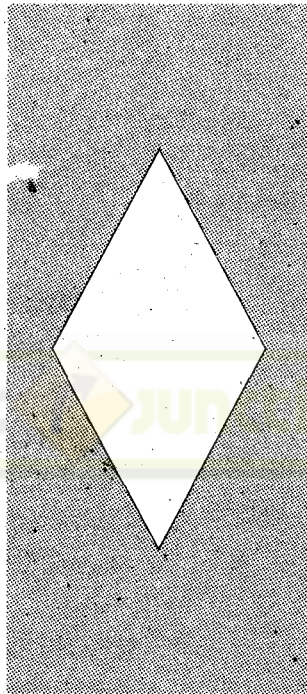


ANNUAL REPORT 2005-2006



Modern
Insulators Limited

BOARD OF DIRECTORS

Shri H.S. Ranka	- Chairman
Shri Sachin Ranka	- Director
Shri S.S. Karnavat	- 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

Smt. Krishna Tela

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 22nd Annual General Meeting of **Modern Insulators Limited** will be held on Saturday the 30th September, 2006 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 31st March, 2006 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 S.S. Karnavat who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri R.R. Maheshwari who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri R.K. Ladia who retires by rotation and being eligible, offers himself for re-appointment.
- (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 a Special 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 re-appointment of Shri H.L. Sharma as an Executive Director of the Company from 01.07.2006 for a further 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 modifications, the following resolution as a Special 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 increase in salary payable to Shri R.K. Ladia, Executive Director of the Company w.e.f. 01.04.2006 for the remaining period of his tenure as specified in the explanatory statement annexed hereto."

ON BEHALF OF THE BOARD

Place : Mumbai
 Date : 7th June, 2006

(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 & 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 28.09.2006 to 30.09.2006 (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 H.L. Sharma was appointed as Executive Director of the Company for a period of 3 years on 01.07.2003, as term of his appointment expired on 30.06.2006, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01.07.2006. The terms & conditions & payment of remuneration to Shri H.L. Sharma 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. 45,000/- (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) Encasement of leaves 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 H.L. Sharma, is concerned or interested in the said resolution in item No.6. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

Item No. 7

Shri R.K. Ladia was appointed as Executive Director of the Company for a period of 3 years w.e.f. 01.04.2004 which was approved in Annual General Meeting held on 30.09.2004.

In view of increase in operations, the remuneration payable to Shri R.K. Ladia, Executive Director of the Company the Board of Directors has revised the remuneration payable to the Shri R.K. Ladia by increasing the salary from Rs. 40,000/- per month to Rs. 45,000/- per month w.e.f. 01.04.2006 and that all other terms and conditions shall remain the same. The 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.

None of the Directors, except Shri R.K. Ladia, is concerned or interested in the said resolution in item No. 7. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.



DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS

(Rs. in crores)

	2005-2006	2004-2005
Net Profit before Tax	11.26	10.79
Less : Taxation	3.30	3.30
Net Profit after Tax	7.96	7.49
Add : Transferred from Debenture Redemption Reserve	2.40	-
Add: Balance brought forward from last year	17.99	10.50
Balance carried to Balance Sheet	28.35	17.99

2. OPERATIONS

Your company had total turnover of Rs.148 crores as against Rs.130 crores in the previous year. The company earned net profit before tax of Rs.11.26 crores as compared to Rs.10.79 crores in the previous year. To consolidate the long term resources for enhanced working capital and further balancing the plant and machineries to maintain the growth in the productivity, turnover and profitability, the Directors of your company are constrained not to recommend any dividend for the year.

Various factors have contributed for improved performance of your company inter alia includes balancing of plant and machinery, continuous efforts for production of better quality and value added insulators. During the year under review your company has strengthened its manufacturing ability to produce extra high tech products to meet the growing demand by the customers as well as to have an edge over the competitors from India and abroad. Your company's orientation to excellence in technology, research and marketing has helped it in maintaining its place as one of the leading manufacturer of insulators. The Company's long term and responsive approach coupled with matured and robust process enabled it in pioneering tailor made extra high voltage insulators required for specific purposes.

3. EXPORTS

The Company's sustained efforts in exporting its products inspite of stiff competition with the globally giant players in insulators industry resulted in achieving export of Rs.85 crores as compared to Rs.57 crores in the previous year. The increase in exports was attained due to improvement in quality and ability to develop high voltage insulators to meet specific requirements of valued customers.

Your Company is the highest exporter of insulators from India. The company has received 'Top Export Award' in recognition of its outstanding export performance in respect of porcelain insulators from CAPEXIL for the year 2004 - 05.

4. FUTURE PROSPECTS

Both in domestic as well as export market, Company's products are rated reasonably high due to their excellent quality, reliability in performance and good services to the customers.

The company carries sufficient orders in hand. The company is continuously exporting specialized insulators to all the major power equipment manufacturers like Siemens, Areva, ABB World wide. Recently, the company has been successful in getting bulk order from US based company for the first time. Company's exports to China are also significant.

Company is also putting all efforts to further strengthen its leadership both in domestic as well as global markets. Keeping in view the tremendous efforts made for improvement in quality of products, it is expected that company would have better prospects in future.

5. DIRECTORS

Shri S.S. Karnavat, Shri R.R. Maheshwari and Shri R.K. Ladia are liable to retire by rotation and being eligible, offer themselves for reappointment. The IFCI Ltd. has withdrawn the nomination of Shri D.K. Jain as Director of the Company. Shri B.L. Panagariya ceased to be Director due to his sad demise. The Board places on record its appreciation for the valuable contribution given by Shri D.K. Jain and late Shri B.L. Panagariya.

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 2006-2007. The observation made by the Auditors other than observation mentioned vide para No. 4 (vi) are self explanatory and have been dealt with in the notes vide Schedule 14 forming part of the accounts and hence need no further clarification. As regards clarification on the observation of Auditors vide para No. 4 (vi) of their report it is stated that pending decision of the secured lenders on payment of penal interest on debentures, the company was technically in default in repayment of debentures and interest thereon. Since then the company has settled the issue and has fully discharged its liabilities to all the debenture holders and as such there is no default of whatsoever nature to the debenture holders as on date of the Balance Sheet.

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 judgements 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

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in section 292 A of the Companies Act, 1956. The present Audit Committee consists of Member directors as under -

Shri S.S. Karnavat, Chairman
Shri H.L. Sharma
Shri B.L. Panagariya (Up to 1.1.2006)
Shri S.B.L. Jain (from 7.3.2006)

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 Exchange(s).

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 bankers and Central as well as State Government. Your Directors also wish to appreciate the dedications and efforts of executives, staff and workers of the Company.

ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 7th June, 2006

(H.S. RANKA)
CHAIRMAN