

ANNUAL REPORT 2006-2007

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**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 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 23rd Annual General Meeting of **Modern Insulators Limited** will be held on Saturday the 29th September, 2007 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, 2007 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 re-appointment.
- (3) To appoint a Director in place of Shri S.B.L. Jain who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri H.L. Sharma 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-enactments thereof, for the time being in force) and further subject to the 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 R.K. Ladia as an Executive Director of the Company from 01/04/2007 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 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 movable 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 First Charge basis

1. Central Bank of India for its working capital assistance of upto Rs. 1350 lacs (Fund based) & upto Rs. 862.50 lacs (Non-fund based) respectively.
2. Punjab National Bank for its working capital assistance of upto Rs. 450 lacs (Fund based) & upto Rs. 287.50 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 moneys 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 authorized 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.”

By Order of the Board

Place : Mumbai
Date : 30th June, 2007

(KRISHNA TELA)
Company Secretary

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 27.09.2007 to 29.09.2007 (both days inclusive).



**ANNEXURE TO NOTICE
EXPLANATORY STATEMENT
(Pursuant to Section 173 (2) of the Companies Act, 1956)**

Item No. 6

Shri R.K. Ladia was re-appointed as Executive Director of the Company for a period of 3 years on 01/04/2004, as term of his appointment expired on 31/03/2007, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01/04/2007. 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 & conditions of remuneration referred to above are as under :

(A) Salary - Rs. 1,50,000/- (Rupees One Lac Fifty 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.
 - (vii) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
 - (viii) Encashment 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 Directors, except Shri R.K. Ladia, 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

Working capital banker has sanctioned enhance limit on the basis of creation of first charge on the fixed assets of the Company.

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 said resolution in item No. 7.



DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS

(Rs. in crores)

	2006-2007	2005-2006
Net Profit after Tax	14.57	7.96
Add : Transferred from Debenture Redemption Reserve	—	2.40
Add : Balance brought forward from last year	28.35	17.99
Balance carried to Balance Sheet	42.92	28.35

2. OPERATIONS

The performance of the Company has been satisfactory. The gross turnover for the year under review has been Rs.212 crores and the profit after tax for the year is Rs.14.57 crores. In spite of considerable increase in prices of fuel, packing material etc. and increased maintenance cost due to heavy rains & floods in monsoon season resulting in damage to buildings, roads, plant and machinery etc., Company was able to improve the profit through volume growth. Keeping in view the need to conserve the Company's resources for meeting the enhanced working capital requirements and balancing the manufacturing equipments, your directors deemed it prudent not recommended any dividend for the year.

3. MARKET POSITION AND EXPORTS

During the year under review, the Company has registered an export turnover of Rs.121 crores. Your Company is the largest exporter of EHV porcelain Insulators from India. The Directors are pleased to inform that the Company won the prestigious "TOP EXPORT AWARD" for two consecutive years. Your Company is now a regular suppliers to all the multinational OEMs and contractors for their world-wide requirements of quality extra high voltage porcelain insulators. Your Company is also a market leader in the field of extra high voltage insulators in the country.

4. FUTURE PROSPECTS

With the thrust on power development world-wide, India stands to gain and Company's business is expected to increase in coming years. Your Company is having well equipped R & D laboratory which takes care of the stringent quality requirements of customers and ensure quality and reliability in each and every product manufactured. Your Company maintains large order book position.

Looking to the present scenario in power sector, the business prospects for Insulator Industry in general and for your Company in particular are encouraging.

5. DIRECTORS

During the year under review Shri K.K. Baheti has resigned from the directorship of the company. The Board places on record its appreciation for the valuable contribution made by Shri K.K. Baheti during his tenure as a Director of the Company. Shri S.B.L. Jain, Shri R.N. Goyal and Shri H.L. Sharma 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 2007-2008. The observations made by Auditors are self explanatory and have been dealt with in the notes vide Schedule No 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 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 and;
- 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 292A of the Companies act, 1956. The present Audit Committee consists of Member directors as under :-

Shri S.S. Karnavat, Chairman

Shri S.B.L. Jain

Shri H.L. Sharma

11. CORPORATE GOVERNANCE

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

12. ACKNOWLEDGEMENTS

The Board places on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from the bankers of the company 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 : 30th June, 2007

(H.S. RANKA)
CHAIRMAN