

# **ANNUAL REPORT**

## **2004-2005**



**Modern**  
**Insulators Limited**

## **BOARD OF DIRECTORS**

Shri H.S. Ranka	- Chairman
Shri Sachin Ranka	- Director
Shri D.K. Jain	- 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

## **COMPANY SECRETARY**

Shri D.R. Jain

## **AUDITORS**

M/s 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-400 030

## **PLANT**

Abu Road-307 026  
Distt. Sirohi  
(Rajasthan)

## NOTICE

Notice is hereby given that the 21st Annual General Meeting of **Modern Insulators Limited** will be held on Friday the 30th September, 2005 at 10.30 A.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur - 302 004 to transact the following business :

### A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2005 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 B.L. Panagariya who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Shri S.B.L. Jain who retires by rotation and being eligible, offers himself for reappointment.
- (4) To appoint a Director in place of Shri H.L. Sharma 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 293 (1) (a) and all other applicable provisions, 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 immoveable 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. 450 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 : 02.06.2005

(H.S. RANKA)  
Chairman

## NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item number 6 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 28.09.2005 to 30.09.2005 (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

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. 6.

## DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2005.

### 1. FINANCIAL RESULTS (Rs. in Crores)

	2004-2005	2003-2004
Gross Profit before Depreciation	15.13	15.01
Less : Depreciation	4.34	3.81
Net Profit before Tax	10.79	11.20
Less : Taxation	3.30	3.64
Net Profit after Tax	7.49	7.56
Add: Balance brought forward from last year	10.50	2.94
Balance carried to Balance Sheet	17.99	10.50

### 2. OPERATIONS

During the year under review the Company has achieved a turnover of Rs.130 crores. The Company is able to maintain net profit of Rs.7.49 crores during the year inspite of unprecedented price rise experienced in fuel and key raw materials due to management commitment to process improvement and quality.

Aforesaid efforts have not only established the presence of your Company's products in the world market but has also created a confidence in customers world wide which helped the Company to develop a new customer base globally. Most of the leading multinational Switchgear manufacturers are now regular customers of your company.

However, keeping in view the need to conserve the Company's resources, repayment of rescheduled term loans and to meet the enhanced working capital requirements, your Directors are constrained not to recommend any dividend for the year.

### 3. EXPORTS

The Company has registered a growth of 27% on export front. The export turnover was Rs.57 Crores during the year under review as compared to Rs.45 Crores during the previous year. Your Company is focusing to save cost effectively with better process control so that products of company remain competitive in terms of quality and price in international market. The Company is also exploring new markets to reduce dependence on existing markets and the future growth in exports.

### 4. FUTURE PROSPECTS

The future of insulator industry looks promising in India due to major thrust on power sector reforms and speedier implementation of new power projects. The Government of India has given emphasis on up-grading transmission system in the country along with plans for construction of new power transmission grids. In the International market your company has established itself as a reliable and competitive partner to the OEMS and this will ensure further growth in export market with improved profitability in future.

### 5. DIRECTORS

Shri B.L. Panagariya, Shri S.B.L. Jain and Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment. The IFCI Ltd. has withdrawn the nomination of Shri M.K. Mittal as Director of the Company and nominated Shri D.K. Jain as Director of the Company. Board welcomes Shri D.K. Jain and places on record its appreciation for the valuable contribution given by Shri M.K. Mittal during his tenure as Director of the Company.

### 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 2005-2006. 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

The Board appreciate commitment, co-operation and willingness shown by the workers, staff and officers. 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. CONSTITUTION OF AUDIT COMMITTEE

As required under section 292A of the Companies Act, 1956 an existing Audit Committee has been reconstituted. The present members of the Audit Committee are Shri B.L. Panagariya, Shri S.S. Karnavat & Shri H.L. Sharma.

### 11. CORPORATE GOVERNANCE

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

### 12. 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 executives, staff, workers, financial Institutions, working capital bankers and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai

Dated : 2nd June, 2005

(H.S. RANKA)

Chairman



## ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(1)(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### **A. TECHNOLOGY ABSORPTION :**

#### **1. Research and Development (R&D) :**

- a) Specific area in which R & D carried out by the Company :
  - Development of waste heat recovery system in kiln for improving energy efficiency.
  - Improvement in body compositions for consistency in recovery.
  - Use of high quality raw material for improvement in body.
  - Reduction in cycle time at various stages of process.
  - Development of extra high strength products for overseas market.
  - Improvement in product appearance by introduction of new composition for glaze and better quality raw materials.
- b) Benefits derived as a result of the above R&D :
  - Improvement in efficiency.
  - Improvement in quality.
  - Wider customer base.
  - Waste material utilisation.
- c) Future plan of action :
  - Development of Epoxy glass polymer composite insulator.
  - Waste water recycling.
  - New body composition for high strength and with reduced dryers/firing cycle.
  - Development of 420 KN transmission line long rod insulators.
  - Automation in material handling.
  - Extra large products upto 1000 mm dia.
- d) Expenditure on R&D :
 

- Capital	:	Rs. 41.63 lacs
- Recurring	:	Rs. 37.20 lacs
- Total	:	Rs. 78.83 lacs
- Total R& D expenditure,	:	0.61%
as % of total turnover.		

#### **2. Technology Absorption, Adoption and Innovation :**

- a) Efforts, in brief, made towards technology absorption, adoption and innovation :
  - Modification of process and product designs to cater market requirements and to improve operational efficiency.
- b) Benefits derived as a result of above efforts :
  - Improvement in efficiency and productivity.
  - Development of new products.

### **B. FOREIGN EXCHANGE EARNING & OUTGO :**

The company has earned during the period foreign exchange of Rs. 5747.32 lacs at F.O.B. price against an outgo of Rs. 548.36 lacs.