

**MODISON**  
**METALS LIMITED**  
**ANNUAL REPORT 2002-2003**

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**MODISON**  
**THE SILVER PEOPLE**

**CERTIFIED TRUE COPY**  
*For MODISON METALS LTD.*

*R. Kothari*  
**Authorised Signatory**

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**ANNUAL REPORT: 2002-2003**

**MODISON**  
**METALS LIMITED**

**BOARD OF DIRECTORS:**

**RANJAN DASGUPTA – Chairman**

**G. L. MODI - Managing Director**

**S. M. MODY**

**SURESH MODY**

**PRAKASH MODI**

**RAJKUMAR MODI - Whole-time Director**

**B. B. SINGH - Executive Director**

**SHRAVAN SHARMA**

**SATISH MODY**

**COMPANY SECRETARY:**

**PARESH SHAH**

**AUDITORS:**

**M/s. M. L. BHUWANIA & CO.**

**Dahanukar Building, 5<sup>th</sup> Floor**

**480, Kalbadevi Road, Mumbai - 400 002.**

**BANKERS:**

**BANK OF INDIA**

**REGISTERED & HEAD OFFICE:**

**33 Nariman Bhavan,**

**227 Nariman Point,**

**MUMBAI – 400021.**

**DIRECTORS' REPORT**

To,

The Members of  
**MODISON METALS LTD.**

Your Directors have pleasure in submitting the Twentieth Annual Report of the Company together with audited Accounts for the year ended 31<sup>st</sup> March, 2003.

• **FINANCIAL RESULTS**

		<u>Rupees In Lacs</u>	
		<u>2002-2003</u>	<u>2001-2002</u>
Sales & Other Income		2572.45	2119.17
Gross Profit Before Interest & Depreciation		681.73	491.62
Less: Interest		112.85	79.85
Depreciation		109.30	101.41
Loss on sale of Investments		Nil	0.06
Profit Before Taxation		459.58	310.30
Less: Provision for Taxation	Current Tax	74.37	90.33
Including Rs. 0.30 Lacs for Wealth Tax (previous year Rs.0.33 Lacs)	Deferred Tax	92.71	9.94
Profit After Taxation		292.49	210.03
Less: Taxation adjustment of previous year		Nil	0.56
Add: Balance Brought Forward from the previous year		395.94	371.93
Less: Transferred to Deferred Tax Liability (Net)		Nil	125.78
Profit available for appropriation		688.43	455.62
Proposed Dividend		48.68	48.68
Corporate Dividend Tax		6.23	Nil
Transfer to General Reserve		14.70	11.00
Balance Carried Over to Balance Sheet		618.82	395.94

• **DIVIDEND :**

The Board of Directors has recommended dividend of Rs. 1.50 per Equity Share of Rs. 10 for the Financial Year ended 31<sup>st</sup> March 2003.

• **OPERATIONS :**

During the year under review, the Company has achieved the turnover of Rs. 2572.45 Lacs as compared to Rs. 2119.17 Lacs during previous year. Year 2002-2003 was good for your Company. Turnover grew by 21.39%, i.e. by Rs. 453.28 Lacs. Profit before tax grew by 48.11%, i.e. by Rs. 149.28 Lacs. Net Profit after taxation grew by 39.26% i.e. by Rs. 82.46 Lacs.

Earnings per share for the year 2002-2003 increased to Rs. 9.01 from Rs. 6.47 in the previous year. Book value now stands at Rs. 31.26 per Equity Share of Rs.10/- each.

• **EXPORTS :**

The Exports during the year amounts to Rs. 528.64 Lacs as against Rs. 352.78 Lacs achieved in the previous year, an increase of 49.85%. During the year under review, the Company has made attempts on consolidating the Market in Europe. The Company will continue to improve its exports performance in the current year as well.

• **DIRECTORS:**

Mr. S. M. Mody, Mr. Prakash Modi and Mr. Rajkumar Modi retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment to the Board.

• **DIRECTORS' RESPONSIBILITY STATEMENT:**

As per the provisions of Section 217 (2AA) of the Companies Act 1956, the Board confirms that

1. The financial statements are in full conformity with the requirements of the Companies Act, 1956 and applicable accounting standards had been followed.
2. The Directors have selected such accounting policies and applied them consistently and made judgements 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 of the Company for the year ended on that date.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the Annual Accounts on a going concern basis.

• **CORPORATE GOVERNANCE:**

Certificate of the Auditors of your Company regarding Compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchange is enclosed.

Your Company has been practising the principles of good Corporate Governance over the years.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

• **ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earning and outgo is given in the Annexure I.

- **PARTICULARS OF EMPLOYEES:**

The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year.

Information in accordance with the provisions of Section: 217 (2A) of The Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in the Annexure II.

- **AUDITORS :**

The Company's Auditors, M/s. M. L. Bhuwania & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment as per the Certificate given by the Auditors under the provisions of Section 224 (1B) of The Companies Act, 1956.

- **FIXED DEPOSITS :**

The Company has accepted deposit from the shareholders of the Company - Section 58A has been complied. There is no deposit / interest overdue.

- **APPRECIATION :**

Your Directors wish to place on record their appreciation for the continued support received from Employees, Shareholders, Banks, Financial Institutions, Customers and Suppliers of the Company.

For And On Behalf Of The Board Of Directors Of  
**MODISON METALS LIMITED,**

PLACE : MUMBAI  
DATE : 30-June-2003

Suresh Mody  
Director

G. L. MODI  
Managing Director

**ANNEXURE I TO DIRECTORS' REPORT****PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****A. CONSERVATION OF ENERGY**

- a) ENERGY CONSERVATION MEASURES: Strict adherence of reasonable batch size production so that consumption on smaller batch lots is not made thereby decreasing power consumption. Mainly with respect to Heat Treatment and Melting furnaces.
- b) ADDITIONAL INVESTMENTS & PROPOSALS FOR REDUCTION OF ENERGY: None.
- c) IMPACT OF THE ABOVE MEASURE: Since the energy consumption is comparatively marginal, the impact on cost of production is difficult to ascertain.
- d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION: Not furnished as the Company is not covered in the list of specified industries.

**B. TECHNOLOGY ABSORPTION :**

- e) EFFORTS MADE IN TECHNOLOGY ABSORPTION: Not Applicable

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- f) ACTIVITIES RELATING TO EXPORTS: The Company is contributing towards imports substitution in Electrical & Switchgear Industries and making the country self reliant in this regard.
- g) TOTAL FOREIGN EXCHANGE USED AND EARNED (2002-2003) Rs. in Lacs.
- |                                      |        |
|--------------------------------------|--------|
| i) CIF Value of Imports:             | 455.36 |
| ii) Expenditure in Foreign Currency: | 22.64  |
| iii) Foreign Exchange earned:        | 528.64 |

**ANNEXURE II TO DIRECTORS' REPORT**

PARTICULARS OF EMPLOYEES OF THE COMPANY AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.

	(1)	(2)
Name	Mr. G.L.MODI	MR. B. B. SINGH
Designation	Managing Director	Executive Director
Date of Commencement of Employment	1 <sup>st</sup> Sept. 1994	1st June, 1990
Gross Remuneration	Rs. 29,23,896	Rs. 13,55,020
Age ( in Years )	62	47
Qualification	D.M.E	B. Tech Mechanical
Experience (in years)	37	24
Particulars of Previous Employment	-	Set Telecommunication Pvt. Ltd.
Designation	-	President-Operations

**NOTES :**

1. Mr. G. L. Modi is the brother of Mr. S. M. Mody, a Director.
2. Remuneration includes Salary, Allowances and Monetary value of perquisites.

**Management Analysis Discussion Report:****A. Industry Structure & Developments:**

The company is making tailor-made Electrical Contacts for low, medium and high voltage switchgear industry. Number of operations in each item vary from anywhere between 30 to 55. Involvement of skilled labour in the operation is more. Because of low cost of skilled labour in India, it is advantageous for India compared to Europe.

**B. Opportunities and Threats:**

The demand of company's products is increasing day-by-day in Europe and countries in other continents, such as Japan, Brazil, etc. The company has a good opportunity in export market. China is supplying contacts for low tension switchgear at very low cost.

**C. Productwise Performance and Financial Performance:**

The company is mainly manufacturing electrical contacts for low, medium and high voltage switchgear. The other product manufactured by the Company, i.e. Silver Flatware is contributing less than 1% of the total turnover.

Sales and other income of the Company rose to Rs. 2572.45 Lacs in the current Financial Year: 2002-03 from Rs.2119.17 Lacs during the previous Financial Years: 2001-02. Profit before tax grew to Rs. 459.58 Lacs in the current Financial : 2002-03 from Rs. 310.30 Lacs in the previous Financial Year: 2001-02.

Export during the current Financial Year amounted to Rs. 528.64 Lacs as against Rs. 352.78 Lacs achieved in the previous Financial Year.

**D. Future Outlook:**

Future Outlook of the Company is very good. Export to Europe, Japan, Brazil etc. is increasing as demand for our Company's product is increasing day by day.

**E. Risks and Concerns:**

China is supplying contacts for low tension switchgear at very low cost. They are supplying the product at nearly the cost of our raw material to enter the market which is possible due to support they get from their government. Chinese may also enter in future medium and high voltage contacts.

**F. Internal Control System & their Adequacy:**

The Company has in place an adequate system of internal controls commensurate with the size of the Company and the nature of its business to ensure efficacy of operations and compliance with applicable legislation. There exists an adequate management reporting system comprising managerial reporting and analysis on various performance indicators, for corrective action as necessary. The Audit Committee also looks into internal control system of the company.

**G. Research and Development:**

During the Financial Year: 2002-03, the Company has set up a state-of-the-art R & D Division at its Vapi plant. The R & D Division is working for development of new product as well as improvement in existing products.

**H. Expansion:**

During current Financial Year: 2002-03, the Company has completed major expansion in medium and high voltage contacts manufacturing.

**I. Human Resources:**

Initiatives continue towards creation of a more energetic, performance driven organization. Performance standards are being perceptibly raised to realize the Company's objective of profitability and growth. The methodology for the scrutiny of sub-optimal performance and career development opportunities for the high performers have been strengthened.



**CORPORATE GOVERNANCE****1. COMPANY'S PHILOSOPHY**

We, at Modison Metals Limited (MML), believe that for a company to succeed it must maintain global standards of corporate conduct towards its employees, customers and society. The company believes that it is rewarding to be better managed and governed and to identify and align its activities with national interest. To that end, we, as a company, have always focused on good corporate governance – which is a key driver of sustainable corporate growth and long term value creation.

At Modison Metals Limited we view Corporate governance in its widest sense, almost like a trusteeship. Corporate governance is not simply a matter of creating checks and balances; it is about creating an outperforming organization. The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness; and to develop capabilities and identify opportunities that best serves the goal of value creation. Good Governance is an integral part of MML Management, in its pursuit of excellence, growth and value creation with a clear focus on its employees, customers, shareholders and the community at large – its stakeholders, beyond the metric of stock market and market capitalization.

Corporate Governance is not merely compliance – it is an ongoing measure of superior delivery of Company's objects with a view to translate opportunities into reality. It involves leveraging its resources and aligning its activities to customer need, shareholder benefit and employee growth, thereby delighting all its stakeholders while minimizing risks.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance Format.

**2. BOARD OF DIRECTORS****a) Composition of the Board**

The company since 31<sup>st</sup> January 2003 is fully compliant with the Corporate Governance norms in terms of constitution of the Board. The Board comprising of nine directors represents the optimum mix of professionalism, knowledge and experience.

**b) Number of Board Meetings held**

Six meetings were held during the year ended 31<sup>st</sup> March 2003 They were on 29.06.2002, 31.07.2002, 31.10.2002, 19.12.2002, 21.01.2003 and 31.01.2003.

**c) Directors' attendance record and directorship held**

Name of Director	Executive / Non-Executive / Independent	Board Meetings held during the year	Board Meetings attended during the year	Whether attended last AGM	Director ships (incl. MML)	Committee Position (Including MML)	
						Chairman	Member
RANJAN DASGUPTA Chairman	Non-Executive & Independent	6	3	No	2	2	2
G. L. MODI Managing Director	Executive	6	6	Yes	6	Nil	1
S. M. MODY	Non-Executive	6	3	No	4	Nil	Nil
SURESH MODY	Non-Executive	6	6	Yes	3	Nil	Nil
PRAKASH MODI	Executive	6	4	Yes	3	Nil	Nil
RAJKUMAR MODI Wholtime Director	Executive	6	5	Yes	5	Nil	2
B. B. SINGH Executive Director	Executive	6	3	No	1	Nil	Nil
SHRAVAN SHARMA	Non-Executive & Independent	6	3	No	1	1	3
SATISH MODY	Non-Executive & Independent	6	3	No	1	Nil	2

**d) Information supplied to the Board**

Among others, this includes:

- ◆ Review of annual operating plans of businesses, capital budgets, updates,
- ◆ Quarterly results of the company and its operating divisions or business segments,
- ◆ Minutes of meeting of Remuneration Committee and other Committees of the Board,
- ◆ Information on recruitment and remuneration of senior officers just below the Board level
- ◆ Materially important show cause, demand, prosecution and penalty notices,
- ◆ Any materially significant effluent or pollution problems,
- ◆ Significant labour problems and their proposed solutions,
- ◆ Significant development in the human resources and industrial relation fronts,
- ◆ Non – compliance of any regulatory or statutory provision or listing requirements as well as share holder services such as non payment of dividend and delays in share transfer.

The Board of the Company is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings.

**3. Audit Committee****A. Terms of Reference:**

The Audit Committee has the powers, which includes the following:-

- a) To investigate any activity within its terms of reference;
- b) To seek information from any employee;
- c) To obtain outside legal or other professional advice;
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of Audit Committee includes the following:-

- a) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the Financial Statement is correct, sufficient and credible;
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- c) Reviewing with management the annual financial statement before submission to the Board;
- d) Reviewing with management and external auditors, the adequacy of internal control systems;
- e) Reviewing of adequacy of internal audit function.
- f) Discussion with internal auditors on any significant findings and follow up thereon.
- g) Reviewing the finding of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h) Discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post – audit discussion to ascertain any area of concern; and
- i) Reviewing the company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors.