



**Modi Rubber Limited**

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**33RD ANNUAL REPORT 2004-2005**



# THE COMPANY

## BOARD OF DIRECTORS

**Ram K. Gupta**  
CHAIRMAN  
(NOMINEE OF UTI)

**Vinay Kumar Modi**

**Bhupendra Kumar Modi (Dr.)**

**Ravindra Loonkar**  
(NOMINEE OF IFCI)

**Shyam Bahadur Kunwar**  
(NOMINEE OF LIC)

**Sanjeev Kumar Chanana**  
(NOMINEE OF GIC)

### REGISTERED OFFICE

Modinagar-201 204  
District Ghaziabad (Uttar Pradesh)  
Tel : (01232) 242360

### HEAD OFFICE

4/7C, DDA Shopping Center  
New Friends Colony  
New Delhi-110 065  
Tel. : (011) 26848416-17

### 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 Corp. Ltd.  
Standard Chartered Bank  
State Bank of Travancore  
Punjab & Sind Bank

### STATUTORY AUDITORS

**Messrs Prabhat Jain & Co.**  
Chartered Accountants  
B-61, Flatted Factory Complex,  
Jhandewalan, New Delhi-110055

### TRANSFER AGENTS & REGISTRARS FOR SHARES & FIXED DEPOSITS

**Messrs MAS Services (P) Ltd.**  
AB-4, Safadarjung Enclave  
New Delhi-110 029  
Tel. : (011) 26104142

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

**DIRECTOR (Finance & Accounts)-Plant**  
**Dinesh Agarwal**

**DEPUTY COMPANY SECRETARY**  
**Sudesh Bhardwaj**

33RD ANNUAL GENERAL MEETING	
Date	: 28th September, 2005
Day	: Wednesday
Time	: 11.30 a.m.
Place	: Auditorium, Dayawati Modi Public School, Modinagar
Book Closure Dates	: 22nd September, 2005 to 28th September, 2005 (both days inclusive)

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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.

# NOTICE

**NOTICE** is hereby given that the **33<sup>rd</sup> Annual General Meeting** (AGM) of Modi Rubber Limited shall be held on Wednesday, 28.09.2005 at 11.30 AM at Auditorium, Dayawati Modi Public School, Modinagar to transact the following business:

## ORDINARY BUSINESS

1. To consider, receive and adopt the Audited Profit & Loss Account for the accounting year ended 31.03.2005 and the Balance Sheet as at 31.03.2005 and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Shri VK Modi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr.BK Modi, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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. Prabhat Jain & Co., Chartered Accountants, New Delhi, be and are hereby appointed as Auditors of the Company for the accounting year 2005-2006 to hold office from the conclusion of ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.75,000/- (Rs. Seventy Five Thousand Only) plus service tax and reimbursement of conveyance expenses actually incurred by them for outstation visits and/or such other remuneration as may be decided to be paid to them by the Board of Directors (or Committee thereof) during the year."

By order of the Board,  
for **MODI RUBBER LIMITED**

Place : Modinagar  
Date : August 30, 2005

S Bhardwaj  
Dy. Company Secretary

## NOTES:

1. Explanatory Statement in respect of Item No. 4 of the Notice as required under Section 173(2) of the Companies Act, 1956, is annexed herewith.
2. Shri VK Modi, a Director retiring by rotation in the forthcoming AGM and being eligible offering himself for re-appointment as proposed against Item No.2 of the Notice and his brother Dr.BK Modi may be considered to be interested or concerned in the proposed resolution.
3. Dr.BK Modi, a Director retiring by rotation in the forthcoming AGM and being eligible offering himself for re-appointment as proposed against Item No.3 of the Notice and his brother Shri VK Modi may be considered to be interested or concerned in the proposed resolution.
4. Brief resumes of the above directors, nature of their expertise in specific functional areas and details of other Companies in which they hold directorship/membership/ Chairmanship of the Committee(s)/Board as stipulated under Clause 49 of the Listing Agreement are given in the Report on Corporate Governance elsewhere in the Annual Report.
5. The Register of Members (Equity Shares of Rs.10/- each) and Share Transfer Books of the Company relevant thereto shall remain closed from 22.09.2005 to 28.09.2005 (both days inclusive).

6. 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.
7. 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.
8. 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.
9. Members/Shareholders are requested to correspond directly with our Transfer Agents and Registrars (as mentioned in the Annual Report) for any matter concerned or related to shares. It would save time and help the Company expediting the matters.

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

### ITEM 4

As the Members are aware that the appointment of and payment of remuneration to M/s. Prabhat Jain & Co., Chartered Accountants, B-61, Flatted Factory Complex, Jhandewalan, New Delhi 110 055 as Statutory Auditors was approved by them at their previous Annual General Meeting who shall hold office from the conclusion of the previous Annual General Meeting of the Company held on 28.09.2004 until the conclusion of the next Annual General Meeting of the Company.

Now it is proposed to appoint M/s. Prabhat Jain & Co., 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 payment of a remuneration of Rs.75,000/- (Rs. Seventy Five Thousand Only) plus service tax and reimbursement of conveyance expenses actually incurred by them for outstation visits and/or such other remuneration as may be decided to be paid to them by the Board of Directors (or Committee thereof) during the year.

In view of the above, the Board of Directors of the Company had at its meeting held on 17.08.2005 subject to approval of the Shareholders at their ensuing Annual General Meeting, approved the appointment of M/s. Prabhat Jain & Co., Chartered Accountants as Statutory Auditors of the Company on payment of remuneration as proposed above.

Besides this, since the Financial Institutions hold more than 25% shareholding in the equity capital of the Company, pursuant to the provisions of Section 224A(1) of the Companies Act, 1956, the Statutory Auditors of the Company are required to be appointed by a Special Resolution.

Hence, the resolution as mentioned at Item No.4 of the accompanying Notice is proposed.

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

## INSPECTION OF DOCUMENTS

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

## DIRECTORS' REPORT

The Directors hereby present the 33<sup>rd</sup> Annual Report together with the Audited Statement of Accounts of your Company for the accounting year ended 31<sup>st</sup> March, 2005. Members will observe from the Company's financials enclosed, that due to continuous closure of its plants, the Company could not earn any revenue but has sustained further losses and defaulted in meeting commitments. As mentioned earlier, discussion with tyre manufacturer(s) by the Promoter Directors are under negotiation as an effort to recommence operations at the plants of the Company at Modipuram, Modinagar and Partapur which have remained suspended since August, 2001 including various sales depots/offices of the Company. These are expected to conclude soon.

### REGISTRATION OF REFERENCE WITH BIFR

As the Members are aware that the Company had made a reference dated 04.02.2004 to Board For Industrial Financial And Reconstruction (BIFR) under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) which has been registered as case No.153 of 2004 on 17.03.2004. The Company has since been in process of finalisation of a rehabilitation/restructuring scheme for submission to BIFR. Earlier, the High Court of Allahabad had ordered on 12.03.2004 winding up proceedings which consequent upon admission of an appeal filed by the Company before the Division Bench of Allahabad High Court vide its Order dated 20.05.2004 was quashed with the directions that the winding up proceedings before the learned Company Judge shall remain in abeyance till the disposal of the proceedings before the authorities under the Sick Industrial/Companies Act(s).

### BOARD OF DIRECTORS

Consequent upon withdrawal of nomination of Shri PC Gupta by Life Insurance Corporation of India (LIC), Shri SB Kunwar has recently joined the Board of Directors as their new nominee. The Board places on record its deep appreciation for the valuable services rendered by Shri Gupta during his tenure as Member of the Board of Directors of the Company.

Shri VK Modi and Dr.BK Modi, Directors retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election.

Brief resumes of the above directors, nature of their expertise in specific functional areas and details of other Companies in which they hold directorship/membership/ Chairmanship of the Committee(s)/Board as stipulated under Clause 49 of the Listing Agreement are given in the Report on Corporate Governance elsewhere in the Annual Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies (Amendment) Act, 2000, (as amended), subject to comments in para 2 hereinabove, the Directors of your Company declare as under

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures; as referred in Sub Section (3 C) of Section 211 of the Companies Act, 1956.
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that year;

- (iii) that the Company has taken all possible 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 frauds and other irregularities. The same has been certified by the auditors in their annexure to audit report stating therein that no serious discrepancies between the book records and physical quantity have been noticed.
- (iv) as the efforts are underway for rehabilitation/restructuring of the Company the annual accounts have been prepared on a going concern basis.

### AUDITORS & AUDITORS' REPORT

Pursuant to an approval accorded by the Shareholders of the Company at their previous Annual General Meeting held on 28.09.2004 M/s.Prabhat Jain & Co., Chartered Accountants, New Delhi was appointed as Statutory Auditors of the Company to hold office till the conclusion of the ensuing Annual General Meeting of the Company.

The Auditors in their Report have referred to Note Nos. 2, 3, 4(a) & (b), 5(a) & (b), 6(a) to (h), 7, 8, 9, 10(a), (b) and (c), 13, 15 to 18, 22, 25, 26 of Schedule 13, Note No.3 of Schedule 5 and Note No.1 of Schedule 3. The notes as referred by the Auditors have been duly elaborated in their Auditors' Report/Notes on Accounts which, in the opinion of the Board of Directors, are self explanatory and may be treated as information/explanation by the Board as contemplated under Section 217(3) of the Companies Act, 1956.

M/s.Vaish & Associates, Chartered Accountants as Tax Auditors have submitted a Tax Audit Report in terms of Section 44AB of the Income-tax Act, 1961 for the financial year ended 31.03.2004.

Due to closure of the plants since August, 2001 appointment of Cost Auditor from the years ended 30.09.2001 onwards could not be effected and shall be taken up if and when production activities recommence.

Pursuant to the provisions of Section 292A of the Companies Act, 1956, (as amended), read with Clause 49 of the Listing Agreement, the Board of Directors of the Company has constituted an Audit Committee comprising of six members including four independent Director(s) and Finance Director (when in position) as its member. The Committee have requisite powers and authority as provided under the aforesaid provisions to act in accordance with the terms of reference specified/to be specified by the Board of Directors from time to time, and met twice during the year under report.

### LISTING OF EQUITY SHARES

For the year under review the Company is listed with the National Stock Exchange, Mumbai and has asked to be delisted from the three Stock Exchange(s) at Bombay, Delhi and Uttar Pradesh whose consent is awaited.

### DEMATERIALISATION OF SHARES

Pursuant to SEBI's circular, as a facility to the equity shareholders, the Company has arranged for dematerialisation of its equity shares and has entered into agreement(s) with M/s. National Securities Depository Limited (NSDL), Central Depository Services India Ltd. (CDSL) and its Registrar & Share Transfer Agent M/s. Mas Services Pvt. Ltd., Accordingly, members have option/discretion to have their shares in DEMAT form. Presently, 76.37% of the paid up capital is in dematerialised form.



### SUBSIDIARY COMPANIES

Annual Reports together with audited accounts of the wholly owned subsidiary Companies of the Company viz. Superior Investment (India) Ltd., and Spin Investment (India) Ltd. for the accounting year(s) ended 31.03.2005 are attached as required under Section 212 of the Companies Act, 1956. The annual accounts of Modistone Ltd. for the accounting year ended 31.03.2005 are not available as an Order for winding up of Modistone Ltd. has been passed by the Hon'ble High Court of Bombay, and an Official Liquidator was appointed on 25.07.2002.

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

Since the plants of the Company were not in operation during the year, 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) the Company is not required to furnish information relating to energy conservation, technology absorption. However, details of foreign exchange earnings and outgo during the year under review is annexed at Annexure-A.

### CORPORATE GOVERNANCE

The Company has been endeavoring to ensure that the Corporate Governance requirements as stipulated under Clause 49 of the Listing Agreements with the Stock Exchange(s) are duly complied with. A separate Report on Corporate Governance together with the Auditor's Certificate thereon regarding compliance of conditions of Corporate Governance is annexed (Annexure B) and forms part of this report.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard 21 on Consolidated Financial Statements read with Accounting Standards AS-23 on accounting for investments and associates, attached herewith are Consolidated Financial Statements prepared on the basis of audited accounts received from the subsidiary companies, as approved by their respective Board(s); and form part of this Annual Report and Accounts.

### PERSONNEL

For the year under review, no employee's particulars are required to be given under the provisions of Section 217(2A) of the Companies Act, 1956.

### ACKNOWLEDGEMENT

The Directors would like to express their grateful appreciation for the assistance and co-operations received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. The Directors also wish to take on record their appreciation for the services of continuing executives, staff and workers of the Company.

For and on behalf of the Board

Place : New Delhi  
Date : August 30, 2005

Ram K Gupta  
Chairman

### ANNEXURE-A

#### A. Energy Conservation & Technology Absorption Foreign Exchange Earnings & Outgo [pursuant to Section 217(1)(e) of the Companies Act, 1956]

As the Members are aware, the plant operations remained suspended during the accounting year ended 31.03.2005. Accordingly, no significant measures could be taken for Energy Conservation and Technology Absorption. However, the details of Power and Fuel Consumption and Consumption per unit of production for the previous year are as under.

#### FORM A

PARTICULARS	2004-2005	2003-2004
<b>(A) POWER &amp; FUEL CONSUMPTION</b>		
(1) Electricity		
(a) Purchased Units	—	—
Total amount (Rs./lacs)	—	—
Rate/Unit (Rs.)	—	—
(b) Own Generation		
Units	49,632	98,758
Total amount (Rs./lacs)	2.31	2.32
Units/Ltr of D.Oil	4.98	6.48
Cost/Unit (Rs.)	4.66	2.35
Total Electricity (a+b)	49,632	98,758
(2) Coal consumed		
Quantity (MT)	—	—
Amount (Rs./lacs)	—	—
Rate/MT (Rs.)	—	—
(3) Furnace Oil		
Quantity (KL)	—	—
Amount (Rs./lacs)	—	—
Average Rate (Rs.)	—	—
<b>(B) CONSUMPTION PER UNIT OF PRODUCTION</b>		
Production weight (MT)	—	—
Electricity (Unit/MT)	—	—
Coal (MT Coal/MT)	—	—
Furnace Oil (Ltrs./MT)	—	—
<b>Expenditure on R&amp;D</b>		
R & D Expenses	2004-2005 (Rs./Lacs)	2003-2004 (Rs./Lacs)
a) Capital	—	—
b) Recurring	—	—
Total	—	—
%age of turnover	—	—
<b>Foreign Exchange Earnings And Outgo</b>		
Others	—	4.10
Total	—	4.10



**ANNEXURE-B****REPORT ON CORPORATE GOVERNANCE**

A detailed Report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below. Though certain changes have been made in Clause 49 of the Listing Agreement relating to Corporate Governance, however, the Company has option to make them applicable upto December, 2005. Thus, the proposed Report is prepared on the basis of earlier norms only. Unless otherwise specified the information incorporated in this Report is related to the Accounting Year ended 31.03.2005.

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance is to enhance the long term economic value of the Company, its stakeholders and the society at large by adopting appropriate corporate practices in fair and transparent manner by aligning interest of the Company with its shareholders and other key stakeholders. Your Company endeavours to follow procedures and practices in conformity with the Code of Corporate Governance outlined in the Listing Agreement.

**2. BOARD OF DIRECTORS****COMPOSITION AND CATEGORY OF THE BOARD - AS ON 17.08.2005**

The Board of Directors presently consists of six directors of which four are Nominee Directors of Financial/Investing Institutions and two Promoter Directors. The directors have varied experience in diverse areas of industry, finance and business management and are leading professionals in their respective fields, other details are given hereunder:

Category	Name of the Directors
Chairman	Shri Ram K Gupta, (Nominee Director of UTI)
Promoter Directors	Shri Vinay Kumar Modi, Vice Chairman & Director Dr. Bhupendra Kumar Modi, Director
Nominee Directors	Shri Ravindra Loonkar, (Nominee of IFCI) Shri Shyam Bahadur Kunwar, (Nominee of LIC w.e.f. 28.06.2005) Shri Sanjeev Kumar Chanana (Nominee of GIC) Shri Prem Chand Gupta, (Nominee of LIC Nomination withdrawn w.e.f. 21.04.2005)

**Information of Director(s) Re-appointed**

**Shri Vinay Kumar Modi** aged 62 years has been a Director of the Company since its inception i.e. 1971 and was appointed as Vice Chairman of the Company w.e.f. 16.02.1976 and Managing Director of the Company during the period from 29.03.1977 to 28.03.2002. He has been the Engineering Graduate from Indian Institute of Technology, Kanpur and is a renowned industrialist with over 35 years of varied and versatile experience in industrial and business management. His accomplishments have been recognised by Central as well as State Governments. This is evident from the fact that he was nominated by the Government to serve as Members of various Committees such as Development Council of Ministry & Industry with regard to (a) Automobile and Allied Industries (b) Tyres and Tubes etc. He was the Chairman of Automobile Tyre Manufacturers Association and Vice Chairman of Chemical Allied Export Promotion Council, Kolkatta. He has been the President of All India Rubber Industries Association.

He is a Member of Governing Body of the Scindia School, Gwalior, Jaipuria Institute of Management & Technology, Institute of Management

& Technology, Ghaziabad (U.P.) and Senate of Indian Institute of Technology, Roorkee. Shri Vinay Kumar Modi is the Chairman/Director of M/s. Gujarat Guardian Ltd., MAN B&W Diesel India Ltd., Lombard Street (Estate) Pvt. Ltd., Gujarat Acrylics Pvt. Ltd. and Director of Modi Industries Ltd., RB Multanimal & Sons Pvt. Ltd.

**Dr. Bhupendra Kumar Modi** aged 56 years was appointed first as the President of the Company in 1972. He has been a Director of the Company w.e.f. 16.02.1976 and Managing Director of the Company during the period from 27.07.1978 to 28.03.2002. He graduated from the Banaras Hindu University in Chemical Engineering and successfully completed the course of Master of Science in Management Science from the Graduate School of Business Administration California (USA). He holds a Doctorate in Business Management on Working Capital Requirement of Industries with Special Reference to Tyre Industry and is a renowned industrialist with over 33 years of varied and versatile experience in industrial and business management, his accomplishments have been recognised by Central as well as State Governments which is evident from the fact that he has been nominated by the Government to serve as Member of various Committees.

He was appointed as the President of Quality Circle Forum of India and was also the President of All India Rubber Industries Association and Chairman of Automobile Tyre Manufacturers' Association. Dr. Bhupendra Kumar Modi is Chairman / Director of Spice Communications Ltd., McorpGlobal Pvt. Ltd., Modi Welvest Pvt. Ltd. and Super Infosys Pvt. Ltd.

**Dates and number of Board Meetings**

During the accounting year ended 31.03.2005, six meetings of the Board of Directors were held on

- 12.04.2004
- 25.06.2004
- 31.08.2004
- 24.12.2004
- 18.01.2005
- 07.03.2005

The intervening period between the Board Meetings was well within the maximum time gap of four months as prescribed in Clause 49. The details of attending the Board/Annual General Meeting(s) during the year by each Director was as under:

Name/Designation of Director	Category	No. of positions held in other Companies #			No. of Board Meetings attended	Attendance at last AGM
		Board	Pub.	Pvt.		
Shri Ram K Gupta Chairman Nominee Director of UTI	Non Executive	05	01	02	06	Yes
Shri Vinay Kumar Modi Vice Chairman & Director	Promoter Director	04	03	06	06	Yes
Dr. Bhupendra Kumar Modi Director	Promoter Director	01	03	03	04	Yes
Shri Ravindra Loonkar Nominee Director of IFCI	Non Executive	05	—	02	05	No
Shri Prem Chand Gupta Nominee Director of LIC	Non Executive	01	—	02	06	Yes
Shri Sanjeev Kumar Chanana Nominee Director of GIC	Non Executive	03	01	01	05	No

# As per declaration received/available from the directors this includes directorships held in Public & Private Limited Companies & subsidiaries of Public Ltd. Companies but excludes directorships held in overseas Companies and mutual funds.

None of the directors is a member of more than ten Committees or is the Chairman of more than five Committees across all the Companies in which they are directors.

**3. AUDIT COMMITTEE (As on 17.08.2005)**

The Board of Directors of the Company had re-constituted its Audit Committee on 28.06.2005. The Audit Committee comprises six directors [including two promoter directors] viz. Shri Ram K Gupta,



Shri VK Modi, Dr.BK Modi, Shri R Loonkar, Shri PC Gupta (Upto 21.04.2005), Shri S.B. Kunwar (w.e.f. 28.06.2005) and Shri SK Chanana as its Members. Shri Ram K Gupta, Chairman of the Board of Directors is also Chairman of the Audit Committee.

Pursuant to the provisions of Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreements the terms of reference stipulated by the Board to the Audit Committee are as follows :-

The Audit Committee has authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if necessary.

- Overseeing the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- Recommending appointment and removal of external auditors and fixing of their fees;
- Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements; and
- Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.

Shri S Bhardwaj the Dy.Company Secretary acts as Secretary of the Committee.

The Meetings of the Audit Committee were attended by the Head of Finance & Accounts and other respective functional Heads. The Members had discussions with the Statutory Auditors during the Meetings of the Committee at the time of considering the annual accounts of the Company by the Board. The annual audited financials of the Company were reviewed by the Audit Committee before consideration and approval by the Board of Directors. The Committee reviewed the internal control systems.

Because of the closure of operations of the Company since August, 2001 an Internal Auditor could not be appointed and therefore, the Committee was not in a position to review their Reports on Internal Control System. Also, it sufficed to meet twice on 31.08.2004 and 07.03.2005. The meetings as against the minimum requirements of four meetings were attended as under:

Name of the Members	Designation	No.of meetings attended
Shri Ram K Gupta	Chairman	2
Shri VK Modi	Member	2
Dr.BK Modi	Member	1
Shri R Loonkar	Member	2
Shri Prem Chand Gupta	Member	2
Shri SK Chanana	Member	2

#### 4. Remuneration Committee

As on date the Company do not have any Managing/whole-time Director(s). As and when the Board of Directors will consider it necessary requisite steps to constitute a Remuneration Committee will be taken in due course.

#### Payment of remuneration/sitting fee to the Directors

Remuneration/Sitting fee paid to directors during the year ended 31.03.2005 under review is given below: (in Rs.)

Name of Director	Sitting fee	Commission
Shri Ram K Gupta, Chairman Nominee Director of UTI	16000	0
Shri Ravindra Loonkar** Nominee Director of IFCI	14000	0

Shri Prem Chand Gupta Nominee Director of LIC	16000	0
Shri Sanjeev Kumar Chanana ** Nominee Director of GIC	14000	0

\*\*In accordance with the communication received from IFCI Ltd. and GIC the sitting fees payable to Shri R Loonkar and Shri SK Chanana, Nominee Director(s) of IFCI and GIC respectively were paid to IFCI and OIC directly.

#### 5. Shareholders'/Investors Transfer/Grievance Committee

The Company has a Share Transfer Committee (STC) consisting of following Directors viz. Shri VK Modi and Dr. BK Modi as Members, which take care of the responsibility of Shareholders'/Investors Transfer/Grievance Committee also. During the year ended 31.03.2005 the Company had nine meetings which were attended by the Members of the Committee. Shri S Bhardwaj, the Dy.Company Secretary acts as Secretary of the Committee.

- The Committee approves transfer/transmission of shares/debentures issued by the Company, issue of duplicate certificates and certificates after split/consolidation/replacement.
- The Committee looks into the redressal of shareholders' and investors' complaints like transfer of shares/debentures, demat of shares, non-receipt of balance sheet, dividend and interest etc.
- Shri S Bhardwaj, the Dy.Company Secretary had been designated as the Compliance Officer
- During the year under review ended 31.03.2005 as per Certificate dated 11.05.2005 submitted by M/s. Mas Services Pvt. Ltd. the Registrar & Share Transfer Agent of the Company as on date there is no investor grievance which could not be attended for more than 30 days. Details of investors complaints received during the year under review are as follows.

S.No.	Nature of Complaint	Received	Disposed	Pending
1	Change of address	13	13	Nil
2	Process of Duplicate	04	04	Nil
3	Non receipt of shares	05	05	Nil
4	Non receipt of dividend	01	01	Nil
5	Non receipt of annual report	01	01	Nil
6	Non receipt of demat credit	07	07	Nil
7	Nomination Form 2B	Nil	Nil	Nil
8	Non receipt of redemption	Nil	Nil	Nil
9	Request for stop transfer	01	01	Nil
	<b>Total</b>	<b>39</b>	<b>39</b>	

#### 6. General Body Meetings (AGMs)

The last three AGMs were held as under :-

Year	Venue	Date	Time
2003-2004	Dayawati Modi Public School, Modinagar	28.09.2004	11.30 AM
2001-2003	Dayawati Modi Public School, Modinagar	12.04.2004	11.00 A.M
2000-2001	Dayawati Modi Public School, Modinagar	15.05.2003	11.00 AM

Due to delay in finalisation/audit of accounts for the year(s) 2000-2001 and 2001-2003 the Company could not comply with the requirements of holding its Annual General Meeting(s) within the prescribed time permitted under Sections 166/210 of the Companies Act, 1956. Necessary application for compounding of default has been allowed by the Regional Director, Department of Company Affairs, Northern Region, Kanpur (U.P) and Company Law Board, Northern Bench, New Delhi.

Postal Ballot Not Applicable

**7. Disclosures**

- I Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, directors or management, their subsidiaries or relatives etc that may have potential conflict with the interests of the Company at large.**

Various services rendered	Nil
Various services received	Rs.9.20 lacs

**Related Parties Disclosures in accordance with Accounting Standard (AS – 18) of The Institute of Chartered Accountants of India.**

**A. Subsidiaries :**

- Modistone Limited (in liquidation) Official Liquidator has taken charge of the Company w.e.f. 25.7.2002 i.e. the date of appointment of Official Liquidator by Bombay High Court. The company had provided Corporate Guarantee of Rs. 354 lacs to a Bank.
- Superior Investment (India) Limited
- Spin Investment (India) Limited

**Key Management Personnel :**

Mr. Vinay Kumar Modi (As Managing Director till 28.03.2002)  
Dr. Bhupendra Kumar Modi (As Managing Director till 28.03.2002)  
(No remuneration to key personnel during the year)

The following transactions were carried out with related parties in the ordinary course of business during the year :

	Subsidiaries
	Rs. lacs
a. Expenses incurred by Spin Investment (India) Ltd. on behalf of MRL	233.64
Reimbursement to Spin Investment (India) Ltd. by MRL	13.42
b. Advance taken from Superior Investment (India) Limited for incurring expenses:	41.00
Advance returned to Superior Investment (India) Ltd.	Nil
c. Payables at the year end as on 31.03.2005	916.91
* Salary to Managing/Executive Directors	Nil
* Sitting fee paid to Non Executive Directors	Rs. 60000/-

**B. Associates**

- Expenses incurred by MRL on behalf of GGL 8.72
- Receivables at the year end as on 31.03.2005 1.34

**II Details of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.**

Pursuant to Clause 41 of the Listing Agreement the Company is required to publish un-audited Quarterly Working Results/ Quarterly Limited Review of un-audited Accounts within a month from the date of closure of the quarter and/or two months of the half year. The last of such un-audited Results relating to quarter ended 30.06.2001 were approved by the Board on 31.07.2001 and published in newspapers on 03.08.2001 thereafter, due to closure of its operational activities the Company is still to comply with the aforesaid provisions.

As reported earlier, during the year 2002 pursuant to an Order dated 26.03.2002 under Rule 5(1) of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 a penalty of Rs.2.00 lac was imposed by the SEBI on the Company on account of delay in filing of requisite information under Sub Regulation 2 & 4 of Regulation 6 and Sub Regulation 3 of Regulation 8, which was paid by the Company on 17.07.2002.

**8. Means of Communication**

All information about the Company is generally sent to the Stock Exchange(s) and the Company regularly updates the media and investor community about material developments.

Quarterly/six monthly results, as soon as finalised, are furnished to the concerned Stock Exchange(s) by fax followed by confirmation copies thereof and are normally published in The Pioneer (national daily) and Vir Arjun (regional language) newspapers in normal course except as mentioned in 7(ii) above.

The Company is not having any web-site.

**9. Management**

Since the operations of Company are suspended for the last four years, the information relating to the Management Discussion & Analysis will be provided after commencement of its operations.

**10. General Shareholder Information**

<b>a) Registered Office</b>	Modi Rubber Ltd., Modinagar – 201 204 District Ghaziabad (U.P.)
<b>b) Annual General Meeting (ensuing)</b>	
Date	28.09.2005
Time	11.30 A.M.
Venue	Auditorium, Dayawati, Modi Public School Modi Nagar-201 204.
<b>c) Date(s) of Books Closure</b>	22.09.2005 to 28.09.2005 (both days inclusive)
<b>d) Financial Calendar</b>	01.04.2004 to 31.03.2005 (12 months)
<b>e) Dividend payment</b>	Nil
<b>f) Listing at Stock Exchanges</b>	National Stock Exchange of India Ltd Exchange Plaza Bandra Kurla Complex Bandra (E) Mumbai 400 051 Ph.022-26598100-14 Fax 022-26598237-38 E-mail: cmlist@nse.co.in

For the year under review, the Company is listed with the National Stock Exchange, Mumbai and has asked to be delisted from three exchange(s) at Bombay, Delhi and Uttar Pradesh whose consent is awaited.

- Stock Code** National Stock Exchange MODIRUBBER
- Demat ISIN Nos.** INE832A01018  
in NSDL & CDSL

**i) Stock Market Data**

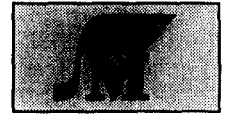
Since the securities of the Company remained suspended in the Stock Exchange(s) since November, 2002 information relating to MRL share price are not available.

- Registrar and Transfer Agents** Mas Services Pvt. Ltd.  
(Share transfer and communication  
regarding share certificates,  
Dividends and change of address) AB-4 Safdarjung Enclave  
New Delhi 110 029.  
Phone 011- 26104142  
E-mail: [maserv@glasd01.vsnl.net.in](mailto:maserv@glasd01.vsnl.net.in)  
Fax No. 011 – 26181081

**k) Share Transfer System**

All share transfers which are received in physical form are processed and subject to the documents being valid and complete in all respects are approved by the Share Transfer Committee, which meets at regular intervals. As per SEBI guidelines, the Company has offered the facility of transfer cum demat. Under the said system, after the





share transfer is effected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him in case he wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP has on the option letter generates a demat request and sends the same to the Company/Registrar along with the option letter. On receipt of the same, the Share Transfer Agent dematerialises the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the Company/Registrar will despatch the share certificates after 15 days from the date of such option letter.

However, in terms of SEBI Circular dated 10.02.2004 the Registrar & Share Transfer Agent of the Company have discontinued the practice of sending the Option Letter for dematerialisation subsequent to transfer.

#### l) Distribution of Shareholding

The following is the distribution of shareholding of equity shares of the Company as on 31<sup>st</sup> March., 2005

Category	No. of Share-holders	% of Share-holders	No. of Shares held	% of Share-holding
1 – 5000	13976	94.76	1493704	5.97
5001 – 10000	513	3.48	365174	1.46
10001 – 20000	167	1.13	230483	0.92
20001 – 30000	32	0.22	79684	0.32
30001 – 40000	7	0.05	24037	0.10
40001 – 50000	7	0.05	32430	0.13
50001 – 100000	14	0.09	91577	0.37
100001 and above	32	0.22	22723443	90.73
<b>TOTAL</b>	<b>14748</b>	<b>100.00</b>	<b>25040532</b>	<b>100.00</b>

#### m) Category of Shareholders as on 31.03.2005

Category	No. of Share-holders	% of Share-holders	No. of Shares held	% of share holding
Promoters & Asso. (excluding 9,19,122 shares held by Modipon representing 3.67% of PUC, pending for transfer under litigation)	21	0.14	9213469	38.62
Promoter Company	1	0.01	800000	3.19
Financial Institutions & Insurance Companies (including 2193083 shares held by LIC under litigation)	12	0.08	11079998	44.25
Banks	19	0.13	3566	0.01
Mutual Funds	2	0.01	700	0.00
Foreign Investing Institutions	3	0.02	228631	0.91
Bodies Corporate (including unaccepted shareholding of MPL/MSWL in open offer)	183	1.24	1825800	5.46
NRI/OCBs (Excluding 25,29,273 and 22,91,057 shares representing 10.10% and 9.15% of PUC held by OCBs i.e. Witta International Inc and Sidh International Ltd., classified under 'Promoters & Associates')	39	0.26	123334	0.49
Indian Public	14468	98.11	1765034	7.07
<b>Total</b>	<b>14748</b>	<b>100.00</b>	<b>25040532</b>	<b>100.00</b>

#### n) Dematerialisation of Shares and Liquidity

Over 76.37% of the outstanding shares have been dematerialised upto 31.03.2005. Trading in Equity Shares of the Company is permitted only in dematerialised form with effect from 24<sup>th</sup> October, 2000 as per notification issued by SEBI. The equity shares of the Company are mostly traded at Mumbai and National Stock Exchanges. However, on account of alleged non compliance of certain listing requirements by the Company, trading in its securities remained suspended in the Stock Exchanges since November, 2002.

#### o) Transfer of unclaimed amounts of Dividend to Protection & Investors Education Fund

The Company has already transferred amount of unclaimed dividend relating to the years 1994-95 and 1995-96 to Investor Education and Protection Fund. In accordance with applicable Rules thereafter, no amount has become due for transfer.

#### p) Outstanding GDR/ Warrants and Convertible Bonds Conversion.

The Company has not issued any GDR/Warrants/ Convertible Bonds.

#### q) Plant Locations

1. Modipuram District Meerut (U.P)
2. Modinagar District Ghaziabad. (U.P)
3. Partapur District Meerut (U.P)

#### r) Address for Correspondence For transfer/ dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the Company Any query on Annual Report

Mas Services Pvt. Ltd.,  
AB-4 Safdarjung Enclave  
New Delhi – 110 029.  
Phone : 011 - 26104142  
E-mail: masserv@glasdl01.vsnl.net.in  
Fax No. 011 - 26181081

**Secretarial Department,**  
Modi Rubber Ltd.,  
4-7C, DDA Shopping Centre  
New Friends Colony  
New Delhi – 110 065  
Phone 011 – 26848416, 26848417  
Fax No.011 - 26837530

The non-mandatory requirements are not being complied with for the present.

#### COMPLIANCE

A Certificate dated 30.08.2005 obtained from the Statutory Auditors, M/s. Prabhat Jain & Co., forms part of this Annual Report and the same is given herein:

**AUDITORS' CERTIFICATE  
AS PER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members of  
Modi Rubber Ltd

We have examined the compliance of conditions of corporate governance by Modi Rubber Ltd. for the accounting year ended 31.03.2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the

above mentioned Listing Agreement, except as mentioned in point No.3 & 7(II) of the Annexure B on Corporate Governance, as the Company still requires to comply with the provisions.

We state that no investor grievance is pending other than those which are under litigation, disputes or court orders, for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For PRABHAT JAIN & CO.

Place : New Delhi  
Date : August 30, 2005

Prabhat Jain  
Partner  
Chartered Accountants

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