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Modi Rubber Limited

35TH ANNUAL REPORT 2006-2007



THE COMPANY

BOARD OF DIRECTORS

Surinder Singh Kohli
Chairman
(Nominee of UTI)

Vinay Kumar Modi
Vice-Chairman &
Managing Director

Bhupendra Kumar Modi (Dr.)

Sushil Chand Tripathi
SPECIAL DIRECTOR –
(NOMINEE OF BIFR)

Pawan Chopra
SPECIAL DIRECTOR –
(NOMINEE OF BIFR)

Subarata Lahiri
(NOMINEE OF IFCI)

Shyam Bahadur Kunwar
(NOMINEE OF LIC)

Sanjeev Kumar Chanana
(NOMINEE OF GIC)

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

DEPUTY COMPANY SECRETARY
Sudesh Bhardwaj

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

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35TH ANNUAL GENERAL MEETING

Date	: 3rd November, 2007
Day	: Saturday
Time	: 11.30 A.M.
Place	: Auditorium, Dayawati Modi Public School, Modinagar
Book Closure Dates	: 1st November, 2007 to 3rd November, 2007 (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 **35th Annual General Meeting** (AGM) of Modi Rubber Limited shall be held on Saturday, 03.11.2007 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 31.03.2007 and the Balance Sheet as at 31.03.2007 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 an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 224 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 2007-2008 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.1,50,000.00 (Rs.One Lac Fifty Thousand Only) plus service tax and reimbursement of travelling 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) during the year."

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 269 and other applicable provisions, if any, read with the provisions of Schedule XIII, of the Companies Act, 1956 the Company hereby accords its approval and consent to the appointment of Shri Vinay Kumar Modi, Vice Chairman as Managing Director of the Company for a period of five years with effect from 23.01.2007.

"RESOLVED FURTHER THAT the Board of Directors of the Company including any Committee(s) constituted by the Board be and are hereby authorized to do all such acts, deeds, matters and things as in its absolute discretion may consider, necessary expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution or even otherwise considered appropriate by the Board to be in the best interest of the Company."

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

Regd. office : Modinagar
Distt. Ghaziabad (U.P.)
Date : October 01, 2007

S Bhardwaj
Dy. Company Secretary

NOTES:

1. Explanatory Statement in respect of Item No. 3 of the Notice as required under Section 173 of the Companies Act, 1956, is annexed herewith.
2. The Registrar of Companies, UP & Uttaranchal has vide its letter dated 11.09.2007 granted an extension of time to the Company upto 28.12.2007 for holding its Annual General Meeting for the accounting year ended 31.03.2007 under Sub Section (1) of Section 166 of the Companies Act, 1956.
3. The Register of Members (Equity Shares of Rs.10/- each) and Share Transfer Books, of the Company relevant thereto shall remain closed from 01.11.2007 to 03.11.2007 (both days inclusive).
4. 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 the Member(s) of the Company.
5. 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.
6. 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.
7. Members/Shareholders are requested to correspond directly with our Transfer Agents and Registrars (as mentioned elsewhere in this 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 3 Shri Vinay Kumar Modi has been a Director of the Company since its inception i.e. from the year 1971. He was appointed as Vice Chairman of the Company w.e.f. 16.02.1976 and Managing Director of the Company with effect from 29.03.1977 and has continued as Managing Director upto 28.03.2002. However, due to the closure of operations of the Company no Managing Director was appointed till 22.01.2007.

Consequent to the approval accorded by BIFR vide its order dated 11.12.2006, Shri VK Modi and/or his group and/or person/entity designated by him for this purpose and as persons acting in concert were permitted to purchase only 1,10,79,061 equity shares of the Company held by the Financial Institutions. The Hon'ble BIFR has termed the aforesaid acquisition of shares as the first, inherent and integral part in the scheme of rehabilitation of the Company. Consequent upon acquisition of equity shares held by FIs (44.25%) by Shri VK Modi his Nominees/ Persons Acting in Concert on



18.01.2007, Shri Vinay Kumar Modi and his associates/Persons Acting in Concert collectively hold 64.45% stake in MRL.

Therefore, in order to give unified command and effective control over the management of MRL Shri Vinay Kumar Modi has been appointed as Managing Director as well as Occupier of the factories of MRL at Board Meeting(s) held on 23.01.2007 and 10.03.2007 respectively. He has been vested with the substantial powers of the management including to take control of the properties, and to take steps for re-commencement of operations at Factories. His appointment as Managing Director has also been taken on record/ approved by the BIFR vide its Orders dated 13.03.2007 and 17.07.2007 respectively.

Even though the appointment of Shri Vinay Kumar Modi is without remuneration, however, he shall be entitled for such perquisites and reimbursement of expenses actually incurred by him in connection with his discharging duties as Managing Director of the Company in the course of business of the Company and/or such other benefits/ amenities and privileges as may from time to time be available to other senior executives of the Company.

Shri Vinay Kumar Modi aged 64 years is an Engineering Graduate from Indian Institute Technology, Kanpur and is a renowned industrialist with over 36 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 has been nominated by the Government to serve as Member 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.

Shri Vinay Kumar Modi is a Member of Governing Bodies 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. and Director of Modi Industries Ltd., RB Multaniimal & Sons Pvt. Ltd.

Keeping in view of his vast experience and significant contribution to the Company the Board of Directors of the Company are convinced that the proposed appointment of Shri Vinay Kumar Modi, Vice Chairman as Managing Director for a period of five years w.e.f. 23.01.2007 to 22.01.2012 will be in the best interest of the Company.

Hence, the resolution as mentioned at Item No.3 of the accompanying Notice is proposed.

The Notice and explanatory statement may be treated as an abstract of the terms of appointment of Shri Vinay Kumar Modi, as Managing Director of the Company as required to be circulated under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Shri Vinay Kumar Modi and his brother Dr.BK Modi may be considered to be interested or concerned in 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 present the 35th Annual Report together with the Audited Statement of Accounts of your Company for the accounting year ended 31st March, 2007.

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, all possible efforts are being made to recommence the operations at the earliest.

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 BIFR at its hearing held on 17.05.2006 declared the Company as a sick Company under Section 3(1)(o) of SICA. IDBI was appointed as an Operating Agency (OA) by BIFR with the directions to prepare and submit a revival scheme. Subsequently, BIFR has vide its Order dated 09.11.2006 appointed the State Bank of India (SBI) as the OA in place of IDBI.

REHABILITATION/REVIVAL OF THE COMPANY

It is pertinent to mention that the Draft Revival Scheme (DRS) as approved by the Board of Directors of your Company at its meeting held on 10.03.2007 was submitted by the Company to the Operating Agency i.e. State Bank of India on 15.03.2007.

The OA, in accordance with the directions of the Hon'ble BIFR vide its Order dated 05.09.2006, based on the Techno Economic Valuation Report of M/s. Hardicon Ltd. and Valuation Report dated 02.02.2007 submitted by M/s. GKC Management Services Pvt. Ltd., New Delhi has prepared a comprehensive rehabilitation scheme for revival of MRL and has already submitted the same to BIFR on 29.08.2007 for its approval.

An inspection of plants was conducted by the SBI (OA) alongwith Technical personnel on 25th and 26th June, 2007 to enable it to take a stock of the physical condition of the plant and machinery. The visiting team after inspecting the plant confirmed that the plants of the Company are in good condition and can be made operative within a short period.

DIVISION OF MRL INTO TWO INDEPENDENT VIABLE UNITS.

As a part of the rehabilitation/revival scheme it is proposed that the manufacturing and production operations be curved out in the following identifiable business segments/parts as under.

- i) The Modinagar plant will continue to be owned and operated by MRL and funds for settlement of creditors and working capital will be arranged by MRL from its own and independent sources.
- ii) The Modipuram and Partapur plants will be transferred to a new Company named Modi Tyre Company Pvt. Ltd. (MTCPL) which shall be the wholly owned subsidiary of MRL. This Company will independently raise funds for its repair and working capital re-

quirements.

The following effective steps have already been taken towards revival of the Company.

- a) The process of acquisition of equity shares held by FIs (44.25%) by Shri VK Modi his Nominees/ Persons Acting in Concert has already been completed on 18.01.2007 for which a sum of Rs.101 Crores has been paid. Now Shri VK Modi and his associates collectively hold 64.45% stake in MRL as an essential and integral part for revival/rehabilitation of MRL.
- b) In accordance with approval accorded by Hon'ble BIFR the NCDs subscribed by FIs (secured creditors) have been repaid at Rs.21.23 Crores on 12.12.2006. As the Financial Institutions were holding first charge over the fixed assets of the Company, having settled and repaid their debts in entirety, the charge earlier registered in favour of the NCD holders will be vacated and charge will now be created in favour of the existing debentureholder(s).
- c) In order to give unified command and effective control over the management of MRL Shri VK Modi has been appointed as Managing Director as well as Occupier of the factories of MRL at Board Meeting(s) held on 23.01.2007 and 10.03.2007 respectively. He has been vested with the substantial powers of the management including to take control of the properties, and also to take steps for re-commencement of operations at Company's Factories. His appointment as Managing Director has also been taken on record/approved by the BIFR vide its Orders dated 13.03.2007 and 17.07.2007.
- d) The Hon'ble BIFR in its Order dated 17.07.2007 has observed that any Scheme for revival of the Company had to be considered in the hands of the existing promoters/ management. Only if the existing promoters/management are unable to submit an acceptable scheme, would the BIFR consider alternative measures for revival of the Company.
- e) Pursuant to the decision taken by the MRL Board and orders passed by the BIFR/AAIFR/ Allahabad High Court as well as Local Administration the proceedings under Section 145 of Cr. P.C. earlier imposed by SDM, Sardhana have been dropped and SHO, PS, Daurala has removed the seal affixed on the factory premises. The possession of the Factory premises at Modipuram, Partapur and Modinagar was given to the OA on 20.08.2007 and 24.08.2007 respectively who in turn have handed over the same to the Company.

Effective steps to recommence the production are already in process.

FINANCIAL RESULTS

There has been a brought forward loss of Rs.147.30 Crores as on 31.03.2006. During the year under review, the Company received an income of Rs. 13.55 Crores as dividend and Debenture Redemption Reserve (DRR) of Rs.8.71 Crores (no more required NCD having already been repaid) has been reversed. Besides this,



depreciation of Rs.13.35 Crores for the years from March, 2005 to March, 2007 has been provided and due to non recoverable assets and excess liabilities written off to the extent of Rs.33.49 Crores, Provisions made for non recoverable/doubtful assets aggregating to Rs.33.90 Crores and excess/provisions liabilities of Rs.14.05 Crores written back there has been net increase in loss aggregating to Rs.53.34 Crores. Besides this after taking into profits of Rs.1.68 Crores for the year 31.03.2007 the net impact is Rs.70.02 Crores making the total accumulated loss to the tune of Rs.208.61 Crores.

BOARD OF DIRECTORS

GIC vide its letter dated 12.09.2007 had withdrawn the nomination of Shri SK Chanana as its Nominee Director on the Board of Directors of the Company. Keeping in view of the stipulation made by BIFR for not making any change in the Board of Directors without their specific permission necessary steps to make requisite compliance are being taken. In these circumstances Shri SK Chanana will continue as Director on the Board of Directors of the Company till the necessary approvals are received.

Since the BIFR vide its Order dated 17.05.2006 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.

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 29.12.2006

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, 4 to 8, 10(a) to 10(d), 11, 13(a)(i), 13(c), 14(b), 15, 18, 21, 22, 23, 27 and Note No.3 to Schedule 5. 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 31.03.2007.

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 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

Presently, the equity shares of the Company are listed with the National Stock Exchange, Mumbai (NSE), The Stock Exchange, Mumbai (BSE) and Delhi Stock Exchange Association Ltd., New Delhi (DSE). However, due to closure of operations in the Company on account of certain non compliance the trading of the shares were suspended in November, 2002. Your Company has recently complied with all requisite formalities and the reinstatement of trading of its shares is expected shortly. For the year under review the Company has paid listing fee to all the concerned Stock Exchange(s).

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, 25.34% of the paid up capital is held in dematerialised form.

SUBSIDIARY COMPANIES

Annual Reports together with audited accounts of the wholly owned subsidiary Companies of the Company i.e. Spin Investment (India) Ltd. and Superior Investment (India) Ltd. for the accounting year ended 31.03.2007 are attached as required under Section 212 of the

Companies Act, 1956. The annual accounts of Modistone Ltd. for the accounting year ended 31.03.2007 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.

STATUTORY DISCLOSURES

The statement containing the necessary information as required under 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) relating to the energy conservation, technology absorption, foreign exchange earnings and outgo during the year under review is annexed at Annexure-A. 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.

CORPORATE GOVERNANCE

The Company has been endeavouring 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.

CASH FLOW ANALYSIS

In conformity with the provisions of Clause 32 of the Listing Agreement(s) entered into between the Company and concerned Stock Exchange(s) the Cash Flow Statement for the year ended 31.03.2007 is annexed hereto.

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, wherever available, as approved by their Board; and forms part of this Annual Report and Accounts.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under Clause 49 of the Listing Agreement entered into between the Company and concerned Stock Exchange(s) is attached as Annexure B-1 and become integral part of this Report.

PERSONNEL

Your Directors have pleasure to place it on record that as a step forward to recommence the production activities at the plants of the Company the management has reached a settlement with workers to pay an exgratia amount towards all their past dues for the closure period, as well as terms for future operations and requisite agreement(s) to this effect have already been executed with the workers individually. The first instalment of the agreed settlement amount has already been paid to the workers at the time of signing of the Agreement(s).

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

(S S Kohli)
Chairman

Place : New Delhi

Date : October 01, 2007



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 31.03.2007. 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	2006-2007	2005-2006
(A) POWER & FUEL CONSUMPTION		
(1) Electricity		
(a) Purchased Units	—	—
Total amount (Rs./lacs)	—	—
Rate/Unit (Rs.)	—	—
(b) Own Generation		
Units	—	55,664
Total amount (Rs./lacs)	—	3.58
Units/Ltr of D.Oil	—	4.96
Cost/Unit (Rs.)	—	6.03
Total Electricity (a+b)	—	55,664
(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	2006-2007	2005-2006
	(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 31.03.2007 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 31.03.2007.

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 that of 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

The Board of Directors presently consists of eight directors of which four are Nominée Directors of Financial Institutions and two directors are appointed by BIFR as Special 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 SS Kohli, Non Executive (Nominée Director of UTI)
Promoter Director	Shri Vinay Kumar Modi, Vice Chairman & Managing Director (Managing Director w.e.f. 23.01.2007)
Director	Dr. Bhupendra Kumar Modi, Non Executive Director
Nominee Directors	Shri SC Tripathi Non Executive (Special Director appointed by BIFR)
	Shri Pawan Chopra Non Executive (Special Director appointed by BIFR)
	Shri S Lahiri, Non Executive (Nominée of IFCI)
	Shri Sanjeev Kumar Chanana Non Executive (Nominée of GIC)
	Shri Shyam Bahadur Kunwar, Non Executive (Nominée of LIC)

Dates and number of Board Meetings

During the accounting year ended 31.03.2007, five meetings of the Board of Directors were held on

- 26.06.2006
- 12.08.2006
- 29.12.2006
- 23.01.2007
- 10.03.2007

The intervening period between the Board Meetings was well within the maximum time gap of four months as prescribed in Clause 49 except in two cases.

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	05	00	01	Yes
Shri Vinay Kumar Modi Vice Chairman & Mng. Director	Promoter Director	05	05	03	Yes
Dr. Bhupendra Kumar Modi Director	Non Executive	03	08	01	No
Shri Sanjeev Kumar Chanana Nominee Director of GIC	Non Executive	04	00	01	No
Shri Shyam Bahadur Kunwar Nominee Director of LIC	Non Executive	02	00	01	No
Shri S Lahiri Nominee of IFCI	Non Executive	01	00	01	Yes
Shri SC Tripathi Nominee of BIFR w.e.f 22.09.2006	Non Executive	05	00	00	No
Shri Pawan Chopra Nominee of BIFR w.e.f 22.09.2006	Non Executive	03	00	00	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

The Board of Directors of the Company had re-constituted its Audit Committee on 26.06.2006. During the year under review the Audit Committee comprised six directors viz. Shri SS Kohli, Shri VK Modi, Dr. BK Modi, Shri S Lahiri, Shri SB Kunwar and Shri SK Chanana as its Members. Shri SS Kohli, Chairman of the Board of Directors is also the 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.

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and creditable.
- Recommending to the Board, the appointment, the re-appointment and, if required, the replacement or removal of Statutory Auditors and the fixation of audit fee.
- Approval of payment to the Statutory Auditors for any services rendered by them.
- Reviewing with the management the quarterly/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;
- Reviewing the adequacy of the internal audit functions, if any, including the structure of the Internal Audit Department and frequency of internal audit. Discussions with the Internal Auditors any significance findings and follow up thereon;
- Discussion with Statutory Auditors before the audit commences about the nature and scope of the audit as well as post audit discussions to ascertain any area of concern; and
- Carry out any other function as is mentioned in the terms of reference of the Audit Committee.

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. During the accounting year ended 31.03.2007, three meetings of the Committee were held on

- 26.06.2006
- 12.08.2006
- 23.01.2007

Name of the Members	Designation	No. of meetings attended
Shri SS Kohli	Chairman	3
Shri VK Modi	Member	2
Dr. BK Modi	Member	1
Shri S B Kunwar	Member	3
Shri SK Chanana	Member	3
Shri S Lahiri	Member	3

4. Remuneration Committee

The Board of Directors of the Company at its meeting held on 23.01.2007 appointed Shri Vinay Kumar Modi as Managing Director for a period of five years with effect from that date without remuneration. However, 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 paid/payable to the Directors

Remuneration/Sitting fee paid/payable to directors during the year ended 31.03.2007 under review is given below:

(in Rs.)

Name of Director	Sitting fee	Commission
Shri SS Kohli, Chairman Nominee Director of UTI	10000	0
Shri SB Kunwar Nominee Director of LIC	24000	0
Shri Sanjeev Kumar Chanana ** Nominee Director of GIC	28000	0
Shri S Lahiri ** Nominee Director of IFCI	35000	0
Shri SC Tripathi Nominee of BIFR	10000	0
Shri Pawan Chopra Nominee of BIFR	10000	0

**In accordance with the communication received from IFCI Ltd. and GIC the sitting fees payable to Shri S Lahiri 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) which takes care of the responsibility of Shareholders'/Investors Transfer/Grievance Committee also and used to hold its meeting once in a month. 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 as per Certificate dated 28.09.2007 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 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	34	34	Nil
2	Process of Duplicate	00	00	Nil
3	Non receipt of shares	04	04	Nil
4	Non receipt of dividend	02	02	Nil
5	Non receipt of annual report	16	16	Nil
6	Non receipt of demat credit	25	25	Nil
7	Nomination Form 2B	00	00	Nil
8	Non receipt of redemption	00	00	Nil
9	Request for stop transfer	04	04	Nil
	Total	86	86	

6. General Body Meetings (AGMs)

The last three AGMs were held as under :-

Year	Venue	Date	Time
2005-2006	Dayawati Modi Public School, Modinagar	29.12.2006	11.30 A.M.
2004-2005	Dayawati Modi Public School, Modinagar	28.09.2005	11.00 A.M.
2003-2004	Dayawati Modi Public School, Modinagar	28.09.2004	11.00 A.M.

Since the Company could get possession of its factories only in the last week of August, 2007 there has been delay in finalization/audit of accounts for the year ended 31.03.2007. In consideration of the request made by the Company, the Registrar of Companies, Uttar Pradesh, Kanpur has granted an extension of time for a period of 90 days for holding the 35th Annual General Meeting of the Company on or before 28.12.2007.

Postal Ballot Not Applicable

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

As required under Sub Clause V of Clause 49 of the Listing Agreement, necessary certificate on the Financial Statements and the Cash Flow Statement for the accounting year ended 31.03.2007 from the CEO i.e. the Managing Director and CFO i.e. the person heading the finance functions of the Company 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 for the year under review.

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 Nil

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

i) 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.

b) Superior Investment (India) Limited

c) Spin Investment (India) Limited

ii) Key Management Personnel :

Mr. Vinay Kumar Modi (As Managing Director w.e.f. 23.01.2007) (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	324.14
b. Reimbursement to Spin Investment (India) Ltd. by MRL	Nil
c. Advance taken from Superior Investment (India) Limited for incurring expenses:	Nil
d. Advance returned to Superior Investment (India) Ltd.	0.25
e. Payables at the year end as on 31.03.2007 to Spin Investment	1452.35
Payables at the year end as on 31.03.2007 to Superior Inv.	248.45
f. Salary to Managing/Executive Directors	Nil
g. Sitting fee paid to Non Executive Directors	1.60

B. Associates

- Expenses incurred by MRL on behalf of GGL 10.51
- Receivables at the year end as on 31.03.2007 Nil

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 respectively. Earlier due to the closure of operations in the Company effective from August, 2001 the last of such un-audited Results relating to quarter ended 30.06.2001 were published on 03.08.2001 and compliance could not be made thereafter. Even though, effective from 30.06.2006 necessary compliance regarding publication of quarterly results are being made, however, the Company is still required to comply with the requirements of limited review by the auditors.

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

Requisite information relating to the Management Discussion & Analysis are enclosed as Annexure B-1 and become integral part of this report.