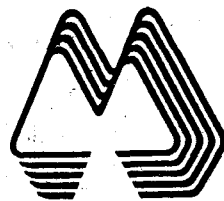
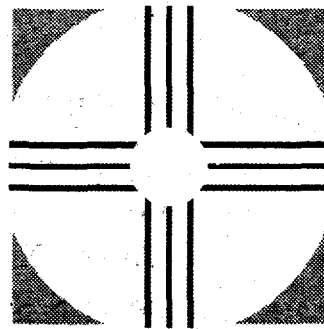


**ANNUAL REPORT**  
**2012-2013**



**Modern**  
**INSULATORS LIMITED**

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## **BOARD OF DIRECTORS**

|                     |                      |
|---------------------|----------------------|
| Shri Sachin Ranka   | – Chairman           |
| Shri S.B.L. Jain    | – Director           |
| Shri R. Raniwala    | – Director           |
| Shri D.B. Deshpande | – 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 HEAD QUARTER**

68/69, Godavari,  
Poachkhanwala Road,  
Worli, Mumbai - 400 030

### **PLANT**

Abu Road - 307 026  
Distt. Sirohi  
(Rajasthan)

## NOTICE

Notice is hereby given that the 28th Annual General Meeting of **Modern Insulators Limited** will be held on Friday the 27th September, 2013 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, 2013 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 S.B.L. Jain as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To re-appoint Shri H.L. Sharma 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 an Ordinary Resolution:

"RESOLVED THAT Shri D.B. Deshpande, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 01/01/2013 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."

- (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 appointment of Shri D.B. Deshpande as an Executive Director of the Company from 01/01/2013 for a 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 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 Rs. 4625 lacs (Fund based) & upto Rs. 2250 lacs (Non-fund based) and forward exchange contract limit upto Rs. 1200 Lacs respectively.
2. Punjab National Bank for its working capital assistance of upto Rs. 1175 lacs (Fund based) & upto Rs. 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 : 28th June, 2013

(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 24.09.2013 to 27.09.2013 (both days inclusive).

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

**Item No. 5**

Shri D.B. Deshpande was appointed as an Additional Director of the Company with effect from 01/01/2013 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 D.B. Deshpande 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 Directors, except Shri D.B. Deshpande, is concerned or interested in the resolution.

**Item No. 6**

Shri D.B. Deshpande was appointed as an Executive Director of the Company with effect from 01/01/2013 for a period of 3 years by the Board of Directors of the Company. The terms and conditions of payment of remuneration to Shri D.B. Deshpande as an Executive Director of the Company have 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) Basic Salary :**

- (i) Rs. 3,00,000/- (Rupees Three Lacs-only) per month from 1/1/2013 to 31/3/2013.
- (ii) Increase of not exceeding Rs. 1,00,000/- (Rupees One Lac only) per month for the period from 1/4/2013 to 31/3/2014.
- (iii) Increase of not exceeding Rs. 1,00,000/- (Rupees One Lac only) per month for the period from 1/4/2014 to 31/3/2015.
- (iv) Increase of not exceeding Rs. 1,00,000/- (Rupees One Lac only) per month for the period from 1/4/2015 to 31/12/2015.

**(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 5% of the salary as per Company's Rules.
- (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 as provided in Gratuity Act.
- (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 D.B. Deshpande 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 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, 2013.

### **1. FINANCIAL RESULTS**

|                                   | (₹ in crores)            |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | Year ended<br>31.03.2013 | Year ended<br>31.03.2012 |
| Profit Before Tax                 | 20.76                    | 22.12                    |
| Less : Deferred Tax               | (0.38)                   | (0.30)                   |
| Taxes in respect of earlier years | —                        | 0.02                     |
| Profit for the year after tax     | 21.14                    | 22.40                    |

### **2. OPERATIONS**

The overall performance of the Company has been satisfactory inspite of challenging business environment. The net turnover for the year has been ₹ 392 crores as against ₹ 383 crores in previous year and net profit after tax ₹ 21 crores for the year as against ₹ 22 crores in previous year. Overall profitability has slightly impacted mainly due to lower profits in Yarn Division on account of adverse market conditions. 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 division has achieved a net turnover of ₹ 242.66 crores during the year under review. The operations of Insulator division have resulted in a profit before interest & depreciation of ₹ 36.11 crores, inspite of unprecedented price rise experienced in fuel, key raw materials, power & various other inputs and stiff competition from cheaper imports from China. 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 ₹ 148.96 crores during the year under review. The operations have resulted in a profit before interest & depreciation of ₹ 5.39 crores. The period under review was volatile for the Polyester Industry due to poor demand in 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 is one of the major exporter of H.T. Porcelain Insulators from India. The Company's sustained efforts in exporting its products inspite of stiff competition with the globally giant players (particularly Chinese) in Insulator Industry resulted in achieving higher export turnover of ₹ 76 crores during the year under review as compared to ₹ 66 crores in previous year. The company possesses ability to cater to diverse needs of global customers and further concentrating to strengthen its presence in all corners of global market. This would help company in getting optimum utilization of its productive resources. The Company also continues to have Trading House status. Your company is a regular supplier to all the major multinational OEMs for their world wide requirements of quality porcelain insulators. Repeat orders 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**

Your Company continuous to be a leader in the manufacture of 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 interest 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 recognised by Govt. of India, Ministry of Science & Technology 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. Our country is heading towards 1200 KV transmission lines to minimise transmission losses, which will create major demand for insulators. Your directors are pleased to inform that Insulator supplied by the company for 1200 KV transmission lines have been successfully commissioned. Finance Ministry has imposed safeguard duty @ 35% on import of insulators from China w.e.f. 20.12.2012 to safeguard interest of domestic insulator manufacturers from cheaper imports. In view of this & 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 under consideration for circulation and thereafter for sanction by Hon'ble BIFR.

### **6. DEMERGER OF YARN DIVISION OF THE COMPANY**

Requisite application has been filed under section 391 to 394 of the Companies Act, 1956 for sanction of the scheme before the Hon'ble High Court of Rajasthan at Jaipur. The Company has received approval from Shareholders, Secured & Unsecured creditors for demerger of yarn division of the Company. Further, Regional Director has also submitted his report to the Hon'ble High Court and now the matter will be heard in due course for considering report of Regional Director and for approval of the scheme. 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 R.K. Ladia has resigned and Shri R.N. Goyal ceased from the directorship of the company due to his sudden demise. Further Shri R.R. Maheshwari has resigned from the Directorship of the Company w.e.f. 01/05/2013. The Board places on record its appreciation for the valuable contribution made by Shri R.K. Ladia, Shri R.R. Maheshwari and Shri R.N. Goyal during their tenure as Director of the Company. Shri S.B.L. Jain and Shri H.L. Sharma 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 2013-14. 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. The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is provided in annexure forming part of the report. However, as per the provision of section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the members of the company excluding the aforesaid annexure. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

### **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 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 R. Raniwala (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 executives, staff, workers, financial Institutions, working capital bankers and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai  
 Dated : 28th June, 2013

(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:
  - Process optimization & improvement to conserve natural resources viz. energy, fuels, water & key input materials by minimizing process loss, reusing & recycling.
  - Exploring various high grades of alternative indigenous raw materials for cost optimisation.
  - Development of improved grey glaze recipe for normal body to reduce rework.
  - Development of Low Feldspar Bauxite body with coarse residue control to improve recovery.
  - Development of an improved brown glaze suitable for both normal as well as Bauxite body.
  - Reuse of fired biscuit gravel (both oversize & undersize) in preparing green gravel thus saving on the usage of dry body mass.
  - Introducing low thermal mass 'Pyroblocks' in place of heavy refractory insulation bricks to achieve better fuel economy & thermal efficiency.
  - Introducing the concept of electric drying of critical insulators to save rejections.
- b) Benefits as a result of the above R&D:
  - Uninterrupted plant operations at optimum level.
  - Improvement in quality & reliability of product.
  - Entry in new product segment.
  - Better fuel economy & thermal efficiency.
  - Development of alternate/low cost raw material source.
- c) Future plan of action:
  - Further development of low temperature bauxite body & matching glaze with improved process yield.
  - Development of suitable domestic replacement for imported ball clays.
  - Development of sintered stain for existing brown glaze made from mixture of colouring oxides.
  - Further development of alternate source of china clays for smoother & cost effective operation.
  - Development of Electric porcelain insulators with reduction of maturing temperature.
  - Automation in material handling.
- d) Expenditure on R&D:
 

|  |               |
|--|---------------|
| - Capital  |               |
| - Recurring  | ₹ 409.61 lacs |
| - Total  | ₹ 409.61 lacs |
| - Total R&D expenditure, as %age of total turnover | 0.95%         |

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

- a) Efforts, in brief made towards technology absorption, adoption and innovation: -
  - Synchronization of supply feeder to avoid second tripping in kiln during load changeover from DG to RSEB, thereby saving on fuel, power consumption & extension of kiln cycle time.
  - Street lights have been converted to LED lights & in colony with CFL lights.
  - Transparent roofing installed to ensure illumination by sunlight during day time saving power consumption
  - Introduced LNG gaseous fuel for firing with fuel economy.
  - Introduced proportional valve for servo valve for Zeidler 1 & 3 to reduce cost of maintenance & downtime.
  - Most of the dryers have been fitted with insulated chimneys.
  - Introduced in-house automation on porosity testing machine.
  - Additional propeller fan introduced in buffer tank of all SBS blungers to improve SBS slurry consistency.
- b) Benefits derived as a result of above efforts:
  - Improvement in efficiency & productivity.
  - Reduction in firing cycle time & cost saving with improved productivity.
  - Development of improved product.
  - Reduction in overall product cost.

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

The company has earned during the year foreign exchange of ₹ 7571.29 lacs at F.O.B. price against an outgo of ₹ 1208.11 lacs.