

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. Given below is the report on Corporate Governance.

1. Company's philosophy on code of Governance:

Kamadgiri Fashion Limited believes that good Corporate Governance is essential to achieve long term corporate goals and to enhance stakeholders' value. In this pursuit, your Company's philosophy on Corporate Governance is guided by a strong emphasis on transparency, accountability and integrity and has been practicing the principles of Corporate Governance over the years.

2. Board of Directors:

The Board composition is in conformity with the provisions of the Companies Act, 1956 and clause 49 of the listing agreement. The strength of the Board as on 31 March 2011 is 6 Directors comprising of 2 Promoter Directors and 4 Independent Non Executive Directors.

The composition of the Board and their attendance in the Board Meetings and other details are as under:

Name of Directors	Category of Directorship	#No. of other Directorships	[^] No. of Committee Memberships	No. of Board meetings attended	Attendance at last AGM
Mr. Pradip Kumar Goenka	Promoter & Executive	1	Nil	6	Present
Mr. Lalit Kumar Goenka	Promoter & Executive	-	Nil	7	Present
Mr. Ashwani Bhatia	Independent & Non - Executive	-	Nil	6	Present
Mr. Madhusudan Singrodia	Independent & Non - Executive	-	Nil	7	Present
Mr. Murarilal Goenka *	Independent & Non - Executive	-	Nil	3	Present
Mr. Rahul Mehta **	Independent & Non - Executive	2	Nil	-	NA
Mr. Sanjeev Maheshwari **	Independent & Non - Executive	2	Nil	-	NA
Mr. Subhash Kumar Kedia *	Independent & Non - Executive	-	Nil	5	Present

Excludes Alternate Directorships, Directorships in Indian Private Limited Companies and Foreign Companies and proprietorship and partnership firms.

[^] In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, membership/chairmanship of only the Audit Committee, Shareholders'/Investors Grievance Committee and the Remuneration Committee of the Public Limited Companies has been considered.

* Mr. Murarilal Goenka and Mr. Subhash Kumar Kedia resigned as Directors on 14 February 2011.

** Mr. Rahul Mehta and Mr. Sanjeev Maheshwari appointed as Additional Directors w.e.f. 14 February 2011.

There are no nominees or Institutional Directors in the Company. None of Directors have pecuniary or business relationship with the Company except to the extent as disclosed in schedule 21 of the accounts. No Director of the Company is either member in more than ten committees and/or Chairman of more than five committees across all Companies in which he is Director. There is no inter se relationship between directors.

During the financial year 2010-2011, 7 (Seven) Board Meetings were held i.e. on 14 May 2010, 13 August 2010, 31 August 2010, 13 November 2010, 29 January 2011, 14 February 2011 and 7 March 2011 and the time gap between the two meetings was not more than 4 months. All the information required to be furnished to the Board was made available to them along with detailed Agenda notes.

Directors seeking Appointment/ Re-appointment at the Forthcoming Annual General Meeting (pursuant to clause 49 IV(G)(i) of the Listing Agreement):

Name of the Director	Mr. Ashwani Bhatia	Mr. Madhusudan Singrodia	Mr. Rahul Mehta	Mr. Sanjeev Maheshwari
Age	53	52	60	46
Qualification	Textile Engineer	B. Com.	B. Com., MBA	B. Com., CA
Expertise in specific functional areas	Wide Experience in Textile Industry.	Mr. Singrodia has wide experience in Textile Business. He is the Member of the Remuneration Committee and Shareholders/ Investor Grievance Committee of the Board.	Mr. Mehta has wide experience of 10 years in consumer goods industry and 30 years experience in the garments industry.	Mr. Maheshwari is a member of the Institute of Chartered Accountants of India. Mr. Maheshwari has been associated with GMJ & Co. Chartered Accountants, for more than 24 years and is currently partner of the firm
Directorship in other Indian Companies as on 31.03.2011	Nil	Nil	<ol style="list-style-type: none"> 1) Gini & Jony Ltd. 2) Chermas Exquisite Ltd. 3) Creative Garments Pvt. Ltd. 4) Creative Textiles Mills Pvt. Ltd. 5) Creative Casual India Pvt. Ltd. 6) Karl Hogan Clothing Pvt. Ltd. 7) Creative Global Stock Broking Pvt Ltd. 8) Apparel Media Pvt. Ltd. 9) Creative Lifestyles Private Limited 	<ol style="list-style-type: none"> 1) Mudra Financial Services Limited 2) Mudra Share & Stock Brokers Limited
Shareholding	Nil	Nil	Nil	Nil

Code of conduct for Directors and Senior Management:

The Code of conduct as applicable to the Directors and the members of the senior management had been approved by the Board and it is being duly abided by all of them. The Annual Report of the Company contains declaration to this effect from the Chairman and CEO.

3. Committees of the Board:

Audit Committee

The Company has an Audit Committee at the Board level with powers and role that are in accordance with clause 49 of the listing agreement. The Committee acts as a link between the management, the Statutory Auditors and the Board of Directors and oversees the financial reporting process.

The Audit Committee presently comprises of 3 Non Executive Independent Directors. The members of the Committee are well versed in finance matters, accounts, Company law and general business practices.

The functions of the Audit Committee are as per Company Law and Listing Agreement with the Stock Exchanges. These include the review of accounting and financial policies and procedures, review of financial reporting system, internal control system and procedures and ensuring compliance of statutory requirements.

The Audit Committee reviews the financial statements with the Statutory Auditors and the Management with reference to the accounting policies and practices before commending the same to the Board for its approval.

The Committee met 5 times during the year under report on 14 May 2010, 13 August 2010, 31 August 2010, 13 November 2010, 14 February 2011. The time gap between the two meetings was not more than 4 months.

Composition of Audit Committee and details of the meeting attended:

Sr. No.	Name of the Directors	Category	Designation In the Committee	No. of Meeting attended
1.	Mr. Sanjeev Maheshwari	Independent & Non - Executive	Chairman *	-
2.	Mr. Ashwani Bhatia	Independent & Non - Executive	Member **	2
3.	Mr. Madhusudan Singrodia	Independent & Non - Executive	Chairman***	4
4.	Mr. Murarilal Goenka	Independent & Non - Executive	Member ***	3
5.	Mr. Rahul Mehta	Independent & Non - Executive	Member *	-
6.	Mr. Subhash Kumar Kedia	Independent & Non - Executive	Member ***	4

* w.e.f. 14 February 2011

** w.e.f. 31 August 2010

*** upto 14 February 2011

The Audit Committee was reconstituted in the meeting of the Board of Directors of the Company held on 14 February 2011.

The terms of reference of the Audit Committee include:

- To review financial statements and pre-publication announcements before submission to the Board.
- To discuss and review report of the external auditors and ensure the compliance of the internal control system.
- To apprise the Board on the impact of accounting policies, accounting standards and applicable laws and regulations.
- To hold discussions with statutory auditors on the scope and content of the audit.
- To review related party transactions.
- Appointment of statutory auditor and fixing their remuneration.

4. Remuneration of Directors:

The Company has no pecuniary relationship or transaction with its Non – Executive Independent Directors other than payment of sitting fees to them, if any, for attending Board and Committee Meetings.

The Company does not have an incentive plan, which is linked to performance and achievement of the Company's objectives. The Company has no stock option and pension scheme. The Company has constituted a Remuneration Committee effective from 1 October 2004 to review the remuneration payable to Executive Directors.

The details of remuneration paid to the Executive Directors of the Company during the year ended 31 March 2011 are given as under:

	Particulars	Unit	Mr.Pradip Kumar Goenka	Mr. Lalit Kumar Goenka
a)	Salary p.a.	₹	15,00,000/-	96,000/-
b)	Fixed Component – Contribution to Provident Fund.	₹	Nil	Nil
c)	Bonus, Benefits & Other Allowances	₹	Nil	Nil
d)	Service Contract	Years	5	5
e)	Notice Period	Months	3	3
f)	Severance Fees	₹	Nil	Nil

The Company has also paid sitting fees of ₹ 20,000/- to Mr. Ashwani Bhatia, Independent Non-Executive Director.

5. Shareholders/Investors Grievance Committee:

The Shareholder's/Investors Grievance Committee presently comprises of 3 Non – Executive Independent Directors. The Committee meets at frequent intervals to consider, inter alia, shareholders complaints like non receipt of share certificate or delay in transfer of shares, non receipt of balance sheet, non receipt of declared dividend etc. and provide satisfactory solution to the complainant's except for disputed cases and sub-judice matters which would be solved on final disposal by the Courts.

The Committee met 3 times during the year under report on 13 August 2010, 13 November 2010 and 14 February 2011.

Composition of Shareholders/Investors Grievance Committee and details of the meeting attended:

Sr. No.	Name of the Directors	Category	Designation	No. of Committee Meetings attended
1.	Mr.Ashwani Bhatia	Independent & Non- Executive	Chairman*	1
2.	Mr.Madhusudan Singrodia	Independent & Non- Executive	Member	3
3.	Mr. Murarilal Goenka	Independent & Non- Executive	Chairman**	3
4	Mr.Rahul Mehta	Independent & Non- Executive	Member*	-
5.	Mr. Subhash Kumar Kedia	In dependent & Non- Executive	Chairman**	3

* w.e.f. 14 February 2011

**upto 14 February 2011

The Shareholders/Investors Grievance Committee was reconstituted in the meeting of the Board of Directors of the Company held on 14 February 2011.

Mr. Lalit Kumar Goenka, Whole Time Director, was the Compliance Officer upto 6 March 2011. W.e.f. 7 March 2011, Mr. Arun Bhandari, Company Secretary of the Company is the Compliance Officer.

During the year 2010-2011, the Company did not receive any complaint from SEBI (Securities and Exchange Board of India) and shareholders/investors. No request for transfer and dematerialization were pending as on 31 March 2011.

6. Remuneration Committee:

The Remuneration Committee presently comprises of 3 Non - Executive Independent Directors. Kamadgiri Fashion Limited's remuneration policy is based on 3 factors, pay for responsibility, pay for performance and potential and pay for growth.

The Company's Remuneration Committee is vested with all necessary powers and authority to ensure appropriate disclosure on the remuneration of Whole-Time Directors and to deal with all the elements of remuneration package of all such Directors.

As for Non-Whole Time Directors their appointment is for utilizing their professional expertise in achieving the goals of the Company. Accordingly, the service contract, notice period and severance fees, if any, are not applicable to such Non-Whole Time Directors. However, as per Company's policy, upon attaining the age of 70 years the Non-Whole Time Directors seek retirement by not offering themselves for re-appointment at Annual General Meeting of the Company.

Composition of Remuneration Committee and details of the meeting attended:

The Remuneration Committee of the Company consists of the following members of the Board.

Sr. No.	Name of the Directors	Category	Designation In the Committee	No. of Meeting attended
1.	Mr. Rahul Mehta	Independent & Non- Executive	Chairman*	-
2.	Mr. Ashwani Bhatia	Independent & Non- Executive	Member*	-
3.	Mr. Madhusudan Singrodia	Independent & Non- Executive	Member	1
4.	Mr. Murarilal Goenka	Independent & Non- Executive	Member**	1
5.	Mr. Sanjeev Maheshwari	Independent & Non- Executive	Member*	-
6.	Mr. Subhash Kumar Kedia	Independent & Non- Executive	Chairman**	1

* w.e.f. 14 February 2011

** upto 14 February 2011

The Committee met once during the year i.e., on 29 January 2011.

The Remuneration Committee was reconstituted in the meeting of the Board of Directors of the Company held on 14 February 2011.

The terms of reference of the Remuneration Committee are to recommend to the Board, salary (including annual increments), perquisites and allowances, performance linked remuneration, if any, commission to be paid to the company's Executive/Whole Time Director (ED/WTD) and to finalise the perquisites and allowances package within the overall ceiling fixed by the Board.

7. General Body Meetings:

The details of the Annual General Meeting held during the last Three years are as under:

Financial Year	Date	Time	Venue	Special Resolution(s)
2009-2010	29.09.2010	10:30 am	Hotel The Mirador, 131-B, New Link Road, Opp. Solitaire Corporate Park, Chakala, Andheri (East), Mumbai – 400 099.	Two
2008-2009	29.09.2009	11:30 am	Hotel Sun City Residency, 16 th Road, MIDC, Opp. Prasad Building, Andheri (East), Mumbai – 400 093.	One
2007-2008	27.09.2008	11:30 am	Shree Satyana rayan Goenka Bhavan, 87, J B Nagar, Andheri (East), Mumbai – 400 059.	Nil

8. Disclosures:

There were no other related party transactions of material nature with the Promoters, Directors, the management or their subsidiaries or relatives during the year that may have potential conflict with the interest of the Company at large. However, attention is drawn to point No. 8 of schedule '21B' of the Accounts.

There were no instances of non-compliance on any matter related to the capital market during the past three years and that no penalties or strictures were imposed on the Company by any Stock Exchange or SEBI.

The Board affirms that no person has been denied access to the Audit Committee during the year. The Company has complied with mandatory provisions of corporate governance and is in the process of adopting the non-mandatory provisions of corporate governance.

9. Means of Communication:

The results of the Company are furnished to the Bombay Stock Exchange Limited on a periodic basis (quarterly, half yearly and annually) after the approval of the Board of Directors. The results are normally published in "The Asian Age" – English Newspaper and "Mumbai Lakshdeep", Marathi Newspaper within 48 hours after the approval of the Board. These were not sent individually to the shareholders. However, the Company furnishes the same on receipt of a request from the shareholders.

Management discussion and Analysis Report is attached as annexure to Directors' Report forming part of the Annual Report.

10. General Shareholders Information:

a) Annual General Meeting

Day, Date and Time : Tuesday, 23 August 2011 at 10:30 am
 Venue : Hotel The Mirador, 131-B, New Link Road
 (Guru Hargovindji Road), Opp. Solitaire Corporate Park
 Chakala, Andheri (East), Mumbai - 400 099.
 Tel.: 022 6649 5000

b) Financial Calendar for 2011– 12(Tentative)**Financial Year:**

April 1 to March 31

Results for the quarter ending June 30, 20112nd week of August, 2011**Results for quarter ending September 30, 2011**2nd week of November, 2011**Results for quarter ending December 31, 2011**2nd week of February, 2012**Results for year ending March 31, 2012**

Last week of June, 2012

Annual General Meeting:

September, 2012

c) Date of Book Closure

Book Closure dates are from Friday the 19 August 2011 to Tuesday the 23 August 2011 (both days inclusive).

d) Dividend payment Date

Dividend will be paid on or after 23 August 2011.

e) Listing on Stock Exchanges & Listing fees.

The Company's shares are listed on:
Bombay Stock Exchange Limited (BSE),
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
Applicable listing fee has been paid.

f) Stock Code & ISIN

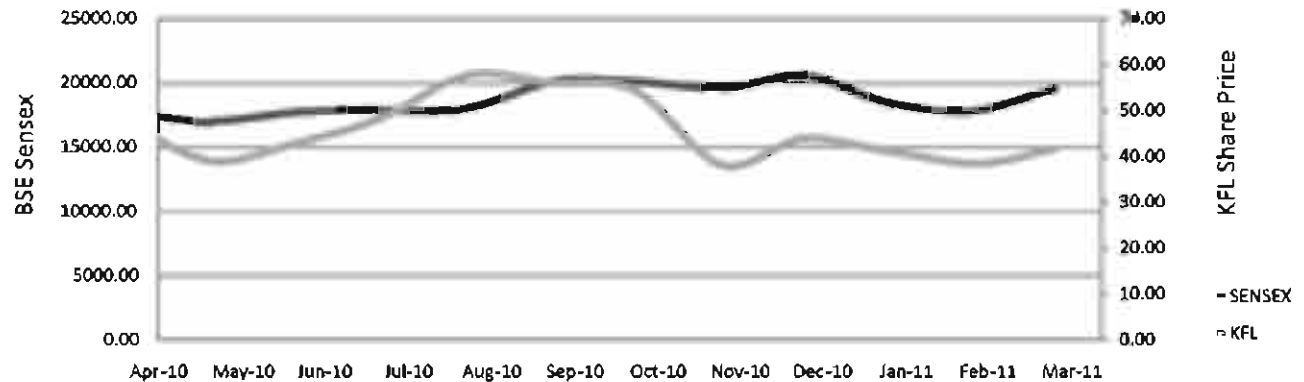
Stock Code at Bombay Stock Exchange Limited is 514322, ISIN is INE535C01013.

g) Market Price Data

(i) The monthly high and low quotations of shares traded on Bombay Stock Exchange Limited is as follows:

Month	(Amount in ₹)	
	High	Low
April, 2010	50.50	41.55
May, 2010	50.80	38.75
June, 2010	45.25	36.40
July, 2010	48.95	40.15
August, 2010	63.80	48.75
September, 2010	60.00	52.00
October, 2010	59.40	50.50
November, 2010	57.05	38.05
December, 2010	45.85	34.80
January, 2011	47.60	37.10
February, 2011	45.80	36.85
March, 2011	45.80	38.10

(ii) Performance of the stock in comparison to BSE Sensex

**h) Registrar and Share Transfer Agent:**

The Company has appointed Sharex Dynamic (India) Private Limited for processing and approving the transfer of shares. Their contact details are as follows:

Sharex Dynamic (India) Private Limited
 Unit No.1, Luthra Industrial Premises, Safed Pool
 Andheri - Kurla Road, Andheri (East)
 Mumbai - 400 072. Phone : 28515606 & 5644 Fax: 28512885.
 Concerned officer in charge of the Registry is Mr. T. Shashi Kumar.
 Email: sharexindia@vsnl.com

i) Share Transfer System:

Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. All valid transfers are processed and affected within 15 days from the date of receipt.

Transfer of shares held in the dematerialized form are electronically done through the depositories / depository participants and the Registrars and Share Transfer Agents of the Company periodically receive from the depositories / depository participants the beneficiary holdings so as to enable them to update their records and to send all corporate communications, dividend warrants etc.

j) Nomination Facility:

The Companies Amendment Act, 1999 has introduced through section 109A, the facility of nomination to share / debenture / deposit holders. This facility is mainly useful for all holders holding the shares / debentures / Fixed deposits in single name. In case securities are held in joint names, the nomination will be effective only in event of death of all the holders.

Investors are advised to avail of this facility, especially those holding securities in single name to avoid the process of transmission by law.

Investors holding shares in physical form may obtain from the Registrar and Share Transfer Agent of the Company at Mumbai. However, if the shares are held in dematerialized form, the nomination has to be conveyed to your depository participants directly, as per the format prescribed by them.

k) Distribution of shareholding as on 31 March 2011:

No. of Shares	No. of Shareholders	% of Shareholding	Shareholding (₹)	% of Shareholding
Upto 5000	1098	84.92	1686520	3.33
5001 - 10000	81	6.26	668720	1.32
10001 - 20000	42	3.25	626250	1.24
20001 - 30000	23	1.78	569350	1.12
30001 - 40000	7	0.54	265520	0.52
40001 - 50000	3	0.23	149830	0.30
50001 - 100000	13	1.01	946420	1.87
100001 and above	26	2.01	45736050	90.30
Total	1293	100.00	50648660	100.00

Categories of Shareholders as on 31 March 2011 is as under:

Category	Number of shares	%
Promoters	1814459	35.82
Associates	Nil	Nil
Banks/MFs/FIs	900	0.02
Private Bodies Corporate	2521239	49.78
Indian Public	724268	14.30
NRIs/OCBs	4000	0.08
Total	5064866	100.00

l) Dematerialization of shares:

About 97.84% of the shares have been dematerialised as on 31 March 2011. The equity shares of Kamadgiri Fashion Limited are traded in the Bombay Stock Exchange Limited.

The equity shares of the Company are permitted to be traded in dematerialized form only.

m) Outstanding GDRs/ADRs/Warrants or any convertible Instruments, conversion date and likely impact on equity:

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

n) Plant Locations:

The Company's plant is located at:
43/2, Ganga Devi Road,
Umbergaon – 396 171, Dist. Valsad (Gujarat).

C-4/2/2, MIDC
Tarapur - 401 506, Dist. Thane (Maharashtra).

J-72/1, MIDC
Tarapur - 401 506, Dist. Thane (Maharashtra).

B-7/3, MIDC
Tarapur - 401 506, Dist. Thane (Maharashtra).

o) Address for Investor correspondence:

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, payment of dividend on shares and any other query relating to shares of the Company Registrar & Share Transfer Agent may be contacted at the following address.

Sharex Dynamic (India) Private Limited
Unit No. 1, Luthra Industrial Premises, Safed Pool
Andheri Kurla Road, Andheri (East)
Mumbai - 400 072.
Phone - 022 285 15606 & 022 285 15644 Fax: 022 285 12885.
Concerned officer incharge of the Registry is Mr. T. Shashi Kumar.
Email: sharexindia@vsnl.com

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DPs).

11. Compliance with Non-Mandatory Requirements:

The extent of compliance in respect of non-mandatory requirements is as follows:

- (a) Chairman of the Board:** The Company has an executive Chairman and hence the requirement pertaining to reimbursement of expenses to a non-executive Chairman does not arise. No specific tenure has been specified for the Independent Directors. However, they are liable to retire by rotation and seek re-appointment from the members.
- (b) Remuneration Committee:** Details regarding Remuneration Committee has already been dealt under para 4 of this report.
- (c) Shareholders' Right:** As the Company's half yearly financial results are published in English and Marathi newspapers having a wide circulation, the same need not be sent to shareholders individually. However, the Company furnishes the quarterly and half yearly results on receipt of a request from the shareholders.
- (d) Audit Qualifications:** Audit qualifications/observations on the Financial Statements for the year 2010-11 have been appropriately explained in the Directors' Report.
- (e) Training to Board Members:** No training has been provided to the Board Members as on date of this report. The Directors are interacting with management in a very free and open manner on information that may be required by them for orientation with the business of the Company.
- (f) Mechanism for evaluating Non-executive Board Members:** The Company is working on the mechanism and will be adopted in due course.
- (g) Whistle Blower Policy:** The Company has adopted the code of conduct for Directors and Senior Management. The Board has considered and deliberated on the whistle blower policy of the Company. The same will be implemented due course.

12. Compliance:

A certificate has been obtained from the Statutory Auditors of the Company regarding compliance of corporate governance and attached to this report.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Kamadgiri Fashion Limited.

We have examined the compliance of conditions of Corporate Governance by Kamadgiri Fashion Limited, for the year ended on 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 and on behalf of
Haribhakti & Co.
Chartered Accountants
Firm Registration Number - 103523W

Rakesh Rathl
Partner
Membership No. 45228

Place: Mumbai
Date: 30th May 2011