



Modi Hoover

20th

ANNUAL

REPORT

2005-2006

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Modi Hoover International Limited



**MODI HOOVER INTERNATIONAL
LIMITED
MEZZANINE FLOOR, HEMKUNT
TOWER, 98, NEHRU PLACE, NEW
DELHI**

NOTICE is hereby given that Nineteenth Annual General Meeting of the **MODI HOOVER INTERNATIONAL LTD.** will be held on Saturday, the 30th day of December 2006 at 10.00 A.M. at the Mezzanine Floor, Modi Tower, 98, Nehru Place, New Delhi 110 019, the Registered Office, to transact the following business:

1. To receive, consider and adopt the Audited Accounts for the financial year ended 30th June 2006 alongwith report of auditors thereon as well as the Directors' report and for that purpose to consider and, if thought fit, to pass, with or without modifications, if any, the following as an **ORDINARY RESOLUTION**:

“RESOLVED THAT the Company's audited Balance Sheet as at 30th June 2006 and the audited Profit and Loss Account for the financial year ended on that date together with the Director's and Auditor's report thereon be and are hereby approved and adopted”.

2. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an **ORDINARY RESOLUTION**:

“RESOLVED THAT, M/s Mangla Associates, retiring auditors of the company, be and are hereby re-appointed as the Auditors of the company to hold office from the conclusion of this until the conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors”

3. To consider and, if thought fit, to pass with or without modifications, if any, the following as an **ORDINARY RESOLUTION**:

“RESOLVED THAT Mr. Lachhi Ram Sharma, who retires by rotation in this Annual General Meeting be and is hereby re-elected as a director of the Company whose office shall be liable to retirement by rotation.”

IMPORTANT NOTES:

1.A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT TO ATTEND AND ON POLL ONLY TO VOTE INSTEAD OF HIM. SUCH PROXY NEED NOT BE MEMBER OF THE COMPANY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

2.Members\proxies attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting Hall.

3.Members are requested to notify the Company immediately about their change of address, if any.

4.The Registers of members and the share transfer of the company shall remain closed from 23rd December 2006 to 30th December 2006(both days inclusive).

5.Members attending the meeting are requested to bring copy of the Annual Report with them.

6.Shareholders may please note that NO GIFT OR COUPONS will be distributed at the meeting.

**By order of the Board of Directors
for Modi Hoover International Ltd.**

(Managing Director)

**Date: 29.11.2006
Place: New Delhi**

IMPORTANT NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint to attend and on poll only to vote instead of him. Such proxy need not be member of the company in order to be effective must be received by the company not less than 48 hours before the meeting.

2. Members\proxies attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting Hall.

3. Members are requested to notify the Company immediately about their change of address, if any.

4. The Registers of members and the share transfer of the company shall remain closed from 23rd December 2006 to 30th December 2006 (both days inclusive).

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DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Members,

Your Directors' are pleased to present the Twentieth Annual Report and Accounts for the year ended 30th June 2006.

FINANCIAL RESULTS

(Fig. in Rs. lacs)

Particulars	2005-06	2004-05
Sales & Other Income	147.91	205.85
Profit\ (loss) before Dep And Tax	3.65	8.32
Less:		
i) Depreciation	0.71	.83
ii) Misc. Exp. Written off	-	4.21
Profit\ (loss) Before Tax	2.85	3.27
Less: Provision for Tax	-	-
Less: FBT Tax	.13	-
Net Profit\ (loss) after Tax	2.72	3.27
Add: Balance B\F from Previous year	(1507.14)	(1510.42)
Profit for appropriation	2.72	3.28
Carried to Balance Sheet	(1504.42)	(1507.14)

DIVIDEND:

Your Directors regret their inability to recommend any dividend for the year consideration.

OPERATIONS:

The Company is in the field of marketing of Vacuum Cleaners and Water Purifiers. During the year, the Vacuum Cleaner and Water Purifier sales remained at a lower level than previous year.

OPPURTUNITY, THREATS, RISKS AND CONCERNS

The present market of water purifiers is estimated at 6,35,000 units valued at Rs.415 crores and the market of Vacuum Cleaners is estimated at 2,60,000 units valued to be Rs.170 crores. The company has the largest range of Water purifiers and Vacuum Cleaners for all segments, backed by world known

Brand 'Hoover'. The company would like to be part of this success by attaining market share of 23% by 2009-10 and plans to achieve turnover of Rs.219 Crores by the year 2009-10. The company during the year diversified into Real Estate and formalised an Agreement providing for working as Project Partner on Commission basis, the details are provided hereunder.

DEPOSITS

The Company has not invited nor accepted any deposits from the public.

DIRECTORS

Mr. Ved Prakash Arya, Mr. Ashok Gupta and Mr. L.R. Sharma are the Directors of the Company. Mr. S.K. Modi resigned during the year. Mr. L.R. Sharma who retires by rotation in this Annual General Meeting and being eligible, offers himself for re-appointment.

DIRECTORS RESONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

As required by Section 217(2AA) of the Companies Act, 1956 we hereby confirm:

- That in preparation of annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departure.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June 2006 and of the profit and loss for the year ended 30th June 2006.
- That 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.
- That the directors have prepared the annual accounts on a going concern basis.



AUDITORS

M/s Mangla Associates, Chartered Accountants, Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Auditors' Report as well as notes to accounts are appended to this report and are self-explanatory and in the opinion of the Board of Directors, do not require any further comments.

CORPORATE GOVERNANCE

The company has implemented the norms of Corporate Governance in accordance with clause 49 of the Listing Agreement with the Stock Exchanges. The report on Corporate Governance and Auditors' certificate thereof on compliance of clause 49 is given along with this report.

EXPORT

There were no exports during the year.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

There is no employee in the company receiving remuneration as set out in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

Your company has no activity relating to conservation of energy and technology absorption.

MATERIAL TRANSACTIONS AFTER BALANCE SHEET DATE(30.06.2006)

- a) **Venture into Real Estate:** The Company by passing a Resolution by Postal Ballot in April 2006 diversified itself into Real Estate Business by forming a separate division 'Regent Realty'. In November 2006, the company entered into an agreement for assisting its UK Partner, Regent Realty, UK. The details of this Agreement are provided hereunder.
- b) **Repayment of C&F Deposits:** The Company was successful in negotiating with the C&F Agents to forego the interest payable on their Securities, therefore Interest on Securities has not been Provided in the Books of Accounts.
The Company after closure of Balance Sheet i.e 30.06.2006 repaid Security Deposits in excess of Rs. 40 Lacs.

ACKNOWLEDGEMENT

Your Directors acknowledge the support received from all its Business Partners, its valued customers and also wish to place on record their appreciation of the efforts at all levels. The Directors also acknowledge the support and co-operation received from Banks and Government Authorities.

For & on behalf of the Board of Directors of
Modi Hoover International Limited

Ved Prakash Arya
Managing Director

Ashok Kumar Gupta
Director

Place: New Delhi
Dated: 29th November 2006



SHAREHOLDER INFORMATION

1. Members/proxies attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting Hall.
2. Members are requested to notify the Company immediately about their change of address, if any.
3. The Register of Members and the Share transfer books of the company shall remain closed from 23rd December 2006 to 30th December 2006 (both days inclusive).

Registered Office:

Mezzanine Floor, Hemkunt Tower,
98, Nehru Place, New Delhi 110 019.

Share Transfer Agent and Registrar:

M/s Intime Spectrum Registry Limited
A-31, 3rd Floor (Near PVR Cinema),
Nariana Industrial Area, Phase-I,
New Delhi 110 028.

Stock Exchanges (where company's shares are listed)

1. The Stock Exchange, Mumbai
Phiroze Jeejabhoy Towers, Dalal Street,
Mumbai 400 001.
2. The Delhi Stock Exchange Association
Ltd.
DSE House, 3/1 Asaf Ali Road, New
Delhi 110 002.



CORPORATE REPORT

GOVERNANCE

Total five Boards meetings were held during the Accounting Year 2005-06, on the following dates:

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is the system by which companies are directed and controlled. Board of directors is responsible for the governance of their companies. The shareholders role in governance is to appoint the Directors and Auditors and to satisfy themselves that an appropriate governance structure is in place. Your company has always been in the forefront whenever new corporate practices are implemented in the country.

The company's philosophy on Corporate Governance shows total transparency, integrity and accountability of the Management and is aimed towards protecting and enhancing the trust of its shareholders.

BOARD OF DIRECTORS

The Board of Directors of the company consists of three Directors, Mr. Ved Prakash Arya, Mr. Ashok Kumar Gupta and Mr. L.R. Sharma, as on 30.12.2006. Out of the three Directors, two, Mr. Gupta and Mr. Sharma are Non-Executive and Independent.

The attendance of Directors at the Board Meetings held during the Accounting Year 2005-06 and at the last Annual General Meeting held on 30.12.2005. Number of other Directorships and number of memberships/chairmanships held by Directors in the committee of various companies are given below:

Name of Directors	Whether attended last AGM	No. of BM Attended	Other Directorship	Committee Member (Chairman)
1. Mr. Ved Prakash Arya	Yes	4	3	2 (1)
2. Mr. Ashok Kumar Gupta	Yes	5	3	2 (-)
3. Mr. L.R. Sharma	Yes	3	1	2 (1)

29.07.2005
31.10.2005
29.11.2005
27.01.2006
28.04.2006

Brief Resume of the Directors seeking re-appointment in the 20th Annual General meeting to be held on 30.12.2006.

- 1) Mr. L.R. Sharma, 60, has vast experience and extensive knowledge of financial and accounting matters. He is the Chairman of the Audit Committee and also the Director of Modi Export Processors Limited



AUDIT COMMITTEE

The Board of Directors of the company, in terms of Section 292A of the Companies Act, 1956, as amended by Companies Amendment Act, 2000 and also as per clause 49 of the Listing Agreement with the Stock Exchanges, constituted the Audit Committee on 31.01.2001.

The Audit Committee was re-constituted on 01.12.2003.

Composition:

The Audit Committee comprises of all three Directors.

Mr.L.R.Sharma is the Chairman of the Committee and Mr.Arya and Mr.Gupta are its members.

Functions:

1. Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of the Audit fee and other services.
3. Reviewing with the management the quarterly, half-yearly, annual financial statements before submission to the Board, focusing primarily on
 - Any changes in the accounting policies and practices.
 - Qualification in Draft Audit Report.
 - Compliance with the Stock Exchange and legal requirements concerning financial statements.
4. Reviewing the adequacy of internal control systems.

5. Reviewing the company's financial and risk management policies.
6. All other functions as instructed by Board.
7. Reviewing and recommending to the Board the adoption of quarterly, unaudited\audited financial results and limited review as per the Listing Agreement with the Stock Exchanges.

Meeting and attendance of the Audit Committee

Meeting Date	Attended by
28.07.2005	Mr.Sharma & Mr.Gupta
27.10.2005	Mr.Sharma, Mr.Arya
27.11.2006	Mr.Sharma, Mr.Arya & Mr.Gupta
24.01.2006	Mr.Sharma, Mr.Arya & Mr.Gupta
27.04.2006	Mr.Sharma, Mr.Arya & Mr.Gupta

REMUNERATION COMMITTEE

As per the company policy, no remuneration is paid to any Director. Thus, the company does not feel the need for Remuneration Committee. However, nominal-sitting fee is being paid to Directors for attending Board & Committee meetings.

SHAREHOLDERS COMMITTEE

Composition: The Shareholders Committee was constituted on 31.01.2001, which has been re-constituted on 27.01.2003

Chairperson: Mr.Ved Prakash Arya, Managing Director is the Chairman, Mr.Ashok Kumar Gupta and Mr.L.R.Sharma are the other members of the Committee.

There were neither any pending shareholder's complaint or any pending share transfer requests.

Compliance Officer:

Mr.Ved Prakash Arya is the Compliance Officer of the company.



GENERAL BODY MEETINGS

Location, and time, where last three Annual General Meetings were held:

DATE	LOCATION	TIME
27.02.2004	Atithi, Vasant Kunj, ND	10.00AM
30.12.2004	Atithi, Vasant Kunj, ND	10.00AM
30.12.2005	Atithi, Vasant Kunj, ND	10.00AM

POSTAL BALLOT DETAILS

The following resolution was passed as a Resolution by way of Postal Ballot during the year.

To consider, and if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED THAT pursuant to Section 192A read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the consent of the company be and is hereby accorded to adopt and add the following business as 'Main Objects' in the Memorandum of Association:

1. To purchase, take on lease, exchange or otherwise acquire land, building and other immovable properties of any type, description and rights connected therewith and turn the same for residential, commercial, recreational or other purposes by preparing building sites, opening roads and by constructing, altering, improving, decorating, furnishing and maintaining offices, flats, houses, factories, warehouses, shops, buildings etc.
2. To carry on the business of, and act as, General Contractor and to do any construction, manufacturing, building, road-making, engineering and execute all types of mechanical, civil and structural jobs allied to the aforesaid works, for and on behalf of any person, firm, association of persons, body corporate etc..

"FURTHER RESOLVED THAT the above objects shall stand added to the other objects enumerated in the Memorandum of Association."

EXPLANATORY STATEMENT

The company has exhaustively studied the growing potential of Real Estate business and finds tremendous potential in the new venture particularly in the National Capital Region of Delhi. In India, the real estate has recently witnessed spectacular and irreversible upsurge, which appears to stay for a long time. The company starts with an advantage of availability of thriving land owned by Modi Group companies on Ghaziabad-Meerut Highway and is also in strategic talks with a foreign partner and the consultations for land and other infrastructure facilities are underway with appropriate authorities.

The Board of Directors of your company recommends the passing of the Special Resolution for the alteration of objects clause of Memorandum of Association

None of the directors is interested in the resolution

AGREEMENT WITH REGENT REALTY, UK.

1. The Company has recently created a Real estate Division - REGENT REALTY - India.(RR India) RR India has entered into an agreement with a UK based company Regent Realty UK (RR-UK.) RR UK is going to build a dream city at Modinagar - National Capital Region Delhi by acquiring and developing 3,000 acres of land. The land shall be developed as per plans prepared by world's leading Urban Development Consultants - Pacific Consultants International (PCI) of Japan & Surbana of Singapore. More than 85% of Singapore has been developed by Surbana. PCI Japan has completed over 90,000 consulting projects in more than 120 countries. PCI is also building the Delhi Metro. As per this agreement RR India will help and coordinate all real

estate development activities including Government approvals etc. For the services rendered RR UK shall pay to RR India all expenses plus a commission of 2% on all purchase and sales transactions of land by RR UK.

Over a period of 5 years, the combined revenue for Regent Realty, India on sales and purchase transactions will be approx Rs. 367 crores. The revenue for next financial year is expected to be Rs. 14 crores from this division alone.

DISCLOSURES

a) **Disclosures on materially significant related party transactions** i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of the company at large. The related party transactions do not have any potential conflict with the interest of the company at large. The same have been disclosed by way of Notes to Accounts

b) **Details of Non-Compliance:** The trading in shares of company remained suspended during the year. However, the company has since applied for restoration of trading

MEANS OF COMMUNICATION

The Board of Directors of company takes on record the Unaudited Financial Results in the prescribed form within one month of the close of every quarter and announces the results to all the Stock Exchanges where the shares of the company are listed. The same are also published within 48 hours in the newspapers as required under the Listing Agreement.

Management Discussion and Analysis Report forms part of the Directors Report for the year 2005-06.

CEO/CFO certification

Mr.Ved Prakash Arya, i.e. the Managing Director and CEO also discharging the

finance function have certified to the Board that:

(a) He has reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) They have indicated to the auditors and the Audit committee

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

CODE OF CONDUCT:

The Code of Conduct has been adopted and is posted on the Website of the Company. www.modihover.com.