 19 years of work experience.

Mr. Amitav Virmani is Chairman of the Audit Committee and Member of Shareholders'/ Investors' Grievance Committee and Remuneration Committee of the Board.

Mr. Virmani has no shareholding in the company.

#### Directorship in other Public Companies:

Okara Flour & General Mills Ltd.

None of the Directors of the Company other than Mr. Amitav Virmani is concerned or interested in the resolution.

#### Item No.6

Mr. Rajat Lakhanpal (40) is a qualified Company Secretary and law graduate and has an experience of around 15 years.

By a resolution dated 29.08.2008, the shareholders had appointed Mr. Rajat Lakhanpal as Whole-time Director & Company Secretary of the Company for a period of five years with effect from 01.04.2008 to 31.3.2013.

The existing tenure of Mr. Rajat Lakhanpal continued upto 31.03.2013. His re-appointment effective from 01.04.2013 requires approval of the members.

It is proposed to re-appoint him for a further period of 5 years with effect from 01.04.2013 and members' approval is sought to the re-appointment.

The terms of his re-appointment and remuneration including minimum remuneration are set out in the resolution and are essentially the same as at present.

As per the requirements of section 302 of the Companies Act, 1956, the abstract of the terms & conditions of re-appointment of Mr. Rajat Lakhanpal as Whole- time Director & Company Secretary has been circulated to the members separately.

Mr. Rajat Lakhanpal has no shareholding in the company

Mr. Rajat Lakhanpal is also a Director in KAMA Realty (Delhi) Ltd.

None of the Directors of the Company other than Mr. Rajat Lakhanpal is interested in the Resolution.

### Important communication to Members

The Ministry of Corporate Affairs has taken a 'green initiative in the corporate governance' by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to send their e-mail address to the Company/R&T agent for receiving the aforesaid documents by e-mail. You may also log on to the Company's website [www.kamaholdings.com](http://www.kamaholdings.com) to register your consent.

# DIRECTORS REPORT

To the Members,

The Directors are pleased to present their thirteenth Annual Report on the business and operations of the Company and the statement of accounts for the year ended March 31, 2013.

## FINANCIAL RESULTS

|  | (Rs. Crores)  |               |
|--|---------------|---------------|
|  | 2012-13       | 2011-12       |
| Dividend and Other Income                          | 33.39         | 40.28         |
| Profit Before Interest, Depreciation & Tax (PBIDT) | 32.98         | 39.82         |
| Less: Interest & Finance Charges                   | -             | 1.49          |
| Profit before Depreciation and Tax (PBDT)          | 32.98         | 38.33         |
| Less: Depreciation                                 | -             | -             |
| <b>Profit before Tax (PBT)</b>                     | <b>32.98</b>  | <b>38.33</b>  |
| Less: Provision For Taxes                          |               |               |
| (including provision for deferred tax)             | 1.03          | (0.12)        |
| <b>Net Profit after Tax (PAT)</b>                  | <b>31.95</b>  | <b>38.45</b>  |
| Add: Profit brought forward from previous years    | 128.16        | 90.91         |
| <b>Profit available for appropriation</b>          | <b>160.11</b> | <b>129.36</b> |
| <b>Appropriations</b>                              |               |               |
| Dividend on Preference Shares                      | 1.03          | 1.03          |
| Interim Dividend on Equity shares                  | 0.65          | -             |
| Corporate tax on dividend                          | -             | 0.17          |
| Amount transferred to General Reserve              | -             | -             |
| <b>Profit carried to Balance Sheet</b>             | <b>158.43</b> | <b>128.16</b> |
| <b>Total Appropriation</b>                         | <b>160.11</b> | <b>129.36</b> |

## DIVIDEND

During the year, your Company has paid an interim dividend of Rs. 1 per share amounting to Rs. 0.65 crores. No final dividend is recommended on Equity Shares.

Your Directors recommend payment of dividend on 8% Non-cumulative Redeemable Preference Shares.

No amount has been proposed to be transferred to General Reserve.

## OPERATIONS REVIEW

Profit before Interest, Depreciation & Tax (PBIDT) decreased by 13.96% to Rs 32.98 crores from Rs 38.33 crores mainly due to decrease in dividend income. Profit after Tax (PAT) decreased by 16.90% to Rs 31.95 crores from Rs 38.45 crores.

## SUBSIDIARY COMPANIES

### KAMA Realty (Delhi) Limited

KAMA Realty (Delhi) Limited made a net profit of Rs. 2.92 Crores mainly due to rental and interest income.

### Shri Educare Limited

During the year your Company has invested a sum of Rs. 1.75 crores in the equity capital of Shri Educare Ltd. This company is engaged in the field of education including management consultancy to other educational institutions. It had incurred a loss of Rs. 1.14 crores mainly on account of personnel and administrative expenses.

### KHL Investments Limited

KHL Investments Limited was incorporated during the year to undertake the business of a non-banking financial company. It has not started any operations.

### Shri Educare Maldives Private Limited

Shri Educare Maldives Private Limited incurred a loss of MRF 3.09 lacs (Rs. 10.84 lacs appx.) mainly on account of personnel and administrative expenses.

## SRF Limited

During 2012-13, SRF Limited has become a subsidiary of your Company. Consequently its subsidiaries had also become the subsidiaries of your Company. Their operational performance is given in note no. 15 of the notes forming part of the consolidated financial statements for the financial year ended 31st March, 2013.

Annual accounts of the subsidiary companies and the related information can be obtained on request by the shareholders of the Company and of the subsidiary companies. These are also available for inspection at the corporate office/registered office of the Company and at the respective corporate offices/ registered offices of the subsidiaries between 11 A.M. to 1 P.M. on all working days.

## DIRECTORS

Mr. Ashish Bharat Ram and Mr. Amitav Virmani, Directors retire by rotation and being eligible, offer themselves for re-appointment. Mr Rajat Lakhanpal, Whole Time Director & Company Secretary is proposed to be reappointed in the same capacity for a further period of five years from 1st April, 2013 to 31st March, 2018.

## Directors' Responsibility Statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period under review;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts for the year ended 31.03.13 on a 'going concern' basis.

The Company is controlled by Arun Bharat Ram Group ("Promoter Group") being a group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. The Promoter Group consists of various individuals and corporate bodies who are in a position to and who jointly exercise control over the Company.

a) Mr. Arun Bharat Ram; b) Mr. Ashish Bharat Ram; c) Mr. Kartikeya Bharat Ram; d) Mrs. Shiela Bharat Ram; e) Mrs. Vasvi Bharat Ram; f) Mrs. Radhika Bharat Ram; g) SRF Ltd; h) SRF Transnational Holdings Ltd; i) Skylark Investments & Trading Pvt. Ltd.; j) Karm Farms Pvt. Ltd.; k) Srishti Westend Greens Farms Pvt. Ltd.; and l) Karmav Holdings Private Limited.

## LISTING OF SHARES

Your Company's equity shares are listed at the Bombay Stock Exchange Ltd.

## CORPORATE GOVERNANCE

Certificate of the auditors of your Company regarding compliance with the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement with the stock exchange is attached to the report as annexure 1.

In compliance with the requirements of Clause 49(V), a certificate

from Whole-time Director & Company Secretary was placed before the Board.

All Board members had affirmed compliance with the Code of Conduct for Board and Senior Management Personnel. A declaration to this effect duly signed by the Whole-time Director & Company Secretary is enclosed as a part of the Corporate Governance Report.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements, which form part of the Annual Report and Accounts.

#### **ACCOUNTS AND AUDIT**

The Auditors, M/s Thakur, Vaidyanath, Aiyar & Company, retire at the conclusion of the 13th Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors are explained wherever necessary in appropriate notes to the Accounts.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

Management discussion and analysis on matters relating to the business performance, as stipulated in clause 49 of the listing agreement with the stock exchange, is given as a separate statement

### **ANNEXURE-1 TO DIRECTORS' REPORT**

#### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

##### **To the Members of Kama Holdings Limited**

We have examined the compliance of conditions of Corporate Governance by Kama Holdings Limited, for the year ended on March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us:

in the Annual report.

#### **FIXED DEPOSITS**

Your company had discontinued to accept/renew fixed deposits w.e.f. 1st April, 2009. As on March 31, 2013 all fixed deposits had matured and are being repaid as and when claimed by the depositors. As on 31st March, 2013, deposits (including interest) amounting to Rs. 7.35 lacs remained unclaimed by depositors.

#### **PARTICULARS OF EMPLOYEES**

No employee was drawing remuneration equal to or exceeding the limits under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Rules, 1975.

#### **ACKNOWLEDGEMENTS**

Your Directors acknowledge with gratitude the co-operation and assistance received from various agencies of the Central Government and the Lenders. Your Directors thank the shareholders for their support.

**For and on behalf of the Board of Directors**

Place: New Delhi  
Date: May 30, 2013

**Kartikeya Bharat Ram  
Chairman**

We certify that the company has complied with the mandatory conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that there are no investor grievance(s) pending for a period exceeding one month against the company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For THAKUR, VAIDYANATH AIYAR & CO.  
Chartered Accountants  
Reg No. 000038N**

Place: New Delhi  
Date: May 30, 2013

**V. Rajaraman  
Partner  
M.No.2705**

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year the Company had earned income by way of dividend, interest and other income amounting to Rs. 33.39 crores. After payment of interest on loans and other expenses net profit for the year amounted to Rs. 31.95 crores as compared to Rs. 38.45 crores in the previous year. The share capital of the company as on March 31, 2013 stood at Rs. 19.37 crores and Reserves and Surplus at Rs. 410.74 crores (including capital reserve of Rs. 203.45 crores).

## OUTLOOK

### Major Activities

The Company is a Core Investment Company (CIC) within the meaning of Core Investment Companies (Reserve Bank) Directions, 2011 and does not require registration with Reserve Bank of India under the said Directions.

During the year, the Company had consolidated its investment in the equity shares of SRF Ltd. and it had become a subsidiary of the Company. SRF and its subsidiaries has businesses ranging from technical textiles, refrigerant gases and packaging films and has presence in Thailand, South Africa and Dubai in these businesses.

The Company has two other subsidiaries viz. KAMA Realty (Delhi) Ltd. which is a company engaged in the business of acquisition and renting of properties and Shri Educare Ltd. which is engaged in the field of education. Shri Educare Ltd. has a wholly-owned subsidiary viz. Shri Educare Maldives Pvt. Ltd. having a public private partnership with Government of Maldives for management of a Government School.

The Company would continue to consolidate its stake in SRF Ltd. and the aforesaid subsidiaries.

### Future Prospects

#### SRF Ltd. and its subsidiaries

The business prospects of SRF Ltd. and its subsidiaries has been discussed in the Management Discussion and Analysis forming part of the Directors' Report of that company in the Annual Report for 2012-13 which is available on its website [www.srf.com](http://www.srf.com).

#### Shri Educare Ltd. (SEL)

##### The School Consultancy Business

In the year 2012-13, SEL added one more school - Confluence World School to the portfolio of schools being managed by SEL.

Going forward, SEL plans to continue to expand in the school consultancy business. While Right to Education has impacted the viability of schools being set up in India, there continues to be a demand for quality schools in India. Besides, the NRI community is also looking at setting up quality schools in places outside India where there is a significant NRI population. SEL plans to leverage this demand and would be starting a school in 2013-14, besides looking at signing up a couple of school contracts in 2015-16 / 2016-17.

#### Own Schools

##### The Shriram Early Years (TSEY)

The year 2012-13 saw TSEY moving into its own building and this helped in attracting more number of students.

Since starting a play school in India is quite easy, there are new players entering the play school vertical. At the same time, in order to compete one needs to offer quality services (curriculum, infrastructure and transport) to kids and their parents, and not everyone has the ability to do so. Hence, some of the older players in the play school vertical are realizing that it is difficult to sustain profitability in the case of play schools.

TSEY, has been focusing on providing quality services to kids and parents right from the time it was set up; this in turn would enable the

school to reach to full capacity (in terms of number of students) in this academic session, enabling it to be run profitably.

#### Ghiyasuddin International School, Maldives (GIS)

The Ghiyasuddin International School (GIS) was taken over by Shri Educare Maldives Private Limited (a wholly owned subsidiary of the Company) under the Public Private Partnership (PPP) agreement with the Government of Maldives. 2012-13 was the first year when GIS achieved EBIDT positive. This was possible because Government students in class 7 who were paying a fixed fee of \$100 (vs private fee paying students who pay \$ 170) moved out and GIS was able to replace those students in lower grades with private fee paying students.

This trend is expected to continue in 2013-14, as GIS has been able to establish a name for itself amongst the people of Maldives and this in turn would help GIS to achieve a higher EBIDT in the coming year.

#### School ERP Business

The year 2012-13 was not a good year for the ERP business and no external contract with any school was signed. This was because of the fact that competitors are offering this product at almost 1/5th of our cost and the market is not willing to pay a premium for the product offerings we have.

As a result SEL has also scaled its school ERP business sales plan and in 2012-13 will focus primarily on schools where SEL is providing school consultancy.

#### Coaching Classes

The year 2012-13 was the first year for Coaching Classes in Delhi. Results were lower than expectations primarily because of the fact that we were focusing equally on both CBSE and competitive examinations. While SEL got a good response from students interested in doing CBSE coaching, the response was not very good from students wanting to go for competitive coaching, since the preference was for well established brands that are there in the competitive examinations coaching business.

As a result, in 2013-14, there would be a shift in priorities and the focus would be more on CBSE coaching. While CBSE exams would be a focus area now, the plan is to bring a gradual focus to competitive exams rather than focusing equally on both the businesses. The Coaching business is expected to be at a negative EBIDT of Rs. 15 lacs (approx.) in the current year.

## OPPORTUNITIES AND THREATS

The Company holds significant investment in shares of SRF Ltd. The value of these investments is dependent on the performance of the investee company.

## RISKS AND CONCERNS

The Company is mainly exposed to the risk of reduction in value of investments in shares of SRF Ltd. due to fall in the share price and Investee Company's performance.

## ADEQUACY OF INTERNAL CONTROL SYSTEMS

Your Company's internal control systems and procedures are commensurate with the size of operations and adequate enough to meet the objectives of efficient use and safeguarding of assets, compliance with statutes, policies and procedures and proper recording of transactions.

## CAUTIONARY STATEMENT

The Statement in this Management Discussion and Analysis Report describing the Company's outlook, projections, estimates, expectations or predictions may be "Forward looking Statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied.

# REPORT ON CORPORATE GOVERNANCE-2013

## Philosophy of the Company on Corporate Governance

For KAMA Holdings Limited (KAMA), good corporate governance means adoption of best practices to ensure that the Company operates not only within the regulatory framework, but is also guided by broader business ethics. The adoption of such corporate practices — based on transparency and proper disclosures — ensures accountability of the persons in charge of the Company and brings benefits to investors, customers, creditors, employees and the society at large.

## Board of Directors

### Composition of the Board

As on 31 March 2013, KAMAs' Board consisted of six Directors. One Director is executive of the Company, three are independent and two are non-executive promoters. Table 1 gives the details of the Board during the year 2012-13

**Table 1: Composition of the Board of Directors of KAMA Holdings Ltd.**

| Sl. No. | Name of Director                           | Category of Director    | No. of other Director-ships# | No. of Board-level Committees where chairperson or member |        |
|---------|--|-------------------------|------------------------------|---|--------|
|         |  |                         |                              | Chair-person  | Member |
| 1       | Mr Ashish Bharat Ram                       | Non-Executive, promoter | 6                            | 1   | 2      |
| 2       | Mr Kartikeya Bharat Ram                    | Non-Executive, promoter | 4                            | 1   | 1      |
| 3       | Mr Rajat Lakhanpal                         | Independent             | 1                            | -   | -      |
| 4       | Mr Mukul Khandelwal                        | Executive               | -                            | -   | 1      |
| 5       | Mr Amitav Virmani                          | Independent             | 1                            | 1   | 1      |
| 6       | Mr Dharendra Datta                         | Independent             | 1                            | -   | 1      |
| 7       | Mr S. P. Agarwala (Deceased on 29.11.2012) | Independent             | 1                            | 1   | 2      |

# Directorship in Foreign Companies and the Indian Private Ltd. companies is not included.

Independent Directors on the Board of KAMA are non-executive directors who:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect the independence of the Director
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board
- Have not been an executive of the company in the immediately preceding three financial years
- Are not partner or executive or were not partner or an executive during the preceding three years of any of the following:-
- Statutory audit firm or the internal audit firm that is associated with the company;
- Legal firm(s) and consulting firm(s) that have a material association with the company;
- Are not material supplier, service provider or customer or lessor

or lessee of the company, which may affect independence of the Director; and

- Are not a substantial shareholder of the company i.e. do not own two per cent or more of the block of voting shares.
- Are not less than 21 years of age

As mandated by Clause 49 of the Listing Agreement, none of the Directors is a member of more than ten Board level committees nor are they Chairman of more than five committees in which they are members.

## Number of Board Meetings

During 2012-13, the Board of Directors met 5 times — on 30th May, 2012, 31st July, 2012, 13th August, 2012, 9th November, 2012 and 28th January, 2013. The gap between any two Board meetings did not exceed four months. Table 2 gives the details.

**Table 2: Board Meeting Attendance Record of the Directors in 2012-13**

| Name of the Director                      | Number of meetings attended | Attended last AGM? |
|---|-----------------------------|--------------------|
| Mr Ashish Bharat Ram                      | 5                           | Yes                |
| Mr Kartikeya Bharat Ram                   | 5                           | Yes                |
| Mr Rajat Lakhanpal                        | 5                           | Yes                |
| Mr Mukul Khandelwal                       | 3                           | No                 |
| Mr Amitav Virmani*                        | 4                           | Yes                |
| Mr Dharendra Datta                        | 5                           | Yes                |
| Mr S.P. Agarwala (Deceased on 29.11.2012) | 3                           | No                 |

\*Mr Amitav Virmani is the Chairman of Company's Audit Committee

## Remuneration of Directors

Table 3 gives the remuneration paid or payable to the Directors.

**Table 3: Remuneration Paid or Payable to Directors during 2012-13**  
(Rs./lacs)

| Name of Director                          | Salary & Perquisites # | Sitting fees for Board and Committee meetings* | Terminal Benefits | Total            |
|---|------------------------|--|-------------------|------------------|
| Mr Ashish Bharat Ram                      | -                      | 20,000   | -                 | 20,000           |
| Mr Kartikeya Bharat Ram                   | -                      | 15,000   | -                 | 15,000           |
| Mr Rajat Lakhanpal                        | 21,82,634              | -  | -                 | 21,82,634        |
| Mr Mukul Khandelwal                       | -                      | 17,500   | -                 | 17,500           |
| Mr Amitav Virmani                         | -                      | 20,000   | -                 | 20,000           |
| Mr Dharendra Datta                        | -                      | 22,500   | -                 | 22,500           |
| Mr S.P. Agarwala (Deceased on 29.11.2012) | -                      | 17,500   | -                 | 17,500           |
| <b>Total</b>                              | <b>21,82,634</b>       | <b>1,12,500</b>                                | <b>-</b>          | <b>22,95,134</b> |

# Remuneration includes Salary, House Rent Allowance, Bonus, Leave Travel Allowance, Medical Reimbursement and Company's contribution to Provident Fund and Superannuation Fund but does not include provision for Gratuity and Leave Encashment.

\* Includes sitting fee for attending the meetings of the Board of Director and Committee Meetings including non-statutory Committees of Directors

### Shareholding of non-executive Directors

As on 31<sup>st</sup> March 2013, Mr Ashish Bharat Ram holds 12,09,860 fully paid up equity shares of Rs. 10 each and 95,82,975, 8% Non-cumulative Preference Shares of Rs. 10 each fully paid up and Mr Kartikeya Bharat Ram holds 12,09,860 fully paid up equity shares of Rs. 10 each and 31,94,325, 8% Non-cumulative Preference Shares of Rs. 10 each fully paid up. The Company has not issued any convertible securities to any director.

### Information Supplied to the Board

The Board has complete access to all information with the Company. Inter-alia, the following information is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting:

- Annual operating plans & budgets and any update thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company and operating divisions and business segments.
- Minutes of the meetings of the audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

As per Clause 49, the minutes of the Board meetings of a company's unlisted subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are required to be placed before the Board.

During 2012-13, SRF Ltd. which is a company listed on Bombay Stock Exchange and National Stock Exchange has become a subsidiary of the Company. Consequently, the subsidiaries of SRF Ltd. all of whom are unlisted had also become subsidiaries of the Company. As per Explanation 3 to Clause 49(III) of the Listing Agreement where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary insofar as its subsidiaries are concerned.

As such the information relating to the unlisted subsidiaries of SRF Ltd. were placed before the Board of that company.

### Code of Conduct

The Company's Board has laid down a code of conduct for all Board members and senior management of the company. All Board members have affirmed compliance with the code of conduct. A declaration signed by the Whole-time Director & Company Secretary to this effect is given at the end of this report.

### Risk Management

The Company has laid down procedures to inform the Board members about the risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that management controls risk through means of a properly defined framework.

### Committees of the Board

#### Audit Committee

As on 31<sup>st</sup> March 2013, the Audit Committee of KAMA comprises of three Directors all of whom are independent. The constitution of the Committee meets the requirements of Section 292A of the Companies Act, 1956, as well as Clause 49 of the Listing Agreement.

During 2012-13, the Audit Committee of KAMA met on four occasions — namely, on 30<sup>th</sup> May, 2012, 13<sup>th</sup> August, 2012, 9<sup>th</sup> November, 2012 and 28<sup>th</sup> January, 2013. Table 4 gives the attendance record of Directors who are members of the Audit Committee.

**Table 4: Attendance Record of Audit Committee Meetings during 2012-13**

| Name of Director                          | Category    | Number of meetings held during his tenure | Number of meetings attended |
|---|-------------|---|-----------------------------|
| Mr S.P. Agarwala (deceased on 29.11.2012) | Independent | 3   | 2                           |
| Mr Mukul Khandelwal                       | Independent | 4   | 3                           |
| Mr Amitav Virmani (Chairman)              | Independent | 4   | 3                           |
| Mr Dharendra Datta                        | Independent | 4   | 4                           |

All the members of the Audit Committee are financially literate while Mr Amitav Virmani, Chairman of the Audit committee is a holder of Master's degree in Business Administration from University of North Carolina and has experience in the area of marketing and general management. Mr Rajat Lakhanpal, Whole time Director & Company Secretary, is the Secretary to the Committee.

The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. These broadly include approval of annual internal audit plan, review of financial reporting systems, ensuring compliance with regulatory guidelines, discussions on quarterly, half yearly and annual financial results, interaction with statutory and internal auditors, recommendation for appointment of statutory auditors and their remuneration.

#### In addition, the Committee also reviews:

- Management's Discussion and Analysis of Company's operations,
- Periodical internal audit reports
- Letters of statutory auditors to management on internal control weakness, if any,
- Statement of significant related party transactions,
- Financial statements, in particular, investments made by the subsidiary companies,
- Risk framework.

## Remuneration Committee

As on 31<sup>st</sup> March 2013, Remuneration Committee comprised of three members' two of whom were independent and one is non-executive promoter Director.

During 2012-13, the Remuneration Committee met on 30<sup>th</sup> May, 2012. Table 5 gives the attendance record of Directors who are members of the Remuneration Committee.

**Table 5: Attendance Record of Remuneration Committee Meetings during 2012-13**

| Name of Director                          | Category                | Number of meetings held | Number of meetings attended |
|---|-------------------------|-------------------------|-----------------------------|
| Mr S.P. Agarwala (deceased on 29.11.2012) | Independent             | 1                       | 1                           |
| Mr Ashish Bharat Ram                      | Non-executive, promoter | 1                       | 1                           |
| Mr Mukul Khandelwal- (Chairman)           | Independent             | 1                       | 1                           |
| Mr Amitav Virmani                         | Independent             | 1                       | -                           |

The terms of reference of Remuneration Committee is to recommend to the Board the amount of salary, perquisites and commission to be paid to the Directors (within the overall ceiling fixed by the shareholders).

## Shareholders'/Investors' Grievance Committee

As on 31<sup>st</sup> March 2013, KAMA's Shareholders'/Investors' Grievance Committee comprised of two members. Mr Ashish Bharat Ram, Chairman of the Committee is a non-executive promoter Director and Mr Amitav Virmani, member of the Committee is non-executive and independent Director.

### The terms of reference of the Committee are:

- To deal with and decide all matters relating to the registration of transfer and transmission of shares and debentures, issue of duplicate share certificates or allotment letters and certificates for debentures in lieu of those lost/misplaced.
- To redress shareholder and investors complaints, relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.
- To monitor the compliance of Code of Conduct for Prevention of Insider Trading framed by the Company.

Mr Rajat Lakhanpal, Whole-time Director & Company Secretary, is the Compliance Officer. To expedite the process of transfer, Mr Rajat Lakhanpal, Whole-time Director & Company Secretary was authorised by the Board on 31<sup>st</sup> January, 2005 to consider and approve the registration of transfer and transmission of shares upto a limit of 500 shares in any one case.

As on 31<sup>st</sup> March 2013, no investor complaint was pending with the Registrar and Share Transfer Agent. Table 6 gives data on the shareholder/investor complaints received, and redressed, during the year 2012-13.

**Table 6: Shareholder and Investor Complaints Received and Redressed during 2012-13**

| Pending Complaints as on 01.04.2012 | Total Complaints received | Total complaints redressed | Pending as on 31.03.2013 |
|-------------------------------------|---------------------------|----------------------------|--------------------------|
| Nil                                 | 7                         | 7                          | Nil                      |

## Management

### Management Discussion and Analysis

This is given as a separate chapter in this Annual Report.

## Disclosure Requirements

- Disclosures on materially significant related party transactions are given in point no. 8 in the Notes to Accounts.
- The Company has followed the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.
- The Company has complied with the regulations issued by SEBI and terms and conditions of Listing Agreement with the Stock Exchanges.
- In compliance with the SEBI regulations on prevention of insider trading, the Company has laid down a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with the shares of the Company, and cautioning them of the consequences of violations.

## Shareholders

### Reappointment/Appointment of Directors

Mr Ashish Bharat Ram and Mr Amitav Virmani, Directors are retiring by rotation and being eligible, offer themselves for re-appointment. Mr Rajat Lakhanpal, Whole Time Director & Company Secretary is proposed to be reappointed in the same capacity for a further period of five years from 1.4.2013 upto 31.3.2018.

### Means of Communication with Shareholders

Quarterly and annual results of KAMA are published in two national dailies, generally The Pioneer (in English) and Veer Arjun (in Hindi). In addition, these results are posted on the website of the Company, [www.kamaholdings.com](http://www.kamaholdings.com).

During 2012-13, KAMA has not made any formal presentations to institutional investors or analysts. As and when it does, the presentations will also be posted on the Company's website.

### Last three Annual General Body Meetings

The details of the last three AGMs are given in Table 7.

**Table 7 : Last three AGMs of the Company**

| Year | Location   | Date       | Time     | No. of Special Resolutions passed |
|------|--|------------|----------|-----------------------------------|
| 2010 | Modi Hall, PHD House 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110 016                     | 10.09.2010 | 10.00 AM | None                              |
| 2011 | Laxmipat Singhania Auditorium, PHD House 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110 016 | 12.08.2011 | 3.30 PM  | None                              |
| 2012 | Modi Hall, PHD House 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110 016                     | 22.08.2012 | 3.00 PM  | None                              |

### Postal Ballot

During the year, no resolution was passed through Postal Ballot.

## Compliance

### Mandatory Requirements

The company is fully compliant with the applicable mandatory requirements of the Clause 49.