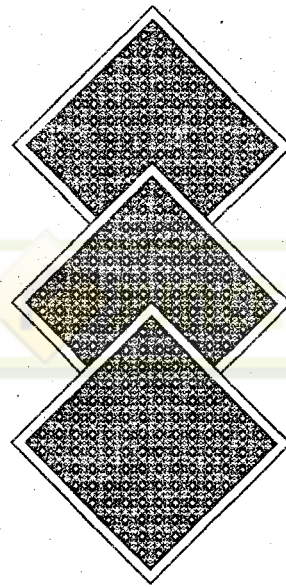


# **ANNUAL REPORT**

## **2008-2009**



**Modern**  
**Insulators Limited**

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**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 H.L. Sharma	- Executive Director
Shri R.K. Ladia	- Executive Director
Shri R.R. Maheshwari	- Director & Company Secretary

**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 25th Annual General Meeting of **Modern Insulators Limited** will be held on Wednesday the 31st March, 2010 at 11.30 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 30th September, 2009 and the Audited Profit & Loss Account for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To re-appoint Shri R.N.Goyal as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To re-appoint Shri S.B.L.Jain as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (4) 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 Annual General Meeting until 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 :**

- (5) To consider, and if thought fit, to pass with or without modifications, the following resolutions as a Special Resolution:-  
"RESOLVED THAT pursuant to the provisions of Section 314, 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.R.Maheshwari as Director and Company Secretary of the Company with effect from 01.01.2009 for a period of three years on the terms & Conditions of remuneration as specified in the explanatory statement annexed hereto."
- (6) To consider, and if thought fit, to pass with or without modifications, the following resolutions 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 01.07.2009 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 provision 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 present and/or future properties, which is situated at Abu Road, Rajasthan whether movable or immovable on first charge basis in favour of :

1. Central Bank of India for its working capital assistance of upto Rs. 2925 lacs (Fund based) & upto Rs. 1650 lacs (Non-fund based) respectively.
2. Punjab National Bank for its working capital assistance of upto Rs. 975 lacs (Fund based) & upto Rs. 550 lacs (Non-fund based) respectively.

In connection with the working capital facilities 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 by the Company in respect of working capital facilities, such security, to rank as the case may be to 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."

"RESOLVED FURTHER THAT the mortgage / charge created or to be created and/or all agreements/documents executed/ to be executed and all acts as done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified."

- (8) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging all the immovable and movable properties of the Company situated at Abu Road, Rajasthan, present and future, in favour of the Industrial Finance Corporation of India (IFCI) under the Corporate Loan Agreement on first charge basis ranking pari-passu with the charges created / to be created in favour of existing working capital bankers to secure rupee term loan not exceeding Rs 1300 Lacs lent and advanced by IFCI to the Company under Corporate Loan Agreement and interest at respective agreed rates, compound/additional interest, liquidated damages, commitment charges."
- "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."
- (9) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provision 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 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 moveable (other than Book Debts) and immovable properties of the Gujarat Polyfils, a division of the Company situated at Village Nana Borsara, Tehsil Mangrol, District Surat in the State of Gujarat on first charge basis in favour of :-
1. Sumurai Commercials Private Ltd. to secure amount upto a sum of Rs. 20,00,00,000/- for its subscription in Zero Coupon Secured Redeemable Debentures (Series I) by way of private placement basis.

2. Pirth Mercantiles Private Ltd. to secure amount upto a sum of Rs. 20,00,00,000/- for its subscription in Zero Coupon Secured Redeemable Debentures (Series II) by way of private placement basis.

"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."

- (10) To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 18 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act, 1985 as also of the Companies Act, 1956 and sub-clause 24 of clause III-B of the Object Clause of the Memorandum of Association of the Company and subject to the sanction of the Board for Industrial and Financial Reconstruction (BIFR) under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) or any other authority or authorities under any law for the time being in force, and further subject to the requisite approval of

the members of the Company and other required approvals, the Company do hereby accord its approval for the amalgamation of Modern Terry Towels Limited (MTTL) with the Company with effect from 1<sup>st</sup> January, 2008."

"RESOLVED FURTHER THAT the Scheme of Amalgamation of MTTL with the Company the draft of which is put before the meeting and initialed by the Chairman for the purpose of identification be and is hereby approved and the Board of Directors of the Company be and is hereby authorized to accept such alterations and modifications in the said Scheme as may be stipulated or required by BIFR or any such authority or authorities or Operating Agency or State or Central Government agencies or authorities, if any required in connection therewith, which the Board of Directors of the Company may deem fit and in the interest of the Company and to do such acts, deeds and things as may be necessary and/or expedient to give effect to the said Scheme of Amalgamation".

By Order of the Board

Place : Mumbai

(R.R. MAHESHWARI)

Dated : 31st December, 2009 Director & Company Secretary

#### NOTES :

1. The Explanatory statement pursuant to Section 173(2) and/or any other applicable provisions of the Companies Act, 1956 in respect of Special Business is annexed hereto.
2. MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
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 27.03.2010 to 31.03.2010 (both days inclusive).

#### ANNEXURE TO NOTICE

#### EXPLANATORY STATEMENT

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

##### Item No. 5

Shri R.R.Maheshwari Director of the Company was appointed as Company Secretary of the Company for a period of 3 years w.e.f. 01.01.2009. The terms & Conditions & payment of remuneration to Shri R.R.Maheshwari as Director and Company Secretary of the Company 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. 50,000/- (Rupees Fifty Thousand only) per month.

(B) Perquisites and allowances :

- (i) Company's Contribution towards provident fund as per rules of the Company but not exceeding 12 % of Salary.
- (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 as per rules of the Company but not exceeding 5% of the Salary.
- (iv) Gratuity not exceeding half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
- (v) Free use of car with driver, for Company's business.
- (vi) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (vii) Encashment of leave as per Company's rules.

(C) He shall not be paid any sitting fees for attending the meeting of Board of Directors or Committee thereof.

None of the Directors, except Shri R.R.Maheshwari, is concerned or interested in the said resolution. The details set out herein above may be treated as an abstract under section 302 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 01.07.2006. As terms of his appointment expired on 30.06.2009, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01.07.2009. 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. 60,000/- (Rupees Sixty Thousand only) per month for first year and thereafter increase of Rs. 10,000/- every year for next 2 years.

(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 as per Company's Rules.

- (iv) Company's contribution towards Provident Fund as per Company's rules but not exceeding 12% of the salary.
- (v) Gratuity not exceeding 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 the Directors, except Shri H.L.Sharma, is concerned or interested in the said resolution. 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 bankers have sanctioned enhanced limits on the basis of creation of first charge on the fixed assets of the Insulator division of the Company.

As the mortgage or charge on properties to secure the working capital facilities on first charge basis may be regarded as disposal of the whole or substantially the whole of the Insulator division 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.

None of the Directors of the Company is any way concerned or interested in the resolution.

#### **Item No. 8**

The Company has been sanctioned Corporate Loan by IFCI to the extent of Rs 1300 lacs. The financial assistance from the IFCI is to be secured by a first mortgage of all the immovable and movable properties of the Insulator division of the Company, present and future.

As the mortgage or charge on properties to secure the Corporate Loan facilities on first charge basis may be regarded as disposal of the whole or substantially the whole of the Insulator division 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.

None of the Directors of the Company is in any way, concerned or interested in the resolution.

#### **Item No.9**

The Company has been sanctioned financial assistance for the purpose of funding the requirement of capital expenditure of Gujarat Polyfils, a division of the Company to the extent of Rs.20 crores by Sumurai Commercials Private Ltd. & to the extent of Rs.20 crores by Pirth Mercantiles Private Ltd. by way of subscription in Zero Coupon Secured Redeemable Debentures. The financial assistance from Sumurai Commercials Private Ltd. and Pirth Mercantiles Private Ltd. is to be secured by way of first charge/mortgage on all the movable (other than Book Debts) and immovable properties of the Gujarat Polyfils, a division of the Company.

As the mortgage or charge on properties to secure the financial assistance facilities on first charge basis may be regarded as disposal of the whole or substantially the whole of the Gujarat Polyfils, a division 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.

None of Directors is in any way concerned or interested in the resolution.

#### **Item No.10**

#### **Explanatory Statement to the Scheme of Amalgamation**

##### **1. The Scheme**

The Scheme of Amalgamation (hereinafter called "the Scheme" or "this Scheme" as the context may admit) provides for the amalgamation of Modern Terry Towels Limited, (hereinafter referred as Transferor Company) with Modern Insulators Limited (hereinafter called "the Transferee Company").

##### **2. Approval of Board of Directors**

The Scheme has been approved by the Board of Directors of the Company in their meeting held on 26/6/2009.

3. The Scheme of Amalgamation will be operative from "Appointed Day", i.e., 1<sup>st</sup> January, 2008 but shall take effect finally from the "Effective Date" as mentioned in the said Scheme.

4. (a) The Transferor Company was originally incorporated in 1976 in the name of Modern Woollens Private Limited, which later on changed to Modern Woollens Limited. The woollen division was spun off to Modern Threads (India) Limited from April, 1994 under the scheme of arrangement approved by Rajasthan High Court. The name of Modern Woollens Limited was thereafter changed to Modern Terry Towels Limited.

(b) The Registered Office of the Transferor Company is situated at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004.

(c) The Authorised, issued, subscribed and paid-up share Capital of the Transferor Company is as follows :-

(i) The authorised share capital of the Company is Rs.65,00,00,000 (Rupees Sixty Five Crore Only) divided into 4,50,00,000 equity shares of Rs.10/- each & 20,00,000 Preference Shares of Rs.100/- each.

(ii) The issued, subscribed and Paid-up Share capital of the company is Rs.54,62,65,000 (Rupees Fifty Four Crore Sixty Two Lakh Sixty Five Thousand Only) divided into 4,39,10,926 equity shares of Rs.10/- each & 11,00,000 Preference Shares of Rs.100/- each.

5. (a) The Transferee Company was incorporated as Public Limited Company on 1<sup>st</sup> May, 1982 under the provisions of the Companies Act, 1956 in the name and style of Modern Insulators Limited.

(b) The Registered Office of the Transferee Company is situated at A-4, Vijay Path, Tilak Nagar, Jaipur - 302 004.

(c) The authorised, issued, subscribed and paid-up Share Capital of the Transferee Company is as follows :-

(i) The authorised share capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores Only) divided into 2,50,00,000 equity shares of Rs.10/- each and 5,00,000 Preference Shares of Rs.100/- each.

(ii) The Issued, subscribed and paid-up Share Capital of the Company is Rs.21,74,35,000/- (Rupees Twenty One Crores Seventy Four Lakh Thirty Five Thousand Only) divided into 2,17,43,500/- (Two Crores Seventeen Lakh Forty Three Thousand Five Hundred only) equity shares of Rs.10/- (Rupees Ten) each.

6. The Transferor Company's main objects, inter-alia, are to carry on the business of manufacturers, processors, spinners, doublers, combers, weavers, ginners, balers, sellers, buyers, importers, exporters, distributors and or otherwise dealers in all kinds of industrial fabrics, woollen fabrics, woollen carpet yarn, woollen yarn, woollen carpet manufacturing, woollen hosiery yarn and hosiery goods, canvas, synthetic yarn, synthetic fabrics rayon.

##### **7. The Transferee Company's main objects, interalia**

a) To carry on all or any of the business of manufacturers, producers, processors, importers, exporters, buyers, sellers and dealers in all kind of high-tension or low-tension insulators made of Ceramics, Glass, Plastics, Epoxy resins or any other substance, which may be used for insulations and all kind of ceramic products, such as, industrial ceramics, high alumina ceramics, electronic ceramics, fuses, fuse carriers, cartridge, caps, gauges, bushings or other article in which clay is used as one of the main raw-materials.

b) To carry on the business of preparing, combining, spinning, doubling, twisting, drawing, texturising, imparting, crimping, converting, calendaring, testing, sizing, weaving, knitting, bleaching, processing, dyeing, ginning, cutting, scouring, winding, mercerising, combing, printing, finishing, manufacturing, buying,

selling, importing, exporting or otherwise dealing in industrial fabrics, synthetic fabrics, synthetic chips, polyester oriented yarn, fully drawn yarn, textured yarn, synthetic yarn, acrylic yarn, rayon yarn, nylon yarn, nylon tyre yarn, nylon tyre cord, tyre fabrics, polyester, rayon and any other textile cellulosic or non cellulosic end products, polyester, acrylic, viscose, polypropylene cotton, linen, wool, silk, flex, hemp, jute, artificial silk, rayon, canvas and other fibres or textile products substances whether natural or synthetic or manmade, in any state and whether similar to the foregoing substances or not, and to treat, utilise and deal in any waste arising from any such operations and to manufacture, felted, knitted, looped and embroidered fabrics, lace and other types of manufactured, processed or decorated fabrics and to manufacture coated or laminated fabrics and readymade garments and apparels including all type of industrial and geo fabrics.

8. The amalgamation of the Transferor Company with the Transferee Company will be effected by a Scheme of Amalgamation (hereinafter referred to as "the Scheme").
9. The main object of the proposed amalgamation and/or merger is to carry on business of both the companies more efficiently, economically, conveniently and advantageously as both the Companies are under the same management. The resources and funds of the Transferee Company on amalgamation can be pooled and productively utilized for the benefit of the Transferor Company. The management expertise of the Transferee Company will enable the combined operation to grow in wider scope in the business activities of both the Companies. The merger will also help the Companies to achieve all round economies, savings in cost and reduction in day to day administrative, operational and other cost and overheads. There will also be savings in income tax outgo in accordance with the provisions of law.

#### 10. **Salient Features of the Scheme & Share exchange ratio**

- (a) "Appointed Date" and/or "Transfer Date" means January 1, 2008.
- (b) "Sanction Date" means date of sanction of the scheme by BIFR.
- (c) "Effective Date" means the date on which certified true copy of the Order of BIFR for sanction of the Scheme is filed with the Registrar of Companies. This Scheme although effective from the appointed date, shall become operative from the Effective Date.
- (d) "Record Date" means the date to be fixed by the Board of Directors or a Committee thereof of the Transferor Company for the purpose of determining the members of the Transferor Company to whom equity shares of the Transferee Company will be allotted pursuant to this Scheme.
- (e) Upon the Scheme coming into effect from the Appointed Date, the Undertaking of the Transferor Company with all assets and liabilities shall, without any further act or deed, be transferred to and vested in the Transferee Company including all the estates, assets, rights and interests of the Transferor Company therein but subject nevertheless to all charges, if any, then affecting the same or any part thereof and as on the Transfer date, and the Transferor Company shall be deemed to have been amalgamated with the Transferee Company.
- (f) The Transferee Company shall issue at par and allot to every shareholder holding equity shares of Transferor Company on a date to be fixed by the Board of Directors of the Transferor Company (hereinafter referred to as "Record Date"), two equity shares of Rs.10 each credited as fully paid-up for every three equity shares of Rs.10 each fully paid up held by such shareholder in the Transferor Company subsequent to write down and allotment of fresh shares by the Transferor Company as per Scheme.
- (g) Equity shares so allotted by the Transferee Company to the member(s) of the Transferor Company will in all respects rank pari-passu with the existing equity shares of the Transferee Company for dividend and voting rights.

- (h) All members of the Transferor Company whose names appear in the register of members of the Transferor Company on the Record Date shall surrender to the Transferee Company for cancellation their share certificates in respect of the equity shares held in the Transferor Company and the Transferee Company shall issue to them certificates for equity shares in the Transferee Company to which they may be entitled in terms of this Scheme and every such shareholder of the Transferor Company shall take all requisite steps to obtain from the Transferee Company to which he is entitled to hereunder. Upon the new equity shares being issued and allotted by the Transferee Company to the members standing on the Register of Members of the Transferor Company on the aforesaid Record Date, share certificates in respect of the shares held by them in the Transferor Company shall be deemed to stand cancelled.

- (i) Approval to the issue and allotment of the equity shares in the Transferee Company to equity shareholders of the Transferor Company, shall be deemed to be approved pursuant to Section 81(IA) of the Companies Act, 1956 on approval of this Scheme by a Resolution of the shareholders of the Transferee Company.

11. Under the proposed Scheme of Amalgamation, Modern Terry Towels Limited (the Transferor Company) is to amalgamate with Modern Insulators Limited (the Transferee Company). Save and except as expressly provided in the Scheme, the existing rights of members or creditors of either the Transferor Company or the Transferee Company are not sought to be affected in any manner whatsoever.

12. The Scheme of Amalgamation is conditional and subject to necessary sanctions and approvals as set out in the Scheme.

13. No investigation proceedings have been instituted or are pending under Sections 235 to 251 of the Companies Act, 1956 in respect of the Transferor Company and the Transferee Company.

14. Upon this Scheme being sanctioned as aforesaid, the Transferor Company, shall stand dissolved without winding up on such Effective Date.

#### 15. **Shareholding of Directors**

##### A) **Directors of Transferor Company (MTTL)**

Name	No. of Shares held in	
	In Modern Terry Towels Ltd.	In Modern Insulators Ltd.
Shri R. R. Maheshwari	100	Nil
Shri H. L. Sharma	100	Nil

##### B) **Directors of Transferee Company (MIL)**

Name	No. of Shares held in	
	In Modern Insulators Ltd.	In Modern Terry Towels Ltd.
Shri H. S. Ranka	10	Nil

The above Directors of the respective Companies may be deemed to be interested in the proposed Scheme to the extent of their shareholding as above. Save and except this, the Directors of the Transferor Company and the Transferee Company have no interest in the Scheme except as Directors in the respective companies.

16. This statement may also be treated as an Explanatory Statement under section 393 of the Companies Act, 1956.

**Note :** The following documents will be open for inspection of the members at the Registered Office of the Transferee Company on any working day prior to the date of meeting during office hours :

- (a) Memorandum and Articles of Association of the Transferor Company and the Transferee Company.
- (b) Audited Accounts of the Transferor Company and the Transferee Company for the period ended 30th September, 2009.
- (c) Valuation Report dated 5th October, 2009 from M/s Mehta Lodha & Co., Chartered Accountants, Ahmedabad regarding proposed share exchange ratio.
- (d) Scheme of rehabilitation/amalgamation duly examined by IFCI (Operating Agency) as submitted to BIFR.

## **DIRECTORS' REPORT**

The Members,

Your Directors have pleasure in presenting Annual Report and audited accounts for the period ended on September 30, 2009.

### **1. FINANCIAL RESULTS**

	(Rs. in crores)	
	Period ended 30.09.2009 (18 months)	Year ended 31.03.2008 (12 months)
Net Profit after tax	37.02	17.23
Add : Taxes in respect of earlier year (net)	8.33	(0.19)
Add : Balance brought forward from last year	59.96	42.92
Balance carried to Balance Sheet	105.31	59.96

### **2. OPERATIONS**

The performance of the Company has been satisfactory. Various factors have contributed for satisfactory performance of your company inter alia includes balancing of plant and machinery, continuous efforts for production of value added insulators and diversification into Textile activities during the period under review. The gross turnover during the period under review has been Rs.447 crores as against Rs.237 crores during 12 months in the previous year. The net profit for the period is Rs.37.02 crores as compared to Rs.17.23 crores during 12 months in 2007-08. Turnover & net profit for the period under review also includes turnover & net profit of yarn division.

#### **YARN DIVISION**

The Board of Directors of the Company had decided that it will be beneficial to the Company, Lenders and to the Shareholders that the Company diversify in textile sector which was booming in the post quota scenario and India's competitiveness in the world textile markets and huge demand growth in domestic market for clothing India's large population. Accordingly Board of Directors of the Company had decided to set up a separate division i.e. Yarn Division under name of 'Gujarat Polyfils' for the manufacture of Polyester Yarn with capacity of 25000 tons per annum near Surat in the State of Gujarat at the total investment cost of about Rs.100 crores. The implementation of the first phase of the project with capacity of 12500 tons per annum is completed and commercial production has commenced from September, 2008. The second phase of the project is under progress and likely to be completed during current financial year.

Keeping in view the need to conserve the Company's resources for meeting the enhanced working capital and capital expenditure requirements, your Directors deemed it prudent not to recommend any dividend for the period under review.

### **3. EXPORTS**

The Company's sustained efforts in exporting its products inspite of stiff competition with the global players in insulator industry resulted in achieving exports of Rs.137 crores during the period under review. Your Company is one of the largest exporters of EHV porcelain Insulators from India. The Directors are pleased to inform that the Company won the prestigious 'TOP EXPORT AWARD' from CAPEXIL for last four consecutive years. This year also company has received certificate for export performance. Your Company is now a regular supplier to all the multinational OEMs contractors for their world wide requirements of quality extra high voltage porcelain insulators.

### **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. Looking to the present scenario in power sector, the business prospects for insulator Industry are good. Company is putting all efforts to strengthen its leadership both in domestic as well as global markets. The Govt. of India has given emphasis on upgrading transmission system along with plans for construction of new power transmission grids in the country.

### **5. AMALGAMATION OF MODERN TERRY TOWELS LIMITED WITH THE COMPANY**

The Board of Directors of the Company has made a proposal to Modern Terry Towels Limited for its amalgamation into your Company under the aegis of BIFR which will have following advantages :-

- Your Company is exposed to high taxation due to negligible tax shields, the amalgamation of Modern Terry Towels Ltd. with the Company will provide tax breaks for your Company.

The amalgamation scheme envisages tax benefits under Section 72A of the Income Tax Act, 1961 and the merged entity would be eligible for substantial amount of Income Tax benefit under Section 72A of the Income Tax Act.

- The amalgamation of Modern Terry Towels Ltd. with the Company will also result in consolidation of two companies which would result into savings in the administrative costs.



## 6. CHANGE OF ACCOUNTING YEAR

It has been decided by the Board of Directors to change the Accounting Year to end on 30<sup>th</sup> September, 2009 instead of 31<sup>st</sup> March, 2009 and therefore the accounting year under review is for a period of 18 months from 1.4.2008 to 30.9.2009. Accordingly necessary approval from the Department of Corporate Affairs, Office of Registrar of Companies has also been obtained.

## 7. SUBSIDIARY COMPANY

The statement under Section 212 of the Companies Act, 1956 in respect of Motile Power Trade Pvt. Ltd., subsidiary of the Company along with audited accounts are attached.

## 8. DIRECTORS

Shri S. B. L. Jain and Shri R. N. Goyal are liable to retire by rotation and being eligible, offer themselves for reappointment. Appropriate resolution for the reappointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

## 9. 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 2009-10. 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.

## 10. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for putting their best efforts. The Company has enjoyed healthy and cordial industrial relations throughout the period under review. 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.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 period under review;

- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;

- iv) the Directors have prepared the annual accounts on a going concern basis.

## 12. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND 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.

## 13. CONSTITUTION OF AUDIT COMMITTEE

The Board of Directors have constituted the 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

## 14. 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 : 31st December, 2009

(H.S. RANKA)

Chairman