



Modi Rubber Limited

38TH ANNUAL REPORT 2009-2010

THE COMPANY

BOARD OF DIRECTORS

Vinay Kumar Modi
Chairman & Managing Director

Alok Modi
Director

Arvind Nath Seth
Director

K S Bains
Director

Sanjivan Sahni
Director

Neeraj Sharma
Director

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)

BANKER
Yes Bank Ltd

STATUTORY AUDITORS
Messrs P.D.M. & Co.,
Chartered Accountants
B-61, Flatted Factory Complex
Jhandewalan,
New Delhi 110 055.

REGISTRAR & SHARE TRANSFER AGENT
Messrs. MAS Services Ltd.
T-34, II Floor, Okhla Industrial Area,
Phase-IIInd, New Delhi 110 020
Tel (011) 26387281, 82, 83
Fax (011) 26837286

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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 38th Annual General Meeting of Modi Rubber Limited shall be held on Saturday, November 27, 2010 at 03.30 PM at Auditorium, Dayawati Modi Public School, Modinagar to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, and adopt the Audited Balance Sheet as at March 31, 2010 and Profit & Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sanjiwan Sahni, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s PDM & Co., Chartered Accountants, New Delhi, as statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to authorize Board of Directors to fix their remuneration.

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 Neeraj Sharma, 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 : October 15, 2010

(S K Bajpai)
Head-Legal & Company Secretary

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 23.10.2010 to 29.10.2010 (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 Neeraj Sharma was appointed as the additional director of the Company by Board in its meeting held on 30.04.2010. Mr. Neeraj Sharma will 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 Director who is liable to retire by rotation. Hence, resolution as mentioned Item No. 4 of the Notice is proposed. Your Board recommends passing of the said resolution. None of the Directors of the Company except Mr Neeraj Sharma 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 no. 4 is given below:-

Particulars	Shri Neeraj Sharma
Age (in years)	44
Qualification	L.L.B
Expertise in specific functional areas	Legal
Date of appointment on the Board of the Company	30.04.2010
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 11.00 AM to 1.00 PM on all working days from 23.11.2010 to 27.11.2010.

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

Place : New Delhi

Date : October 15, 2010

(S K Bajpai)
Head-Legal & Company Secretary



DIRECTORS' REPORT

Your Directors present the 38th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2010.

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. Modipuram and Partapur Plants ('Plants') transferred to M/s Modi Tyres Company Pvt. Ltd. (MTCPL) a wholly owned subsidiary of your company have commenced production since June 2009.

Modi Tyre Factory (MTF)-Modinagar Plant which manufactures tyres other than Truck & Buses was set up by your company on land & shed which was taken from Modi Export Processors Ltd. (MEPL) on perpetual lease. MEPL has been under liquidation and an Official Liquidator (OL) was appointed by an Order of the Allahabad High Court.

The possession of MTF, Modinagar plant was received by your company, for commencement of industrial activities, on the directions passed by BIFR on 09.08.2007 u/s 29 of Sick Industrial Companies (Special Provisions) Act 1985 (SICA). The District Magistrate issued directions for handing over peaceful possession to State Bank of India (Operating Agency appointed by BIFR) which in turn handed over possession to authorized representative of your company. Thereafter all of sudden on 24.09.2007, the OL put its seal on MTF, Modinagar Plant of your company. Rent dues for the closure period of MEPL are provided in SS08. Even BIFR vide its order 23.02.2010 has clarified that MEPL rent dues are provided in the scheme and to be settled in line with other non pressing unsecured creditors category. Your company had filed a Special Appeal before the Hon'ble Allahabad high court for de-sealing and getting back the possession of MTF Modinagar - Plant to your company which is pending for adjudication. After possession, your company shall undertake repair of plant and machineries so as to make the plant functional. In view of the above, operations at MTF plant continued to remain suspended.

Barring a few unsecured creditors, most other creditors have accepted settlement as per SS08. The Company has also paid dues as determined in SS08 to majority of workmen who settled with the company. Others are being persuaded to fall in line with the BIFR Order.

BIFR vide its order dated 23.02.2010 discharged the company from the purview of SICA/ BIFR with the direction that the unimplemented provisions of SS08 for the unexpired period of the Scheme would be implemented by the concerned agencies and their Implementation would be monitored by the company.

FINANCIAL RESULTS

During the year under review, your company has recorded a net profit of Rs. 345.67 lacs as compared to Rs. 2905.59 lacs in previous year on a total income of Rs. 3603.43 lacs, as compared to Rs. 4284.62 lacs in the previous year. The income was mainly from sale of surplus assets as per scheme, interest & dividend, sale of old stock of tyres etc. arising on implementation of SS08.

BOARD OF DIRECTORS

Mr Neeraj Sharma was appointed as additional director during the year and is eligible for re-appointment as director. Pursuant to BIFR order, Mr. S C Tripathi and Mr. N P Gupta have ceased to be directors of the company. Mr. Sanjiwan Sahni, director is due to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. The Chairman & Managing Director is non retiring director in terms of the Articles of Association.

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 had been followed alongwith proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;. 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) that the directors had prepared the annual accounts 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 suspension / closure of the plant.

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 the applicable provisions of Clause 49 of the listing agreement with Stock Exchanges, a Management Discussion & Analysis Report, and a Report of 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 place on record their sincere thanks for support and co-operation from the Hon'ble BIFR/AIFR, Banks, Government Authorities and Shareholders during the year under review. Your Directors also appreciate services of executives, staff and workers of the Company for unstinted efforts in rehabilitation and revival of the company.

For and on behalf of the Board

Place : New Delhi

(Vinay Kumar Modi)

Date : September 18, 2010

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 Composition of the Board of Directors of Company as on 31.03.2010 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	06	01	05	NA	No
Shri Vinay Kumar Modi @	Promoter / Executive	06	06	03	03	Yes
Shri Alok Modi @	Promoter / Non Executive	06	06	02	00	Yes
Shri K S Bains	Independent / Non Executive	06	04	00	00	Yes
Shri Arvind Nath Seth @	Promoter / Non Executive	06	01	00	00	Yes
Shri Sanjiwan Sahni	Independent / Non Executive	06	03	00	00	Yes
Shri Sushil Chand Tripathi**	Nominee of BIFR	06	06	07	00	No
Shri Pawan Chopra***	Nominee of BIFR	06	01	02	00	No
Shri Narendra Prasad Gupta ****	Nominee of BIFR	06	02	00	00	Yes

* Resigned w.e.f. 17.06.2009, ** Resigned w.e.f. 23.02.2010, *** Resigned w.e.f. 17.07.2009, **** Resigned w.e.f. 23.02.2010, @ Shri Vinay Kumar Modi is father of Shri Alok Modi and brother in law of Shri Arvind Nath Seth.

Mr. Neeraj Sharma, has been appointed as Non Executive / Independent Director of the Company w.e.f 30.04.2010.

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, six meetings of the Board of Directors were held on 25.04.2009, 27.07.2009, 26.08.2009, 08.09.2009, 30.10.2009 and 25.01.2010.

Share holding of Non Executive Directors

Name	*Shri S S Kohli	Shri Alok Modi	Shri KS Bains	Shri AN Seth	Shri S Sahni	*Shri SC Tripathi	*Shri Pawan Chopra	*Shri NP Gupta
No. of Share held	Nil	928	Nil	Nil	Nil	Nil	Nil	Nil

* Ceased to be a directors of the Company Shri S S Kohli w.e.f 17.06.2009, Shri S C Tripathi w.e.f 23.02.2010, Shri Pawan Chopra w.e.f 17.07.2009, Shri N.P. Gupta w.e.f 23.02.2010

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 Vinay Kumar Modi as member, Shri Sanjiwan Sahni 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 2009-10, five meetings of the Committee were held on 25.04.2009, 26.08.2009, 08.09.2009, 30.10.2009 and 25.01.2010. 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)	1
Shri K S Bains (Appointed w.e.f. 26.08.2009)	4
Shri Vinay Kumar Modi	5
Shri Sanjiwan Sahni	3

4. REMUNERATION OF DIRECTORS

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 fees 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 of Shri V K Modi, Shri Alok Modi and Shri Sanjivan Sahni as Chairman. 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 1000 to Company Secretary and from 1001 to 5000 to Managing Director. Shares over and above 5000 is approved by the STC. During the year under review, 128 complaints were received by the Company / Registrar and Share Transfer Agents from shareholders. All these complaints have since been redressed. There were no share transfer applications pending for registration as on 31st March, 2010.

6. DIRECTORS

Shri S S Kohli, Shri S C Tripathi, Shri Pawan Chopra and Shri N. P Gupta, resigned from the Board of Directors w.e.f. 17.06.2009, 23.02.2010, 17.07.2009 and 23.02.2010 respectively. Shri Neeraj Sharma was appointed as additional director of the Company w.e.f 30.04.2010. Profile of appointed director is attached to the Notice convening 38th 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
37 th AGM	Dayawati Modi Public School, Modinagar	28.10.2009	11.30 A.M
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

- No special resolution has been passed during the last three AGMs held
- No special resolution has been passed last year through Postal Ballot.

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.

1 Subsidiaries:

	% Holdings
a) Modistone Limited (in liquidation) Official Liquidator has taken possession of the Company w.e.f. 25.07.2002- from the date of appointment of Official Liquidator by Bombay High Court.	55.32
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 under review

A) Subsidiaries

	(Rs. Lacs)
i) Transfer of Assets /Liabilities (Net) to Spin Investment (India) Ltd.	564.00
ii) Payable at the year end	5543.21
B) i) Expenses incurred by MRL on behalf of Modi Tyres Company Pvt. Ltd.	239.55
ii) Expenses incurred by MTCPL on behalf of Modi Rubber Ltd.	108.35
iii) Transfer of Assets / Liabilities (Net)	139.25
iv) Receivables at the year end	1063.15
C) i) Expenses incurred by MRL on behalf of Superior Investment (India) Ltd.	0.03
ii) Payable at the year end	247.10

D) Associates

i) Expenses incurred by MRL on behalf of GGL	10.78
ii) Receivable at the year end	1.91

i) Key Management Personnel:

Mr. Vinay Kumar Modi, Chairman & Managing Director	Nil
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- 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.

BIFR, vide its order dated 21st April, 2008 sanctioning the Rehabilitation Scheme for the Company, has directed the NSE & BSE 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 compliances of listing agreement and has submitted applications with BSE and NSE for revocation of suspension and resumption in trading of company's shares.

BSE vide its letter dated 15.06.2010 has granted in principle approval for resumption of trading in shares of the company. The documents as advised by BSE have been sent to them. Trading in the shares of the Company is expected to re-start shortly.

9. MEANS OF COMMUNICATION

Quarterly / Annual Financial Results of the Company are normally published in The Pioneer (English) and Vir Arjun (Hindi) 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 are given by separate annexure and are attached to the Directors' Report.

10. GENERAL INFORMATION

Date, time and venue of the Annual General Meeting : Saturday, November 27, 2010 at 03.30 P.M.
Auditorium, Dayawati Modi Public School, Modinagar-201 204

Book Closure : 23.10.2010 – 29.10.2010 (both days inclusive)
 Financial Calendar : April 01, 2009 to March 31, 2010
 Dividend payment date : Nil
 Listing on Stock Exchanges : The Bombay Stock Exchange Ltd. (BSE)
 The National Stock Exchange of India Ltd. (NSE)
 Stock code : MODIRUBBER (NSE)
 MODIRUBB (BSE) / 500890
 Listing fees : Duly paid for 2010 -11
 Stock Market Data : No data. (Trading remains suspended and necessary applications for revocation submitted).
 Registrar and Transfer Agents : Mas Services Ltd.
 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. is the Share Transfer Agent 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.

Distribution of Shareholding

The following is the distribution pattern of shareholding of equity shares of the Company as on 31.03.2010:-

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of shareholding
1 – 5000	13702	95.153	1383936	5.527
5001 – 10000	484	3.361	345687	1.381
10001 – 20000	141	0.979	193985	0.775
20001 – 30000	29	0.201	72167	0.288
30001 – 40000	5	0.035	16759	0.067
40001 – 50000	6	0.042	27695	0.111
50001 – 100000	16	0.111	102812	0.411
100001 and above	17	0.118	22897491	91.442
TOTAL	14400	100.00	25040532	100.00

Shareholding pattern as on 31.03.2010

Category	No. of Shares held	% of Shareholding
Promoters	21564410	86.12
Banks, Insurance Companies	3379	0.01
Mutual Funds	700	0.00
Foreign Institutional Investors	228481	0.91
Bodies Corporate	576805	2.30
NRI/OCBs	121080	0.48
Indian Public	2545677	10.17
Total	25040532	100.00

Dematerialization of Shares and Liquidity

Over 7.54% of the shares have been dematerialised upto 31.03.2010.

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 Correspondence : Mas Services Ltd.,
 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
 Any query on Annual Report : 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

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 : September 18, 2010

(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. The Automobile sector is booming in all segments. The year under review has shown a significant growth in the automobile sector giving a boost to tyre industry as well. Despite the global financial crisis, India has registered growth over 6%.

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 98% while in the Truck/Bus tyre market it is 5-6% 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. Subsidiary company has signed agreements for technology and brand "Continental" use with Continental, Germany.

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 very bright as the demand is growing in India and there is enough market overseas. The company is planning to install 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. Best of the talent will be recruited to build human resources team to ensure that the company is run on professional lines.

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 31.03.2010, 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.
(Firm Reg. No. 07966N)
Chartered Accountants

(Prabhat Jain)
Partner
Membership No. 86756

Place: New Delhi
Date: 18.09.2010

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 2010, 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 as on 31st March, 2010 is disqualified from being appointed as director as on 31st March, 2010 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. 1 regarding non acceptance of terms/reliefs/concessions as per BIFR scheme SS08, by some authorities/parties.
 - ii) Note No. 4(c) regarding non-provision of Deferred Tax Asset/Liability;
 - iii) Note No. 7 regarding non availability of information of unpaid balances to Micro, Small and Medium Enterprises;
 - iv) Note No. 8 regarding non confirmation/ reconciliation of various balances of Suppliers, Customers, Advances etc; and;
 - v) 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 2010;
- 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.
(Firm Registration No. 07966N)
CHARTERED ACCOUNTANTS

Date : 18.09.2010
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 physical verification of the inventories of the company has been conducted at reasonable intervals. However in some cases, physical verification has not been conducted due to non-access of the inventory
- 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, 2010 is Rs. 1063.15 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 was Rs. 6354.34 lacs and the balance outstanding as at March 31, 2010 is Rs. 5790.31 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	State	Amount Rs. Lacs	Forum Where Dispute is pending	Period to Which It Relates
I	EXCISE LIABILITY				
1	Central Excise Act, 1944	Central Excise Act, 1944	3,239.10	High Court and Appellate Tribunals	1992-2002
II	SALES TAX LIABILITY				
1	Bihar Finance Act	Bihar	1,469.35	Jt. Comm. (A)	1990-2002
2	Delhi ST Act	Delhi	1,049.36	D.C. (A)	1976-2002
3	Maharashtra ST Act	Mumbai	1,793.54	D.C. (A)	1975-2002
4	Maharashtra ST Act	Nagpur	130.53	D.C. (A)	1994-2000
5	W.B State Act	Kolkatta	1,078.27	D.C. (A)	1975-2001
6	Gujarat S. Tax Act	Gujarat	279.43	Jt. Comm. (A)	1996-2002

S. No.	Name of the Statute	State	Amount Rs. Lacs	Forum Where Dispute is pending	Period to Which It Relates
7	Kerala GST Act	Kerala	427.97	D.C. (A)	1980-2002
8	Jharkand ST Act	Jamshed-pur	180.89	D.C. (A)	2000-2002
9	Jharkand ST Act	Ranchi	84.83	D.C. (A)	2000-2002
10	A.P GST Act	Andhra Pradesh	298.02	Comm. (A)	1999-2002
11	Haryana CST Act	Haryana	137.62	Jt. Comm. (A)	1999-2003
12	J & K ST Act	Jammu & Kashmir	254.34	D.C. (A)	1999-2002
13	Orissa ST Act	Orissa	6.44	D.C. (A)	1999-2002
14	M.P Comm. Tax Act	Madhya Pradesh	178.43	D.C. (A)	1993-2002
15	Chattisgarh ST Act	Chattisgarh	81.59	D.C. (A)	2001-2002
16	Uttaranchal ST Act	Uttaranchal (Haldwani)	39.52	Jt. Comm. (A)	2000-2002
17	Pondicherry ST Act	Pondicherry	2.34	D.C. (A)	1999-2000
18	UP Trade Tax Act/CST	Uttar Pradesh	3,435.58	Addl. Comm. (A)	1977-2001

- 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 given corporate guarantees for loans taken by associated companies. According to the information and explanation given to us, we are of the opinion that the terms and conditions thereof are not prejudicial to the interest of the company.
- 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.
(Firm Registration No. 07966N)
CHARTERED ACCOUNTANTS

Date : 18.09.2010
Place : New Delhi

CA. PRABHAT JAIN
Partner
M.No. 86756