



modi naturals limited

39th ANNUAL REPORT AND ACCOUNTS
2012-2013

Board of Directors

Shri Anil Modi,
- Chairman and Managing Director
Shri Akshay Modi
- Executive Director
Shri Sudhir Shankar Halwasiya
Shri Alok Garg
Shri Sulabh Singal

Bankers

State Bank of India, Pilibhit & New Delhi
Bank of Baroda, Pilibhit & New Delhi
Axis Bank, Pilibhit
ICICI Bank, New Delhi
HDFC Bank, Pilibhit & New Delhi

**Company Secretary and
Compliance Officer**

Ms. Purva Satija

Auditors

M/s. 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

Bisalpur Road,
Pilibhit - 262001, Uttar Pradesh

Registrar & Transfer Agents

M/s Skyline Financial Services Pvt Ltd.
D-153A, Okhla Industrial Area, Phase - I,
New Delhi - 110020

LETTER TO SHAREHOLDERS

Dear Shareholders,

It is my privilege to write to you at the end of another eventful year at Modi Naturals.

The world today presents an unflattering picture of economic performance. Developed economies are in the throes of financial disarray and sluggish growth. Europe is in the midst of debt crisis and the US is still wrestling with fragile growth. The Indian economy is facing challenging times. Investor sentiment is muted, growth numbers are showing a decline and the political environment has not been encouraging. Your company's brands, however, have been able to stand firm in this environment.

This year, your company continued to focus on expanding its consumer base and grow in volumes. Geographically, our target to have more coverage and greater penetration while commensurately increasing our products' presence and distribution found manifestation in our marketing initiatives to create brand awareness. We are working towards creating a stronger brand recall, which will allow us to consolidate and attain higher orbits of growth for the years to come. Incisive strategic initiatives relating to a gamut of activities were taken as far as the branding is concerned and higher sales revenues provided powerful impetus to our Company's growth.

We have demonstrated the value of well defined and focused strategy consistently. We pride ourselves in providing the most trusted brands and high quality products to customers and we shall continue to accelerate the efforts to reach every Indian kitchen and satisfy every Indian household's desire for a healthy, happy and fulfilling life.

My gratitude is due to my colleagues on the Board for their valuable guidance. The Board joins me in expressing our deep appreciation to the employees, our customers, suppliers, bankers, auditors, legal advisors, business associates, the Government and various authorities for their continued support, co-operation and understanding. I thank you, dear shareholders, for your support and look forward to your continued trust.

Thank You

Place : New Delhi
Date : August 30, 2013

sd/-
(Akshay Modi)
Executive Director

NOTICE

Notice is hereby given that the 39th Annual General Meeting of the shareholders of Modi Naturals Limited will be held at Hotel Chirag Residency, B-18, Chirag Enclave, Nehru Place, Opp. Devika Tower, New Delhi-110019 on Tuesday, September 24, 2013 at 10.30 A.M. to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2013 and the Profit & Loss Account for the year ended on that date and the reports of Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Shri Sudhir Shankar Halwasiya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. K K Jain & Co., Chartered Accountants (Firm Registration No. 002465N) be appointed as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

4. Appointment of Shri Sulabh Singal as Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Sulabh Singal who was appointed as an Additional Director of the Company with effect from July 30, 2013 by the Board of Directors under Section 260 of the Companies Act, 1956 read with Article 93 of the Articles of Association of the Company and who holds office till commencement of this Annual General Meeting and in respect of whom the Company has received a notice from a member in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, 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."

5. Borrowings in excess of paid-up capital and free reserves

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in supersession to the Resolution passed at the Thirtieth Annual General Meeting of the Company held on September 30, 2004, and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of paid up capital of the Company and its free reserves not set apart for any specific purpose, provided that the maximum amount of moneys to be borrowed by the Board shall not exceed Rs. 75,00,00,000/- (Rupees Seventy Five Crores), excluding interest, commitment charges, liquidated damages, premia on redemption, at any one time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.

RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, 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."

6. Increase in Authorised Share Capital of the Company

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Article 5 of the Articles of Association and Section(s) 13, 16 and 94 and other applicable provisions of the Companies Act, 1956, the Authorized Share Capital of the Company be altered and increased from the present Rs. 12,00,00,000/- (Rupees Twelve Crore) consisting of 1,20,00,000 (One Crore Twenty Lakh) Equity Shares of Rs. 10/- (Rupees Ten) each to Rs. 20,00,00,000/- (Rupees Twenty Crore) divided into 2,00,00,000 (Two Crore) Equity Shares of Rs. 10/- (Rupees Ten) each and the existing Clause V of the Memorandum of Association of the Company relating to the Share Capital be substituted with the following clause:

V. The Share Capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crore) divided into 2,00,00,000/- (Two Crore) Equity Shares of Rs. 10/- (Rupees Ten) each.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.

RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, 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."

7. Alteration of Articles of Association of the Company

To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 91 of the Articles of Association of the Company be altered by substituting the following in place of the existing Article 91:

91. The following were the first Directors of the Company:

- i) Shri Devi Dayal Modi.
- ii) Smt. Satya Modi.
- iii) Ms. Renu Modi.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.

RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, 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."

8. Revision in terms of Remuneration of Shri Anil Modi, Managing Director

To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT in modification of Resolution passed at the Annual General Meeting of the Company held on September 30, 2009 relating to the appointment and remuneration of Shri Anil Modi as Managing Director of the Company w.e.f January 1, 2010 for a period of five years ending on December 31, 2014, the Company hereby approves the revision in terms of remuneration of Shri Anil Modi, Managing Director of the Company by way of an increase in

the maximum amount of his remuneration (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) within maximum permissible limits pursuant to the provisions of Section 198, 302, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, as amended or re-enacted from time to time, read with Schedule XIII of the Companies Act, 1956 with an authority to the Board of Directors or a Committee thereof to revise his remuneration, including thereby, all benefits in addition to salary with effect from October 1, 2013 till the remainder of tenure of his appointment, i.e up to December 31, 2014 as recommended by the Remuneration Committee of the Board of Directors of the Company and as set out in Explanatory Statement annexed to the Notice convening this Annual General Meeting.

RESOLVED FURTHER THAT the Board or a Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this 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 amendments 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."

9. Revision in terms of remuneration of Shri Akshay Modi, Executive Director of the Company

To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

"RESOLVED THAT in modification of Resolution passed at the Annual General Meeting of the Company held on September 30, 2011 relating to the appointment and remuneration of Shri Akshay Modi as Executive Director of the Company w.e.f December 15, 2010 for a period of three years ending on December 14, 2013, the Company hereby approves the revision in terms of remuneration of Shri Akshay Modi, Executive Director of the Company by way of an increase in the maximum amount of his remuneration (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) within maximum permissible limits pursuant to the provisions of Section 198, 302, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, as amended or re-enacted from time to time, read with Schedule XIII of the Companies Act, 1956 with an authority to the Board of Directors or a Committee thereof to revise his remuneration, including thereby, all benefits in addition to remuneration with effect from October 1, 2013 till the remainder of tenure of his appointment, i.e up to December 14, 2013 as recommended by the Remuneration Committee of the Board of Directors of the Company and as set out in Explanatory Statement annexed to the Notice convening this Annual General Meeting.

RESOLVED FURTHER THAT the Board or a Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this 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 amendments 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."

10. Re-appointment of Shri Akshay Modi as Executive Director of the Company

To consider and if thought fit, to pass with or without modification, the following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 302, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act, including any statutory modification or re-enactment thereof, for time being in force, and subject to such approvals as may be necessary, approval of the shareholders be and is hereby accorded for re-appointment of Shri Akshay Modi as Executive Director of the Company for a period of three years with effect from December 15, 2013 commencing immediately after the expiry of his tenure on December 14, 2013, on the terms and conditions as recommended by the Remuneration Committee of the Board of Directors of the Company and as set out in the Explanatory Statement which shall be deemed part thereof.

RESOLVED FURTHER THAT in the event of there being any loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri Akshay Modi shall be the minimum payable to him in terms of the provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter, vary and/or revise the terms and conditions of the said appointment and/or remuneration of Shri Akshay Modi, Executive Director so as to not to exceed the limits specified in Schedule XIII of the Companies Act, 1956, or any statutory modification thereof, from time to time and to settle any question or difficulty in connection therewith or incidental thereto.

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 amendments 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/-

(Purva Satija)

Company Secretary

Place : New Delhi

Date : August 30, 2013

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in Item Nos. 4 to 10 of the accompanying Notice is annexed hereto.
2. The particulars in respect of the Directors seeking appointment/re-appointment in the forthcoming Annual General Meeting as required under Clause 49 of the Listing Agreement, are available in the 'Board of Directors' section in the Corporate Governance in the Annual Report.
3. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Company's Registered Office not less than FORTY-EIGHT HOURS before the meeting.**
4. The Register of Members and Share Transfer Books of the Company will remain closed on Thursday, September 19, 2013 to Tuesday, September 24, 2013 (both days inclusive).
5. Members holding shares in dematerialised form are requested to intimate all changes pertaining to their change of address, change of name, e-mail address, contact numbers, etc. to their Depository Participant (DP). Members holding shares in physical form are requested intimate such changes to the Company or the Registrar and Transfer Agent of the Company.
6. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact Company or the Company's RTA in this regard.
7. In case of joint holders attending the meeting, only such joint holder whose name is mentioned in the first place 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 desiring any information as regards the Annual Accounts may write to the Company at its Registered Office at least seven days prior to the date of the meeting so as to enable the Management to keep the information ready at the meeting.
10. **Transfer of Unclaimed/ Unpaid amounts to Investor Education and Protection Fund (IEPF):**
Pursuant to Sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed/ unpaid dividend, application money, debenture interest and interest on deposits as well as the principal amount of debentures and deposits, as applicable, remaining unclaimed/unpaid for a period of seven years from the date they became due for payment, in relation to the Company shall be transferred to the IEPF established by the Central Government. No claim shall lie against the IEPF or the Company for the amounts so transferred nor shall any payment be made in respect of such claim.

Members who have not encashed the dividend for the Financial Year ended on 31.03.2007 may please approach the Company or its Registrar and Transfer Agent, M/s. Skyline Financial Services Private Limited for payment of such Unpaid Dividend. It may be noted that the unclaimed Final Dividend for the Financial Year 2006-2007 declared on 29.09.2007 can be claimed by the shareholders by 28.09.2014. Members' attention is particularly drawn for the dates of the said transfer to the "Unpaid Dividend" in the Corporate Governance Report.

11. Shareholders are requested to provide their E-mail address, telephone numbers and quote their Folio Numbers / DP ID & Client ID in all correspondences to facilitate prompt response from the Company.

GREEN INITIATIVE

In accordance with Green Initiative circular issued by Ministry of Corporate Affairs (MCA), members are requested to inform their current E-mail address in the following manner:

- For shares held in Electronic Form: to their Depository Participant (DP)
- For shares held in Physical Form: to the Company or its Registrar and Transfer Agent (RTA)

In terms of the aforesaid Green Initiative circular of MCA, the Company is sending Annual Report and other communications/ documents required to be sent to its members under Section 219 of the Companies Act, 1956 by E-mail to the members whose E-mail address is registered.

In case your E-mail address is not registered with your Depository Participant/ the Company, a physical copy of the Annual Report and other communications / documents will be sent to you as hitherto.

You can also change your instructions at anytime hereinafter and request the Company to send the communications to you in physical form.

EXPLANATORY STATEMENT

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

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 4 to 10 of the accompanying Notice:

ITEM NO. 4 : Shri Sulabh Singal was appointed as Additional Director of the Company by the Board of Directors at its meeting held on July 30, 2013. As per the provisions of Section 260 of the Companies Act, 1956 read with Article 93 of the Articles of Association of the Company, he holds the office of Director till the commencement of this Annual General Meeting. His appointment is proposed under Section 257 of the Companies Act, 1956 and he shall be liable to retire by rotation. The Company has received a Notice under Section 257 of the Companies Act, 1956 alongwith the requisite deposit from a member proposing the candidature of Shri Sulabh Singal for appointment as a Director of the Company. It is felt that appointment of Shri Sulabh Singal as Non Executive and Independent Director would help the Company in strengthening its core management team.

The Company does not pay any remuneration to the Non-Executive Directors.

Approval of shareholders is sought for appointment of Shri Sulabh Singal as Independent and Non – Executive Director of the Company as detailed in Resolution No. 4 of the notice.

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

The Board recommends the resolution for your approval.

ITEM NO. 5 : Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Company cannot, except with the consent of the Company in General Meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate paid-up capital and free reserves of the Company. At the Annual General Meeting of the Company held on September 30, 2004 , the Board of Directors of the Company was empowered to borrow upto the extent of Rs. 20 crores (Rupees Twenty Crores) (apart from temporary

loans obtained from the Company's bankers in the ordinary course of business). In view of the expanding operations of the Company, the Board of Directors proposes to increase the said limit to Rs. 75 crores (Rupees Seventy Five Crores only).

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

The Board recommends for passing of the resolution in the best interests of the Company.

ITEM NO. 6 : The Authorised Share Capital of your Company is proposed to be increased from Rs. 12,00,00,000/- (Rupees Twelve Crore) to Rs. 20,00,00,000/- (Rupees Twenty Crore) to augment the additional capital required for funding the expansion plans of the Company.

As per the provisions of the Section 94 of the Companies Act, 1956, approval of the shareholders is required for amending the Clause V of the Memorandum of Association of the Company. The altered Memorandum of Association of the Company is available for inspection of the members during business hours of the Company.

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

Your Directors recommend the above Resolution for your approval.

ITEM NO. 7 : The present Article 91 in the Articles of Association of the Company under the heading "First Directors" states as follows:

The following persons shall be the directors of the Company at the time of adoption of these Articles :

1. Shri Devi Dayal Modi
2. Shri Jagdish Chand Bagadia
3. Shri Balraj Kumar (Nominee of Punjab Financial Corporation)
4. Shri Mahendra Kumar Doogar
5. Shri Anil Modi

However, the First Directors were :

1. Shri Devi Dayal Modi
2. Smt. Satya Modi
3. Ms. Renu Modi

Pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company can be altered by taking approval of the shareholders. The altered Articles of Association of the Company is available for inspection of the members during business hours of the Company.

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

Your Directors recommend the above Resolution for your approval.

ITEM NO. 8 : At the Annual General Meeting of the Company held on September 30, 2009, the members had approved the terms of appointment and remuneration of Shri Anil Modi as Managing Director of the Company for a period of five years.

Taking into consideration the increased business activities of the Company coupled with higher responsibilities cast on Shri Anil Modi, the Board on recommendation of the Remuneration Committee of the Company has revised the remuneration of Shri Anil Modi with effect from October 1, 2013 till the tenure of his appointment, i.e December 31, 2014 in the following manner:-

- I. Salary :** Rs. 1,50,000/- p.m (in the time scale of 1,50,000-25,000-1,75,000)
- II. Allowance:** House Rent Allowance shall be allowed to the extent of total remuneration (as may be decided by the Board) in accordance with the maximum permissible limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended from time to time.