

MODISON

METALS LIMITED

ANNUAL REPORT : 2003-2004

MODISON
THE SILVER PEOPLE

CERTIFIED TRUE COPY

For MODISON METALS LTD.

R. Kothari
Authorised Signatory

NOTICE

Notice is hereby given that the **Twenty-first Annual General Meeting** of Modison Metals Limited will be held at Nariman Bhavan Porch (Back Side), 227, Nariman Point, Mumbai - 400021 on Tuesday, 28th day of September 2004 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2004, Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint Director in place of Mr. G. L. Modi who retires from office by rotation and being eligible offers himself for reappointment.
4. To appoint Director in place of Mr. Sunesh Mody who retires from office by rotation and being eligible offers himself for reappointment.
5. To appoint Director in place of Mr. Ranjan Dasgupta who retires from office by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors for the current year and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), as a **Special Resolution**, the following:-

"RESOLVED THAT

- a) Pursuant to the provisions of sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. G. L. Modi as Managing Director of the Company, for a period of three years from 09.07.2003 up to 08.07.2006 on the terms and conditions as set out in the Agreement entered by the company with Mr. G. L. Modi;
 - b) In the event of absence or inadequacy of profits in any financial year, the remuneration as set out in the Agreement entered by the company with Mr. G. L. Modi, be paid to Mr. G. L. Modi as minimum remuneration."
8. To consider, and if thought fit, to pass with or without modification, as a **Special Resolution**, the following:-

RESOLVED THAT pursuant to the provisions of section 314(B) of the Companies Act, 1956, consent of the company be and is hereby accorded to Mr. Anand S. Modi, a relative of Mr. S. M. Mody, a Director of the company to hold an office or place of profit as Sales Executive of the company in the Sales Division with effect from 1st April 2004 on the following terms:-

- a) Basic Salary: Rs.8100/- per month;
- b) Ad-Hoc Allowance: Rs.15000/- per month;

- c) Leave Travel Allowance: For self and family subject to ceiling of Rs.7000/- per year;
- d) Medical Benefits: For self and family subject to ceiling of Rs.7000/- per year;
- e) Other Benefits: Other Benefits like PF, Bonus and leave etc. will be as per Rules of the Company.
- f) Annual increment as per rules of the company.

However, total remuneration payable to him will not exceed Rs.50000/- per month.

9. To consider, and if thought fit, to pass with or without modification, as a **Special Resolution**, the following:-

RESOLVED THAT pursuant to the provisions of section 314 (1B) of the Companies Act, 1956, consent of the company be and is hereby accorded to Mr. Kumar Jay Modi, a relative of Mr. G. L. Modi, the Managing Director of the company to hold an office or place of profit as Sales Executive of the company in the Sales Division with effect from 1st April 2004 on the following terms:-

- a) Basic Salary: Rs.7000/- per month;
- b) Ad-Hoc Allowance: Rs.3380/- per month;
- c) House Rent Allowance: Rs.720/- per month;
- d) Leave Travel Allowance: For self and family subject to ceiling of Rs.6000/- per year;
- e) Medical Benefits: For self and family subject to ceiling of Rs.6000/- per year;
- e) Other Benefits: Other Benefits like PF, Bonus and leave etc. will be as per Rules of the Company.
- f) Annual increment as per rules of the company.

However, total remuneration payable to him will not exceed Rs.50000/- per month.

By Order of The Board of Directors
For **MODISON METALS LTD.,**

Place : **MUMBAI**
Date : **30-06-2004**

RAJKUMAR MODI
Wholtime Director

Registered Office:
33 Nariman Bhavan
227 Nariman Point
MUMBAI - 400 021.

NOTES

- a) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.
- b) An Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
- c) Members / proxies should fill the Attendance Slip for attending the meeting.
- d) The register of members and transfer books of the company will be closed from 21.09.2004 to 28.09.2004 (Both days inclusive).
- e) The dividend, after declaration, will be paid to those shareholders whose names stand on the Register of Members on 28.09.2004. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares whose names appear in the list furnished by the Depositories for this purpose as on 28.09.2004. The dividend will be paid on and from 4th October 2004.
- f) Reappointment of Directors: At the ensuing Annual General Meeting, Mr. G. L. Modi, Mr. Suresh Mody and Mr. Ranjan Dasgupta retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, is furnished in the statement on the Corporate Governance published in this Annual Report.
- g) A statement giving information to shareholders as required by GSR No. 26 (E) dated 16.01.2002 in terms of Item No. 7 regarding re-appointment of Mr. G. L. Modi is given in Annexure which forms part of this Annual General Meeting.

EXPLANATORY STATEMENT U/S 173 (2) OF THE COMPANIES ACT, 1956
FORMING PART OF THE NOTICE

Item No. 7

The Board of Directors at its Meeting held on 1st March 2004 had approved the remuneration as well as other terms and conditions related to re-appointment of Mr. G. L. Modi as the company's Managing Director for a period of three years with effect from 9th July 2003 to 8th July 2006, subject to the approval of the Central Government and subject to the approval of the company in its General Meeting by a Special Resolution. The remuneration as well as the other terms and conditions related to the re-appointment of Mr. G. L. Modi were approved by the Remuneration Committee of the Board at its meeting held on 1st March, 2004.

The Central Government in terms of powers vested with it pursuant to section 269 (5) of the Companies Act, 1956, approved Mr. G. L. Modi's re-appointment as well as the remuneration payable to him till the ensuing Annual General Meeting. The Central Government approval letter No. 1/100/2004-CL.VII dated 28.05.2004 has also mentioned that approval for the remaining period will be granted after the company furnishes copy of the Special Resolution to the DCA within 30 days of the approval of the General Body Meeting, complying with the provisions of GSR No. 36 (E) dated 16.01.2002.

The company is a leading manufacturer of electrical contacts, HVC / SF6 Contacts used in transmission, distribution and utilization of power. Since its business area predominantly relates to infrastructure facilities in the power and other industrial sector, the pace of progress in these sectors to a large extent affects the results of the company. In these business areas, a slowdown in the economy has an immediate negative effect on demand growth.

A focussed restructuring program with thrust on improving efficiency of operations, cost control, restructuring of debt, aggressive Working Capital management and also a re-direction to the company's marketing efforts.

The company's net profit before tax has increased from Rs.122.02 Lacs in 1998-1999 to Rs. 459.72 Lacs in 2003-2004.

Under the guidance of Mr. G. L. Modi, the company has taken massive expansion in current financial year as well as last financial year. The installed capacity of electrical contacts, HVC / SF6 Contacts has increased by more than 25% in each year.

Due to above measures, the company hopes to achieve a turnover of Rs.3605 Lacs and net profit before tax of Rs.595.11 Lacs in Financial Year: 2004-2005. The effect of expansion and restructuring will improve further the results of the company in coming years.

Mr. G. L. Modi, the Managing Director is a Mechanical Engineer (Diploma) and is having 38 years of experience in engineering industry. He is the core promoter of the company and is associated with the company since its inception.

The Managing Director had successfully implemented the Electrical Contacts (Low Voltage Contact) Project in 1985 in technical collaboration with 'DODUCO', Germany. Under his able guidance, the company again successfully implemented HVC / SF6 (High / Medium Voltage Contacts) in collaboration with 'DODUCO', Germany. The company is continuously expanding existing product base under the supervision of the Managing Director. It has taken finance for the same in 1994, 1995 and 1996 from Gujarat Industrial Investment Corporation (GIIC). Under his able guidance, the company again successfully implemented manufacturing of Sterling Silver Cutlery in 1999. Company has completed expansion of Electrical Contacts, HVC / SF6 contacts in financial years: 2002-2003 and 2003-2004.

Due to continuous efforts of Mr. G. L. Modi, cost of materials consumed has come down from 58.89% in the F. Y: 1998-1999 to 51.32% in F. Y: 2003-2004.

Considering Mr. G. L. Modi's proven abilities and the improvement in the company's performance and financial results, the company has an imminent need to retain his talent for future growth.

Whilst deciding on the remuneration package of Mr. G. L. Modi, the Remuneration Committee of the Board considered the above. The material provision of the Agreement as regards Mr. G. L. Modi's re-appointment as Managing Director, referred to in Resolution No. 7 are as under:-

REMUNERATION:

- a) Salary: Rs.230000/- per month.
- b) Perquisites and Allowances:
 - i) In addition to the salary payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, cash allowances, allowances for utilities such as gas, electricity, water etc., medical reimbursement, club fees, leave travel concession for himself and his family, personal accident insurance and such other perquisites and allowances in accordance with the rules of the company or as may be agreed to by the Board of Directors and Mr. G. L. Modi; such perquisites and allowances will be subject to a maximum of 100% of annual salary.
 - ii) Company's contribution to Provident Fund to the extent to which it is not taxable under the Income Tax Act, Gratuity payable as per the Rules of the company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the salary or perquisites aforesaid.

Minimum Remuneration:

In the event of absence or inadequacy of profits in any Financial Year during the tenure of the Managing Director, the salary and perquisites mentioned above would be paid as a minimum remuneration.

The Agreement entered between the company and the Managing Director is available for inspection by the member at the company's Registered Office between 10.00 a.m. and 12.00 noon on any working day up to the date of Annual General Meeting.

Mr. G. L. Modi may be deemed to be concerned or interested in this Resolution.

Item No. 8:

Mr. Anand S. Modi, a relative of Mr. S. M. Mody, a Director of the company, was appointed as Sales Officer with effect from 1st April 2001 for holding an office of profit for a remuneration not exceeding Rs.10000/- per month. He was promoted as Sales Executive considering his qualification and his experience, his remuneration was increased w.e.f. 1st April 2004 as detailed in the resolution.

Approval of the Members is being sought towards approval of his remuneration.

Mr. S. M. Mody may be deemed to be concerned or interested in this Resolution.

Item No. 9:

Mr. Kumar Jay Modi, a relative of Mr. G. L. Modi, a Director of the company, was appointed as Sales Officer with effect from 1st December 2001 for holding an office of profit for a remuneration not exceeding Rs.10000/- per month. He was promoted as Sales Executive considering his qualification and his experience, his remuneration was increased w.e.f. 1st April 2004 as detailed in the resolution.

Approval of the Members is being sought towards approval of his remuneration.

Mr. G. L. Modi may be deemed to be concerned or interested in this Resolution.

By Order of The Board of Directors
For **MODISON METALS LTD.**,

Place : **MUMBAI**
Date : **30-06-2004**

RAJKUMAR MODI
Wholetime Director

MODISON
METALS LIMITED

Regd. Office : 33 Nariman Bhavan, 227 Nariman Point, MUMBAI - 400 021

Annexure to the notice of 21st Annual General Meeting to be held on Tuesday, 28th September, 2004 at 11.00 A.M.

STATEMENT GIVING INFORMATION TO SHAREHOLDERS AS REQUIRED BY GSR NO. 26 (E) DATED 16.01.2002 IN TERMS OF ITEM NO. 7 REGARDING RE-APPOINTMENT OF MR. G. L. MODI.

I. General information:

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 1) | Nature of Industry: | Manufacturing (Electrical Contact Industry) |
| 2) | Date or expected date of commencement of commercial production: | 1985 |
| 3) | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: | Not Applicable |

		<u>F.Y. 2003-04</u>	<u>F.Y: 2002-03</u>
		Rs. In Lakhs	
4)	Financial performance based on given indicators:	Sales & Other Income: 3059.85	2572.45
		Net Profit before tax: 459.72	459.58
5)	Export performance and net foreign exchange collaborations:	Export (F.O.B) 549.71	528.64
		No Foreign Exchange Collaboration	
6)	Foreign investments or collaborators, if any:	Not applicable	

II. Information about the appointee:

- | | | | | | | | | | | |
|-----------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------|--------------|-------------------------------------|----------------|-----------------------------|-----------------------|-----------------------|
| 1) | Background details: | In 1965, after passing Electrical Engineering, Mr. G. L. Modi started the career as an importer and exporter of engineering goods. In 1974, started export of silver to U.S.A., Japan and European countries and became the largest exporter of silver from India. In 1975, set up a factory in Mumbai to refine silver to 99.9% purity which in 1978 was expanded to manufacture industrial products of silver for electrical, electronic and switchgear industries. | | | | | | | | |
| 2) | Past remuneration: | <p>Following remuneration is being paid to him by the company till date:</p> <table border="0"> <tr> <td>Salary:</td> <td>Rs. 230,000 per month</td> </tr> <tr> <td>Perquisites:</td> <td>Restricted to 100% of annual salary</td> </tr> <tr> <td>Other Benefits</td> <td>As per Rules of the Company</td> </tr> <tr> <td>Maximum Remuneration:</td> <td>Rs.491,185 per month.</td> </tr> </table> | Salary: | Rs. 230,000 per month | Perquisites: | Restricted to 100% of annual salary | Other Benefits | As per Rules of the Company | Maximum Remuneration: | Rs.491,185 per month. |
| Salary: | Rs. 230,000 per month | | | | | | | | | |
| Perquisites: | Restricted to 100% of annual salary | | | | | | | | | |
| Other Benefits | As per Rules of the Company | | | | | | | | | |
| Maximum Remuneration: | Rs.491,185 per month. | | | | | | | | | |
| 3) | Recognition or Awards: | MODISON Silver bars are recognized as 'Good Delivery Bar' by the Reserve Bank of India and India Government Mint. Our contacts have been tested and successfully type approved by various agencies like: CESI-Italy, KEMA Laboratories-Holland and CPRI-Bangalore-India. | | | | | | | | |

4) Job profile and his suitability:

The Managing Director shall exercise and perform such power and duties as the Board of Directors of the Company shall from time to time determine, and subject to any directions and restrictions from time to time given and imposed by the Board, the Managing Director shall have the general control, Management and superintendence of the business of the Company in the ordinary course of business and to do and perform all other acts and things, which in the ordinary course of business he may consider necessary or proper or in the interest of the Company.

The Managing Director with his thorough technical knowledge and experience is suitable to manage the company.

5) Remuneration proposed:

Basic salary: Rs. 230,000 per month
 Perquisites: Restricted to 100% of annual salary
 Other Benefits As per Rules of the company
 Maximum Remuneration: Rs.491,185 per month.

6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

It is difficult to get a person of his caliber particularly in Electrical /HVC-SF6 Contacts industry. Person abroad of his experience would get not less than US\$ 2 Million per annum. In India, first of all, it is difficult to find his replacement – may be if we get somebody, remuneration not less than Rs. 100 Lakhs per annum.

7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personal, if any:

Chief Promoter of the company appointed as Managing Director of the company w.e.f. 01.09.1994

Mr. G. L. MODI is the brother of Mr. S. M. Mody, a Director of the Company

III. Other information:

1) Reason of loss or inadequate profit:

The company is a leading manufacturer of electrical contacts / HVC/SF6 Contacts used in transmission, distribution and utilization of power. Since its business area predominantly relates to infrastructure facilities in the power and other industrial sector, the pace of progress in these sectors to a large extent affects the results of the company. In these business areas, a slowdown in the economy has an immediate negative effect on demand growth.

2) Steps taken or proposed to be taken for improvement:

A focussed restructuring program with thrust on improving efficiency of operations, cost control, restructuring of debt, aggressive working capital management and also a re-direction to the Company's marketing efforts. The company's application for Debt Restructuring is under advance consideration with our Bankers.

3) Expected increase in production and profits in measurable terms:

The company hopes to achieve a turnover of Rs.3605 Lacs and net profit before tax of Rs.595.11 Lacs in Financial Year: 2004-2005. The effect of expansion and restructuring will improve further the results of the company in coming years.

IV. Disclosures:

1. The shareholders of the Company shall be informed of the remuneration package of the managerial person
2. The following disclosures shall be mentioned in the Board of Directors Report under the heading "Corporate Governance", if any, attached to the annual report:
 - i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors;
 - ii) Details of fixed components and performance linked incentives along with the performance critics;
 - iii) Service contracts, notice period, severance fees;
 - iv) Stock Option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.

By Order of The Board of Directors
For **MODISON METALS LTD.,**

Place : **MUMBAI**
Date : **30-06-2004**

RAJKUMAR MODI
Wholetime Director

