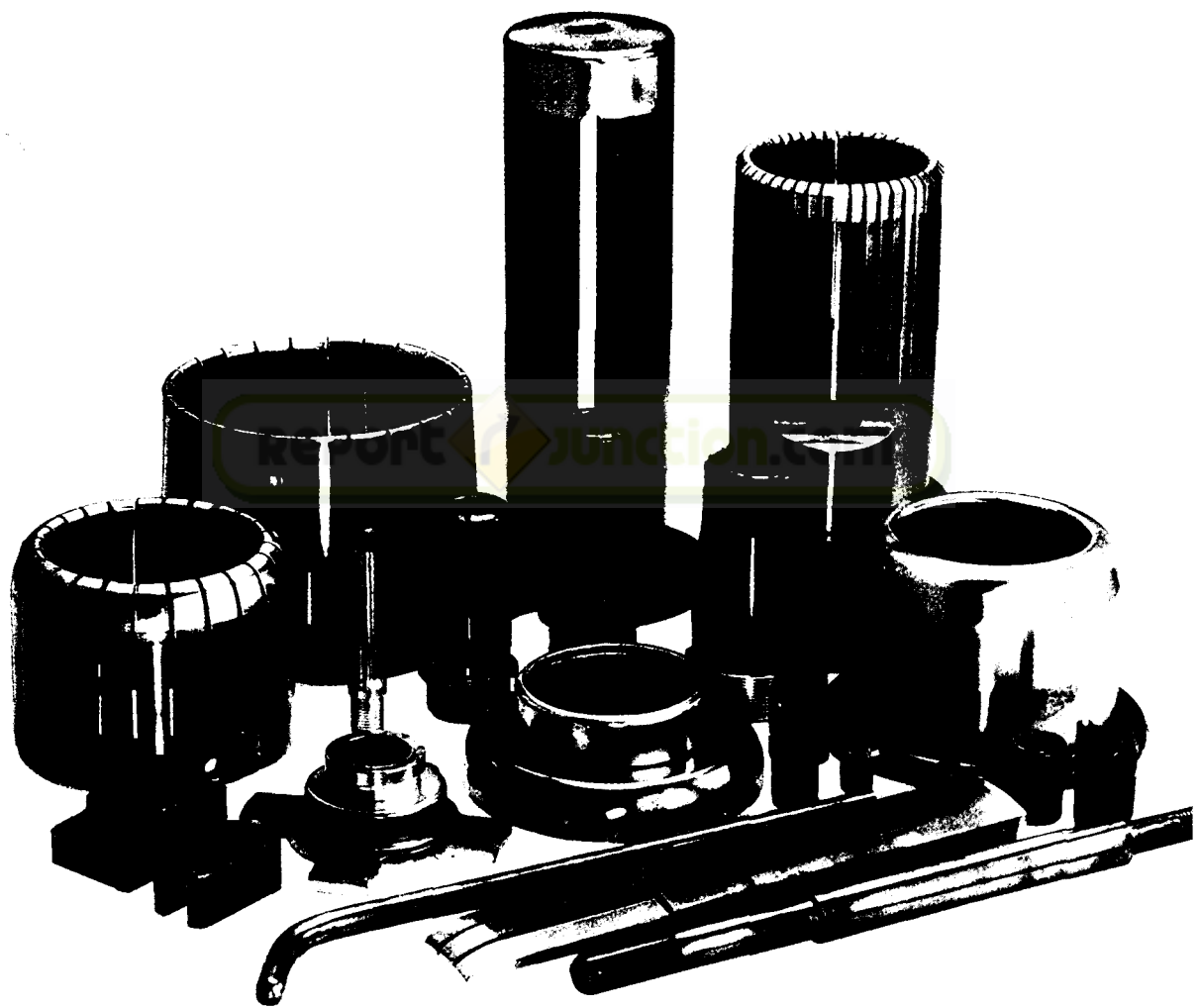


ANNUAL REPORT - 2006 - 2007



MODISON
THE SILVER PEOPLE

MODISON

METALS LIMITED

MODISON METALS LIMITED

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

NOTICE

Notice is hereby given that the **Twenty-fourth Annual General Meeting** of Modison Metals Limited will be held at **Radio Room, The Bombay Presidency Radio Club Ltd., 157, Arthur Bunder Road, Coloba, Mumbai – 400005** on **Tuesday, 25th September, 2007 at 11.30 A.M.**

ORDINARY BUSINESS:

Adoption of Directors' Report and Accounts

1. To receive and adopt the audited Balance Sheet as at 31st March 2007, Profit and Loss Account for the year ended on that date with the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend.

Reappointment of Directors retiring by Rotation

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. Suresh Mody who retires from office by rotation and being eligible offers himself for reappointment.

Appointment of Auditors

5. To appoint M. L. Bhuwania & Co., Chartered Accountants, as statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting.

By Order of the Board
For **MODISON METALS LTD.,**

G. L. MODI
Managing Director

MUMBAI, 29th June, 2007

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) Members / proxies should fill the Attendance Slip for attending the meeting.
- c) The Register of Members and transfer books of the company will be closed from 18th September 2007 to 25th September 2007 (Both days inclusive).

MODISON

METALS LIMITED

- d) The dividend, after declaration, will be paid to those shareholders whose names stand on the Register of Members on 25th September 2007. 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 25th September 2007. The dividend will be paid by 24th October 2007 to the Shareholders.
- e) Members are hereby informed that Dividend which remains unclaimed /un-encashed over a period of 7 years, has to be transferred as per the provisions of Section 205A of the Companies Act, 1956, by the Company to "The Investor Education & Protection Fund", constituted by the Central Government under Section 205C of the Companies Act, 1956.

Hereunder are the details of Dividends paid by the Company and their respective due dates of transfer of unclaimed / un-encashed dividends to the designated fund of the Central Government:-

| Date of declaration of Dividend | Dividend for the year | Due date of transfer to the Government |
|---------------------------------|------------------------------|--|
| 20.12.2004 | 2004-2005 (Interim Dividend) | 19.12.2011 |
| 27.09.2005 | 2004-2005 (Final Dividend) | 26.09.2012 |
| 26.09.2006 | 2005-2006 | 25.09.2013 |

It may be please be noted that once the unclaimed /un-encashed dividend is transferred to "The Investor Education & Protection Fund", as above, no claim shall lie in respect of such amount by the shareholder.

- f) The Company is listed at:
Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001.

The listing fees have been paid in time.

- g) As per the requirements of clause 49 of the Listing Agreement on Corporate Governance for appointment of the Directors / re-appointment of the retiring Directors, a statement containing details of the concerned Directors is given below:

| | | | |
|------|--|---|--|
| i) | Name of the Director | Mr. G. L. Modi | Mr. Suresh Mody |
| ii) | Date of birth | 04.06.1941 | 23.10.1944 |
| iii) | Date of Appointment | 01.01.1997 | 01.01.1997 |
| iv) | Qualification | Dipl. In Mechanical Engg | B. Com., LL.B |
| v) | Expertise in specific functional area | 41 years of experience in engineering industry. | 40 years experience in Finance and Taxation matters. |
| 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 |

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

G. L. MODI
Managing Director

MUMBAI, 29th June, 2007

ANNUAL REPORT: 2006-2007

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 - Wholetime Director

SHRAVAN SHARMA

SATISH MODY

AUDITORS:

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

Dahanukar Building, 5th Floor

480, Kalbadevi Road, Mumbai – 400002

BANKERS:

BANK OF INDIA

CITIBANK N.A.

REGISTERED & HEAD OFFICE:

33 Nariman Bhavan

227 Nariman Point

MUMBAI – 400021

MODISON

METALS LIMITED

DIRECTORS' REPORT

To,

The Members of
MODISON METALS LTD.

Your Directors have pleasure in submitting the **Twenty-fourth Annual Report** of the Company together with audited Accounts for the year ended 31st March, 2007.

• **FINANCIAL RESULTS**

| | <u>Rupees In Lakhs</u> | |
|---|------------------------|------------------|
| | <u>2006-2007</u> | <u>2005-2006</u> |
| Sales & Other Income | 8219.55 | 5308.31 |
| Gross Profit Before Finance Expenses & Depreciation / Amortisation | 2027.25 | 1444.47 |
| Less: Finance Expenses | 211.74 | 150.87 |
| Depreciation / Amortisation | 264.19 | 184.56 |
| Profit Before Taxation | 1551.32 | 1109.04 |
| Less: <u>Provision for Taxation:</u> | | |
| Current Tax (Including Rs. 0.58 Lakhs for Wealth Tax - Previous year Rs.0.56 Lakhs) | 520.58 | 337.56 |
| Deferred Tax | 17.62 | 46.31 |
| Fringe Benefit Tax | 5.30 | 5.10 |
| Profit After Taxation | 1007.82 | 720.07 |
| Add: Taxation adjustment of previous year | (0.05) | (1.56) |
| Add: Balance Brought Forward from the previous year | 1748.52 | 1194.42 |
| Profit available for appropriation | 2756.29 | 1912.93 |
| Proposed Dividend | 81.13 | 81.13 |
| Corporate Dividend Tax | 13.79 | 11.38 |
| Transfer to General Reserve | 101.00 | 71.90 |
| Balance Carried Over to Balance Sheet | 2560.37 | 1748.52 |

- **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 31st March 2007.

- **OPERATIONS :**

During the year under review, the Company has achieved the turnover of **Rs. 8219.55 Lakhs** as compared to Rs. 5308.31 Lakhs during previous year. Year 2006-2007 was extremely good for your Company. Turnover grew by 54.84%, i.e. by Rs. 2911.25 Lakhs. Profit before tax grew by 39.88%, i.e. by Rs. 442.28 Lakhs. Net Profit after taxation grew by 39.96% i.e. by Rs. 287.74 Lakhs.

Earnings per share for the year 2006-07 increased to Rs. 31.06 from Rs. 22.14 in the previous year. Book value now stands at Rs. 97.77 per Equity Share of Rs.10/- each.

- **EXPORTS :**

The Exports during the year amounts to Rs. 1,556.50 Lakhs as against Rs.1,117.29 Lakhs achieved in the previous year, an increase of 39.31%. 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.

- **RESEARCH AND DEVELOPMENT :**

A state-of-the-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. 12th May 2006 due to pre-occupation with other business commitments.

Mr. G. L. Modi and Mr. Suresh Mody 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, 29th June, 2007

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 :

Research & Development

- a) Specific areas in which R&D carried out by the company:
 - Development of Silver Tin Oxide (AgSnO₂) contact Material
 - Development of high skeleton strength Copper Tungsten sintered material.
 - Development of Copper Chromium Zirconium alloy having less than 40ppm oxygen by vacuum melting technology.
 - Development of Copper Chromium and Silver Alloys having low oxygen content.
- b) Benefits derived as a result of above R & D:-
 - New product development is import substitute
 - Country has saved valuable foreign exchange
 - Much better product performance at significantly lower raw material costs.
- c) Future Plan of action:
 - Development of butt welding of copper and copper tungsten for Extra High Voltage (EHV) contacts.
 - Development of trimetal strips for low voltage contacts
 - Silver refining for manufacturing high purity silver (99.99%) for PVD and CVD application.
 - Hot-bonding of silver with steel for low voltage contacts inlays.
- d) Expenditure in R&D:

| | <u>Rs. In Lakhs</u> |
|--|---------------------|
| - Capital | 5.04 |
| - Recurring | <u>7.56</u> |
| Total | <u>12.60</u> |
| - Total R&D Expenses as a percentage of total Turnover | 0.15% |

C FOREIGN EXCHANGE EARNINGS AND OUTGO :

- a) Activities Relating To Exports:
 - The Company is contributing towards imports substitution in Electrical & Switchgear Industries and making the country self reliant in this regard.
- b) Total Foreign Exchange Used and Earned (2006-2007)

| | <u>Rs. in Lakhs</u> |
|--------------------------------------|---------------------|
| i) CIF Value of Imports: | 1176.26 |
| ii) Expenditure in Foreign Currency: | 77.00 |
| iii) Foreign Exchange earned: | 1556.50 |

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 st Sept. 1994 |
| Gross Remuneration | : Rs. 7,655,215 |
| Age (in Years) | : 65 |
| Qualification | : D.M.E |
| Experience (in years) | : 41 |
| 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. 8219.55 Lakhs in the current Financial Year: 2006-07 from Rs. 5308.31 Lakhs during the previous Financial Year: 2005-06. Profit before tax grew to Rs.1551.32 Lakhs in the current Financial Year: 2006-07 from Rs.1109.04 Lakhs in the previous Financial Year: 2005-06.

Export during the current Financial Year amounted to Rs. 1556.50 Lakhs as against Rs. 1117.29 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.