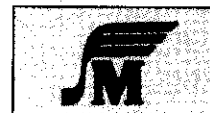




Modi Rubber Limited

29th ANNUAL REPORT 1999-2000



THE COMPANY

BOARD OF DIRECTORS

Bodhishwar Rai
CHAIRMAN

Vinay Kumar Modi
VICE CHAIRMAN &
MANAGING DIRECTOR

Bhupendra Kumar Modi (Dr.)
MANAGING DIRECTOR

DIRECTORS
Nikolin Hans-Joachim Peter (Dr.)

Avinash Chander Ahuja
(NOMINEE OF IFCI)

Tadanki Panduranga Rao
(NOMINEE OF UTI)

Prem Chand Gupta
(NOMINEE OF LIC)

Maresh Prasad Modi
(NOMINEE OF GIC)

David Robert Johnson
(ALTR. DIRECTOR TO Dr. H.J. NIKOLIN)

CHIEF GENERAL MANAGER
(Finance & Accounts)-Head Office
Krishan Bhagwan Gupta

CHIEF GENERAL MANAGER
(Finance & Accounts)-Plant
Ravinder Lal Ahuja

COMPANY SECRETARY
Som Nath Ghosh

REGISTERED OFFICE

Modinagar-201 204
District Ghaziabad (Uttar Pradesh)
Tel: (01232) 42360

HEAD OFFICE

4/7C, DDA Shopping Centre
New Friends Colony
New Delhi-110 065
Tel.: (011) 6830703

WORKS

Modipuram-250 110
District Meerut (Uttar Pradesh)

Modinagar-201 204
District Ghaziabad (Uttar Pradesh)

Partapur
District Meerut (Uttar Pradesh)

BANKERS

State Bank of India
Punjab National Bank
Citibank N.A.
State Bank of Patiala
Hongkong & Shanghai Banking Corpn. Ltd.
Standard Chartered Bank
State Bank of Travancore
Punjab & Sind Bank

STATUTORY AUDITORS

Messrs Singhi & Company
Chartered Accountants
New Asiatic Building
'H' Block, Connaught Circus
New Delhi-110 001

INTERNAL AUDITORS

Messrs S.N. Nanda & Company
Chartered Accountants
1E/23, Jhandewalan Extension
New Delhi-110 055

TRANSFER AGENTS & REGISTRARS FOR SHARES & FIXED DEPOSITS

SRG INFOTEC LIMITED
Devraha House, A-256,
Okhla Industrial Area, Phase-I,
NEW DELHI-110 020
Tel.: (011) 6812434

Due to prohibitive cost of paper and printing, copies of the Annual Report will not be distributed at the Annual General Meeting. Members/Shareholders are requested to bring copies of their Annual Report to the meeting.

MODI RUBBER LIMITED

Regd. Office : Modinagar-201204
Distt. Ghaziabad (U.P.)

NOTICE

NOTICE is hereby given that the **29th Annual General Meeting** of Modi Rubber Limited will be held at Dayawati Modi Public School Auditorium, Modinagar 201 204 (U.P.) on Monday, 26th March, 2001 at 4 p.m. to transact the following business:

ORDINARY BUSINESS

1. To consider, receive and adopt the Audited Profit & Loss Account for the accounting year ended 30.09.2000 and the Balance Sheet as at 30.09.2000 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. H.J. Nikolin, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit to pass, with or without modifications, the following as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Singhi & Company, Chartered Accountants, New Delhi, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 3,30,000 towards Statutory Audit and Rs. 1,20,000 towards Continuous Audit together with the service tax payable as per applicable rates from time to time and a sum of Rs. 1,12,500 together with service tax payable at applicable rates paid during the previous year for "Limited Review Reports" for half year ended 31.03.2000 and reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the Statutory Audit and/or Continuous Audit and such other remuneration, as may be decided to be paid to them by the Board of Directors (or Committee thereof), during the year, towards "Limited Review Report(s)" for the each half year of the Company in terms of the Listing Agreement(s), as amended and/or for performing duties other than those referred to hereinabove."

By order of the Board,
for MODI RUBBER LIMITED,



Place : Modinagar
Date : January 12, 2001

(S. N. Ghosh)
Company Secretary

NOTES:

1. Explanatory Statement in respect of Item No. 2 and 3 of the Notice as required under Section 173 (2) of the Companies Act, 1956, is annexed herewith.
2. 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 and the proxy(ies) need not be Member(s) of the Company.
3. The proxy form(s) duly completed and signed should reach the Company's Registered Office at Modinagar at least 48 hours before the time fixed for the meeting.
4. The Register of Members (Equity Shares of Rs. 10/- each) and Share Transfer Books of the Company relevant thereto shall remain closed from 19th March, 2001 to 26th March, 2001 (both days inclusive).
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their requests at the Registered Office and/or Head Office of the Company at least seven days before the date of the Meeting, so that the information required may be made available at the Meeting.
6. Members/Shareholders/Fixed Depositors are requested to correspond directly with our Transfer Agents and Registrars for Shares & Fixed Deposits for any matter concerned or related to shares and fixed deposits, it would save time and help us in expediting the matters.



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

ITEM 2

Dr. H.J. Nikolin was appointed as a Director of the Company by the Board of Directors with effect from 16.05.2000 to fill the casual vacancy caused due to the resignation of Dr. H.V. Grunberg. Pursuant to Section 262 of the Companies Act, 1956 read with Article 107 of the Articles of Association of the Company, Dr. H.J. Nikolin shall hold office only upto the date on which Dr. H.V. Grunberg, in whose place he was appointed, would have held office had he not resigned i.e. upto the date of the forthcoming Annual General Meeting of the Company. Thus Dr. H.J. Nikolin shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. A Notice in writing alongwith a deposit of Rs. 500/- has been received from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose Dr. H.J. Nikolin for the office of Director.

Dr. H.J. Nikolin is an eminent person and is presently the Member of the Executive Board (Director) of Continental Aktiengesellschaft, Germany, the Technical Collaborators of the Company. The Directors consider that the Company will be benefited with his expert knowledge and vast experience and will further strengthen its association with Continental. Thus it is in the interest of the Company that Dr. Nikolin may be appointed as a Director of the Company.

Hence the resolution proposed at Item No. 2 of the resolution is proposed.

None of the Directors except Dr. H.J. Nikolin may be considered to be concerned or interested in the passing of the proposed resolution.

ITEM 3

As the Members are aware that in the previous accounting year of the Company i.e. 1998-99, M/s. Singhi & Company, Chartered Accountants were appointed as Statutory Auditors to hold office from the conclusion of the previous Annual General Meeting of the Company held on 27.03.2000 until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 3,30,000 towards Statutory Audit and Rs. 1,20,000 towards Continuous Audit

(Rs. 4,50,000 in aggregate) in addition to the reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the Statutory Audit and/or Continuous Audit and such other remuneration, as may be decided to be paid to them, for performing duties other than those referred to hereinabove.

Now it is proposed to re-appoint M/s Singhi & Company, Chartered Accountants as the Statutory Auditors, to hold office from the conclusion of the ensuing Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 3,30,000 towards Statutory Audit and Rs. 1,20,000 towards Continuous Audit and a sum of Rs. 1,12,500 together with service tax payable at applicable rates paid during the previous year for "Limited Review Report(s)" for the half year ended 31.03.2000 and such other remuneration as may be decided to be paid to them by the Board of Directors (Committee thereof) towards "Limited Review Report(s)" for each half year of the Company in terms of the Listing Agreement(s) (as amended) during the year and/or for performing duties other than those referred to hereinabove in addition to the reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the Audit. The service tax payable as per applicable rates from time to time shall also be payable to the Statutory Auditors on the remuneration(s) as mentioned hereinabove.

Since the Financial Institutions hold more than 25% shareholding in the equity of the Company, pursuant to the provisions of Section 224 A(1) of the Companies Act, 1956, the Statutory Auditors of the Company are required to be appointed by a special resolution.

Hence the resolution mentioned at Item No.3 of the notice is proposed.

None of the Directors of the Company may be considered to be interested or concerned in the said resolution.

INSPECTION OF DOCUMENTS

All material documents referred to in the Explanatory Statement and Memorandum & Articles of Association of the Company will be open for inspection by the members, at the Registered Office of the Company, on all working days, including the date/day of the Annual General Meeting during business hours.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 29th Annual Report together with the Audited Statement of Accounts of your Company for the accounting year ended 30.09.2000.

FINANCIAL RESULTS

	(Rs. in lacs)	
	For the accounting year ended 30.09.2000	For the accounting year ended 30.09.1999
Turnover	81244.01	94226.86
Gross Profit/(Loss) (before depreciation & taxation)	(3325.41)	1935.21
Depreciation	973.75	981.79
Profit/(Loss) before tax from operations	(4299.16)	953.42
Extra Ordinary items		
Profit on sale of Investments	0.00	360.00
Excise charge under KVSS	0.00	(424.51)
Profit/(Loss) after extra ordinary items	(4299.16)	888.91
Provision for Taxation	6.00	6.00
Profit/(Loss) after tax	(4305.16)	882.91
Balance Profit brought forward from previous year	495.19	0.00
Profit/(Loss)	(3809.97)	882.91
Appropriations		
Transferred from/to General Reserve	(3809.97)	250.00
Proposed Dividend		
(including tax on dividend)	0.00	137.72
Balance carried to Balance Sheet	(0.00)	495.19

This year has been the worst in the annals of your Company. During the year, the turnover of your Company declined to Rs. 812.44 Crores from Rs. 942.27 Crores in the previous accounting year 1998-99. The Company has made a loss of Rs. 43.05 Crores as against Net Profit of Rs. 8.82 Crores last year.

The recessionary conditions in the tyre market aggravated from the beginning of the year under review. The sluggish growth in demand for vehicles resulted in lower demand for tyres, compelling the tyre manufacturers to substantially reduce their production. Your Company produced only 66420 MT as compared to 77778 MT in the corresponding previous year and this by itself made a contribution loss of Rs. 36.23 Crores. Notwithstanding lower production, there was an accumulation of finished inventories and a highly competitive situation emerged, with resultant under-cutting and heavy discounts to clear the stocks. The sales realisations thus came under strong pressure. In the case of your Company, the position was further adversely affected by non-availability of required credit lines which deprived it of financial strength to hold the accumulated stocks.

The Board of Directors of your Company have been quite concerned about the loss situation. The Company has since initiated steps for bringing about improvements in the current

state of affairs. A new range of tyres related to the specific market needs has been introduced, backed by an effective marketing strategy. The other initiatives include a structural re-organisation and man-power rationalisation to bring about cost control, thereby improving the working as well as profitability of the Company.

It is expected that barring unforeseen circumstances, the performance of your Company will improve in the current year.

DIVIDEND

In view of the loss as aforesaid, your Directors do not consider it prudent to recommend any Dividend on the Equity Share Capital for the year under report.

BUSINESS SCENARIO

The slow down of economy coupled with sluggishness in the Automobile Sector has adversely affected the demand for tyres in the country. Besides this, the increase in diesel prices has contributed further in dampening the demand of commercial vehicles. The commercial vehicles segment is a major source of demand for tyres both in terms of volume and value, and during the year under review, the commercial vehicles output has declined by 25%. This slowing down of Automobile Sector has negatively impacted the demand for tyres in all the segments including OE & Replacement.

Your Company has been pro-active and taken certain steps to counter the recessionary trend in the market by segmenting the market with reference to load conditions and manufacturing the tyres according to requirements of the different loading areas. During the year under review, your Company has introduced, a number of new tyres for Super Heavy & Heavy Load areas, under the brand name Multilife 2000 and Marathon 2000. These tyres have shown an encouraging response from the consumers. Your Company is also going to tap normal load areas like South India and part of West Zone in India with upgraded technology tyres, to further increase its market share specially in these regions.

EXPORTS

With a firm commitment and through sustained efforts, your Company continues to maintain good rapport with global customers. Our quality products have found wide acceptance in the highly competitive international markets, and your Company is exporting tyres to developed markets of USA besides Bangladesh, Sri Lanka, Syria and some Latin American countries. However, our exports to Pakistan and Afghanistan received a set back due to political conditions there and stiff competition from China in some of the other markets.

Despite all these, your Company was able to notch up an export turnover (F.O.B.) of Rs. 61.44 Crores (Rs. 67.14 Crores) in the current financial year.

RAW MATERIALS SITUATION

The raw material prices in general showed upward movements for Natural Rubber and Carbon Black, though availability remained stable. The Nylon Tyre Cord Fabric prices, on the other hand, saw a marginal drop. In the case of Polybutadiene



Rubber, supplies from the sole manufacturer were affected in April - June quarter without prior notice, and expensive imports had to be resorted to. The sharp upward movements of the foreign exchange currency rates have also contributed to the import contents of raw material costs.

Sustained efforts made by manufacturers of Synthetic Rubber - Styrene Butadiene Rubber - and Nylon Tyre Cord Fabric resulted in imposition of anti-dumping duties on imports of these items although the domestic production of these items is not adequate to meet the full requirements of the Tyre and Rubber Industry. This has brought about some additional burden on the Industry by way of increased raw material costs.

CUSTOMER CARE/RESEARCH AND DEVELOPMENT

Your Company has over the years built its dedicated Research & Development facilities which provide innovative solutions in terms of new products and improved existing products. Besides product development, emphasis has also been laid on process improvement, and import substitution of raw materials.

M/s Continental Aktiengesellschaft, Germany, our technical collaborators have been ever supportive in our endeavours in this direction. As a cumulative effect of these, your Company has been successful in launching new range of Truck & LCV tyres as well as premium tractor tyres which are finding better acceptance in the market.

TOTAL QUALITY MANAGEMENT

Involvement of all employees at various levels to optimize quality, cost and delivery is the underlying concept of TQM at the Company. This concept has taken strides in enhancing employee skills by polyvalency in several segments. Various cross functional teams have worked successfully to improve product quality and range upgradation. Rigorous trainings have been imparted to a large number of employees in topics like 5S techniques and several productivity modulus are in the pipe line under the banner "Journey to excellence".

PAYMENT OF INSTITUTIONAL LOANS

During the year under review, as a part of financial restructuring for improving the bottom line, your Company repaid all the outstanding term loans of various institutions.

BOARD OF DIRECTORS

Consequent upon repayment of all outstanding loans by your Company to various Institutions, and in terms of the Loan Agreement(s) entered into between the Company and the lending Institutions, Industrial Finance Corporation of India Ltd. (IFCI), The Industrial Development Bank of India (IDBI) and ICICI Ltd. withdrew the nomination(s) of Shri AC Ahuja (as Term Lender), Shri T Panduranga Rao and Shri S Natarajan as their Nominee Director(s) on the Board of the Company respectively.

During the year under review, Shri AC Ahuja has been nominated as a Director by Industrial Finance Corporation of India Ltd. (IFCI) as Trustee for the Debentureholder(s). Further, Shri T Panduranga Rao, Shri MP Modi were nominated by Unit Trust of India (UTI) and General Insurance Corporation of India (GIC) in place of Shri KS Bains and Shri MK Tandon respectively.

Dr. HJ Nikolin (Mr. David R Johnson Alternate Director to Dr. HJ

Nikolin) was nominated by Continental Aktiengesellschaft, Germany in place of Dr. HV Grunberg (Mr. Robert Steinmetz Alternate Director to Dr. HV Grunberg).

The Board places on record its deep appreciation of the valuable services rendered by Shri S Natarajan, Shri KS Bains, Shri MK Tandon and Dr. HV Grunberg during their respective tenures as member(s) of the Board of Directors of your Company.

To fill the casual vacancy caused due to resignation of Dr. HV Grunberg, Dr. HJ Nikolin has been appointed as a Director, who shall retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

None of the Directors of your Company is disqualified from being appointed as Director under newly inserted Clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956.

LISTING OF EQUITY SHARES

The Securities of your Company are listed on The Uttar Pradesh Stock Exchange Association Ltd., Padam Towers, 14/113 Civil Lines, Kanpur, The Delhi Stock Exchange Association Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi, National Stock Exchange of India Ltd., Mahindra Towers, A wing, 1st Floor, RBC Worli, Mumbai and The Stock Exchange, Mumbai, Dalal Street, Fort, Mumbai and the Company has paid the Listing Fees to all these Stock Exchanges.

Y2K COMPLIANCE

Your Company had a smooth transition to year 2000 without any disruption to its business activities.

DEMATERIALISATION OF SHARES

In terms of the SEBI's circular, the securities of your Company have become compulsorily tradable in DEMATERIALISED (DEMAT) form with effect from 24.07.2000. Accordingly, as a facility to the equity shareholders, your Company has arranged for dematerialisation of its shares and entered into Agreement(s) with M/s. National Securities Depository Limited (NSDL) and Central Depository Services India Ltd. (CDSL). The Arrangement for dematerialisation on NSDL and CDSL have become effective from 27.10.1999 and 25.02.2000 respectively. Now the members have option/discretion to have their shares in DEMAT form also.

LABOUR AND STAFF RELATIONS

Labour relations continued to be cordial and harmonious. Your Directors wish to place on record their deep appreciation of the services rendered by the Officers, Staff and Workers of the Company at all levels and for their dedication and loyalty.

SUBSIDIARY COMPANIES

Pursuant to the provisions of Section 212 of the Companies Act, 1956, the Annual Reports together with the Audited Accounts of Modistone Ltd., Superior Investment (India) Ltd., and Spin Investment (India) Ltd., for the accounting year(s) ended 30.09.2000 are attached hereto.

MODISTONE LTD.

As you are aware, Modistone Ltd. (MSL) has been declared a "Sick Industrial Company" by the Board for Industrial and Financial Reconstruction (BIFR). The rehabilitation proposal submitted by MSL/Promoters was not found acceptable to the

Operating Agency (OA) and on its recommendation, BIFR has issued a Show Cause Notice for winding up of the Company. MSL has filed its objections to this and shall take such other steps as may be advised. Accordingly, the Accounts have been prepared on the postulate of "going concern".

The lockout declared in the Modistone's Plant at Mumbai and various other offices and godowns in October, 1997 still continues. The legal proceedings in this regard are pending in different Courts and the matter is subjudice.

FIXED DEPOSITS

Your Company has not made any default in repayment of deposits or part thereof or any interest thereupon (including for small depositors within the meaning of Section 58AA of the Companies Act, 1956 (as amended). Out of the deposits with the Company, a sum of Rs. 14.92 lacs remained unclaimed by depositors of which, a sum of Rs. 0.36 lacs has since been repaid or renewed.

AUDITORS

Statutory Auditors, M/s. Singhi & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Auditors in their Report have referred to Note No. 3 of Annexure 5 and Note Nos. 3,4,5(a), (b) and (c) (i) and (ii), 9 and 16 of Annexure 14C, Note No. (7) of Annexure 14A. The explanations contained in the Notes and Accounts are self-explanatory and may be treated as information/explanation submitted by the Board as contemplated under Section 217(3) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors of your Company declare as under:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period;
- (iii) that the directors had 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;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

TAX /COST AUDIT

Your Company has appointed M/s. Vaish & Associates, Chartered Accountants as Auditors for submitting Tax Audit Report in terms of Section 44AB of the Income-Tax Act, 1961 for the financial year ended 31.03.2000.

M/s. Bahadur Murao & Company has been appointed as Cost Auditors for audit of Company's cost accounting records for the accounting year ended 30.09.2000; their cost audit report shall be submitted to the Central Government within the prescribed period.

CORPORATE GOVERNANCE

Pursuant to the recommendations of the Committee appointed by SEBI (Chairman: Shri Kumar Mangalam Birla), the Listing Agreements entered into by your company with Stock Exchange(s) have been amended by the insertion of certain new clauses to achieve the fundamental objective of Corporate Governance, i.e. enhancement of shareholders' value. The recommendations relate to areas such as composition/function of the Board of Directors, constitution of Audit Committee including its powers and functions, Remuneration Committee for Executive Directors and shareholders' interests.

As per the Implementation Schedule prescribed, your Company is required to implement these provisions within financial year 2001-2002 but not later than March, 2002. The matter has our attention and the schedule is being adhered to.

AUDIT SUB COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956, (as amended), the Board of Directors of the Company has constituted a Committee of Board of Directors known as Audit Sub Committee consisting of Shri T Panduranga Rao, Nominee Director of UTI, Shri AC Ahuja, Nominee Director of IFCL, Shri PC Gupta, Nominee Director of LIC and Shri MP Modi, Nominee Director of GIC and Finance Director (when is position) as its member. The Committee shall have such powers and authority as provided under the aforesaid provisions and shall act in accordance with the terms of reference to be specified in writing by the Board of Directors from time to time for which the provisions of Listing Agreements with Stock Exchange(s) will also be kept in view.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, (as amended) a statement giving the required information relating to energy conservation, technology absorption, foreign exchange earnings and outgo is annexed hereto as per Annexure-I.

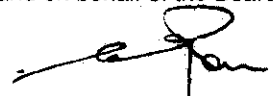
PERSONNEL

A Statement giving particulars of employees as required under Section 217(2A) of the Companies Act, 1956 (as amended) and the Rules framed thereunder is annexed to the Report as per Annexure-II.

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to various Departments of the Central and State Government(s), Financial Institution(s) and Bank(s) for their valuable assistance. Your Directors place on record their sincere gratitude to the Technical Collaborators, M/s Continental Aktiengesellschaft, Germany for the valuable technical assistance being extended by them to your Company.

For and on behalf of the Board



Place : New Delhi
Date : February 27, 2001

(Bodhishwar Rai)
Chairman



Annexure-I

A. CONSERVATION OF ENERGY

Involvement of all the employees at every level is an important preamble of Energy Conservation Policy. This policy guides to use the modern tools of Energy conservation in achieving the set goals of the Company.

In the era of energy conservation, we do not want to be lagging behind. A massive approach related to this concept have been taken with regard to steam generation and electricity.

(a) Energy Conservation Measures taken:

For conservation of Electrical energy, the Company has undertaken the following:

- i) Reviewing the plant illumination system by introducing Metal Halides lamps.
- ii) Strict monitoring on day-to-day basis equipment wise.
- iii) Installation of electronics Ballasts.
- iv) Optimisation of motor capacity.
- v) Reduction in air consumption by in house modification, and efficient utilization.
- vi) Reduction of ventilation load by replacing FRP fan blades in place of Aluminium blades.
- vii) Optimisation of power factor by installation of power capacitors.
- viii) Installation of energy efficient pumps in cold Water System.
- ix) To identify the opportunity areas where work may be carried out to conserve the energy, the Company conducts in house period energy audits and take help from outside energy audit agencies/external consultancy organisation.

(b) For long term energy conservation, the following measures are under progress.

Energy Audit conducted by Internal teams and external organisations have recommended several energy conservation measures which are under progress. Details are as under:

- i) Steam Flash recovery system
- ii) Energy monitoring for individuals units by installing energy meter is under study for implementation.
- iii) Procurement decision of equipments based on energy consumption,
- iv) Augmentation of size of compressed air headers to avoid pressure loss.
- v) Co-generation scheme is under study for implementation.
- vi) In Mixer's Hydraulic Ram operation in places of existing pneumatic system.
- vii) Separation of low pressure air generation to reduce electricity consumption.
- viii) Nitrogen Gas Curing, presently this is at experimental stage.
- ix) Air pre-cool system to reduce energy on air system is under study for implementation.

(c) Impact of measures at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods.

The energy conservation measures adopted by the Company shall lead to reduction in coal and units of

electrical energy consumed per metric ton of production.

The implementation of projects outlined in (b) will result in greater awareness of efficient energy management practices throughout the Company apart from further reducing the energy input per unit of production.

FORM A

PARTICULARS	1999-2000	1998-99
(A) POWER & FUEL CONSUMPTION		
(1) Electricity		
(a) Purchased Units	6,35,22,020	7,26,00,942
Total amount (Rs./lacs)	2,933.77	3,318.01
Rate/Unit (Rs.)	4.62	4.57
(b) Own Generation		
Units	97,71,390	89,95,343
Units/Ltr of D. Oil	3.49	3.50
Cost/Unit (Rs.)	3.65	2.63
Total Electricity (a + b)	7,32,93,410	8,15,96,285
(2) Coal consumed		
Quantity (MT)	58,501.204	68,228.035
Amount (Rs./lacs)	1,324.69	1,569.44
Rate/MT (Rs.)	2,264.38	2,300.29
(3) Furnace Oil		
Quantity (KL)	673.862	850.212
Amount (Rs./lacs)	67.14	53.32
Average Rate (Rs.)	9.96	6.27
(B) CONSUMPTION PER UNIT OF PRODUCTION		
Production weight (MT)	66,420	77,779
Electricity (Unit/MT)	1,103.48	1,049.08
Coal (MT Coal/MT)	0.91	0.91
Furnace Oil (Ltrs./MT)	277	273

B. TECHNOLOGY ABSORPTION**FORM B****RESEARCH & DEVELOPMENT (R & D)****1. R & D activities were carried out in the following fields related to Tyre, Tube and Flap manufacturing**

- a) Improvement and upgradation of existing range of truck tyres in order to enhance load bearing capacity in line with introduction of improved vehicles by O.E. manufacturers.
- b) Introduction of new Pattern in Rear Tractor Farm tyres to meet conflicting needs of the customers, i.e. suitability in mileage & Farm Application.
- c) Cost optimisation by developing new sources of raw materials in order to reduce import substitution with special reference to rubber chemicals and latices.
- d) Modifications in existing range of truck & LCV tyres to reduce external failures.
- e) Process modification in order to minimise internal failures & enhance production capabilities.
- f) Development of new patterns in order to meet specific O.E. requirements in 2 wheeler range of tyres.

2. Benefits derived out of R & D efforts.

- a) New series of Lug tyres were introduced having improved features in order to enhance the product reliability particularly for high speed & high load segment.

- b) Customer confidence enhanced & external failures reduced.
- c) New Farm tyre for Tractor tyres introduced with new pattern having improved performance and thus enhancing customer confidence.
- d) With development of new sources of raw materials particularly from indigenous sources cost optimization and inventory control were achieved.
- e) Problem solving capabilities were enhanced by way of utilising modern analytical tools for product & material analysis.
- f) Product design capabilities & efficiency was enhanced by adopting modern tools & softwares for pattern developments.

3. Future Plan of Action

- a) Further widening the product range in Rib tyres for specific segments in order to improve upon overall mileage, performance & retread factors.
- b) Development of new patterns in Farm tyres with special focus on Rear Tractor tyres to improve product range.
- c) Development of new tyres for specific O.E. in order to improve overall performance in truck & 2 Wheeler category.
- d) Development of new compounds in order to improve upon overall performance and enhance product reliability in changed application conditions.
- e) To reduce Plant complexities by way of rationalisation of compounds and materials.
- f) Evaluation of new tube compound in order to improve consumption of reclaimed materials.
- g) To develop product as per new segments based on cost and performance.
- h) To focus on development of new sources of raw materials in order to improve upon flexibility & cost optimization.

4. Expenditure on R & D

R & D Expenses	1999-2000 (Rs./Lacs)	1998-99 (Rs./Lacs)
a) Capital	—	—
b) Recurring	324.23	324.87
Total	324.23	324.87
%age of turnover	0.40	0.34

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts towards Technology Absorption, Adaptation and Innovation:

- a) Our products have been our strength. The Company has been always focussing on consumer satisfaction by way of providing them reliable products. The R & D efforts have been of great importance in developing products beating the established bench marks.
- b) R & D efforts have been appreciable in reducing the internal & external failures significantly.

- c) The focus on farm tyres have been commendable & renewed faith of O.Es and replacement customers have been achieved.
- d) The development of new sources of raw materials particularly of imported raw materials has been helpful in procurement of materials and reduction in inventory cost.
- e) The utilisation of modern tools of analysis and product design immensely helped in upgrading the R & D capabilities, which ultimately resulted in introduction of improved products.

2. Benefits derived as a result of R & D efforts:

- a) With support of R & D efforts Company was able to further improve the product acceptance among varied customers. The new series of tyres to suit new applications and customer needs could be launched within shortest period of time.
- b) Cost optimisation during manufacturing process by way of new source of raw materials and product specification could be achieved.
- c) By way of modifications in existing processes & products internal & external failures could be reduced. This enabled the Company to minimize cost of quality significantly.
- d) With development of indigenous sources of raw materials inventory carrying cost was reduced.
- e) Rationalisation of materials and specification helped in reducing Plant complexities and production at various units could be increased significantly.

3. In case of Imported Technology:

- a. Technology - Automobile Tyres
- b. Year of Import - Since 1974
- c. Has technology been fully absorbed - Continuous process
- d. If not fully absorbed, areas where this has not been taken place - Development of new patterns in Farm segment
- Development of cost effective tyres
- New ways of vulcanisation (Insert gas curing) for energy conservation.

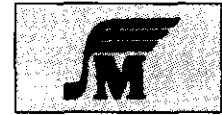
FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lacs)

EARNINGS IN FOREIGN EXCHANGE	1999-2000	1998-99
i) FOB value of Export	6143.70	6714.37
ii) Interest	.00	.00

EXPENDITURE IN FOREIGN CURRENCY

i) Royalty	351.72	415.27
ii) Other matters		
a) Legal & Professional charges	8.70	3.66
b) Expenses on Foreign Technicians	2.13	0.00
c) Others	592.89	540.87



ANNEXURE - II TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES FORMING PART OF THE DIRECTORS' REPORT IN TERMS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956

Sl. No.	Name	Designation	Nature of Duties	Date of commencement of Employment	Remuneration received Rs.	Age (Yrs.)	Qualification	Experience (Yrs.)	Particulars of the last Employer		
									Name	Designation	Exp. (Yrs.)
Persons employed throughout the period of 12 months, who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs.6,00,000/- per year.											
1	Ahuja R L	CGM (F&A)	Finance	01.04.75	2123699	52	B Com (Hons) FCA MIA (USA)	32	R L Ahuja & Co.	Self	5
2	Agarwal Dinesh	Finance Controller	Finance	05.08.97	630941	41	B.Com. LLB, FCA	20	Modi Stone Ltd.	Finance Controller	2
3	Agarwal R K	Chief Marketing Mgr.	Marketing	12.06.75	608539	52	B.Sc., (Mech. Engg.) DGO, AMIE	32	Modi Industries Ltd.	Secretary	6
4	Daga Ashoke	Mem. Sr. Mgt. Team	Administration	01.01.96	1689713	58	BA, LLB	38	Lustre Print Media Ltd.	M.D.	4
5	Dani D P	Dir Commercial	Commercial	01.08.97	1535303	47	B. Sc, MSC, MBA	22	Modi Stone Ltd	GM Marketing	6
6	Ghosh S N	Company Secretary	Secretarial	02.01.95	615793	46	B.Sc., F.C.S., D.L.L., LLB	20	Protech Endoscopies Ltd.	G.M. (Fin.) & C.S.	3
7	Gupta B K	CEO Tyre Business	Plant Admn./ Coordination	01.06.95	3674809	52	PROD. ENGG. PGDBA	25	Modi Olivetti Ltd.	Joint Director	7
8	Gupta K D	Advisor [Personnel]	Personnel & Admn.	01.01.91	648104	69	BA, C.P., A.D.M. (London School of Economics) G.M.I.P.M. (London)	40	Bombay Tyre International	Advisor (Personnel)	3
9	Gupta MM	Resident Director	Administration	01.08.84	3515358	56	M.Sc, Ind. Engg. (U.S.A.) BSME (HONS)	—	—	—	—
10	Gupta N K	General Manager	Coordination	30.04.75	1125501	49	M.Com. LLB., FCA	27	Kelvinator India Ltd.	Asstt. A/cs Officer	1
11	Hudda V.R.S.	G.M. Plant	Plant Admn.	05.07.76	823953	51	BE, Mech. Engg.	24	—	—	—
12	Jain N K	Dir. Legal & Taxation	Legal & Taxation	01.03.98	673480	47	B.Sc., LLB, F.C.S.	27	Modi Stone Ltd.	Company Secretary	16
13	Juneja Ish	Chief Executive (Pro)	Project	15.04.93	692866	49	BE (MECH.) M. TECH. (Project Management)	26	Escort Emp. Ancillary Ltd.	General Manager	14
14	Kaushal U.K.	Dir. Manufacturing	Plant Management	06.06.86	699287	52	BSc. Engg. Mech.	30	Good Year I Ltd.	Manager Production	17
15	Kumar Ashok	CGM (Project)	Project/Co-ord.	17.08.90	623431	50	B.E. (Mech), PGDBM	29	Modi Cement Ltd.	Dy. G.M.	4-5 M
16	Malik V K	G.M. (Fin & A/cs)	Accounts	30.06.78	647351	54	B.Com., A.C.A	30	Central Bank of India	Internal Auditor	6
17	Man Mohan	Mem. Sr. Mgt. Team	TQM Training	15.12.73	718947	50	BSc.	31	Good Year I Ltd.	Quality Controller	4
18	Mathur Deepak	G.M. Commercial	Excise & Legal	13.08.98	684962	44	B.Sc., LLB, MBA	17	Modi Stone Ltd.	G.M. Commercial	15
19	Pandey V C	Mem. Sr. Mgt. Team	Administration	16.01.96	2170188	50	B Tech., PGDBA	31	DCM Benat India Ltd.	Executive Director	4
20	Raj Kumar	Area Manager	Sales	16.11.98	2149330	46	B.Com.	2	Modi Rubber Ltd.	C.O.A	24
21	Ms. Riza Alcantra	Secretary	Secretary	01.02.99	1059620	29	BBA	2	Lion Sineng Electronic Ltd.	—	6
22	Sam Davidson	Executive	Sales	10.04.85	2703625	46	B A	26	—	—	—
23	Sanjiv Rehani	Accountant	Accounts	01.11.97	2893294	—	Chartered Accountant	25	Conti aental Fashion Clothes Corporation	Accountant	6
24	Sethi S K	Chief Executive Project	Administration	01.04.94	2870982	53	B Tech. MBA, Course in Corporate Finance (London Business School)	29	Licensintorg & Co (I)	Jt. Managing Dir.	5
25	Singh Gajendra	G.M. Engineering	Engineering	04.10.80	717892	48	B. Tech. MBA	29	Licensintorg & Co. Ltd.	Joint M D	5
26	Trehan V K	Chief Executive	Administration	01.01.90	1916572	54	N D A	15	Bharat Air	Sr. Mgr. Helicopter	6
27	Tyagi M P	Dir. Manufacturing	Plant Mgt.	01.09.90	1346405	54	B Sc Engr. (Mech.) M.Tech. Ind. Engg.	30	Reliance Industry Ltd.	Mgr. Ind. Engr.	5
28	Verma P N	Executive	Project	10.07.91	647571	63	BE (Elect) MBA, PG Dip. in Sales Management	39	Modi Mirreles Blackstone Limited	Managing Director	3
Persons employed for a part of the year, who were in receipt of remuneration for any part of the year at a rate which, in the aggregate, was not less than Rs. 50000/- per month.											
1	Agarwal Anand	Dir. Commercial	Commercial	01.08.97	710120	48	BE (Electronics)	27	Modi Stone Ltd.	GM Purchase	10
2	Agarwal G K	Mem. Sr. Mgt. Team	Finance	30.07.96	585644	43	C.A, C.S., ICWA	24	Rajasthan Wvg. Ltd.	CE Fin. Ser.	2
3	Ahuja Rajiv	Manager C A	Communication	04.07.96	1351162	40	B E MMS	18	National Panasonic I. Ltd.	AGM	7
4	Allan Nerry	Sales Assistance	Marketing	16.03.98	1678819	45	Graduate	—	Bank	—	2
5	Bhasin N K	G M Elect.	Elect. Engineer	18.09.74	307828	53	BE (Electrical)	31	Modi Pon Ltd.	Electrical Engineer	6
6	Dass Umang	Mem. Sr. Mgt. Team	Administration	01.08.94	2460603	51	B.Sc. Elect., MBA	30	Crompton Greaves Ltd.	G.M.	24
7	Desikan R S	Mem. Sr. Mgt. Team	Finance	14.05.98	1916549	51	BE, DBA, ADM	27	A A D C Oman	G.M.	2
8	Dhingra Vinod	G M Taxation	Taxation	01.02.99	953122	36	B. Com (Hons) LLB	22	Modi Xerox Ltd.	G M Taxation	3
9	Gupta Rajiv	Mem. Sr. Mgt. Team	Business Relation	01.02.99	1076090	41	B. Com., PGDBM	24	Modi Xerox Ltd.	Dir. Bus. Relation	17
10	Gupta Vinod	G.M. Civil	Civil Engg.	01.07.86	658040	47	B.E. Civil	33	Modi Xerox Ltd.	Dy. Manager Civil	3
11	Gupta Vinod	GM Project	Administration	01.02.99	1016241	52	B.Tech. MBA	28	Modi Xerox Ltd.	Dir. Quality Process	3
12	Mehta Sanjay	Mem.Sr.Mgt.Team	Administration	01.02.99	196200	37	B.A.(H) Eco. LLB	16	Modi Xerox Ltd.	Executive Director	1
13	Neil Ishairzay	Sales Asstt.	Sales	01.07.2000	538647	—	B.B.A.	—	Bank	Sales	7
14	Raghavan S.S.	G.M.	Finance	01.09.96	1234245	52	MA, AICWA, FCA	25	Conti.Fashion Cloths Corp.	Accountant	6
15	Saha U R	Mem.Sr.Mgt.Team	Coordination	01.01.96	2326359	66	B Tech. (Elect.)	45	AMNS Ltd.	Chief Executive	1
16	Srivastava Anupam	General Manager	Administration	16.04.99	544351	39	B. Tech. MBA	12	Escotel Mobile Co. Ltd.	Dy. G M	1/2 yrs
17	Singhvi I C	Mem.Sr.Mgt.Team	Accounts, Admn.	01.03.99	664524	31	B. Com. (Hons.)FCS,ACA	18	Modi Fin Ltd.	C S	2
18	Sriram K	GM Public Affair	Co-ordination	01.07.96	636206	50	B.A., PGD Jour	29	The Tribune	Chief of Bureau	1

Note :

None of the employees named above is relative of any director of the Company. Remuneration as shown above includes (a) Salary, Company's contribution to Provident Fund, actual expenditure incurred in connection with Company leased accommodation, house rent allowance, conveyance allowance, leave/home travel facilities, reimbursement of medical expenses, fees to professional institutions, club fees, repair on own car, ex-gratia payments actual ; and (b) value of other facilities as per Income-Tax Rules. In addition to the above, the employees are entitled to gratuity and superannuation.