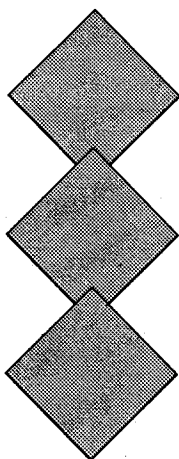


ANNUAL REPORT
2011-2012



Modern
INSULATORS LIMITED

BOARD OF DIRECTORS

Shri Sachin Ranka	– Chairman
Shri S.B.L. Jain	– Director
Shri R.N. Goyal	– Director
Shri R. Raniwala	– Additional Director
Shri R.K. Ladía	– Executive Director
Shri R.R. Maheshwari	– Executive Director
Shri H.L. Sharma	– Executive Director

COMPANY SECRETARY

Shri Anil Kumar Sharma

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 27th Annual General Meeting of **Modern Insulators Limited** will be held on Friday the 21st September, 2012 at 11.00 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, 2012 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 re-appoint Shri R.K.Ladia as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To re-appoint Shri R.N.Goyal 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 reappointed 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 resolution as a Special Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 269, 198, 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 R. R. Maheshwari as an Executive Director of the Company from 01/01/2012 for a further 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 resolution as a Special Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 269, 198, 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 payment of revised remuneration to Shri R. K. Ladia, Executive Director of the Company for a period of one year with effect from 01/04/2012 to 31/03/2013 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 269, 198,

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 01/07/2012 for a further period of three years on the terms & Conditions of remuneration as specified in the explanatory statement annexed hereto."

8) To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Ravindra Raniwala, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 29/06/2012 and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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 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 already mortgaged/to be mortgaged and/or charged/to be charged 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 ₹ 4025 lacs (Fund based) & upto ₹ 2250 lacs (Non-fund based) and forward exchange contract limit upto ₹ 25 Crore respectively.
2. Punjab National Bank for its working capital assistance of upto ₹ 1175 lacs (Fund based) & upto ₹ 750 lacs (Non-fund based) respectively.

In connection with the working capital facilities already 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 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."

By Order of the Board

Place : MUMBAI
 Date : 29th June, 2012

(ANIL KUMAR SHARMA)
 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. 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 TO BE A MEMBER.
3. The proxy should be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the commencement of the meeting.
4. The Ministry of Corporate affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notices/documents including Annual Report can be sent by e-mail to its members. To support this objective of the Government, members are requested to register their e-mail addresses with the registered office of the Company.
5. The Share transfer books and Register of members shall remain closed from 18.09.2012 to 21.09.2012 (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 was appointed as Director & Company Secretary of the Company with remuneration of ₹ 50,000/- per month with effect from 01/01/2009 for a period of 3 years. Shri R.R. Maheshwari has resigned from the post of Company Secretary with effect from 07/02/2011 and was redesignated/appointed as an Executive Director of the Company with effect from 08/02/2011 on the same terms and conditions of Remuneration payable to him as Director and Company Secretary of the Company till expiry of his term of office which expired on 31/12/2011. Therefore the Board considers that it is in the interest of the Company to re-appoint Shri R.R. Maheshwari as an Executive Director of the Company with remuneration with effect from 01/01/2012 for a further period of 3 years. The terms & conditions of payment of remuneration to Shri R.R. Maheshwari as an Executive Director has been approved by the Board as well as by the Remuneration Committee.

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

(A) Salary:-

- ₹ 50,000/- Per Month for 3 months from 01/01/2012 to 31/03/2012.
- ₹ 80,000/- Per Month from 01/04/2012 to 31/03/2013.
- ₹ 90,000/- Per Month from 01/04/2013 to 31/03/2014.
- ₹ 1,00,000/- Per Month from 01/04/2014 to 31/12/2014.

(B) Perquisites and Allowances:-

- (i) 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.
- (ii) 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.
- (iii) Company's contribution towards Provident Fund as per Company's rules but not exceeding 12% of the salary.
- (iv) Gratuity not exceeding half month's salary for each completed year of service, subject to a ceiling of ₹ 10,00,000/-.
- (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 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 R.R. Maheshwari, is concerned or interested in the said resolution in item No. 5. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

Item No. 6

The Board was informed that Shri R. K. Ladia was re-appointed as an Executive Director of the Company with remuneration of ₹ 2,50,000/- per month with effect from 01/04/2010 for a period of 3 years. The Board considers for payment of revised remuneration to Shri R.K. Ladia for the remaining period of one year with effect from 01/04/2012 to 31/03/2013. The terms and conditions of payment of revised remuneration to Shri R.K. Ladia as an Executive Director has been approved by the Board as well as by the Remuneration Committee.

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

(A) Salary:- ₹ 5,00,000/- (Rupees Five Lacs Only) Per Month for a period of 1 year with effect from 01/04/2012 to 31/03/2013.

(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) An amount equivalent to 10% of salary will be deductible every month towards rent for said furnished accommodation.
 - (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 and family as allowed under Income Tax Act 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 as provided in the Gratuity Act.
- (vi) Company's contribution towards superannuation fund as per Company's policy but not exceeding 15% of the basic salary.
- (vii) Free use of car with driver, for Company's business.
- (viii) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (ix) 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 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

Shri H. L. Sharma was re-appointed as an Executive Director of the Company with remuneration with effect from 01/07/2009 for a period of 3 years. As such his term of Office expires on 30/06/2012, therefore, the Board considers that it is in the interest of the Company to reappoint Shri H.L. Sharma as an Executive Director of the Company with remuneration with effect from 01/07/2012 for a further period of 3 years. The terms and conditions of payment of remuneration to Shri H.L. Sharma as an Executive Director has been approved by the Board as well as by the Remuneration Committee.

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

(A) Salary:- ₹ 90,000/- (Rupees Ninety Thousand Only) per month for first year and thereafter increase of ₹ 10,000/- every year for next 2 years.

(B) Perquisites and allowances:

- (i) Reimbursement of expenses on account of medical benefits and leave travel concession for self and family, the total cost of which to the Company shall not exceed 8% of the basic salary.
- (ii) Company's contribution towards Provident Fund as per Company's rules but not exceeding 12% of the salary.
- (iii) Gratuity not exceeding half month's salary for each completed year of service as provided in the Gratuity Act.
- (iv) Free use of car with driver, for Company's business.
- (v) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (vi) 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 in item No. 7. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

Item No. 8

Shri Ravindra Raniwala was appointed as an Additional Director of the Company with effect from 29/06/2012 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri Ravindra Raniwala as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

None of the Directors, except Shri Ravindra Raniwala, is concerned or interested in the resolution.

Item No. 9

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 Insulators 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 for mortgage or charge already created/to be created.

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

DIRECTORS' REPORT

The Members,
 Your Directors have pleasure in presenting Annual Report and audited accounts for the year ended on 31st March, 2012.

1. FINANCIAL RESULTS

	(₹ in crores)	
	Year ended 31.03.2012 (12 months)	Period ended 31.03.2011 (18 months)
Net Profit	22.42	34.10
Less : Taxes in respect of earlier years	0.02	0.08
Profit for the year after tax	22.40	34.02

2. OPERATIONS

The performance of the Company has been satisfactory. The net turnover for the year under review has been about ₹ 216 crores of Insulator Division & about ₹ 167 crores of Yarn Division and the net profit after tax for the year is about ₹ 22 crores as against about ₹ 23 crores in previous year on annualized basis. Various factors like optimization of production process, reduction in selling cost, favourable exchange rate etc. have contributed to sustain the satisfactory performance of your company. Keeping in view the need to conserve the Company's resources for meeting the enhanced working capital requirement and balancing the manufacturing equipments, your directors deemed it prudent not to recommend any dividend for the year.

INSULATORS DIVISION

The operations of Insulator division have resulted in a profit before interest & depreciation of about ₹ 33.50 crores, inspite of unprecedented price rise experienced in fuel, key raw materials and various other inputs. Company's vision to broaden the scope of manufacturing of all kinds of extra high voltage insulators for electrical equipments has borne the fruits witnessed by the performance of the company during the year under review.

YARN DIVISION

This division has achieved a net turnover of about ₹ 167 crores during the year under review. The operations have resulted in a profit before interest & depreciation of about ₹ 9.25 crores inspite of weak domestic as well as international market, oversupply of finished goods compared to overall demand and abnormal hike in the prices of inputs like raw material, power etc.

3. EXPORTS

The Company's sustained efforts in exporting its products inspite of stiff competition with the globally giant players, particularly from China, in Insulator Industry resulted in achieving export turnover of ₹ 66 crores during the year under review as compared to ₹ 76 crores in previous year on annualized basis. The company possesses ability to cater to diverse needs of global customers and further concentrating to strengthen its presence in all corners of global markets. This would help company in getting optimum utilization of its productive resources. The Company also continues to have Trading House status. Repeated order from global electrical equipment manufacturers and efforts for entry in many new countries would further increase the Company's presence in the export market.

4. FUTURE PROSPECTS OF INSULATOR DIVISION

Your Company continues to be leader in manufacturer of Extra High Voltage Insulators in the Country which is a testimony of Company's efforts and performance. Despite stiff competition from other countries, international buyers show preference to your company's product for its quality & timely delivery and hence your directors are confident of achieving better working results in the 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. In-house R&D activities have a thrust on development to replace expensive input raw material & to further bring consistency in quality of the products under manufacture. 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. AMALGAMATION OF MODERN TERRY TOWELS LIMITED WITH THE COMPANY

Modern Terry Towels Limited had filed Draft Rehabilitation Scheme with Hon'ble BIFR for its amalgamation with your company by taking deemed date of amalgamation as 1.1.2008 and same is still under consideration for circulation and thereafter for sanction by Hon'ble BIFR.

6. DEMERGER OF YARN DIVISION OF THE COMPANY

As reported in the last report, it has been decided by the Board of Directors of the Company to de-merge the Yarn division into a separate corporate entity by a Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 with effect from 1st April, 2011. Requisite application has been filed for sanction of the scheme before the Hon'ble High Court of Rajasthan at Jaipur.

In the meantime, Company has received in principal approval from the Term lenders / Debenture holders for demerger of Yarn division of the Company and has approached to working capital bankers for their approval. The Company is now in process of completing other statutory formalities under the Companies Act, 1956. The demerger would result in benefit to the shareholders, creditors, employees and general public.

7. SUBSIDIARY COMPANY

The statement under Section 212 of the Companies Act, 1956 in respect of Motile Power Trade Pvt. Ltd. and Gujarat Polyfils (India) Ltd., subsidiaries of the Company along with audited accounts are attached.

8. DIRECTORS

During the year under review Shri H.S. Ranka and Shri S.S. Karnavat have resigned from the directorship of the Company. The Board places on record its appreciation for the valuable contribution made by Shri H.S. Ranka and Shri S.S. Karnavat during their tenure as Director of the Company. Shri R.K. Ladia and Shri R.N. Goyal are liable to retire by rotation and being eligible, offer themselves for reappointment. Appropriate resolutions 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 appointment as Auditors of the Company for the year 2012-13. The observations made by Auditors are self explanatory and have been dealt with in the notes forming part of the financial statements and hence need no further clarifications.

10. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for putting in 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 the 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:-

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 year under review;
- 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;
- 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 has 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 follows:-

Shri S.S.Karnavat (Upto 20.12.2011)
 Shri R.N.Goyal (From 20.12.2011)
 Shri S.B.L.Jain
 Shri H.L.Sharma
 Shri R.Raniwala (From 29.6.2012)

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

ON BEHALF OF THE BOARD

Place : Mumbai
 Dated : 29th June, 2012

(SACHIN 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:
 - Exploring various high grades of alternate indigenous raw materials to replace existing raw materials in short supply, resulting in uninterrupted plant operation at desired yield.
 - Weight reduction in the existing design of solidcore & longrod insulators for cost optimization.
 - Process optimization & improvement to conserve natural resources; in particular energy, fuels, water & key input materials by minimized process loss, reusing & recycling.
 - Development of Low Feldspar Bauxite body with alternate sources of china clay & cheaper imported ball clays.
 - Development of a standby recipe for the existing body by using alternate clays.
 - Process & product improvement through innovative techniques.
- b) Benefits as a result of the above R&D:
 - Uninterrupted plant operation at the desired yield in the event of key raw materials in short supply.
 - Development of alternate/ low cost raw material source.
 - Improvement in quality & reliability of product.
- c) Future plan of action:
 - Automation in material handling.
 - Weight reduction in the existing designs of solidcore & longrod insulators for cost optimization.
 - Further development of alternate sources of china clays for smoother & cost effective operation.
 - Development of suitable domestic source of ball clays as a replacement of costly imported clays.
 - Development of low temp. Bauxite body & glaze with an improved yield.
 - Development of 800 KV HVDC longrod insulators.
 - Development of longrod & Railway insulators in composite body.
- d) Expenditure on R&D:

- Capital	-
- Recurring	₹ 288.86 lacs
- Total	₹ 288.86 lacs
- Total R&D expenditure, as %age of total turnover	0.70%

2. Technology Absorption, Adoption and Innovation:

- a) Efforts, in brief made towards technology absorption, adoption and innovation: -
 - Dryer automation implemented for 5 dryers with encouraging results. Further work is in progress for the balance dryers.
 - High capacity roto pumps have been installed in Slip House for faster slurry pumping.
 - Footer cutting machine developed in-house for direct feeding of scrap into SBS Conveyor.
 - Developed Glaze jointed Hollow insulators as per specific need of key customers.
 - Kiln loading programmes developed for improvement of kiln efficiency.
 - Multistage epoxy joint developed for Hollow insulators.
 - Auto cake feeding system under implementation.
- b) Benefits derived as a result of above efforts:
 - Improvement in efficiency & productivity.
 - Reduction in firing cycle time & cost saving with increased productivity.
 - Development of new products.
 - Reduction in overall product cost.
 - Reduction in workers requirement.

B. FOREIGN EXCHANGE EARNING & OUTGO:

The company has earned during the period foreign exchange of ₹ 6631.19 lacs at F.O.B. price against an outgo of ₹ 1197.72 lacs.

AUDITORS' REPORT

To,
The Members of

1. We have audited the attached Balance Sheet of **MODERN INSULATORS LIMITED** as at 31st March, 2012, the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date annexed hereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
 - (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report, comply with the applicable Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) (a) *Balances of Trade Receivables and Trade Payables are subject to reconciliations/ confirmations. (Note Nos. 8 & 14)*
 - (b) *The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act have not been given. (Note No.8)*

(c) *Provision for taxation (including interest etc.) estimated at ₹ 680.16 lacs for current year (upto the year ₹ 4640.13 lacs) has not been made and Debenture Redemption Reserve amounting to ₹ 5.80 lacs has not been created, in view of proposed amalgamation proceedings awaiting approvals. Meanwhile Income Tax Department has completed assessment for Assessment Years 2008-09 & 2009-10 and demand of ₹ 1611.16 lacs has been raised in respect of disallowance of losses pertaining to proposed amalgamation pending approval from concerned authorities. However, the Company filed appeals against the said demand and CIT (Appeals) has directed the Assessing Officer to make substantive assessment order (allowing losses pertaining to proposed amalgamation) as well as protective assessment order (presuming that no amalgamation had taken place) and further held that in case if the amalgamation scheme is not sanctioned then the protective assessment order shall prevail over the substantive order. Order of Assessing Officer giving appeal effect is awaited. (Note No.29)*

- (vi) On the basis of written representations received from the directors as on 31st March, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of Companies Act, 1956.
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant Accounting Policies, notes thereon and subject to our comments in para (v) above, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012.
 - (b) In the case of Statement of Profit and Loss of the profit of the Company for the year ended on that date.
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.S. KOTHARI & CO.**
 Chartered Accountants
 (Firm Registration No. 001064C)

(**B.L. VERMA**)

PARTNER

Place : Jaipur

Date : 30th June, 2012

(Membership No. 10900)