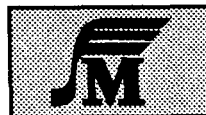


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Modi Rubber Limited

34TH ANNUAL REPORT 2005-2006



THE COMPANY

BOARD OF DIRECTORS

Surinder Singh Kohli
Chairman
(Nominee of UTI)

Vinay Kumar Modi

Bhupendra Kumar Modi (Dr.)

Shyam Bahadur Kunwar
(NOMINEE OF LIC)

Sanjeev Kumar Chanana
(NOMINEE OF GIC)

Subarata Lahiri
(NOMINEE OF IFCI)

S C Tripathi
SPECIAL DIRECTOR –
(NOMINEE OF BIFR)

Pawan Chopra
SPECIAL DIRECTOR –
(NOMINEE OF BIFR)

REGISTERED OFFICE
Modinagar – 201 204
District Ghaziabad (Uttar Pradesh)
Tel No.(01232) 242360

HEAD OFFICE
4/7C DDA Shopping Centre
New Friends Colony
New Delhi – 110 025
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 Corpn.Ltd.
State Bank of Travancore
Punjab & Sind Bank

STATUTORY AUDITORS
Messrs Prabhat Jain & Company
Chartered Accountants
B-61, Flatted Factory Complex
Jhandewalan, New Delhi 110 055

REGISTRAR & SHARE TRANSFER AGENTS
Messrs. MAS Services (P) Ltd.
AB-4, Safdarjung Enclave
New Delhi 110 029
Tel (011) 26104142

CHIEF GENERAL MANAGER
(Finance & Accounts) HO
Krishan Bhagwan Gupta

DEPUTY MANAGER
Accounts (Plant)
Rakesh Kumar Bhatnagar

DEPUTY COMPANY SECRETARY
Sudesh Bhardwaj

34TH ANNUAL GENERAL MEETING

Date	: 29th December, 2006
Day	: Friday
Time	: 11.30 A.M.
Place	: Auditorium, Dayawati Modi Public School, Modinagar
Book Closure Dates	: 26th December, 2006 to 29th December, 2006 (both days inclusive)

CONTENTS	PAGE NO.
Notice	1
Directors' Report	2-8
Auditors' Report	9-11
Balance Sheet	12
Profit & Loss Account	13
Schedules	14-29
Statement under Section 212 of the Companies Act, 1956	30
Superior Investment (India) Ltd.	31-34
Spin Investment (India) Ltd.	35-38
Consolidated Financial Statements	39-55

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 **34th Annual General Meeting (AGM)** of Modi Rubber Limited shall be held on Friday, 29th December, 2006 at 11.30 A.M. 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 31.03.2006 and the Balance Sheet as at 31.03.2006 and the Reports of the Directors and Auditors thereon.
2. 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 2006-2007 to hold the office from the conclusion of ensuing Annual General Meeting 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 traveling and other out of pocket expenses actually incurred by them in connection with the statutory audit 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 : November 17, 2006

S Bhardwaj
Dy. Company Secretary

NOTES:

1. Explanatory Statement in respect of Item No. 2 of the Notice as required under Section 173(2) of the Companies Act, 1956, is annexed herewith.
2. The Registrar of Companies, UP & Uttaranchal has vide its letter dated 15.11.2006 granted an extension of time to the Company under Sub Section (1) of Section 166 of the Companies Act, 1956 for holding the Annual General Meeting for the accounting year ended 31.03.2006 upto 29.12.2006
3. The Company has been declared sick by BIFR vide its Order dated 23.05.2006 wherein IDBI was appointed as an Operating Agency (OA) to prepare the draft revival scheme. Subsequently the BIFR vide its order dated 09.10.2006 appointed State Bank of India as OA in place of IDBI.
It has also been directed that there will be no change in the constitution of the MRL's Board till sanction of a scheme for rehabilitation. The Company has been advised that under the present circumstances it would not be necessary for it to retire/reappoint any director by rotation at the ensuing AGM.
4. For taking record of the shareholders, the Register of Members (Equity Shares of Rs.10/- each) and Share Transfer Books of the Company relevant thereto shall remain closed from 26.12.2006 to 29.12.2006 (both days inclusive).
5. 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.

6. 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.
7. 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.
8. Members/Shareholders are requested to correspond directly with the Registrars and Shares Transfer Agent of the Company (as mentioned in the Annual Report) for any matter concerned or related to shares. 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 As the Members are aware that the appointment of and payment of remuneration to M/s. Prabhat Jain & Co., Chartered Accountants, New Delhi 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 28.09.2005 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, New Delhi as 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 traveling and other out of pocket expenses actually incurred by them in connection with the statutory audit and such other remuneration as may be decided to be paid to them by the Board of Directors (or committee thereof), for performing duties other than those referred to hereinabove.

In view of the above, the Board of Directors of the Company had at its meeting held on 12.08.2006 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.2 of the accompanying Notice is proposed.

None of the Directors of the Company may be considered to be interested or concerned in the passing of 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

Your Directors hereby present the 34th Annual Report together with the Audited Statement of Accounts of your Company for the accounting year ended 31st March, 2006.

As mentioned earlier, the operations at the Company's plants at Modipuram, Modinagar and Partapur have remained suspended since August, 2001 including various sales depots/offices of the Company. However, efforts are being made to recommence the operations at the earliest.

During the year under review, due to receipt of profit on sale of its investment (as per Order of the Delhi High Court), certain fixed assets, stores discarded, excess liabilities/provisions/ balances written back and receipt of dividend on its investments, there has been an income in the Company aggregating to Rs.5057.58 lacs. This has resulted a profit before tax of Rs.1041.06 lacs for the year (against a loss of Rs.623.07 lacs during the corresponding previous year). After taking into account the accumulated losses for previous years, the net loss is reduced to Rs.147.31 Crores as on that date.

DECLARATION BY BIFR AS A SICK COMPANY

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 was registered as case No.153 of 2004 on 17.03.2004. The above case was taken up by the BIFR at its hearing held on 17.05.2006 wherein the Company was declared as a sick Company under Section 3(1)(o) of SICA. IDBI was appointed as an Operating Agency (OA) with the directions to prepare and submit a revival scheme under Section 17(2) of SICA to BIFR. Subsequently the BIFR has vide its Order dated 09.10.2006 appointed State Bank of India (SBI) as the OA in place of IDBI. A draft revival scheme has been submitted by Shri V.K Modi to OA on 22.08.2006. The finalisation of the rehabilitation/restructuring scheme of the Company for submission to BIFR is process so as to make its net worth positive at the earliest.

SALE OF INVESTMENT

Pursuant to an Order dated 08.06.2005 passed by the Hon'ble High Court of Delhi your Company tendered its equity-holding (representing 1.20%) in Ambuja Cement Eastern Ltd. (ACEL) [formerly known as Modi Cement Ltd.] at a price of Rs.70/- per share in a Public Offer made to the Shareholders of ACEL. As per directions of the High Court, the sale proceeds have been deposited in a No Lien Account with IFCI.

BOARD OF DIRECTORS

Consequent upon withdrawal of nomination(s) of Shri Ram K Gupta by UTI and of Shri R Loonkar by IFCI Ltd., Shri SS Kohli, (Ex.CMD, Punjab National Bank) and Shri S Lahiri have joined the Board of Directors of your company as their new nominees. Shri SS Kohli has also been appointed as Chairman of the Company. The Board places on record its appreciation for the valuable services rendered by Shri Gupta and Shri Loonkar during their tenure as Chairman/ Member of the Board of Directors of the Company respectively.

The BIFR vide its Order dated 22.09.2006 appointed Shri SC Tripathi and Shri Pawan Chopra as Special Directors on the Board of Directors of the Company. It has also been directed by the BIFR that there will be no change in the constitution of the MRL's Board till sanction of a scheme for rehabilitation. The Company has been advised that, under the present circumstances, it would not be necessary for it to retire/reappoint any director by rotation at the ensuing AGM.

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 28.09.2005 M/s.Prabhat Jain & Co., Chartered Accountants, New Delhi were 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 to 10, 13, 15 to 17, 25 to 28 and 32 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.

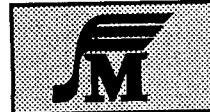
M/s.Vaish & Associates, Chartered Accountants as Tax Auditors have submitted a Tax Audit Report in terms of Section 44AB of the Income-tax Act, 1961 for the financial year ended 31.03.2006.

Due to the 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 as 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 four times 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 and Delhi whose consent is awaited. However, UP Stock Exchange, Kanpur had vide its letter dated 22.02.2006 acceded its request for delisting the securities of the Company.



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, 79.62% 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 31.03.2006 are attached as required under Section 212 of the Companies Act, 1956. The annual accounts of Modistone Ltd. for the accounting year ended 31.03.2006 are not available as an Order for winding up of Modistone Ltd. was 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 the 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 forms 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 : November 17, 2006

(S. S. Kohli)
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 31.03.2006. 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	2005-2006	2004-2005
(A) POWER & FUEL CONSUMPTION		
(1) Electricity		
(a) Purchased Units	—	—
Total amount (Rs./lacs)	—	—
Rate/Unit (Rs.)	—	—
(b) Own Generation		
Units	55,664	49,632
Total amount (Rs./lacs)	3.58	2.31
Units/Ltr of D.Oil	4.96	4.98
Cost/Unit (Rs.)	6.03	4.66
Total Electricity (a+b)	55,664	49,632
(2) Coal consumed		
Quantity (MT)	—	—
Amount (Rs./lacs)	—	—
Rate/MT (Rs.)	—	—
(3) Furnace Oil		
Quantity (KL)	—	—
Amount (Rs./lacs)	—	—
Average Rate (Rs.)	—	—
(B) CONSUMPTION PER UNIT OF PRODUCTION		
Production weight (MT)	—	—
Electricity (Unit/MT)	—	—
Coal (MT Coal/MT)	—	—
Furnace Oil (Ltrs./MT)	—	—
Expenditure on R&D		
R & D Expenses	2005-2006	2004-2005
	(Rs./Lacs)	(Rs./Lacs)
a) Capital	—	—
b) Recurring	—	—
Total	—	—
%age of turnover	—	—
Foreign Exchange Earnings And Outgo		
Others	3.23	—
Total	3.23	—

ANNEXURE-B**REPORT ON CORPORATE GOVERNANCE**

A Report for the Financial Year ended 31.03.2006 on the implementation of Code of Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement (as amended) is set out below. Unless otherwise specified the information incorporated in this Report is related to the Accounting Year ended 31.03.2006.

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 17.11.2006**

The Board of Directors presently consists of eight directors of which four are Nominee Directors of Financial/Investing Institutions, two Promoter Directors and two Special Directors nominated by BIFR. 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 S S Kohli, (Nominee Director of UTI w.e.f. 17.11.2005)
Promoter Directors	Shri Vinay Kumar Modi, Vice Chairman & Director Dr. Bhupendra Kumar Modi, Director
Nominee Directors	Shri S Lahiri, (Nominee of IFCI w.e.f. 26.06.2006) Shri Sanjeev Kumar Chanana (Nominee of GIC) Shri Shyam Bahadur Kunwar, (Nominee of LIC w.e.f. 28.06.2005) Shri SC Tripathi (Special Director appointed by BIFR vide order dated 22.09.2006) Shri Pawan Chopra (Special Director appointed by BIFR vide order dated 22.09.2006) Shri Ram K Gupta, (Nominee of UTI Nomination withdrawn w.e.f. 17.11.2005) Shri Ravindra Loonkar, (Ceased to be a Director of IFCI Nomination withdrawn w.e.f. 26.06.2006))

Dates and number of Board Meetings

During the accounting year ended 31.03.2006, six meetings of the Board of Directors were held on

- 28.06.2005
- 17.08.2005
- 28.09.2005
- 14.12.2005
- 06.01.2006
- 16.02.2006

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 Com./Orgs. #			No. of Board Meetings attended	Attendance at last AGM
		Board	Pub.	Pvt.		
Shri SS Kohli Chairman Nominee Director of UTI	Non Executive	08	00	03	02	N.A.
Shri Vinay Kumar Modi Vice Chairman & Director	Promoter Director	04	03	06	06	Yes
Dr. Bhupendra Kumar Modi Director	Promoter Director	01	03	03	03	Yes
Shri Ravindra Loonkar Nominee Director of IFCI	Non Executive	05	—	02	03	Yes
Shri Sanjeev Kumar Chanana Nominee Director of GIC	Non Executive	03	01	01	06	No
Shri Shyam Bahadur Kunwar Nominee Director of LIC	Non Executive	05	01	02	04	Yes
Shri Ram K. Gupta Chairman Nominee Director of UTI	Non Executive	05	01	02	03	Yes

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

The Board of Directors of the Company had re-constituted its Audit Committee on 06.01.2006 and 26.06.2006. The Audit Committee comprises six directors [including two promoter directors] viz. Shri Ram K Gupta (upto 17.11.2006), Shri SS Kohli (w.e.f. 06.01.2006), Shri VK Modi, Dr.BK Modi, Shri R Loonkar (upto 26.06.2006) Shri S Lahiri (w.e.f. 26.06.2006), Shri SB Kunwar and Shri SK Chanana as its Members. Shri SS Kohli, 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 :-

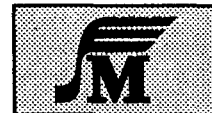
The Audit Committee has authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, 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 also 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. During the accounting year ended 31.03.2006, four meetings of the Committee were held on

- 28.06.2005
- 17.08.2005
- 14.12.2005
- 06.01.2006

Name of the Members	Designation	No. of meetings attended
Shri SS Kohli	Chairman	1
Shri VK Modi	Member	4
Dr. BK Modi	Member	2
Shri S B Kunwar	Member	2
Shri SK Chanana	Member	3
Shri Ram K Gupta	Chairman	2
Shri R Loonkar	Member	1

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/payable to directors during the year ended 31.03.2006 under review is given below:

(in Rs.)

Name of Director	Sitting fee	Commission
Shri SS Kohli, Chairman Nominee Director of UTI	15000	0
Shri Ravindra Loonkar** Nominee Director of IFCI	14000	0
Shri SB Kunwar Nominee Director of LIC	24000	0
Shri Sanjeev Kumar Chanana ** Nominee Director of GIC	38000	0
Shri Ram K Gupta, Chairman Nominee Director of UTI	19000	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 31.03.2006 the Company had requisite meetings. 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 / remat 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 31.03.2006 as per Certificate dated 15.11.2006 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.

Sl.No.	Nature of Complaint	Received	Disposed	Pending
1	Change of address	10	10	Nil
2	Process of Duplicate	5	05	Nil
3	Non receipt of shares	04	04	Nil
4.	Non receipt of dividend	Nil	Nil	Nil
5.	Non receipt of annual report	03	03	Nil
6.	Non receipt of demat credit	08	08	Nil
7.	Nomination Form 2B	Nil	Nil	Nil
8	Non receipt of redemption	Nil	Nil	Nil
9	Request for stop transfer	Nil	Nil	Nil
	Total	30	30	

6. General Body Meetings (AGMs)

The last three AGMs were held as under :-

Year	Venue	Date	Time
2004-2005	Dayawati Modi Public School, Modinagar	28.09.2005	11.30 A.M.
2003-2004	Dayawati Modi Public School, Modinagar	28.09.2004	11.00 A.M.
2001-2003	Dayawati Modi Public School, Modinagar	12.04.2004	11.00 A.M.

Postal Ballot Not Applicable

7. CEO(s)/FINANCE HEAD(s) CERTIFICATION

As required by Clause 49 of the Listing Agreement certification of the Finance Heads i.e. Shri K.B. Gupta, Chief General Manager (F & A) (HO) and Shri R.K. Bhatnagar, Dy. Manager (Accounts) (Plant) on the Financial Statements and the Cash Flow Statement for the accounting year ended 31.03.2006 are enclosed at the end of this report.

8. CODE OF CONDUCT

The Board Members and Senior Managerial Personnel affirm compliance with the Code of Conduct as applicable to them. Presently the Company do not have any CEO i.e. Managing Director or Manager appointed in terms of the Companies Act, 1956 and Shri K.B. Gupta, Chief General Manager (F&A) (HO) and Shri R.K. Bhatnagar, Dy. Manager (Accounts) (Plant), i.e. the person(s) heading the Finance function have signed a declaration to this effect as part of the CEO/Finance Head(s) Certification.

9. 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.

i) Subsidiaries :

- a) 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.
- b) Superior Investment (India) Limited
- c) Spin Investment (India) Limited

ii) 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	255.19
b. Reimbursement to Spin Investment (India) Ltd. by MRL	42.09
c. Advance taken from Superior Investment (India) Limited for incurring expenses:	Nil
d. Advance returned to Superior Investment (India) Ltd.	1.55
e. Payables at the year end as on 31.03.2006	1128.46
Salary to Managing/Executive Directors	Nil
Sitting fee paid to Non Executive Directors	Rs. 1.10

B. Associates

- i) Expenses incurred by MRL on behalf of GGL 11.17
 ii) Receivables at the year end as on 31.03.2006 0.88

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 30.06.2006 were approved by the Board on 12.08.2006 and published in newspapers on 13.08.2006 the Company is still to comply with the aforesaid provisions.

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. The Company is not having any web-site.

9. Management

Since the operations of the Company are suspended for more than five years the information relating to the Management Discussion & Analysis will be provided after commencement of operations

10. General Shareholder Information

- a) Registered Office** Modi Rubber Ltd.,
 Modinagar - 201 204
 District Ghaziabad (U.P.)
- b) Annual General Meeting (ensuing)**
 Date December 29, 2006
 Time 11.30 A.M.
 Venue Auditorium, Dayawati
 Modi Public School
 Modinagar-201 204
- c) Date(s) of Books Closure** 26.12.2006 to 29.12.2006
 (both days inclusive)

d) Financial Calendar

01.04.2005 to 31.03.2006
 (12 months)

e) Dividend payment

Nil

e) Listing at Stock Exchange

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 cmllist@nse.co.in

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

g) Stock Code

National Stock Exchange
 MODIRUBBER

h) 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.

j) Registrar and Transfer Agents

Mas Services Pvt. Ltd.

(Share transfer and communication regarding share certificates,

AB-4 Safdarjung Enclave
 New Delhi 110 029.

Dividends and change of address)

Phone 011- 26104142

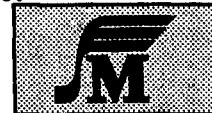
E-mail : masserv@glasdl01.vsnl.net.in

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 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 31st March, 2006

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of shareholding
1 - 5000	14046	94.75	1497704	5.98
5001 - 10000	513	3.48	363174	1.45
10001 - 20000	170	1.14	228483	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 & above	32	0.22	22723443	90.73
TOTAL	14824	100.00	25040532	100.00

m) Category of Shareholders as on 31.03.2006

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of share holding
Promoters & their Asso. (excluding 9,19,122 shares held by Modipon pending for transfer under litigation)	18	0.12	9845741	39.32
Promoter Company	1	0.01	800000	3.19
Financial Institutions & Insurance Companies (including LIC shares under litigation)	12	0.08	11079998	44.25
Banks	12	0.08	3566	0.01
Mutual Funds	3	0.02	9000	0.04
Foreign Investing Institutions	3	0.02	228631	0.91
Bodies Corporate (including unaccepted shareholding of MPL/MSWL in open offer)	181	1.22	1832380	7.32
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')	41	0.28	118733	0.47
Indian Public-clearing member	14553	98.17	1122483	4.49
Total	14824	100.00	25040532	100.00

n) Dematerialisation of Shares and Liquidity

Over 79.62% of the outstanding shares have been dematerialised upto 31.03.2006. Trading in Equity Shares of the Company is permitted only in dematerialised form with effect from 24th 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 Investor Education & Protection 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 - 110 025
Phone 011 - 26848416, 26848417
Fax No.011 - 26837530

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

COMPLIANCE

A Certificate dated 17.11.2006 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 31.03.2006, 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.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: November 17, 2006

CA. Prabhat Jain
Partner
Chartered Accountants

**CERTIFICATION BY FINANCE HEAD(S) OF
MODI RUBBER LIMITED**

Shri KB Gupta, Chief General Manager (Finance & Accounts) and Shri R.K. Bhatnagar, Dy. Manager (Accounts) i.e. Head(s) of Accounts of Modi Rubber Limited at Head Office and Plant, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit & Loss Account and its schedules and notes on accounts as well as the Cash Flow Statement for the accounting year ended 31.03.2006.
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements or any statement that might be misleading.
3. Based on our knowledge and information, the Financial Statements and other information included in this report, present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards and/or applicable laws and regulations.
4. To the best of our knowledge and belief, no transactions entered into by the Company during the accounting year are fraudulent, illegal or violative of the Company's code of conduct.
5. We are responsible for establishing and maintaining internal controls over financial reporting for the Company and we have evaluated the effectiveness of the Internal Control Systems of the Company.

6. We have disclosed based on our most recent evaluation, wherever applicable to the Company's Auditors and the Audit Committee of the Company's Board of Directors.

- all deficiencies in the design or operation of internal controls and have identified for the Company's Auditors any material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies.
- Significant changes in internal controls during the accounting year covered by this report.
- All significant changes in accounting policies during the year under review and that the same have been disclosed in the notes to the financial statements.
- Instances of significant fraud of which we are aware, that involves management or other employees who have significant role in the Company's internal control systems.

7. We further declare that all Board Members and Senior Managerial Personnel have affirm compliance with the code of conduct for the accounting year under review.

For MODI RUBBER LIMITED,

Place: New Delhi
Date : November 17, 2006

R.K. Bhatnagar K.B. Gupta
Dy. Manager (Accounts) CGM (F & A)
(Plant) (HO)