

Report  junction.com



Modi Rubber Limited

37TH ANNUAL REPORT 2008-2009

THE COMPANY

BOARD OF DIRECTORS

Vinay Kumar Modi
Chariman & Managing Director

Alok Modi

Arvind Nath Seth

Sushil Chand Tripathi
Special Director – (Nominee of BIFR)

K S Bains

Sanjiwan Sahni

Sanjeev Kumar Bajpai
Head – Legal & Company Secretary

REGISTERED OFFICE
Modinagar – 201 204
District Ghaziabad
(Uttar Pradesh)

HEAD OFFICE
4/7C DDA Shopping Centre
New Friends Colony
New Delhi – 110 025

WORKS
Modinagar – 201 204
District Ghaziabad
(Uttar Pradesh)

BANKERS
Yes Bank Ltd.

STATUTORY AUDITORS
M/s P.D.M. & Co.,
(Formerly Prabhat Jain & Co.)
Chartered Accountants
B-61, Flatted Factory Complex
Jhandewalan, New Delhi 110 055

REGISTRAR & SHARE TRANSFER AGENT
M/s MAS Services Ltd.
T-34, IInd Floor, Okhla Industrial Area
Phase – IInd, New Delhi 110 020
Tel (011) 26387281, 82, 83
Fax (011) 26837286

Report Junction.com

37TH ANNUAL GENERAL MEETING

Date	: 28th October, 2009
Day	: Wednesday
Time	: 11.30 A.M.
Place	: Auditorium, Dayawati Modi Public School, Modinagar
Book Closure Dates	: 23rd September, 2009 to 29th September, 2009 (both days inclusive)

CONTENTS	PAGE NO.
Notice	2
Directors' Report.....	3
Auditors' Report.....	8
Balance Sheet	10
Profit & Loss Account	11
Schedules.....	12
Statement under Section 212 of the Companies Act, 1956.....	27
Superior Investment (India) Ltd.	28
Spin Investment (India) Ltd.....	32
Modi Tyres Company Private Ltd.	36
Consolidated Financial Statements	45

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 37th Annual General Meeting of Modi Rubber Limited shall be held on Wednesday, October 28, 2009 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 Balance Sheet as at 31.03.2009, the Profit & Loss Account as on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Arvind Nath Seth who retire by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix there remuneration. M/s PDM & Co. Chartered Accountants, New Delhi, the existing Auditors of the Company are eligible for re-appointment.

SPECIAL BUSINESS

4. 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 260 of the companies Act, 1956, Shri K S Bains, who was appointed as additional director by Board of Directors of the Company and in respect of whom Company has received notice under Section 257 of the Act, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board
for **Modi Rubber Limited**

Place: New Delhi
Date: September 07, 2009

S K BAJPAI
Head – Legal & Com. Secy.

Notes:

1. Explanatory Statement in respect of Item No. 4 of Notice, as required under Section 173 of the Companies Act, 1956, is annexed herewith.
2. The Register of Members and Share Transfer Books of the Company relevant thereto shall remain closed from 23.09.2009 to 29.09.2009 (both days inclusive).
3. 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/ her self and the proxy(ies) need not be the Member(s) of the Company. The proxy form(s) duly completed and signed should reach the Company's Registered Office at Modinagar at-least 48 hours before the time fixed for the meeting.
4. Members desirous of obtaining any information concerning the Accounts of the Company are requested to send their request at the Head Office of the Company atleast seven days before the date of the Meeting, so that the information required may be made available at the Meeting.

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

Item No. 4

Shri K S Bains, IAS (Retd.) was appointed as the Additional Directors of the Company by Board in its meeting held on 26.08.2009 to hold the office upto the conclusion of ensuing Annual General Meeting. Company has received notice from a member of the Company under Section 257 of the Companies Act proposing his candidature for appointment as Directors who are liable to retire by rotation. Hence, resolution as mentioned Item Nos. 4 of the Notice is proposed. Your Board recommends passing of the said resolution.

None of the Directors of the Company except Mr K S Bains may be interested or concerned in passing of the proposed resolution No. 4. Information required under Clause 49 of the Listing Agreement in respect of Director proposed to be appointed by Resolution Nos. 4 is given below:-

Particulars	Shri K S Bains
Age(in years)	74
Qualifications	I.A.S.(Retd), PG Diploma in Macro Economic Development, (U.K) B. Tech, (IIT Kharagpur), B.A.(Maths)
Expertise in specific functional areas	Industry, Finance & Management
Date of appointment on the Board of the Company	26.08.2009
Names of other Companies in which Directorships held	Nil
Names of other Companies in which Committee Membership / Chairman-ships held	Nil
No. of Shares held	Nil

INSPECTION OF DOCUMENTS

All material documents referred to in the Notice will be kept open for inspection by the members, at the Registered Office of the Company, from 11AM to 1 PM on all working days from 23.10.2009 upto the date of AGM.

By order of the Board
for **Modi Rubber Limited**

Place: New Delhi
Date: September 08, 2009

S K BAJPAI
Head – Legal & Com. Secy.



DIRECTORS' REPORT

Your Directors present the 37th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2009.

REHABILITATION SCHEME SANCTIONED BY HON'BLE BIFR & PLANT OPEARTIONS

Board for Industrial & Financial Reconstruction (BIFR) sanctioned a rehabilitation scheme (SS08) for the revival of your company on April 21, 2008. Pursuant to SS08, Modipuram and Partapur Plants (Plants) were vested in M/s Modi Tyres Company Pvt. Ltd. (MTCPL) a wholly owned subsidiary of MRL from March 31, 2008. SS08 is substantially under implementation.

Your Board of directors is pleased to report that after extensive repair and refurbishment exercise under the supervision of foreign experts coupled with the arrangement of working capital requirement in place with Yes Bank for MTCPL operations, Plants have commenced commercial production in June 2009. Management has made extensive use of Information technology and installed SAP in production for uniformity of products, effective control and to keep organization lean and thin for better margins. These measures have substantially brought down cost.

MTCPL signed agreements for technology and brand name on the products manufactured at Modipuram Plant, with Continental, Germany. Tyres will be marketed and sold under the brand name "Continental" in India. Though the Plants are fully equipped and geared up to produce at capacity but Management decided keeping in view present economic environment to ramp up its production in line with sale requirement so as to keep low inventory holding up.

Marketing efforts are on for strengthen its distribution net work through CFA and Dealers across the country so that products are available to customers. During the current year, MTCPL is geared to get substantial orders for exports too.

In terms of SS 08, Modi Tyres Factory (MTF)-Modinagar Plant which will continue to be owned and operated by MRL is with the possession of Official Liquidator appointed by the Hon'ble Allahabad High Court. Land and Factory shed of MTF is on lease perpetual in nature from Modi Export Processors Ltd. which has been liquidated by the Order of Hon'ble Allahabad High Court. Your company has made applications before the Hon'ble Allahabad High Court for desaleing and taking back possession from OL in compliance with BIFR direction. After possession, MRL shall undertake repair work to make MTF functional at the earliest. In view of the above, operations at MTF plant, however, continue to remain suspended.

All Secured Creditors have been settled. Barring a few unsecured creditors to whom company had offered to settle their dues as per BIFR SS08, all other unsecured creditors have accepted settlement as per BIFR SS08. The Company has also paid dues as determined in SS 08 to a vast majority of workmen who settled with company, excepting few, who are being persuaded to fall in line with BIFR Order.

FINANCIAL RESULTS

During the year under review, the Company received an income of Rs.4387.21 lacs, mainly due to sale of assets, interest & dividend, written back of liabilities, sale of old stock of tyres etc. After taking into account write back of liabilities etc. as aforesaid as per BIFR Order, the accumulated losses of the Company have reduced to Rs.2763.87 lacs as compared to Rs.5801.05 lacs in the previous year. Your Directors hope that barring unforeseen circumstances, these losses would also be wiped off by the end of current financial year.

BOARD OF DIRECTORS

Shri SS Kohli, Shri SB Kunwar, Nominees of FIs and Shri Pawan Chopra, nominee of BIFR have resigned and ceased to be directors of your company. Mr K S Bains has been inducted on the Board of your company as additional director. Nominees of BIFR and Chairman & Managing Director are non retiring directors in terms of the Articles of Association and the terms of their appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors of your Company declare as under

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith 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

M/s. PDM & Co., Chartered Accountants, New Delhi, shall retire as Statutory Auditors of the Company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Auditors' observations in their Report have been elaborately dealt with in the Auditors' Report / Notes on Accounts in Schedule 5. The same are self explanatory and do not need any more information/explanation.

Cost Accounting Record Rules and Cost Audit Report Rules are not applicable due to closure of the plants.

SUBSIDIARY COMPANIES

Statement under Section 212 of the Companies Act, 1956 together with Annual Reports of Company's three Wholly Owned Subsidiaries, namely Spin Investment (India) Limited, Superior Investment (India) Limited and Modi Tyres Company Private Limited, are attached.

STATUTORY DISCLOSURES

During the year under review, there was no employee for the purpose of Section 217(2A) of the Act. Since there was no production, there is no information required to be given for energy conservation, technology absorption, fuel consumption etc. u/s 217 (1) (e) of the Act. Information about foreign exchange earnings and outgo is nil during the year under review.

CORPORATE GOVERNANCE

As per applicable provisions of Clause 49 of the listing agreement with Stock Exchanges, a Management Discussion & Analysis Report, and a Report on Corporate Governance together with Auditors' Certificate form part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

Requisite Consolidated Financial Statements of the Company and its Subsidiaries are enclosed and form part of this Report.

ACKNOWLEDGEMENT

Your Directors express their appreciation for assistance and co-operation from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors also appreciate services of executives, staff and workers of the Company. Your Directors are specially obliged to the Hon'ble BIFR for sanctioning the Rehabilitation Scheme and putting the Company on the path of recovery.

For and on behalf of the Board

Place: New Delhi
Date: August 26, 2009

(Vinay Kumar Modi)
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

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 stakeholders. Your Company

endeavors to follow procedures and practices in conformity with the Code of Corporate Governance outlined in the Listing Agreement.

1. 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.

2. BOARD OF DIRECTORS

The Present compositions of the Board of Directors of Company is as follows:-

Name of Directors	Status i.e. Promoters, Executive, Non Executive, Independent, Nominee of Financial Institutions	Number of Board Meetings of the Company		Number of Membership in other Boards or other Committees as a Member or Chairperson		Whether attended the last AGM
		Held during the year	Attended during the year	Board	Committee	
Shri Surinder Singh Kohli*	Nominee of Fls	07	07	05	NA	Yes
Shri Vinay Kumar Modi @	Promoter / Executive	07	07	03	03	Yes
Shri Sushil Chand Tripathi	Nominee of BIFR	07	04	07	NA	No
Shri Pawan Chopra**	Nominee of BIFR	07	06	02	NA	No
Shri Shyam Bahadur Kunwar ***	Nominee of Fls	07	05	01	NA	No
Shri Alok Modi @	Promoter / Non Executive	07	04	03	NA	Yes
Shri Arvind Nath Seth @	Promoter / Non Executive	07	01	04	02	Yes
Shri Sanjiwan Sahni	Independent / Non Executive	07	03	00	00	Yes
Shri K S Bains +	Independent / Non Executive	07	N.A			No

* Resigned w.e.f. 17.06.2009, ** Resigned w.e.f. 17.07.2009, *** Resigned w.e.f. 24.11.2008, + Appointed w.e.f. 26.08.2009 @ Shri Vinay Kumar Modi is father of Shri Alok Modi and brother in law of Shri Arvind Nath Seth..

During the year, there was no pecuniary relationship or business transaction by the Company with any Non Executive Director other than sitting fee for attending the Board / Committee meetings as well as the traveling / conveyance expenses incurred for attending Company's business / meetings.

During the year, seven meetings of the Board of Directors were held on 21.04.2008, 07.05.2008, 14.06.2008, 19.07.2008, 29.08.2008, 25.10.2008 and 31.01.2009

Share holding of Non Executive Directors

Name	*Shri S S Kohli	Shri SC Tripathi	*Shri Pawan Chopra	*Shri S B Kunwar	Shri Alok Modi	Shri A N Seth	Shri S Sahni	Shri KS Bains
No. of Share held	Nil	Nil	Nil	Nil	928	Nil	Nil	Nil

* Ceased to be a director

3. AUDIT COMMITTEE

The constituted Audit Committee has the terms and roles as specified in Clause 49 of the Listing Agreement / Section 292A of the Companies Act, 1956. Audit Committee consists of the following members Shri SS Kohli as Chairman (upto 17.06.2009), Shri VK Modi as member, Shri SB Kunwar, (upto 24.11.2008), Shri Sanjiwan Sahni was appointed as member, Shri K S Bains as Chairman W.e.f. 26.08.2009.

The Members of the Committee have requisite financial and related management expertise. Company Secretary acts as Secretary of the Committee.

During the year 2008-09, five meetings of the Committee were held on 21.04.2008, 19.07.2008, 29.08.2008, 25.10.2008 and 31.01.2009.

The same were attended by the Members:-

Name of the Members	No. of meeting attended
Shri S S Kohli, Chairman*(cease w.e.f. 17.06.2009)	5
Shri Vinay Kumar Modi	5
Shri S B Kunwar*(cease w.e.f. 24.11.2008)	3
Shri Sanjiwan Sahni+(Appointed w.e.f. 19.07.2008)	3

4. REMUNERATION

There has been no occasion for consideration of payment of remuneration to any Director during the year. As and when necessary, Board will constitute a Remuneration Committee. There is no stock option scheme of the Company for any Director (whole time / non whole time). No remuneration is paid to Managing / whole time



director, except the sitting fee paid to independent non executive directors for attending Board / Committee meetings during the year.

5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Company has a Share Transfer Committee (STC) which looks after Shareholders / Investors' complaints & grievances, and holds its meetings as and when necessary. The Committee consists Managing Director as Chairman and two directors as members. Company Secretary acts as secretary of the Committee and also compliance officer of the Company. The Board has delegated the authority for registration of shares upto 250 to Company Secretary and from 251 to 500 to Managing Director. Above 500 is approved by the STC. During the year under review, 123 complaints were received by the Company / Registrar and Share Transfer Agents from shareholders. All these complaints have been redressed. There were no share transfer applications pending for registration as on 31st March, 2009.

6. DIRECTORS

Shri S S Kohli, Shri Pawan Chopra, Shri S B Kunwar, resigned from the Board of Directors w.e.f. 17.06.2009, 17.07.2009 and 24.11.2008, respectively. Shri K S Bains was appointed as Additional Director of the Company w.e.f. 26.08.2009. Profile of appointed director is given in Notice convening 37th Annual General Meeting of the Company.

7. GENERAL BODY MEETINGS

Location and time where the last three Annual General Meetings held are as under:-

Year	Venue	Date	Time
36 th AGM	Dayawati Modi Public School, Modinagar	30.09.2008	10.00 A.M
35 th AGM	Dayawati Modi Public School, Modinagar	03.11.2007	11.30 A.M
34 th AGM	Dayawati Modi Public School, Modinagar	29.12.2006	11.30 A.M

POSTAL BALLOT

Company had passed a Special resolution through Postal Ballot mortgaging immovable property as collaterals to Bank which has sanctioned working capital limits of Rs. 105 crores to its 100 % subsidiary MTCPL. Shri Namo Narain Aggarwal, Practising Company Secretary as Scrutinizer conducted Postal Ballot process.

Details of the voting patterns are as under:

1. No. of valid postal ballot forms received	18616236
2. Votes in favour of resolution	18614022
3. Votes against the resolution	2214
4. Resolution passed by % of valid votes received	99.98%

8. DISCLOSURES

- 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.

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

I Subsidiaries:	% Holdings
a) Modistone Limited (in liquidation)	55.32
Official Liquidator has taken possession of the Company w.e.f. 25.07.2002- the date of	

appointment of Official Liquidator by Bombay High Court.

b) Superior Investment (India) Limited	100.00
c) Spin Investment (India) Limited	100.00
d) Modi Tyres Company Pvt Ltd	100.00

Associates :

i) Man Diesel India Limited (Formerly known as Man B&W Diesel India Limited)	20.00
ii) Gujarat Guardian Limited (GGL)	21.24
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 MRL on behalf of Spin Investment (India) Ltd.	
b) Transfer of Assets /Liabilities (Net)	4354.79
c) Payable at the year end	6107.21
d) Expenses incurred by MRL on behalf of Modi Tyres Co Pvt. Ltd	5523.53
e) Transfer of Assets /Liabilities (Net)	3573.71
f) Receivable at the year end	794.37
g) Expenses incurred by MRL on behalf of Superior Investment (India) Limited	0.72
h) Payable at the year ended 31.03.2009	247.13

Associates :

i) Expenses incurred by MRL on behalf of GGL	9.71
j) Receivables at the year ended 31.03.2009	1.62

i) Key Management Personnel :

Mr. Vinay Kumar Modi, Chairman & Managing Director Nil

- 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.

There have been certain non-compliances in the past when the Company was passing through difficult phase of its sickness etc. and the same were notified in the Reports on Corporate Governance of earlier years. BIFR, vide its order dated 21st April, 2008 sanctioning the Rehabilitation Scheme for the Company, has directed the National and Bombay Stock Exchanges to condone / consider to condone all past non-compliances or contraventions of the Listing Agreements upto March 31, 2008 (Cut off date) and re-instate the trading in shares of the company. Thereafter, Company has been regular in making compliances and has submitted applications with Bombay and National Stock Exchanges for revocation of suspension and resumption in trading of company's shares which are pending with them for decision.

9. MEANS OF COMMUNICATION

Quarterly / Annual Financial Results of the Company are normally published in The Pioneer (national daily) and Vir Arjun (regional language) newspapers. The requisite information as required under the Listing Agreement is sent to the Stock Exchanges through fax / speed post / e-mail / courier etc. Company is yet to have its own web-site.

No representation was made to the Analysts. A Management Discussion and Analysis Report which forms part of the Annual Report is given by separate annexure and is attached to the Directors' Report.

10. GENERAL INFORMATION

Date, time and venue : Wednesday, October 28, 2009 at 11.30 A.M.
of the Annual Auditorium, Dayawati Modi Public
General Meeting School, Modinagar-201 204
Book Closure : 23.09.2009 – 29.09.2009 (both days
inclusive)
Financial Calendar : April 01, 2008 to March 31, 2009
Dividend payment date : Nil
Listing on Stock Exchanges : The Bombay Stock Exchange Ltd. (BSE)
National Stock Exchange of India Ltd. (NSE)
Stock code : MODIRUBBER (NSE)
MODIRUBB (BSE) / 500890
Listing fees : Duly paid for 2009 -10
Stock Market Data : No data. (Trading remains suspended
since Nov. 2002 & necessary applications
for revocation submitted and pending
with exchanges for decision).
Registrar and : Mas Services Ltd.
Transfer Agents T-34, 2nd Floor, Okhla Industrial Area,
Phase - II, New Delhi - 110 020
Ph:- 26387281/82/83, Fax:- 26387384
email:- info@masserv.com
website : www.masserv.com

Share Transfer System

M/s. Mas Services Ltd. are the Share Transfer Agents of the Company for handling both physical and demat share registry work. Shares received for transfer completed in all aspects in physical form are registered and dispatched normally within three weeks. Demat confirmations are normally sent within two weeks and thirty days in case of bulk request.

Distribution of Shareholding

The following is the distribution pattern of shareholding of equity shares of the Company as on 31.03.2009:-

No. of shares	No. of Share-holders	% of Share-holders	No. of Shares held	% of share-holding
1 – 5000	13764	95.17	1388734	5.55
5001 – 10000	483	3.34	345070	1.38
10001 – 20000	142	0.98	195693	0.78
20001 – 30000	28	0.19	69605	0.28
30001 – 40000	6	0.04	20445	0.08
40001 – 50000	6	0.04	27695	0.11
50001 – 100000	15	0.11	95799	0.38
100001 & above	19	0.13	22897491	91.44
TOTAL	14463	100.00	25040532	100.00

Shareholding pattern as on 31.03.2009

Category	No. of Shares held	% of Shareholding
Promoters	21564410	86.12
Banks, Insurance Companies	3379	0.01
Mutual Funds	700	0.00
Foreign Investing Institutions	228481	0.91
Bodies Corporate	574448	2.29
NRI/OQBs	121671	0.49
Indian Public	2547443	10.17
Total	25040532	100.00

Dematerialization of Shares and Liquidity

Over 7.50% of the shares have been dematerialised upto 31.03.2009.

Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity.

The Company has not issued any GDRs / ADRs / Warrants/ or any convertible instruments.

Plant Location : Modi Tyre Factory, Modinagar,
Dist. Ghaziabad. (U.P)

o) Address for : Mas Services Ltd.,
Correspondence for T-34, 2nd Floor, Okhla Industrial Area,
transfer/dematerialization Phase - II, New Delhi - 110 020
of shares, and any Ph:- 26387281/82/83
other query Fax:- 26387384

email:- info@masserv.com
website : www.masserv.com

Any query on : Secretarial Department,
Annual Report Modi Rubber Ltd.,
4-7C, DDA Shopping Centre, New
Friends Colony, New Delhi – 110 025
Phone 011 – 26848416, 26848417 -
Fax No. 011 - 26837530

Non Mandatory requirements

Company has not adopted the non-mandatory requirements as mentioned in Annexure – I-D of clause 49 of the Listing Agreement.

CEO / CFO CERTIFICATION

In terms of the requirement of Clause 49, Certificates from CEO / CFO has been obtained.

For and on behalf of the Board

Place : New Delhi
Date : August 26, 2009

Vinay Kumar Modi
Chairman & Managing Director



MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Tyre Industry, beside the Economic Growth of the country, is driven by Growth in Transportation, Automobiles and Road Development. Despite of the global Slowdown, Indian economy is estimated to register a growth rate over 6%. Due to economic slowdown in industry in particular tyre industry had affected severally in last 2 quarters of 2008-09. It is expected that demand of truck and bus tyres will improve in 2009-10.

Apollo, MRF, JK, Ceat and Birla are the main players in the Truck, Bus tyre market. Bridgestone has gained considerably in the Passenger Radial market. The radialisation in Car Tyre is 97% while in the Truck/Bus tyre market it is around 6-8% at present. Chinese Bias and radial tyres are also coming to Indian market.

MRL plans to outsource the stocking and distribution which will not only bring economy as it will be variable cost rather than fixed, but shall also improve delivery service to the market. Since the Tyre Production shall be under a subsidiary, it will be a clean company without carrying any Liability and will boost the prospects of Financing and Global partnering. Already the Company held negotiations with Continental, Germany and finalized the Technology Agreement and Brand use Agreement.

The strength of MRL has been its range of Truck / Bus tyres. This is also the profitable segment of the Tyre Market. The weakness shall be low volumes compared to most other companies and absence of Radial tyres. However, the opportunity is in terms of reducing cost and start best business practices from the beginning which will make the company competitive. The threat is from the large global players entering Indian market and the cheap Chinese imports.

The outlook is bright as the demand is growing in India and there is enough market overseas. The company has installed the SAP to improve business efficiency and competitiveness. It will enable desired internal controls while improving the speed of information for fast decision making at all levels. Already, the system has been designed through Accenture, a leading global Company, and the implementation will be carried in the next 2-3 months. Best of the talent is being recruited to build human resources team to ensure that the company is run on professional lines. Company has entered into agreement with majority of workmen individually. The agreement has defined the one time compensation against all past Liability till the date of fresh employment linked to the capacity utilization, Gratuity as per act and also production norms. The agreement will pave the way for good Industrial relations and productivity.

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 31.03.2009, 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.

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 PDM & Co.
(formerly Prabhat Jain & Co.)

Sd/-
(Prabhat Jain)
Partner
Chartered Accountants

Place: New Delhi
Date: 26.08.2009

AUDITORS' REPORT

Report of the Auditors to the Shareholders

1. We have audited the attached Balance Sheet of Modi Rubber Limited as at 31st March 2009, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that :-
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the requirements of the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956; and;
 - v) On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the Director is disqualified from being appointed as director of the company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, we further report that subject to:-
 - i) Note No. 4(d) regarding non-provision of Deferred Tax Asset/Liability;
 - ii) Note No. 7 regarding non availability of information of unpaid balances to Micro, Small and Medium Enterprises;
 - iii) Note No. 8 regarding non confirmation/ reconciliation of various balances of Suppliers, Customers, Advances etc; and;
 - iv) Note No. 12 regarding non ascertainment of value of intangible assets and value of impairment loss on Assets as per AS 26 & 28 respectively;

the total impact of which, is, presently not ascertainable,

the said accounts read with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-

- i) in the case of Balance Sheet, of the state of the Company's affairs as at 31st March 2009;
- ii) in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date; and;
- iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

for P D M & Co.
CHARTERED ACCOUNTANTS

Date : 26.8.2009
Place : New Delhi

CA. PRABHAT JAIN
Partner
M.No. 86756

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in the main Auditors Report of even date :

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets have not been physically verified by the management during the year. In view of non verification, it is not possible for us to comment, if there is any serious discrepancy.
- c) In our opinion and according to the information and explanation given to us the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) a) The inventories have been physically verified by the management at the year end.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to book records.
- iii) a) The Company has granted an interest free unsecured loan to a company listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount of loan granted during the year and the balance outstanding as at March 31, 2009 is Rs. 7,92.70 lacs.
- b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan given are not prima facie prejudicial to the interest of the company.
- c) Such loan outstanding at the year end is at call and has not been recalled during the year.
- d) The Company has taken interest free unsecured loans from two companies listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount of loans taken during the year and the balance outstanding as at March 31, 2009 is Rs. 63,54.34 lacs.



- e) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of loans taken are not prima facie prejudicial to the interest of the company.
- f) Such loans outstanding at the year end are at call and have not been recalled during the year.
- iv) In our opinion and according to the information and explanations provided to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services. We have not observed any continuing failure to correct major weaknesses in the aforesaid internal controls system during the course of audit.
- v) a) As per information and explanations provided to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that Section.
- b) As per information and explanations provided to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any public deposits. Therefore provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the directions issued by Reserve Bank of India are not applicable and therefore not commented upon.
- vii) No system of Internal Audit was operational during the year due to suspension of operations.
- viii) No Cost Records were maintained due to the suspension of manufacturing operations.
- ix) (a) The company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Service Tax, Custom Duty, Excise Duty and any other statutory dues with the appropriate authorities except an amount of Rs. 1009.06 lacs (including interest) due to Sales Tax Authorities, as at the last day of the financial year concerned for a period of more than six months from the date they become payable.
- (b) According to information and explanations given to us, the dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute and the forum where the dispute is pending are as under :-

S. No.	Name of the Statute	Nature of Dues	Amount Rs.Lacs	Forum Where Dispute is Pending	Period to Which It Relates to
1.	Central Excise Act, 1944	Excise Duty	1631.92	High Court, Customs, Excise, Service Tax Tribunal (CESTAT)	1992 to 2002
2.	UP Trade Tax Act/CST	Sales Tax	1107.25	High Court Tribunal D.C. (A) Jt. Commissioner	1974-1990 2001-2002 1998-1999 1999-2002
3.	Assam GST Act	-do-	65.44	Various Authorities	2000-2002
4.	W.B. ST Act	-do-	237.03	Dy. Commissioner	1975-2001

				Tribunal Addl. Commissioner	1975-2001 1988-1989 1981-2000
5.	M.P. Comm. Tax Act	-do-	53.02	D.C. (A)	
6.	Maharashtra ST Act	-do-	823.41	D.C. (A)	1975-2001
7.	Delhi ST Act	-do-	315.21	D.C. (A) A.C. (A) Addl. Comm. (A)	1977-1983 1984-1993 1993-2002
8.	Rajasthan ST Act	-do-	99.42	Tribunal D.C. (A)	1997-1998 1999-2002
9.	Kerala GST Act	-do-	660.90	D.C. (A)	1982-2001
10.	Karnataka ST Act	-do-	14.44	Jt. Commissioner (A)	1997-2001
11.	Punjab GST Act	-do-	15.71	High Court	1992-1993
12.	Bihar Finance Act	-do-	375.63	Jt. Commissioner ACA D.C. (A)	1996-2000 1999-2002 1991-1998
13.	Haryana CST Act	-do-	48.47	Jt. Commissioner	1999-2001
14.	A.P. GST Act	-do-	95.58	Commissioner	1999-2001
15.	Orissa ST Act	-do-	4.71	D.C. (A)	1999-2002
16.	Uttaranchal TT Act	-do-	13.50	Jt. Commissioner	2000-2001
17.	Gujarat S. Tax Act	-do-	1.51	-	1996-1997
			110.72	-	2000-2001
			10.29	-	2001-2002
18.	Jharkhand ST Act	-do-	92.27	D.C. (A)	1999-2000
19.	Chandigarh ST Act	-do-	0.89	Tribunal	1976-1979
20.	Chattisgarh ST Act	do-	68.93	Commissioner	2001-2002

- x) The accumulated losses at the end of the financial year are less than 50% of the net worth of the Company. The Company has not incurred any Cash Loss during the year and immediately preceding financial year.
- xi) In our opinion and according to informations and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions, banks or debenture holders.
- xii) As informed to us the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not carrying on the business of Chit Fund, Nidhi or Mutual Benefits Fund / Societies.
- xiv) The Company is not dealing or trading in Shares, Securities and other Investments.
- xv) The Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
- xvi) The Company has not obtained any fresh term loan during the financial year.
- xvii) The Company has not raised any funds during the year, thus the question of use of short term funds for long term investments does not arise.
- xviii) The company has neither issued any fresh share capital nor made any preferential allotment during the year.
- xix) The Company has not issued any debenture during the year.
- xx) The Company has not raised any money by way of Public Issue during the year.
- xxi) As informed by the company, no case of any fraud on or by the Company has been noticed or reported during the year.

for P D M & Co.
CHARTERED ACCOUNTANTS

Date : 26.08.2009
Place : New Delhi

CA. PRABHAT JAIN
Partner
M.No. 86756