

ANNUAL REPORT

2003-2004

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Modern
Insulators Limited

BOARD OF DIRECTORS

Shri H.S. Ranka	- Chairman
Shri Sachin Ranka	- Director
Shri M.K. Mittal	- Nominee IFCI
Shri S.S. Karnavat	- Director
Shri B.L. Panagariya	- Director
Shri S.B. L. Jain	- Director
Shri R.N. Goyal	- Director
Shri R.R. Maheshwari	- Director
Shri K.K. Baheti	- Director
Shri H.L. Sharma	- Executive Director
Shri R.K. Ladia	- Executive Director

AUDITORS

Messrs S.S. Kothari & Co.,
Chartered Accountants
Jaipur-302 001

REGISTERED OFFICE

A-4, Vijay Path,
Tilak Nagar,
Jaipur-302 004
(Rajasthan)

CORPORATE HEADQUARTER

68/69, Godavari,
Poachkhanwala Road,
Worli,
Mumbai-400 025

PLANT

Abu Road-307 026
Distt. Sirohi
(Rajasthan)

NOTICE

Notice is hereby given that the 20th Annual General Meeting of **Modern Insulators Limited** will be held on Thursday the 30th September, 2004 at 10.00 A.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302004 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri R.N. Goyal who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Shri K.K. Baheti who retires by rotation and being eligible, offers himself for reappointment.
- (4) To appoint a Director in place of Shri R.K. Ladia who retires by rotation and being eligible, offers himself for reappointment.
- (5) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications, as an ordinary resolution :

"RESOLVED THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956, M/s. S.S. Kothari & Co., Chartered Accountants, Jaipur, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company."

B. SPECIAL BUSINESS :

- (6) To consider, and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :-

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and further subject to approval of Central Government, if necessary and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the appointment of Shri R.K. Ladia as an Executive Director of the Company from 01.04.2004 for a period of three years on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto.

- (7) To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and all other applicable provision, if any, of the Companies Act, 1956, consent of the Company, be and is hereby accorded to the Board of Directors of the Company for mortgaging and /or charging on such terms and conditions and at such time or times and in such form or manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking or all the undertakings, including the present and/or future properties, whether moveable or immovable comprised in any existing or new undertaking or undertakings of the company as the case may be, together with power to take over the management of the business and concern of the said undertaking(s) of the Company in certain events, in favour of :

On Second Charge basis

1. Central Bank of India for its working capital assistance of up to Rs. 1050 lacs (Fund based) & upto Rs. 712.50 lacs (Non-fund based) respectively.
2. Punjab National Bank for its working capital assistance of up to Rs. 350 lacs (Fund based) & upto Rs. 237.50 lacs (Non-fund based) respectively.

In connection with the working capital facilities sanctioned/to be sanctioned by the working capital bankers to the Company to secure the said working capital facilities together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other monies payable by the Company in terms of letter of sanction(s)/ memorandum of the terms and conditions entered into/to be entered into by the Company in respect of working capital facilities, such security, to rank as the case may be to the mortgage and/or charges already created or to be created in future by the Company or in such manner as may be agreed to by the banks and as may be thought expedient by the Board of Directors of the Company."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to finalise the matter and method of and documents and deeds for creating the aforesaid mortgage/charge and to do all such acts, deeds and things as it may in its absolute discretion deem necessary, proper or desirable and also agree to any amendments thereto from time to time as it may think fit."

ON BEHALF OF THE BOARD

Place : Mumbai
Date : 29.6.2004

(H.S. Ranka)
Chairman

NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item numbers 6 & 7 of the notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.**
3. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
4. The Share transfer books and Register of members shall remain closed from 28.9.2004 to 30.9.2004 (both days inclusive).
5. **NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

Item No. 6

Shri R.K. Ladia was appointed as Executive Director of the Company for a period of 3 years on 01.04. 2001, as term of his appointment expires on 31.03.2004, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01.04.2004. The terms & conditions & payment of remuneration to Shri R.K. Ladia as Executive Director has also been approved by the Remuneration Committee of Board of Directors of the Company.

The terms and conditions of remuneration referred to above are as under :

(A) Salary-Rs. 40,000/- (Rupees Forty Thousand only) per month.

(B) Perquisites and allowances :

- (i) Furnished residential accommodation with water, gas, electricity etc. monetary value of which will be evaluated as per rule 3(a) of the Income Tax Rules, 1962. The above is subject to the following :
 - (a) The expenditure incurred by the Company on hiring accommodation for him will be subject to the ceiling of 50% of the salary over and above 10% payable by him.
 - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing will be evaluated as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary paid to him.
 - (ii) Medical benefits for self and family, reimbursement of expenses actually incurred, the total cost of which to the Company shall not exceed one month's salary of every year of service.
 - (iii) Leave travel concession for self, wife and minor children once a year to and from any place in India subject to the condition that only actual fare and no hotel expenses etc. will be allowed.
 - (iv) Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
 - (v) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
 - (vi) Free use of car with driver, for Company's business, the monetary value of which may be evaluated as per Income Tax Rules, 1962.
 - (vii) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
 - (viii) Encashment of leave as per Company's Rules.
- (C) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof.

None of the Directors, except Shri R.K. Ladia, is concerned or interested in the said resolution in item No.6.

Item No. 7

The Company has availed enhanced working capital facilities from Banks to meet the day to day requirements of funds.

As the mortgage or charge on properties to secure the working capital facilities on second charge basis may be regarded as disposal of the whole or substantially the whole of the undertaking(s) of the Company, it is considered necessary to seek members approval pursuant to the provisions of section 293(1)(a) of the Companies Act, 1956 in respect of working capital loans/facilities.

The Directors recommend the proposed Resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution in item No. 7.

DIRECTORS' REPORT

The Members,

Your Directors present the 20th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

(Rs. in Crores)

	2003-2004	2002-2003
Net Profit after Tax	7.56	5.69
Add : Balance brought forward from last year	2.94	(0.35)
Surplus available for appropriation	10.50	5.34
Less : Debentures Redemption Reserve	-	2.40
Balance carried to Balance Sheet	10.50	2.94

2. OPERATIONS

During the year under review the turnover increased to Rs. 107 crores compared to Rs. 86 crores in the previous year. The Company earned profit after tax of Rs. 7.56 crores as against Rs. 5.69 crores in previous year. To maintain the growth and required updation of the Plant, the Directors of your Company do not recommend any dividend for the year under review.

The improvement in the performance of the Company was due to full use of capacity and wide range of extra high voltage of superior quality insulators being produced by the Company. Your Company's orientation to excellence in technology, research, manufacturing and marketing helped it in maintaining its place as one of the leading manufacturer of insulators.

3. EXPORTS

The Company continued to lay more emphasis for exporting its products. In spite of stiff competition with the globally giant players in insulators industry, company has been able to achieve exports of Rs. 45 crores during the year under review. Company continued to have an edge over its competitors due to low cost base high capacity utilization, superior quality and wide range of insulators.

Recently, the Company has been successful in getting sample orders from many US based Companies. This would be the first such development for any Indian insulator company from US market. US alone is 40% of the total world market and once this is materialised it will create a huge business potential for the Company in coming years.

During the year under review the Company has bagged special award in recognition of outstanding export performance in respect of porcelain Insulators for the year 2002-03 from CAPEXIL. With successful entry in many new Countries, the Company is expanding its base further for high value added insulators in these markets.

4. FUTURE PROSPECTS

Both in domestic as well as export market, Company's products are rated high due to their excellent quality, reliability in performance and good external services to the customers. Highest priority given to the Power Sector by the Government of India and expected market opportunities in domestic as well as in international markets are expected to provide growth potential to the Company. The Company carries sufficient orders in hand and looking to the present market needs, order book position is expected to improve further.

Company is also putting all efforts to further strengthen its leadership both in domestic as well as global markets. Moreover due to improvement of plant efficiency & cost saving at all levels, it is expected

that Company has bright future in the years to come.

5. DIRECTORS

Shri R.N. Goyal, Shri K.K. Baheti and Shri R.K. Ladia are liable to retire by rotation and being eligible, offer themselves for reappointment.

6. AUDITORS

M/s S.S. Kothari & Co., Chartered Accountants, Jaipur retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2004-2005. The observation made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 14 forming part of the accounts and hence need no further clarifications.

7. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for putting their best efforts. The Company has enjoyed healthy & cordial relations throughout the year. There is no employee getting remuneration as prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

8. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that :-

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were 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 or loss of the company for the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

9. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The statement of particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2(A), 2(B), and 2(C) of the Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

10. CORPORATE GOVERNANCE

The Company is making efforts for complying the provisions relating to Corporate Governance pursuant to clause 49 of the Listing Agreement with Stock Exchanges.

11. ACKNOWLEDGEMENTS

The Board place on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from the financial Institutions, working capital bankers and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 29th June, 2004

H.S. RANKA
Chairman