modi naturals limited

(formerly Anil Modi Oil Industries Limited)

36th ANNUAL REPORT AND ACCOUNTS

2009-2010

Board of Directors	Shri Anil Modi, Managing Director Shri Sudhir Shankar Halwasiya Shri Deepak Bansal Shri Alok Garg
Bankers	State Bank of India, Pilibhit Bank of Baroda, Pilibhit Punjab National Bank, Pilibhit Axis Bank, Pilibhit
Secretary	Smt. Kavita Shivraj
Auditors	**Messrs. K. K. Jain & Co.,** Chartered Accountants, 184-A,Garud Apartments, Pocket IV , Mayur Vihar, Phase-I Delhi-110091
Registered Office	405, Deepali Building 92, Nehru Place New Delhi - 110019
Works	Pilibhit, Uttar Pradesh
Registrar & Transfer Agents	**M/s Skyline Financial Services Pvt Ltd.** D-153A, Okhla Industrial Area, Phase - I, New Delhi110 020

CEO Message

Dear stakeholders,

It is a pleasure for me to be a part of Modi Naturals and it is my endeavour to take the company to new heights over the years to come. Whilst addressing you for the first time, I will take you through some of the highlights of the past year and share with you some plans that we have, going forward.

It has been an eventful year in many ways. We have fundamentally reorganised our business to better address market opportunities. The high growth of the Indian economy has opened up new opportunities, rendered investment accessible and created a business climate favourable for expansion and growth.

As you may be aware, until now our focus was only on bulk supply of Rice Bran and Sunflower oils. I will be pleased to inform you **that our focus is now on becoming a 360 degree FMCG company over the next 5 years, with innovative brands and products serving consumers in different demographic segments.**

Business Restructuring
We have structured our operations into three divisions Branded Business, Bulk Commodities and Value Added Products. The new structure will refocus our efforts, unlock embedded value and result in accelerated growth on all fronts.

Branded Business
In the branded business, **Mr Narendra Ambwani, Ex MD Johnson & Johnson India** joined us as a **strategic advisor**. He brings to Modi Naturals his vast experience in the FMCG sector and will help us achieve success from the word go.

Tarai
We launched our first brand of edible oil - Tarai, in the mass prestige category in March with two variants Tarai Shudh and Tarai Tasty+.

Whilst our sales volumes are growing exponentially, our primary focus is on developing a strong distribution network across North India for this brand. By the end of the current fiscal, we will be present in 9 States including UP, Punjab, J&K, Himachal Pradesh, Bihar, Jharkhand, Delhi, Uttarakhand and West Bengal. The idea is to make Tarai a mass, household brand name and leverage our distribution strength to supply more and more products, including non-oil products in the future. This fiscal we are all set to launch another variant of Tarai - Tarai Sun-lite Advance sunflower oil under the same brand umbrella.

In the current fiscal, you will also see the launch of a new brand, which will mark the companies foray into the **health and wellness category** of the FMCG segment serving the higher SECs.

Bulk Commodities
We continue to leverage our strength in bulk commodities by increasing our portfolio of products. By the end of this year we will have started dealing in some imported oils as well.

Value Added Products
This year, we intend to add significant value to one of our by-products. This will help us further strengthen the manufacturing base and help bring down the average inputs costs.

I would like to sincerely thank members of our Board for diligently representing the interests of our shareholders. I also take this opportunity to express my appreciation to all our shareholders for their trust in us.

We work with the attitude to maximise returns on the investments you have made in Modi Naturals Limited. In a world that is hungry for optimism and good news, I am proud to state that we are indeed making a positive difference.

The various growth engines that we have put into motion will gather momentum and deliver returns at a pace we have not witnessed in the past. This will enable us to create wealth and enhance shareholder value exponentially.

Best Regards,
sd/-
Akshay Modi
Chief Executive Officer

Place: New Delhi
Dated : 04.09.2010

NOTICE

Notice is hereby given that the 36th Annual General Meeting of the shareholders of Modi Naturals Limited will be held at Poorva Sanskritik Kendra (PSK), 14, District Centre, Laxmi Nagar, Delhi-110092 on Thursday, 30th September, 2010 at 10.30 A.M. to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.

2. To appoint a Director in place of Shri Alok Garg, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, and authorise the Board of Directors to fix their remuneration. Messrs. K. K. Jain & Co., Chartered Accountants, Delhi, retire and are eligible for re-appointment.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modification(s) the following resolution as a special resolution:**

   "RESOLVED THAT pursuant to the provisions of section 314(1B) and other applicable provisions if any of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to the approval of the Central Government , the company hereby gives consent to Shri Akshay Modi., who was appointed as Chief Executive Officer of the company with effect from 1st October, 2008 to draw the following salary, allowances and perquisites with effect from 1st October, 2010 :

   (a) Basic salary : Rs. 50,000 p.m. (in the time scale of 50,000-10,000 - 1,00,000)
   (b) House Rent Allowance : 50% of the basic salary
   (c) Gratuity As per provision of Gratuity Act
   (d) During his tenure, he will be governed by the Rules and Regulations of the Company as may be applicable to the employees of the Company from time to time including change in designation and responsibilities.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard.

   RESOLVED FURTHER THAT the remuneration payable to Shri Akshay Modi as aforesaid shall be subject to such modification as the Central Government may suggest or require which the Directors are hereby authorised to accept on behalf of the company and which may be acceptable to Shri Akshay Modi.

   RESOLVED FURTHER THAT Shri Akshay Modi shall be in the exclusive employment of the company and will not hold a place of profit in any other company during the period of his tenure.

   RESOLVED FURTHER THAT Shri Anil Modi , Managing Director and/ or Shri Deepak Bansal, Director and/ or the Company Secretary of the company be and is hereby severally authorised to submit an application to the Central Government alongwith all the necessary enclosures and give any statement , declaration, undertaking and do all such acts, deeds and things as are necessary to give effect to the aforesaid resolution.

   RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the Income Tax Act, 1961 or the Amendment thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notifications issued there under."

By order of the Board of Directors

sd/-
(Kavita Shivraj)
Company Secretary

Place: New Delhi
Date: 04.09.2010

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.PROXIES MUST BE LODGED AT REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.**

2. Members desiring any information as regards accounts and operations are required to write to the Company at its Registered Office one week before the date of the meeting so that the information is made available at the meeting.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 27/09/2009 to Thursday, 30/09/2010 (both days inclusive).

4. The relevant Explanatory Statement pursuant to Clause 49 of the Listing Agreement and Section 173 (2) of the Companies Act, 1956, in respect of re-appointment(s) of Directors and the Special Business set out above is mentioned below.

5. Members/Proxies are requested to bring their copy of Annual Report to the Meeting as extra copies will not be distributed.

6. Members/Proxies should fill the attendance slip for attending the meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those hold shares in Physical forms are requested to write their Folio Number in the attendance slip for attending the meeting.

7. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

8. Corporate members intending to send their authorized representative are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.

9. Members are requested to send their queries, if any, on the accounts and operations of the Company to the Compliance Officer at least 7 days before the Annual General Meeting.

10. **NO GIFT(S) SHALL BE DISTRIBUTED AT THE ENSUING 36TH ANNUAL GENERAL MEETING OF YOUR COMPANY.**

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Director who is proposed to be re-appointed is given below:-

Name	Alok Garg
Date of Birth	21.12.1972
Qualifications	B.Com
Experience	He is a reputed and known figure as a manufacturer and exporter of Heena in India and is having rich managerial and administrative experience.
Outside Directorship	Jain Edibles Private Limited
Membership/ Chairmanship of the Board Committees of the Companies	Nil
No. of shares held (both own or held by/ for other persons on a beneficial basis) in the company	Nil

EXPLANATORY STATEMENT
AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

The Board of Directors at its meeting held on 2nd September, 2008 considered and appointed Shri Akshay Modi s/o of Shri Anil Modi, Chairman cum Managing Director of the company as the Chief Executive Officer of the company with effect from 1st October, 2008.on the basis of recommendation of the Selection Committee set up by the company under provisions of Director's Relatives (Office or Place of Profit) Rules, 2003

Shri Akshay Modi is professionally qualified as Engineer and your company has immensely benefitted from his leadership and dyanamism. In view of the his whole hearted contribution in the affairs of the company , the Directors are of the view that he may accordingly be compensated for the same. The Selection Committee constituted under Director's Relatives (Office or place of profit) Rules, 2003 has approved his appointment on increased remuneration as given at item no.4 of the accopanying notice. At the Board Meting of the company held on 4th September, 2010, the Directors have also approved his appointment on increased remuneration..

As per the provisions of Section 314 (1B) of the Companies Act, 1956, the appointment of relative of a Director drawing a monthly remuneration of Rs 50,000/- (Rupees Fifty Thousand only) or more shall not be made except with the approval of shareholders by a special resolution passed at the General Meeting of the Company and approval of the Central Government.

Your Directors commend the special resolution for your approval.

Except Shri Anil Modi , none of other Directors of your company is concerned or interested in this resolution.

By order of the Board of Directors

sd/-
(Kavita Shivraj)
Company Secretary

Place: New Delhi
Date: 04.09.2010

DIRECTORS' REPORT
TO THE MEMBERS

Your Directors have pleasure in presenting the 36th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2010.

OPERATING RESULTS

The summarized financial results for the year ended 31st March, 2010 and for the previous year ended 31st March, 2009 are as follows: -

(in Rupees)

	2009-10	2008-09
Turnover	11580.85	12091.47
Profit before interest and depreciation	403.45	595.69
Interest	136.73	105.96
Depreciation	107.21	78.13
Profit for the year	159.49	411.60

The turnover of the company has gone down from Rs 120.91 crores to Rs 115.81 crores. However, the company's Rice Bran processing has gone up by 12% i.e. from 70857 tons to 79224 tons. The decrease in turnover is actually on account of increase in stock of Finished Goods (from Rs 9.04 crores to Rs 13.08 crores) and fall in Indian edible oil commodity prices.The main reason for a fall in edible oil prices is excessive dumping of vegetable oil market by cheap imported oils - mainly crude palm oil. This has also resulted in decrease of Net Realizable Value of Refined Rice Bran oil by 13% over last year.

On the other hand, the prices of raw materials i.e. mainly Rice Bran have not gone down as significantly as oil prices, resulting in decrease in Gross Profit margin.

OPERATIONS

In the last 2 years, the company has invested over Rs 10 crores for upgrading its production facilities and also setting up new packaging lines. As a result of this there is an increase in financing (from Rs 1.17 crores to Rs 1.47 crores) and depreciation costs (from Rs 0.78 crores to Rs 1.07 crores). The company's new business division called Branded Business has resulted in increase in personnel (from Rs 2.17 crores to Rs 2.66 crores) & administrative expenses (from Rs 0.49 crores to Rs 0.87 crores) of the company. As a result, the company's profit has gone down in current year. However, the benefits of these investments shall occur in coming years.

FOREIGN INSTITUTIONAL INVESTORS

Pursuant to Foreign Investment Promotion Board (FIPB) approval, 26,40,000 optionally convertible warrants have been issued on preferential basis to three FIIs on 5th August 2010. After the conversion of these warrants into equity shares, the paid up capital of the company shall become Rs 11,11,79,340.

GOING FORWARD

The company has structured its operations into three divisions – Branded Business, Bulk Commodities and Value Added Products. The new structure will refocus your company's efforts, unlock embedded value and result in accelerated growth on all fronts. A detailed report on this is given in the CEO's message.

DIVIDEND

In order to conserve the resources for the growth of the company, the Directors do not recommend any dividend for the year under review.

CORPORATE GOVERNANCE

Report on the Corporate Governance along with the certificate of the Auditors, confirming compliance of condition of corporate governance as stipulated under Clause 49 of the Listing Agreement, forms part of the Annual Report.

DIRECTORS

Out of the present Directors, Shri Alok Garg, retires by rotation, and, being eligible, offers himself for re-appointment. Your Directors recommend re-appointment of Shri Alok Garg on the Board.

DEPOSITS

The company has not accepted any fresh deposits during the year. There were no overdue deposits.

AUDITORS

The present Auditors Messrs K. K. Jain & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting. They have furnished a certificate u/s 224(1B) of the Companies Act, 1956 and are eligible for re-appointment. Your Directors recommend re-appointment of M/s K.K.Jain & Co., as auditors of the Company at the ensuing Annual General Meeting.

ACCOUNTS AND AUDIT REPORT

The Auditors comment in their Auditors Report at para 3 (vi) along with the management reply is as follows:-

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit & Loss Account read with the Schedules and Notes thereon and subject to the consequential impact on the result for the year of Note No. B6 of Schedule 23 regarding non-disclosure of additional information required under clause 22 of Chapter V of Micro, Small and Medium Enterprises Development Act, 2006 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:

The company has not been able to provide disclosure of additional information as required under clause 22 of Chapter V of Micro, Small and Medium Enterprises Development Act, 2006 due to non receipt of any intimation from its suppliers regarding their status under The Micro, Small and Medium Enterprises Development Act, 2006 and hence the following information required under the said Act could not be provided by the company :-

a) Delayed payments due as at the end of each accounting year on account of principal and interest thereon.
b) Total interest paid on all delayed payments during the year under the provisions of the Act.
c) Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under the act.
d) Interest accrued but not due.
e) Total interest due but not paid.

It may be noted that the company generally makes payment to all its suppliers with in the agreed credit period (less than 45 days) and thus the management is confident that liability of interest under this Act, if any, would not be material.

In response to a Auditor's observation at point No. 6 of the Annexure to the Auditor's Report, it may be noted that due to inadvertent omission, the return of deposits of the company for the year ended 31 March, 2010 could not be deposited within the stipulated time period. However, the same is being deposited with the Registrar of Companies and Reserve Bank of India.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required to be furnished in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & outgo is annexed herewith & forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Sec. 217(2AA) of the Companies Act, 1956, the Directors state that:-

a. In the preparation of the annual accounts, the applicable accounting standards have been followed.

b. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review.

c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d. The Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

During the year there were no employees who were in receipt of remuneration more than the limit prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules , 1975 as amended .

PERSONNEL

The relations with the employees of the Company continued to be cordial. Your Directors wish to place on record their appreciation for the excellent work done by the employees at all levels.

ACKNOWLEDGEMENTS

Your Directors express their sincere gratitude and deep appreciation for the co-operation and assistance given by the financial institutions, banks, suppliers and customers of the Company during the year under report and look forward to their continued support. Your Director's also thankfully acknowledge the trust and confidence reposed by you in the company.

For and on behalf of the Board of Directors

sd/-
Anil Modi
Chairman

Place: New Delhi
Date: 04.09.2010

ANNEXURE TO DIRECTORS REPORT

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act,1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is given below:-

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken

Your Company has taken adequate measures to ensure optimum use of all equipments so as conserve energy.

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy

The Company has benefited from the investments earlier made in purchasing certain equipments which have contributed towards reduction in the consumption of energy.

c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods

The measures taken in (a) and (b) above have resulted in reduction in cost of production.

d) Total Energy Consumption and energy consumption per unit of production as per prescribed Form -A

Not given as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION

1. Research & Development (R&D)

a) Specific areas in which R&D carried out by the company

-------- NIL --------

b) Benefits derived as a result of above R&D

-------- NIL --------

c) Future plan of action

Continuous efforts are being made for quality improvement of its products.

d) Expenditure on R&D

-------- NIL --------

2. Technology Absorption, Adaptation and innovation

Continuous efforts are being made for product improvement and cost reduction. The company has not made any import of technology so far.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review , your company has not exported any of its products and the details of the Foreign Exchange Earnings and Outgo are as under:

Foreign Exchange Earnings : Nil
Foreign Exchange Outgo : Nil