



**Modi Rubber Limited**

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**39TH ANNUAL REPORT 2010-2011**

# THE COMPANY

## BOARD OF DIRECTORS

**Vinay Kumar Modi**  
Chairman

**Alok Modi**  
Managing Director

**Arvind Nath Seth**  
Director

**K S Bains**  
Director

**Sanjiwan 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

39th Annual General Meeting		Contents	Page No.
Date	: March 30, 2012	Notice .....	2
Day	: Friday	Directors' Report.....	3
Time	: 11.30 A.M	Auditors' Report.....	8
Place	: Auditorium, Dayawati Modi Public School Modinagar	Balance Sheet.....	10
Book Closure Dates	: 21st March, 2012 to 30th March, 2012 (both days inclusive)	Profit & Loss Account.....	11
		Schedules.....	12
		Statement under Section 212 of the Companies Act, 1956.....	26
		Consolidated Financial Statements.....	28

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 39<sup>th</sup> Annual General Meeting of Modi Rubber Limited shall be held on Friday, March 30, 2012 at 11.30 AM 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 September 30, 2011 and Profit & Loss Account for the period ended on that dated together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. KS Bains who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Arvind Nath Seth, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s PDM & Co., Chartered Accountants, New Delhi, the retiring Auditors of the Company as Auditors, who shall hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting at a remuneration of Rs 5 Lacs plus pocket expenses if any..

## SPECIAL BUSINESS

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

“RESOLVED THAT subject to the approval of the shareholders and other applicable approvals as may be required, Board be and hereby appoints Mr. Alok Kumar Modi as Managing Director of the Company, with immediate effect for a period of 5 years”.

“RESOLVED FURTHER THAT Board be and hereby decides and approves, as voluntarily offered by Mr. Modi, that no remuneration be paid to Mr. Alok Kumar Modi till December 31, 2013 but Mr. Alok Kumar Modi will be entitled for reimbursement of all business expenses whether incurred in India or abroad in connection with Company's business against submission of bills.”

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

Place : New Delhi

Date : January 21, 2012

(S K Bajpai)

Head-Legal & Company Secretary

### Notes:

1. Explanatory Statement in respect of Item No. 5 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 shall remain closed from 21.03.2012 to 30.03.2012 (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 4/7C DDA Shopping Centre New Friends Colony, New Delhi-110 025 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

Shri Vinay Kumar Modi upon acquiring NRI Status relinquished the position of Managing Director of the company but he will continue to provide guidance & his services in the affairs of the company as chairman of the Company. In his place Board at its meeting held on 31.10.2011 appointed Shri Alok Kumar Modi as the Managing Director of the Company for a period of five years. Mr. Alok Modi voluntarily opted not to draw any remuneration till rehabilitation process is underway upto December 2013. Board accepted his gesture and decided that company would reimburse expenses incurred by Managing Director on company's business against submission of bills till Managing Director's terms of remuneration is reviewed by the Board of Directors.

Hence, the resolution as mentioned at item no 5 of the accompanying notice is proposed. Your Board recommends passing of the said resolution.

The notice and explanatory statement may be treated as an abstract of the terms of appointment of Shri Alok Kumar Modi, as Managing director of the Company under section 302 of the Companies Act, 1956.

None of the directors of the Company except Shri Vinay Kumar Modi and Shri Alok Kumar Modi may be interested or concerned in passing of the proposed resolution No 5.

Information required under clause 49 of the Listing Agreement in respect of Director proposed to be appointed by resolution No. 5 is given below:

Particulars	Shri Alok Modi
Age (in years)	45
Qualification	B.E (Industrial & Production)
Expertise in specific functional areas	Management
Date of appointment on the Board of the Company	14.06.2008
Names of other Companies in which Directorships held	1. Continental India Limited. 2. Gujarat Guardian Limited. 3. MAN Diesel & Turbo India Limited. 4. Uniglobe & Travel (South Asia) Pvt. Limited.
Names of other Companies in which Committee Membership/ Chairmanships held	Nil
No. of shares held	928

## 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 21.03.2012 to 30.03.2012 upto the date of the AGM.

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

Place: New Delhi

Date: January 21, 2012

(S.K Bajpai)

Head – Legal & Company Secretary



# DIRECTORS' REPORT

Your Directors present the 39<sup>th</sup> Annual Report together with the Audited Statement of Accounts of the Company for the period ended 30<sup>th</sup> September, 2011.

## IMPLEMENTATION STATUS OF BIFR SCHEME

Your Board of Directors are pleased to report that your company has settled dues of almost all the creditors and has substantially implemented the revival scheme. Pursuant to direction of Learned BIFR vide its order dated 23.02.2010, the remaining and un-implemented portion of the revival scheme is under implementation. However, industrial rehabilitation for Modinagar Tyre Factory (MTF) Plant could not be achieved as yet. MTF Plant was set up on land & shed taken on perpetual lease from Modi Export Processors Ltd. (MEPL). MEPL has been liquidated by the Order of Hon'ble Allahabad High Court and Official Liquidator (OL) has put his seal on MTF Plant. Legal recourse for re possession of plant is being actively followed.

The Company has also paid dues as determined in SS08 to a majority of the workmen who have settled with the Company. Others are being persuaded to fall in line with the BIFR order. Some of the unsecured creditors have now been raising issues and not accepting dues as per scheme. Your Company has decided to approach BIFR for appropriate clarification regarding settlement of such unsecured creditors.

The volatility in raw material cost in particular rubber prices had put severe strain on the economic viability of MTCL which reported losses of Rs.176.03 crores as at 31.03.2011. In view of these losses your Board of Directors decided to divest the entire holding of shares held in MTCL to Continental Group, Germany to more effectively utilize its remaining assets and to protect the jobs of the worker/employees.

Your Board decided to run its Modipuram Guest House commercially in terms of clause 15 of Memorandum & Articles of Association.

ROC vide its letter dated 08/09/2011 & 14/12/2011 respectively has accorded its approvals for extension of financial period to close on September 30<sup>th</sup>, 2011 and also to convene AGM by March 31, 2012.

## FINANCIAL RESULTS

During the period under review, your company has recorded a net profit 4919.55 lacs as compared to 345.67 lacs in previous year on a total income of Rs 9647.07 lacs as compared to 3603.43 lacs in the previous year mainly from sale of shares in MTCL and some surplus real estate, interest & dividend.

## BOARD OF DIRECTORS

Mr. Vinay Kumar Modi relinquished the position of Managing Director w.e.f 31.10.2011 and in his place in terms of provisions of section 269 read with article 109 of the Company Mr. Alok Kumar Modi was appointed as the Managing Director of the Company for a period of five years. However, Mr Vinay Kumar Modi will continue to provide his services & act as Chairman of your Company. Mr. K S Bains and Mr. Arvind Nath Seth directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment. The Chairman & Managing Director are non retiring directors 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 have 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 be 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. 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 the Company's two wholly owned Subsidiaries, namely Spin Investment(India) Limited and Superior Investment (India) Limited are attached.

## STATUTORY DISCLOSURES

During the period 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 of Corporate Governance together with Auditors' Certificate form part of the Annual Report.

## CONSOLIDATED FINANCIAL STATEMENTS

Requisite Consolidated Financial Statements of the Company along with its Subsidiaries are attached 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/AAIFR, Banks, UP Government and other Government Authorities and shareholders during the period review. Your Directors also appreciate services of executives, staff and workers of the Company for unstinted support in revival of the Company.

For and on behalf of the Board

Place: New Delhi  
Date: January 21, 2012

Vinay Kumar Modi  
Chairman

## 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 period under review.

#### 2. BOARD OF DIRECTORS

The Composition of the Board of Directors of Company as on 30.09.2011 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 Vinay Kumar Modi @	Promoter / Executive	08	08	03	03	Yes
Shri Alok Modi @	Promoter / Non Executive	08	06	02	00	Yes
Shri K S Bains	Independent / Non Executive	08	08	00	00	Yes
Shri Arvind Nath Seth @	Promoter / Non Executive	08	01	00	00	Yes
Shri Sanjiwan Sahni	Independent / Non Executive	08	07	00	00	Yes
Shri Neeraj Sharma	Independent / Non Executive	08	08	00	00	Yes

@ Shri Vinay Kumar Modi is father of Shri Alok Modi and brother in law of Shri Arvind Nath Seth.

• Shri. Vinay Kumar Modi relinquish the position of Managing Director of the Company and in his place Shri Alok Kumar Modi was appointed as Managing Director by the Board of Directors effective from 31.10.2011.

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 period, eight meetings of the Board of Directors were held on 30.04.2010, 06.08.2010, 18.09.2010, 15.10.2010, 08.11.2010, 14.02.2011, 09.05.2011, 12.08.2011.

#### Share holding of Non Executive Directors

Name	Shri Alok Modi	Shri KS Bains	Shri AN Seth	Shri S Sahni	Shri Neeraj Sharma
No. of Share held	928	Nil	Nil	Nil	Nil

#### 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 KS Bains as Chairman of the Committee, Shri Vinay Kumar Modi as Director/ member and Shri Sanjiwan Sahni as Director/ Member.

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

During the accounting period ended on 30.09.2011, eight meetings of the Committee were held on 30.04.2010, 06.08.2010, 18.09.2010, 15.10.2010, 08.11.2010, 14.02.2011, 09.05.2011, 12.08.2011. The same were attended by the Members:-

Name of the Members	No. of meeting attended
Shri K.S Bains	08
Shri Vinay Kumar Modi	08
Shri Sanjiwan Sahni	07

#### 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 period.

#### 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 Sanjiwan 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 are approved by the STC. During the accounting period under review, 249 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 30<sup>th</sup> September, 2011.



## 6. DIRECTORS

Mr. Vinay Kumar Modi has relinquished the position of Managing Director but will continue to remain as Chairman of the Company. In terms of the provisions of section 269 of the Companies Act, 1956 read with Article 109 of the Company, the Board appointed Mr. Alok Kumar Modi as Managing Director of the company for a period of 5 years w.e.f 31.10.2011. He voluntary opted not to draw any remuneration till the period of rehabilitation process is underway upto December 2013. Thereafter, the Board will decide for the remuneration to be provided to the Managing Director but he will be entitled for all the business expenses incurred by him.

## 7. GENERAL BODY MEETINGS

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

Year	Venue	Date	Time
38 <sup>th</sup> AGM	Dayawati Modi Public School, Modinagar	28.11.2010	03.30 P.M
37 <sup>th</sup> AGM	Dayawati Modi Public School, Modinagar	28.10.2009	11.30 A.M
36 <sup>th</sup> AGM	Dayawati Modi Public School, Modinagar	30.09.2008	10.00 A.M

On 29.06.2010 a special resolution was passed through Postal Ballot u/s 192A of the Companies Act, 1956 for the alteration in the object clause of the Memorandum of Association of the Company.

## 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.

<b>I Subsidiaries:</b>	% 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
<b>Associates:</b>	
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:	
<b>A) Subsidiaries</b>	<b>(Rs. Lacs)</b>
1. Spin Investment (India) Limited	
i) Transfer of Assets /Liabilities (Net)	5543.21
ii) Payable at the year end	Nil
2. Superior Investment (India) Limited	
i) Transfer of Assets /Liabilities (Net)	3789.71
ii) Payable at the year end	3542.61
3. Continental Tyres Limited (formerly Modi tyres Company Ltd)	
i) Transfer of Assets/Liabilities (Net)	1063.15
<b>B) Associates</b>	
1. Gujarat Guardian Limited(GGL)	
i) Expenses incurred by MRL on behalf of GGL	1.74
ii) Receivable at the year end	3.65
<b>i) Key Management Personnel :</b>	
Mr. Vinay Kumar Modi, Chairman & Managing Director	Nil
• <b>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.</b>	None

## 9. MEANS OF COMMUNICATION

Quarterly / Annual Financial Results of the Company are normally published in The Pioneer (English) and Vir Arjun / Hari Bhoomi (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	: Friday, March 30, 2012 at 11.30 A.M. Auditorium, Dayawati Modi Public School Modinagar-201 204
Book Closure	: 21.03.2012 - 30.03.2012 (both days inclusive)
Financial Calendar	: April 01, 2010 to September 30, 2011
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 2011 -12
Stock Market Data	: No data. (Trading remains suspended since Nov. 2002 & necessary applications for revocation submitted and pending with exchanges for decision).
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 30.09.2011:

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of shareholding
1 – 5000	13172	94.961	1336444	5.337
5001 – 10000	467	3.367	334073	1.334
10001 – 20000	154	1.110	211534	0.845
20001 – 30000	33	0.238	81551	0.326
30001 – 40000	8	0.058	27556	0.110
40001 – 50000	6	0.043	27260	0.109
50001 – 100000	13	0.094	83494	0.333
100001 and above	18	0.130	22938620	91.606
<b>TOTAL</b>	<b>13871</b>	<b>100.00</b>	<b>25040532</b>	<b>100.00</b>

#### Shareholding pattern as on 30.09.2011

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	729291	2.91
Bodies Corporate	621432	2.48
NRI/OCBs	119126	0.48
Indian Public	2002194	8.00
<b>Total</b>	<b>25040532</b>	<b>100.00</b>

#### Dematerialization of Shares and Liquidity

Over 36.38% of the shares have been dematerialised upto 30.09.2011.

#### 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 for transfer/dematerialization of shares, and any other query	: 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.

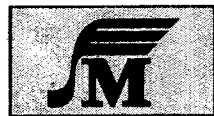
#### CEO / CFO CERTIFICATION

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 : January 21, 2012

(Alok Modi)  
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 period under review has not been good for industry as India has registered a growth around 7% in 2011 and current year is predicted to be worse than previous year.

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 7-8% at present.

As reported in director report since repossession of MTF Plant has not been received by your company hence Industrial rehabilitation of your company could not be achieved as yet.

The Management has decided to run guest house in Modipuram on commercial basis.

Your company after possession of MTF Plant has to access repair and refurbishment of plant & machineries whether it can be repaired in the amount allocated in revival scheme or additional amount is required. All this assessment is possible only after possession and technical evaluation of MTF Plant by expert. The threat is from the large global players entering Indian market and the cheap Chinese imports.

## 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 period ended 30.09.2011, 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: 02.12.2011



# AUDITORS' REPORT

## Report of the Auditors to the Shareholders

1. We have audited the attached Balance Sheet of Modi Rubber Limited as at 30<sup>th</sup> September 2011, the Profit & Loss Account and the Cash Flow Statement of the Company for the period 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 on 30<sup>th</sup> September, 2011 and taken on record by the Board of Directors, we report that none of the Director as at 30<sup>th</sup> September, 2011 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. 7 regarding non availability of information of unpaid balances to Micro, Small and Medium Enterprises;
  - ii) Note No. 13 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 30<sup>th</sup> September, 2011;

- ii) in the case of Profit and Loss Account, of the Profit of the Company for the period ended on that date; and;
- iii) in the case of Cash Flow Statement, of the Cash Flows for the period ended on that date.

for P D M & Co.  
(Firm Registration No. 07966N)  
CHARTERED ACCOUNTANTS

CA. PRABHAT JAIN  
Partner  
M.No. 086756

Date : 02.12.2011  
Place : New Delhi

## 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 (except the assets which the company has no access) have been physically verified by the management at the period end. No material discrepancy has been noticed on such verification.
- 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 period.
- 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, material discrepancies noticed on physical verification of inventories as compared to book records have been properly dealt with in the books of accounts.
- 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 30<sup>th</sup> September, 2011 is Rs. 3542.61 lacs.
- b) 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. 5790.32 lacs and the balance outstanding as at 30<sup>th</sup> September, 2011 is Rs. Nil.
- c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans granted/taken are not prima facie prejudicial to the interest of the company.
- d) Such loans outstanding at the period end are at call and have not been recalled during the period.
- 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 control 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) As informed to us, the company has an internal audit system commensurate with its size and nature of its business. However, due to suspension of operations, there is no designated team

for internal audit.

- 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, Sales Tax, Service Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities except an amount of Rs. 86.90 lacs 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 Which It Relates to
I	EXCISE/DGFT LIABILITY				
1	Central Excise Act, 1944	Central Excise Act, 1944	1,653.97	High Court and Appellate Tribunals	1992-2002
2	Foreign Trade Development and Regulation Act, 1992	Delhi	1,161.20	Additional DGFT Commissioner (A)	1996-2000
II	SALES TAX LIABILITY				
1	U.P Trade/VAT Act	Uttar Pradesh	1079.89	Tribunal, Add. Comm.(A), D.C. (A)	1977-2002
2	Bihar Finance Act	Bihar	374.85	Jt. Comm. (A)	1990-2002
3	Delhi ST Act	Delhi	337.08	D.C. (A)	1976-2002
4	Maharashtra ST Act	Mumbai	790.52	D.C. (A)	1975-2002
5	W.B State Act	Kolkatta	287.96	D.C. (A)	1975-2001
6	Jharkand ST Act	Jamshedpur	65.42	D.C. (A)	2000-2002
7	Jharkand ST Act	Ranchi	27.96	D.C. (A)	2000-2002
8	A.P GST Act	Andhra Pradesh	95.58	Comm. (A)	1999-2002
9	Haryana CST Act	Haryana	63.05	Jt. Comm. (A)	1999-2003
10	J & K ST Act	Jammu & Kashmir	42.33	D.C. (A)	2001-2002
11	M.P Comm. Tax Act	Madhya Pradesh	134.40	D.C. (A)	1993-2002
12	Uttaranchal ST Act	Uttaranchal (Haldwani)	20.29	Jt. Comm. (A)	2000-2002
13	Pondicherry ST Act	Puducherry	0.73	D.C. (A)	1999-2000
14	Karnataka Entry Tax	Karnataka	2.92	D.C.	2000-2002

- x) There are no accumulated losses at the end of the financial year. 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 subsidiary 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. There is no guarantee at the year end.
- xvi) The Company has obtained term loans during the financial year

which were utilized for the purpose for which they were taken.

- xvii) The Company has raised loans on long term basis during the year which were utilized for the purpose for which they were raised.
- xviii) The company has neither issued any fresh share capital nor made any preferential allotment during the period.
- xix) The Company has not issued any debenture during the period.
- xx) The Company has not raised any money by way of Public Issue during the period.
- xxi) As informed by the company, no case of any fraud on or by the Company has been noticed or reported during the period.

for P D M & Co.  
(Firm Registration No. 07966N)  
CHARTERED ACCOUNTANTS

CA. PRABHAT JAIN  
Partner  
M.No. 086756

Date : 02.12.2011  
Place : New Delhi