

# ***MODISON***

## ***METALS LIMITED***

**ANNUAL REPORT : 2005 -2006**

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# ***MODISON***

**THE SILVER PEOPLE**

**ANNUAL REPORT: 2005-2006**

**MODISON**  
METALS LIMITED

***BOARD OF DIRECTORS:***

**RANJAN DASGUPTA – Chairman**

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

**S. M. MODY**

**SURESH MODY**

**PRAKASH MODI – Resigned w.e.f. 12.05.2006**

**RAJKUMAR MODI - Whole-time Director**

**SHRAVAN SHARMA**

**SATISH MODY**

***AUDITORS:***

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

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

**480, Kalbadevi Road, Mumbai – 400002**

***BANKERS:***

**BANK OF INDIA**

**CITIBANK N.A.**

***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 **Twenty-third Annual Report** of the Company together with audited Accounts for the year ended 31<sup>st</sup> March, 2006.

- FINANCIAL RESULTS**

	<u>Rupees In Lakhs</u>	
	<u>2005-2006</u>	<u>2004-2005</u>
Sales & Other Income	5308.31	3762.04
Gross Profit Before Finance Expenses & Depreciation / Amortisation	1444.47	960.69
Less: Finance Expenses	150.87	128.17
Depreciation / Amortisation	184.56	153.58
Profit Before Taxation	1109.04	678.94
Less: <u>Provision for Taxation:</u>		
Current Tax (Including Rs. 0.56 Lakhs for Wealth Tax - Previous year Rs.0.21 Lakhs)	337.56	202.21
Deferred Tax	46.31	33.88
Fringe Benefit Tax	5.10	-
Profit After Taxation	720.07	442.85
Add: Taxation adjustment of previous year	(1.56)	0.42
Add: Balance Brought Forward from the previous year	1194.42	858.27
Profit available for appropriation	1912.93	1301.54
Interim Dividend	-	32.45
Final Dividend	81.13	32.45
Corporate Dividend Tax (Previous Year's figures include Rs.0.13 for the year 2003-04)	11.38	8.92
Transfer to General Reserve	71.90	33.30
Balance Carried Over to Balance Sheet	1748.52	1194.42

- **DIVIDEND :**

The Board of Directors has recommended a Dividend of Rs.2.50 (25 per cent) per Equity Share of Rs.10/- each for the Financial Year ended 31<sup>st</sup> March 2006..

- **OPERATIONS :**

During the year under review, the Company has achieved the turnover of Rs. **5308.31 Lakhs** as compared to Rs. 3762.04 Lakhs during previous year. Year 2005-2006 was extremely good for your Company. Turnover grew by 41.10%, i.e. by Rs. 1546.27 Lakhs. Profit before tax grew by 63.35%, i.e. by Rs. 430.10 Lakhs. Net Profit after taxation grew by 62.60% i.e. by Rs. 277.22 Lakhs.

Earnings per share for the year 2005-2006 increased to Rs. 22.14 from Rs. 13.66 in the previous year. Book value now stands at Rs. 69.81 per Equity Share of Rs.10/- each.

- **EXPORTS :**

The Exports during the year amounts to Rs. 1,117.29 Lakhs as against Rs. 678.19 Lakhs achieved in the previous year, an increase of 64.75 %. During the year under review, the Company has made attempts on consolidating the Market in Japan and Europe. The Company will continue to improve its exports performance in the current year as well.

- **EXPANSION :**

During current Financial Year: 2005-06, the Company has completed major expansion for manufacturing steel backed button contacts and has also completed expansion in medium and high voltage contacts.

- **RESEARCH AND DEVELOPMENT :**

A state-of-Art recognized R & D Division set up by the Company in Financial Year 2002-03 got renewal in April 2005 from Department of Science & Technology Industrial Research, New Delhi. The R & D Division is working for development of new product as well as improvement in existing products.

- **DIRECTORS:**

Mr. Prakash Modi, Director of the Company resigned from the Board of Directors w.e.f. 12<sup>th</sup> May 2006 Due to pre-occupation with other business commitments.

Mr. Ranjan Dasgupta 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.

Your Company has complied with the requirement of the revised clause 49 of the Listing Agreement.

- **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 :**

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 not accepted deposit from the Public during the year.

- **APPRECIATION :**

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

For And On Behalf Of The Board

Mumbai, 27<sup>th</sup> June, 2006

**G. L. MODI**  
Managing Director

**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.

Name	: Mr. G.L. MODI
Designation	: Managing Director
Date of Commencement of Employment	: 1 <sup>st</sup> Sept. 1994
Gross Remuneration	: Rs. 5,654,017
Age ( in Years )	: 64
Qualification	: D.M.E
Experience (in years)	: 40
Particulars of Previous Employment	: -
Designation	: -

**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.5308.31 Lakhs in the current Financial Year: 2005-2006 from Rs. 3762.04 Lakhs during the previous Financial Year: 2004-2005. Profit before tax grew to Rs.1109.04 Lakhs in the current Financial Year: 2005-2006 from Rs.678.94 Lakhs in the previous Financial Year: 2004-2005.

Export during the current Financial Year amounted to Rs. 1117.29 Lakhs as against Rs. 678.19 Lakhs 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. The company has huge potential in export market for Steel backed Button Contacts.

### **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. The cost of major raw materials is very unstable and it may affect the working of the Company.

### **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:**

A state-of-Art recognized R & D Division set up by the Company in Financial Year 2002-03 got renewal in April 2005 from Department of Science & Technology Industrial Research, New Delhi. The R & D Division is working for development of new product as well as improvement in existing products.

### **H. Expansion:**

The company is constructing new building at the existing factory land for shifting of all manufacturing facility of SF6 Contacts.

### **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 is fully compliant with the Corporate Governance norms in terms of constitution of the Board. The Board of Directors has an optimum combination of Executive and Non-Executive Directors with more than 70% of Directors being Non-Executive Directors. The Board of Directors at present comprises of 7 directors and represents the optimum mix of professionalism, knowledge and experience.

The Board's composition is in accordance with the requirements of Clause 49 of the Listing Agreement.

None of the Directors on the Board is a member of more than 10 (ten) Committees and Chairman of more than 5 (five) Committees as per Clause 49 across all companies in which they are directors.

The composition of the Board of Directors during the year as well as details of outside directorships and other board committees of which the Company's Directors are Members is as under:-



**Directors' attendance record and Directorship / Committee Membership / Chairmanship held**

Name of Director	Executive / Non-Executive / Independent	Board Meetings attended during the year	Whether attended last AGM	Directorships* incl. MML)	Committee Position (Including MML)	
					Chairman	Member
Ranjan Dasgupta - Chairman	Non-Executive & Independent	3	Yes	1	2	2
G. L. Modi - Managing Director	Executive	6	Yes	2	Nil	1
S. M. Mody	Non-Executive	5	Yes	1	Nil	Nil
Suresh Mody	Non-Executive	6	Yes	1	Nil	Nil
Prakash Modi	Executive (Resigned w.e.f. 12.05.2006)	1	No	1	Nil	Nil
Rajkumar Modi - Wholetime Director	Executive	6	Yes	1	Nil	2
Shravan Sharma	Non-Executive & Independent	3	Yes	1	1	3
Satish Mody	Non-Executive & Independent	4	Yes	2	Nil	2

\* Number of Directorships/memberships held in other companies excludes directorship/member in Private Limited Companies, Foreign Companies and Companies under section 25 of the Companies Act, 1956.

An Independent Director is a Director who:

- apart from receiving director's remuneration does not have any material pecuniary relationships or transactions with the Company, it's promoters, it's directors, it's senior management or it's holding company, it's subsidiaries and associates which may effect independence of the Director.
  - is not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
  - has not been an executive of the company in the immediately three preceding financial years.
  - is not a partner or an executive or was not partner or an executive during three preceding years of any of the following:-
    - Statutory audit firm or the internal audit firm, i.e. associated with the company, and
    - The legal firm(s) and consulting firm(s) that have a material association of the company.
  - is not a material supplier, service provider or customer or a lessor or lessee of the company which may affect the independence of the Director.
  - is not a substantial shareholder of the company, i.e. owning 2% or more of the block of voting shares.
- b) **APPOINTMENT / REAPPOINTMENT OF DIRECTORS:-**

Mr. Ranjan Dasgupta and Mr. Rajkumar Modi retire by rotation at the ensuing Annual General meeting and being eligible offer themselves for re-appointment. Approval of the shareholders is sought at the ensuing Annual General Meeting for their re-appointment as Directors of the Company.

The list containing the details of the Directors seeking re-appointment at the 23<sup>rd</sup> Annual General Meeting is given below:-

i)	Name of the Director	Mr. Ranjan Dasgupta	Mr. Rajkumar Modi
ii)	Date of birth	28.10.1940	08.03.1965
iii)	Date of Appointment	09.06.1998	09.06.1998
iv)	Qualification	B.Sc (Hons), B.E, MBA –Post Graduate (Equivalent) TQM	B.Com., MBA
v)	Expertise in specific functional area	39 years tenure with Crompton Greaves Ltd., retired as Member Board and President – Power Systems.	He has a sharp business acumen, stronghold in export market and excellent administrative capabilities.
vi)	List of other public limited companies (in India) in which outside directorship held	NIL	NIL
vii)	Member of the committee/s of Board of Directors of other companies in which he is a Director	NIL	NIL

### c) BOARD MEETINGS AND ANNUAL GENERAL MEETINGS:

The meetings of the Board of Directors are held in Mumbai at the registered office of the company. The Board meets at least once in a quarter interalia to review the quarterly performance and financial results. The Board meets at least 4 times in a year and the gap between two Board Meetings is not more than 4 months as per the Clause 49 of the Listing Agreement.

Six meetings were held during the year ended 31st March 2006. They were on 22.04.2005, 30.06.2005, 04.08.2005, 27.08.2005, 28.10.2005 and 30.01.2006.

The Board is appraised and informed of all the important matters relating to the business of the Company including those information as prescribed in Annexure 1 A of the revised Clause 49 of the Listing Agreement. The Managing Director finalises the items to be included in the agenda of the meeting and the same is sent to the members of the Board in advance along with the relevant details and explanatory notes wherever required.

### 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. BOARD COMMITTEES:

The Board has constituted the following committees of Directors:-

- I) Audit Committee
- II) Remuneration Committee
- III) Shareholder's Grievance Committee.