

**ANNUAL REPORT**  
**2006-2007**



**Modern**  
**Insulators Limited**

---

---

## **BOARD OF DIRECTORS**

Shri H.S. Ranka	-	Chairman
Shri Sachin Ranka	-	Director
Shri S.S. Karnavat	-	Director
Shri S.B. L. Jain	-	Director
Shri R.N. Goyal	-	Director
Shri R.R. Maheshwari	-	Director
Shri H.L. Sharma	-	Executive Director
Shri R.K. Ladia	-	Executive Director

### **COMPANY SECRETARY**

Smt. Krishna Tela

### **AUDITORS**

M/s S.S. Kothari & Co.,  
Chartered Accountants  
Jaipur-302 001

### **REGISTERED OFFICE**

A-4, Vijay Path,  
Tilak Nagar,  
Jaipur-302 004  
(Rajasthan)

### **CORPORATE HEADQUARTER**

68/69, Godavari,  
Poachkhanwala Road,  
Worli,  
Mumbai-400 030

### **PLANT**

Abu Road-307 026  
Distt. Sirohi  
(Rajasthan)

## NOTICE

Notice is hereby given that the 23rd Annual General Meeting of **Modern Insulators Limited** will be held on Saturday the 29th September, 2007 at 10.30 A.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur – 302 004 to transact the following business :

### A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri R.N. Goyal who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri S.B.L. Jain who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri H.L. Sharma who retires by rotation and being eligible, offers himself for re-appointment.
- (5) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications, as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956, M/s. S.S. Kothari & Co., Chartered Accountants, Jaipur, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company.”

### B. SPECIAL BUSINESS :

- (6) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution :  
“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) and further subject to the approval of Central Government, if necessary and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the re-appointment of Shri R.K. Ladia as an Executive Director of the Company from 01/04/2007 for a further period of three years on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto.”

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

“RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times and in such form or manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking or all the undertakings, including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking or undertakings of the Company as the case may be, together with power to take over the management of the business and concern of the said undertaking(s) of the Company in certain events, in favour of :

#### On First Charge basis

1. Central Bank of India for its working capital assistance of upto Rs. 1350 lacs (Fund based) & upto Rs. 862.50 lacs (Non-fund based) respectively.
2. Punjab National Bank for its working capital assistance of upto Rs. 450 lacs (Fund based) & upto Rs. 287.50 lacs (Non-fund based) respectively.

In connection with the working capital facilities sanctioned/to be sanctioned by the working capital bankers to the Company to secure the said working capital facilities together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other moneys payable by the Company in terms of letter of sanction(s) / memorandum of the terms and conditions entered into/ to be entered into by the Company in respect of working capital facilities, such security, to rank as the case may be to the mortgage and/or charges already created or to be created in future by the Company or in such manner as may be agreed to by the banks and as may be thought expedient by the Board of Directors of the Company.”

“FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to finalise the matter and method of and documents and deeds for creating the aforesaid mortgage/ charge and to do all such acts, deeds and things as it may in its absolute discretion deem necessary, proper or desirable and also agree to any amendments thereto from time to time as it may think fit.”

By Order of the Board

Place : Mumbai  
Date : 30th June, 2007

(KRISHNA TELA)  
Company Secretary

### NOTES :

1. The relative Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item number 6 & 7 of the notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.**
3. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
4. The Share transfer books and Register of members shall remain closed from 27.09.2007 to 29.09.2007 (both days inclusive).

**ANNEXURE TO NOTICE**  
**EXPLANATORY STATEMENT**  
**(Pursuant to Section 173 (2) of the Companies Act, 1956)**

**Item No. 6**

Shri R.K. Ladia was re-appointed as Executive Director of the Company for a period of 3 years on 01/04/2004, as term of his appointment expired on 31/03/2007, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01/04/2007. The terms & conditions & payment of remuneration to Shri R.K. Ladia as Executive Director has also been approved by the Remuneration Committee of Board of Directors of the Company.

The terms & conditions of remuneration referred to above are as under :

(A) Salary - Rs. 1,50,000/- (Rupees One Lac Fifty Thousand only) per month.

(B) Perquisites and allowances:

- (i) Furnished residential accommodation with water, gas, electricity etc. monetary value of which will be evaluated as per rule 3(a) of the Income Tax Rules, 1962. The above is subject to the following :
    - (a) The expenditure incurred by the Company on hiring accommodation for him will be subject to the ceiling of 50% of the salary over and above 10% payable by him.
    - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing will be evaluated as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary paid to him.
  - (ii) Medical benefits for self and family, reimbursement of expenses actually incurred, the total cost of which to the Company shall not exceed one month's salary of every year of service.
  - (iii) Leave travel concession for self, wife and minor children once a year to and from any place in India subject to the condition that only actual fare and no hotel expenses etc. will be allowed.
  - (iv) Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
  - (v) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
  - (vi) Free use of car with driver, for Company's business.
  - (vii) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
  - (viii) Encashment of leaves as per Company's Rules.
- (C) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof. None of Directors, except Shri R.K. Ladia, is concerned or interested in the said resolution in item No.6. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

**Item No. 7**

Working capital banker has sanctioned enhance limit on the basis of creation of first charge on the fixed assets of the Company.

As the mortgage or charge on properties to secure the working capital facilities on second charge basis may be regarded as disposal of the whole or substantially the whole of the undertaking(s) of the Company, it is considered necessary to seek members approval pursuant to the provisions of section 293(1)(a) of the Companies Act, 1956 in respect of working capital loans/facilities.

The Directors recommend the proposed Resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the said resolution in item No. 7.

## DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2007.

### 1. FINANCIAL RESULTS

(Rs. in crores)

	2006-2007	2005-2006
Net Profit after Tax	14.57	7.96
Add : Transferred from Debenture Redemption Reserve	-	2.40
Add : Balance brought forward from last year	28.35	17.99
Balance carried to Balance Sheet	42.92	28.35

### 2. OPERATIONS

The performance of the Company has been satisfactory. The gross turnover for the year under review has been Rs.212 crores and the profit after tax for the year is Rs.14.57 crores. In spite of considerable increase in prices of fuel, packing material etc. and increased maintenance cost due to heavy rains & floods in monsoon season resulting in damage to buildings, roads, plant and machinery etc., Company was able to improve the profit through volume growth. Keeping in view the need to conserve the Company's resources for meeting the enhanced working capital requirements and balancing the manufacturing equipments, your directors deemed it prudent not recommended any dividend for the year.

### 3. MARKET POSITION AND EXPORTS

During the year under review, the Company has registered an export turnover of Rs.121 crores. Your Company is the largest exporter of EHV porcelain Insulators from India. The Directors are pleased to inform that the Company won the prestigious "TOP EXPORT AWARD" for two consecutive years. Your Company is now a regular suppliers to all the multinational OEMs and contractors for their world-wide requirements of quality extra high voltage porcelain insulators. Your Company is also a market leader in the field of extra high voltage insulators in the country.

### 4. FUTURE PROSPECTS

With the thrust on power development world-wide, India stands to gain and Company's business is expected to increase in coming years. Your Company is having well equipped R & D laboratory which takes care of the stringent quality requirements of customers and ensure quality and reliability in each and every product manufactured. Your Company maintains large order book position.

Looking to the present scenario in power sector, the business prospects for Insulator Industry in general and for your Company in particular are encouraging.

### 5. DIRECTORS

During the year under review Shri K.K. Baheti has resigned from the directorship of the company. The Board places on record its appreciation for the valuable contribution made by Shri K.K. Baheti during his tenure as a Director of the Company. Shri S.B.L. Jain, Shri R.N. Goyal and Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment.

### 6. AUDITORS

M/s.S.S. Kothari & Co., Chartered Accountants, Jaipur retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2007-2008. The observations made by Auditors are self explanatory and have been dealt with in the notes vide Schedule No 14. forming part of the accounts and hence need no further clarifications.

### 7. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

The Board appreciate commitment, co-operation and willingness shown by the workers, staff and officers. The Company has enjoyed healthy & cordial relations throughout the year. There is no employee getting remuneration as prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

### 8. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that :-

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting polices and applied them consistently and made judgements and estimates that were 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 the year under review;
- the Directors have 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 and;
- the Directors have prepared the annual accounts on a going concern basis.

### 9. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The statement of particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2(A), 2(B) and 2(C) of the Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

### 10. CONSTITUTION OF AUDIT COMMITTEE

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in section 292A of the Companies act,1956. The present Audit Committee consists of Member directors as under :-

Shri S.S. Karnavat, Chairman

Shri S.B.L. Jain

Shri H.L. Sharma

### 11. CORPORATE GOVERNANCE

The Company is making all efforts for complying with the provisions relating to Corporate Governance pursuant to clause 49 of the Listing Agreement with Stock Exchange(s).

### 12. ACKNOWLEDGEMENTS

The Board places on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from the bankers of the company and Central as well as State Government. Your Directors also wish to appreciate the dedications and efforts of executives, staff and workers of the Company.

ON BEHALF OF THE BOARD

Place : Mumbai

Dated : 30th June, 2007

(H.S. RANKA)  
CHAIRMAN

## ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(1)(e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### **A. TECHNOLOGY ABSORPTION:**

#### **1. Research and Development (R&D):-**

- a) Specific area in which R & D carried out by the Company:
- Improvement in body composition for consistency in recovery.
  - Use of high quality raw material for improvement in body.
  - Improvement in product appearance by introduction of new composition for glaze and better quality raw materials.
  - Developing high temperature glaze.
  - Exploring different variety of clay in body to reduce firing cycle.
  - Development of different glazes for different applications.
  - Development of extra high strength products for overseas market.
- b) Benefits as a result of the above R & D:
- Improvement in efficiency.
  - Improvement in quality.
  - Wider customer base.
  - Waste material utilisation.
- c) Future plan of action:
- Automation in material handling.
  - Automation of raw material charging system.
  - Development of better additives to get high strength of cement mortar.
- d) Expenditure on R & D:
- |   |               |
|---|---------------|
| - Capital   | Rs. Nil       |
| - Recurring   | Rs.49.11 lacs |
| - Total   | Rs.49.11 lacs |
| - Total R & D expenditure,<br>as % of total turnover. | 0.23 %        |

#### **2. Technology Absorption, Adoption and Innovation:**

- a) Efforts made towards technology absorption, adoption and innovation:-
- Modification of process and product designs to cater market requirements and to improve operational efficiency.
- b) Benefits derived as a result of above efforts:
- Improvement in efficiency and productivity.
  - Development of new products.

### **B. FOREIGN EXCHANGE EARNING & OUTGO:**

The company has earned during the period foreign exchange of Rs.12146.41 lacs at F.O.B. price against an outgo of Rs.1168.21 lacs.

## AUDITORS' REPORT

To the Members,

1. We have audited the attached Balance Sheet of MODERN INSULATORS LIMITED as at 31st March 2007, the Profit & Loss Account and cash flow statement of the Company for the year ended on that date annexed hereto. 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the 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 Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227 (4-A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 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 purpose 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 & 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 & Loss Account and Cash Flow Statement dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

### ANNEXURE FORMING PART OF THE AUDITORS' REPORT

Referred to in the report of even date, of the Auditors to members of MODERN INSULATORS LIMITED.

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except furniture & fixtures for which detailed records are not maintained.
- (b) As per information and explanations given to us, most of the fixed assets have been physically verified during the year by management in accordance with a phased programme of verification at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off substantial part of the fixed assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any loan, secured or unsecured, to/from the Companies, Firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 and therefore clause 4(iii) of the order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for purchases of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness in internal controls.
- (v) a) Based on audit procedures applied by us and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding Rupees Five lakhs in respect of any party during the year.
- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the internal audit carried out during the year by a firm of Chartered Accountants appointed by the company commensurates with the size of the company and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 for the product manufactured by the Company.

- (v) (a) Balances of debtors and creditors are subject to confirmations and reconciliations, if any. (Note No.4 of Schedule 14).
- (b) In view of insufficient information from the suppliers regarding their status as SSI units, amount overdue to such undertakings could not be ascertained. (Note No.11 of Schedule 14).
- (vi) Some of the existing directors of the company are not eligible from being re-appointed as directors under the proviso to Section 274(1)(g) of the Companies Act, 1956. However, the Company has obtained an opinion according to which such directors of the Company can continue to be in office during their tenure and they can also be re-appointed as directors on the expiry of their tenure. We have been further informed that the Company has made representation to the Central Government (Department of Company Affairs) seeking appropriate exemption from the applicability of the said section.
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our comments in para (v) above and 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:
  - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007.
  - (b) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date and
  - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.S. KOTHARI & CO.  
Chartered Accountants

(B.L. VERMA)

Partner

Membership No. 10900

Place : Jaipur

Date : 30th June, 2007

- (i) (a) According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, service tax, sales-tax, custom duty, excise duty and other statutory dues applicable to it and no undisputed statutory dues as noted above is outstanding for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and as per the records examined by us, the disputed demand of income tax for Asst. year 2004-05 for Rs.88.33 lacs has not been deposited as the same is pending before CIT (Appeals)-II Raj, Jaipur.
- (x) The Company does not have accumulated losses as at the end of the year and it has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit and as per information and explanations given by the management, there has been no default in repayment of dues to any financial institution or bank or debenture holders during the year.
- (xii) Based on our examination of books of account and information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statutes applicable to chit fund, nidhi or mutual benefit fund/society are not applicable to the company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments and hence requirement of para 4(xiv) is not applicable.
- (xv) As per information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fresh term loans were obtained by the company during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) No allotment of shares has been made by the company during the year.
- (xix) During the period covered by our audit report, the Company has not issued debentures.
- (xx) During the year the company has not raised any money by way of public issue.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, no fraud on or by the company has been noticed or reported during the year.

For S.S. KOTHARI & CO.  
Chartered Accountants

(B.L. VERMA)

Partner

Membership No. 10900

Place : Jaipur

Date : 30th June, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

		(Rs. in lacs)	
	Schedule	As at 31.03.2007	As at 31.03.2006
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	1	2174.35	2174.35
Reserves & Surplus	2	4317.26	2859.54
		<u>6491.61</u>	<u>5033.89</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	1429.94	1317.39
Unsecured Loans	4	500.00	700.00
		<u>1929.94</u>	<u>2017.39</u>
Deferred Tax Liability (Refer Note No. 17 of Schedule 14)		797.01	708.07
<b>TOTAL</b>		<u>9218.56</u>	<u>7759.35</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	10705.75	9928.02
Less : Depreciation		<u>5618.55</u>	<u>5276.26</u>
Net Block		5087.20	4651.76
Capital work in Progress		<u>158.34</u>	<u>105.67</u>
		<u>5245.54</u>	<u>4757.43</u>
<b>INVESTMENTS</b>	6	0.01	0.01
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	2225.11	2164.70
Sundry Debtors		2793.91	2295.92
Cash and Bank Balances		1438.40	88.80
Loans and Advances		<u>748.86</u>	<u>691.25</u>
		<u>7206.28</u>	<u>5240.67</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	8	2541.28	1918.37
Provisions		<u>691.99</u>	<u>320.39</u>
		<u>3233.27</u>	<u>2238.76</u>
<b>Net Current Assets</b>		<u>3973.01</u>	<u>3001.91</u>
<b>TOTAL</b>		<u>9218.56</u>	<u>7759.35</u>
<b>Notes on Accounts</b>	14		

As per our report of even date attached

For **S.S. KOTHARI & CO.**  
Chartered Accountants

**(B.L. VERMA)**  
Partner  
(Membership No. 10900)

Place : Jaipur  
Date : 30th June, 2007

For and on behalf of the Board

H.S. Ranka – Chairman

Sachin Ranka  
S.S. Karnavat  
S.B.L. Jain  
R.N. Goyal  
R.R. Maheshwari  
H.L. Sharma } Directors

Krishna Tela – Company Secretary

Place : Mumbai  
Date : 30th June, 2007



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in Laacs)

	Schedule	2006-2007	2005-2006
<b>INCOME</b>			
Sales		21169.01	14650.32
Less : Excise Duty		1175.90	731.93
Net Sales		19993.11	13918.39
Other Income	9	112.02	125.26
Increase/(Decrease) in Stock	10	(188.60)	135.05
		<u>19916.53</u>	<u>14178.70</u>
<b>EXPENDITURE</b>			
Materials Cost	11	4637.53	3355.62
Employees Cost	12	974.55	844.80
Operational & Other expenses	13	11692.03	8553.82
Depreciation		347.57	298.76
		<u>17651.68</u>	<u>13053.00</u>
<b>Profit before Tax</b>		<b>2264.85</b>	<b>1125.70</b>
<b>Less : Provision for Taxation</b>			
Current tax		701.13	262.11
Deferred tax		88.94	50.09
Fringe Benefit Tax		9.18	9.85
<b>Profit after Tax</b>		<b>1465.60</b>	<b>803.65</b>
Less : Taxation in respect of earlier year		7.88	7.92
Add: Balance brought forward		2834.54	1799.17
Add: Transferred from Debenture Redemption Reserve		—	239.64
<b>Balance Carried to Balance Sheet</b>		<b>4292.26</b>	<b>2834.54</b>
<b>Basic / Diluted Earning Per Share (Rs.)</b>		<b>6.74</b>	<b>3.70</b>
(Refer Note No. 16 of Schedule 14)			
<b>Notes on Accounts</b>	14		

As per our report of even date attached

For **S.S. KOTHARI & CO.**  
Chartered Accountants

**(B.L. VERMA)**  
Partner  
(Membership No. 10900)

Place : Jaipur  
Date : 30th June, 2007

For and on behalf of the Board

H.S. Ranka — Chairman

Sachin Ranka  
S.S. Karnavat  
S.B.L. Jain  
R.N. Goyal  
R.R. Maheshwari  
H.L. Sharma

} Directors

Krishna Tela — Company Secretary

Place : Mumbai  
Date : 30th June, 2007

**SCHEDULE 1 : SHARE CAPITAL**

	<i>(Rs. in lacs)</i>	
	As at 31.03.2007	As at 31.03.2006
<b>AUTHORISED</b>		
2,50,00,000 Equity shares of Rs. 10/- each	2500.00	2500.00
5,00,000 Preference shares of Rs. 100/- each	500.00	500.00
	<u>3000.00</u>	<u>3000.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
2,17,43,500 Equity shares of Rs. 10/- each fully paid-up	<u>2174.35</u>	<u>2174.35</u>

**SCHEDULE 2 : RESERVES AND SURPLUS**

	<i>(Rs. in lacs)</i>	
	As at 31.03.2007	As at 31.03.2006
<b>Capital Subsidy</b>	25.00	25.00
<b>Debentures Redemption Reserve</b>		
As per last Balance sheet	-	239.64
Less : Transferred to Profit & Loss Account	-	<u>239.64</u>
	-	-
<b>Profit &amp; Loss Account</b>	4292.26	2834.54
	<u>4317.26</u>	<u>2859.54</u>

**SCHEDULE 3 : SECURED LOANS**

	<i>(Rs. in lacs)</i>	
	As at 31.03.2007	As at 31.03.2006
<b>Bank Borrowings for Working Capital</b>	<u>1429.94</u>	<u>1317.39</u>

Borrowings for working capital are secured by hypothecation of stocks, book debts and second charge on fixed assets and are personally guaranteed by some of the directors.

**SCHEDULE 4 : UNSECURED LOANS**

(Rs. in lacs)

	As at 31.03.2007	As at 31.03.2006
Deferment of Sales Tax  (Under Rajasthan Government's Sales Tax Deferment Scheme for Industries, 1987)	<u>500.00</u>	<u>700.00</u>

**SCHEDULE 5 : FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Additions	Deduct- ions	As at 31.03.2007	upto 31.03.2006	for the year	Deduct ions	upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Leasehold land	246.09	-	-	246.09	-	-	-	-	246.09	246.09
Buildings	1866.79	49.65	-	1916.44	401.72	53.12	-	454.84	1461.60	1465.07
Plant & Machinery	7461.67	664.57	-	8126.24	4720.55	251.21	-	4971.76	3154.48	2741.12
Furniture & Fixtures, Computers & Other Office Equipments	236.63	38.17	1.32	273.48	130.75	30.91	0.46	161.20	112.28	105.88
Vehicles	116.84	35.88	9.22	143.50	23.24	12.33	4.82	30.75	112.75	93.60
Total	9928.02	788.27	10.54	10705.75	5276.26	347.57	5.28	5618.55	5087.20	4651.76
Previous Year	9237.01	728.79	37.78	9928.02	5006.57	298.76	29.07	5276.26	4651.76	

**SCHEDULE 6 : INVESTMENTS**

(Rs. in lacs)

	As at 31.03.2007	As at 31.03.2006
LONG TERM: Unquoted, at Cost National Saving Certificates	<u>0.01</u>	<u>0.01</u>

**SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31.03.2007	As at 31.03.2006
<i>(Rs. in lacs)</i>		
<b>A: CURRENT ASSETS</b>		
<b>INVENTORIES</b>		
(As taken, Valued and Certified by the Management)		
Raw Materials	678.99	595.90
Materials in Process	535.45	485.53
Finished Stock	566.28	754.88
Stores & Spares	444.39	328.39
	<u>2225.11</u>	<u>2164.70</u>
<b>SUNDRY DEBTORS (Unsecured)</b>		
Outstanding for a period exceeding six months		
Considered good	75.45	94.67
Considered doubtful	22.18	12.26
	97.63	106.93
Less : Provision for doubtful debts	22.18	12.26
	75.45	94.67
Others (Considered Good)	2718.46	2201.25
	<u>2793.91</u>	<u>2295.92</u>
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	2.36	6.99
Balances with Scheduled Banks :		
In Current Accounts	3.75	24.83
In Fixed Deposits (Including against margin Rs. 104.55 lacs; previous year Rs. 56.98 lacs)	1432.29	56.98
	<u>1438.40</u>	<u>88.80</u>
	<u>6457.42</u>	<u>4549.42</u>
<b>B: LOANS AND ADVANCES (Unsecured, considered good)</b>		
Advances recoverable in cash or in kind or for value to be received	200.53	152.42
Sundry Deposits	94.97	48.50
Prepaid Expenses	22.44	28.29
Claims and Other Receivables	430.92	462.04
	748.86	691.25
	<u>7206.28</u>	<u>5240.67</u>

**SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS**

	As at 31.03.2007	As at 31.03.2006
<i>(Rs. in lacs)</i>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors and other liabilities	2490.42	1875.87
Sundry Deposits	50.86	42.50
	<u>2541.28</u>	<u>1918.37</u>
<b>PROVISIONS</b>		
For Gratuity & leave encashment	263.49	232.93
For Taxation (Net of advance tax)	426.82	83.61
For Fringe Benefit Tax (Net of advance)	1.68	3.85
	<u>691.99</u>	<u>320.39</u>
	<u>3233.27</u>	<u>2238.76</u>

**SCHEDULE 9 : OTHER INCOME**

	<i>(Rs. in lacs)</i>	
	2006-2007	2005-2006
Scrap Sale	85.96	56.03
Liabilities & sundry balances written back (Net)	19.25	67.90
Miscellaneous receipts	5.54	1.33
Profit on Fixed Assets sold (Net)	1.27	-
	<u>112.02</u>	<u>125.26</u>

**SCHEDULE 10 : INCREASE/(DECREASE) IN STOCK**

	<i>(Rs. in lacs)</i>	
	2006-2007	2005-2006
Closing Stock of Finished Goods	566.28	754.88
Less : Opening Stock of Finished Goods	754.88	619.83
	<u>(188.60)</u>	<u>135.05</u>

**SCHEDULE 11 : MATERIALS COST**

	<i>(Rs. in lacs)</i>	
	2006-2007	2005-2006
<b>STOCK AT COMMENCEMENT</b>		
Raw Materials	595.90	454.09
In Process	485.53	418.84
	<u>1081.43</u>	<u>872.93</u>
ADD : Purchases	4770.54	3564.12
	<u>5851.97</u>	<u>4437.05</u>
<b>LESS : STOCK AT CLOSE</b>		
Raw Materials	678.99	595.90
In Process	535.45	485.53
	<u>1214.44</u>	<u>1081.43</u>
	<u>4637.53</u>	<u>3355.62</u>

**SCHEDULE 12 : EMPLOYEES COST**

	<i>(Rs. in lacs)</i>	
	2006-2007	2005-2006
Salaries, Wages, Bonus and other allowances	807.13	704.15
Staff & Labour Welfare	25.56	20.19
Contribution to Provident & other Funds	79.91	72.17
Gratuity & Leave encashment	61.95	48.29
	<u>974.55</u>	<u>844.80</u>

**SCHEDULE 13 : OPERATIONAL AND OTHER EXPENSES**

(Rs. in lacs)

	2006-2007	2005-2006
<b>MANUFACTURING EXPENSES</b>		
Power & Fuel	4459.57	3754.02
Stores & Spares	1897.24	1052.93
Packing	1478.94	858.76
Excise duty on increase/decrease in Finished Stock	0.63	(3.34)
Repairs to :		
Plant & Machinery	639.92	393.77
Buildings	752.57	278.46
Others	16.89	17.93
Other expenses	124.84	63.70
	<u>9370.60</u>	<u>6416.23</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Rent	2.93	2.81
Insurance (Net)	29.91	24.18
Rates & Taxes	4.70	4.21
Travelling & Conveyance	83.11	72.54
Telecommunication Expenses	16.12	17.28
Directors fees and Expenses	0.24	0.26
Payment to Auditors :		
for Audit fee	1.35	1.20
for Tax Audit fee	0.45	0.40
for Expenses	0.90	1.25
Other Expenses	144.99	147.12
	<u>284.70</u>	<u>271.25</u>
<b>FINANCIAL EXPENSES</b>		
Interest		
On Term Loans	-	464.96
Others	217.89	182.40
Less : Interest received (Tax deducted at source Rs. 9.39 Lacs; previous year Rs. 2.75 Lacs)	<u>49.99</u>	<u>18.11</u>
Other Expenses	129.07	125.63
	<u>296.97</u>	<u>754.88</u>
<b>SELLING EXPENSES</b>		
Commission, rebate etc.	997.75	530.54
Carriage Outward	621.45	477.17
Bad debts written off	27.09	4.10
Less : Provision for doubtful debts	<u>0.83</u>	<u>0.68</u>
Provision for doubtful debts	10.87	4.77
Sales Promotion & Advertisement	25.33	19.81
Other expenses	58.07	74.10
	<u>1739.73</u>	<u>1109.81</u>
<b>OTHER EXPENSES</b>		
Loss on Fixed Assets sold (net)	-	1.62
Lease rent on land	0.03	0.03
	<u>0.03</u>	<u>1.65</u>
	<u>11692.03</u>	<u>8553.82</u>

## SCHEDULE 14: NOTES ON ACCOUNTS

### I. SIGNIFICANT ACCOUNTING POLICIES

#### i) Basis of preparation of financial statements

- The financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles in India, the applicable accounting standards and as per provisions of the Companies Act, 1956.
- Income & expenditure are recognised and accounted for on accrual basis.

#### ii) Fixed Assets

Fixed Assets are stated at cost including addition in value due to revaluation less depreciation.

#### iii) Depreciation

Depreciation on fixed assets including revaluation is provided as follows:

- On straight line method at the revised rates and in the manner specified in schedule XIV of the Companies Act, 1956 as amended vide notification No. GSR-756 (E) dated 16th December, 1993 issued by the Department of Company Affairs. Depreciation has been calculated on Plant and Machinery as continuous process plant based on expert's opinion.
- Assets costing less than Rs. 5000/- acquired prior to 31.10.1992 are depreciated at old rates whereas such assets after that date have been fully depreciated.
- No amount has been written off from leasehold land. The same will be charged to the Profit & Loss Account only in the year in which the respective lease period expires.

#### iv) Investments

Long Term Investments are stated at cost.

#### v) Inventories

- Raw materials, stores & spares and materials in process are valued at cost.
- Finished Stock is valued at lower of cost or estimated net realisable value.
- Waste is valued at estimated net realisable value.

Cost is computed on weighted average basis. Finished goods and materials in process include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value of leftover stock out of the products manufactured as per customers' specifications are estimated at nominal value.

#### vi) Revenue Recognition

- Sale of goods is recognised on the basis of despatch. Sales is shown inclusive of excise duty, export benefits and exchange fluctuations.
- Claims of customers & others are accounted for as and when settled.

#### vii) Excise Duty/Cenvat

- Excise duty is accounted for on the basis of payments made in respect of goods cleared and provision made for goods lying in bonded warehouse.
- The Cenvat credit in respect of excise duty is utilised for payment of excise duty on goods despatched. The unutilised Cenvat credit is carried forward in the books.

#### viii) Borrowing cost

Borrowing costs which are attributable to acquisition or construction of qualifying assets are capitalised as part of cost of such assets. A qualifying asset is one which necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

#### ix) Employee Benefits

- Provision for gratuity and leave encashment is made on the basis of actuarial valuation at the end of the year in conformity with the Accounting Standard-15 (Revised) issued by the Institute of Chartered Accountants of India.
- Contributions to Provident Fund is accounted for on accrual basis.

#### x) Foreign Currency Transactions

Purchases and sales in foreign currency are accounted for at equivalent rupee value converted at the rates prevailing at the time of transactions. However, where realisation of sales is pending, the rates prevailing at the year end are considered and accordingly accounted for. Increase/decrease in liability due to foreign exchange fluctuations at the year end in respect of foreign currency loan utilised for acquiring Plant and Machinery is charged to revenue.

#### xi) Prior year adjustments

Income and expenditure pertaining to prior period are accounted for under respective heads of accounts in profit and loss account. Effect of such amount is disclosed in notes on accounts.

#### xii) Research and Development

Research and Development cost (other than costs of fixed assets acquired) are charged as expenses in the year in which they are incurred.

#### xiii) Taxation

Provision is made for Income tax annually based on the tax liability computed after considering tax allowances and exemptions. Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

#### xiv) Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount.

2. Estimated amount of contracts remaining to be executed on capital account, not provided for, net of advances Rs. 195.78 lacs (Previous year Rs. 48.71 lacs).

#### 3. Contingent liabilities not provided for:-

- Guarantees given by bankers on behalf of the Company Rs.578.88 lacs (Previous year Rs. 543.72 lacs).
- Outstanding Letters of Credit Rs.105.00 lacs (Previous year Rs. 110.89 lacs).
- Pending Sales Tax Assessment for 2005-2006 & onwards; amount unascertainable.
- Claims against the company, not acknowledged as debts Rs. 26.46 lacs (Previous year Rs.26.46 lacs).
- Disputed Income tax demand Rs.98.33 lacs (Previous year Rs.8.23 lacs) against which amount paid Rs.10 lacs ; pending appeal.

4. Balances of debtors and creditors are subject to reconciliations/confirmations, if any.

5. Profit for the year has been arrived at after adjusting prior year debits Rs.0.43 lac (Previous year Rs.1.02 lacs) and prior year credits Rs. 0.15 lac (Previous year Rs. Nil). Expenses/Income arisen/settled during the year have been charged to revenue.

6. In order to comply with the revised Accounting Standard-15 on employee benefits issued by the Institute of Chartered Accountants of India, the company has changed the method of accounting in respect leave encashment from accrual basis to actuarial valuation basis. As a result of this change, profit for the year is higher by Rs.20.23 lacs.

7. In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value on realisation at least equal to the amount at which they are stated in Balance sheet. Adequate provisions have been made in accounts for all known liabilities.

8. Inventories include goods in transit.

9. Advances include Rs. Nil under litigation (Previous year Rs. 61.19 lacs).

10. Unsecured loan represents sales tax deferment loan, recognising the company as "Prestigious new Industrial Unit" under Rajasthan Government Sales Tax Deferment Scheme for Industries, 1987 as per order of Director of Industries, Jaipur and as per notification No. F 4(68)FD/Tax-Div/99-90 dated 13.09.2001 & No. F4(10)FD/Tax-Div/02-182 dated 13.2.2003. As per said scheme, this loan is payable in 10 half yearly equal instalments and accordingly payment has been started from No -2004.

11. In view of insufficient information from the suppliers regarding their status as SSI units, amount overdue to such undertakings could not be ascertained.

## 12. Payment to Executive Directors :

	(Rs. in lacs)	
	<u>2006-2007</u>	<u>2005-2006</u>
Salaries	10.65	9.60
Contribution to PF	1.28	1.15
Perquisites	1.32	1.10
	<u>13.25</u>	<u>11.85</u>

## 13. Additional information pursuant to the provisions of paragraph 3 and 4 of Part-II of Schedule VI of the Companies Act, 1956.

	<u>2006-2007</u>	<u>2005-2006</u>
	(MT)	(MT)

## i) Licensed &amp; Installed Capacity :

## High tension and other insulators and bushings

(a) Licensed capacity (per annum)	Not applicable	Not applicable
(b) Installed capacity (per annum) (As certified by the management) *capacity enhanced 1680 MT w.e.f. 12.10.2006 and 1680 MT w.e.f. 08.03.2007 **capacity enhanced w.e.f. 07.03.2006	14820*	11460**

## ii) Production, sales and stocks of Insulators :

	<u>2006-2007</u>	<u>2005-2006</u>
	(MT)	(MT)
Opening Stock	1856	1419
Production	13051	10834
Sales*	13603	10397
Closing Stock	1304	1856

\*Includes free samples 63 MT (Previous year 101 MT)

## iii) Raw materials consumed

	<u>2006-2007</u>		<u>2005-2006</u>	
	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. in lacs)
Clays	9323	661.32	7542	495.91
Calcined Alumina	5734	1723.63	4901	1261.47
Metal Fittings	2131	2105.19	1692	1481.63
Others		147.39		116.61
		<u>4637.53</u>		<u>3355.62</u>

## iv) Value of imports Calculated on CIF Basis:

	(Rs. in lacs)	
	<u>2006-2007</u>	<u>2005-2006</u>
Raw Materials	268.21	229.48
Stores & Spares	244.73	53.28
v) Earnings in foreign exchange: Export of goods calculated on FOB basis	12146.41	8528.89
vi) Expenditure in foreign currency: Foreign Travelling Expenses	15.67	12.93
Selling Commission	609.54	174.42
Others	30.06	10.23

## vii) Value of Raw materials, stores, spare parts and components consumed:

	<u>2006-2007</u>		<u>2005-2006</u>	
	Rs. in lacs	(%)	Rs. in lacs	(%)
a) Raw materials :				
Imported	350.70	7.56	260.44	7.76
Indigenous	4286.83	92.44	3095.18	92.24
	<u>4637.53</u>	<u>100.00</u>	<u>3355.62</u>	<u>100.00</u>
b) Stores and Spares :				
Imported	68.81	3.63	24.57	2.33
Indigenous	1828.43	96.37	1028.36	97.67
	<u>1897.24</u>	<u>100.00</u>	<u>1052.93</u>	<u>100.00</u>

## 14. As the company has only one business segment, segment reporting as per Accounting Standard 17 is not applicable.

## 15. Related Party Disclosure as per Accounting Standard 18:

## (i) Related Party Relationships :

## a) Where Control exists :

Modern Denim Ltd.  
 Modern Terry Towels Ltd.  
 Modern Syntex (I) Ltd.  
 Modern Threads (I) Ltd.

## b) Key Management Personnel :

Shri Sachin Ranka (Director)  
 Shri H.L. Sharma (Executive Director)  
 Shri R.K. Ladia (Executive Director)



c) Relatives of Key Management Personnel and their enterprises where transactions have taken place :

Smt. Meena Ranka

(ii) Transactions with related parties and outstanding at the end of the year :

(Rs. in lacs)

Type of related Parties	Description of the nature of the transactions	Volume of transactions		Outstanding as on 31.03.2007		Outstanding as on 31.03.2006	
		2006-07	2005-06	Receivable	Payable	Receivable	Payable
Where Control exists	Purchase of goods and material	0.18	0.31	-	-	-	-
	Sale of goods and material	-	1.07	-	-	-	-
Key Managerial Personnel	Remuneration etc.	Refer Note No. 12					
Relative of Key Managerial Personnel	Rent paid	0.60	0.60	-	-	-	-

16. Earning per Share as per Accounting Standard 20

i) Net profit after tax available for equity Shareholders (Rs. in lacs)

2006-2007

1465.60

2005-2006

803.65

ii) Number of Equity Shares of Rs. 10/- each

21743500

21743500

iii) Basic & Diluted earning per share (Rs.)

6.74

3.70

17. Deferred Tax

i) Deferred tax has been provided in accordance with "Accounting Standard 22 - Accounting for taxes on income" issued by The Institute of Chartered Accountants of India. The additional net deferred tax liability amounting to Rs. 88.94 lacs has been adjusted in Profit & Loss Account.

ii) Breakup of net deferred tax liability.

As at 31.03.2007

As at 31.03.2006

(a) Liability

Depreciation

897.31

788.08

(b) Assets

- Expenses allowable for tax purpose on payment basis

92.83

78.40

- Others (Provision for doubtful debts)

7.47

1.61

100.30

80.01

797.01

708.07

Net deferred Tax liability

18. Figures for the previous year have been regrouped and rearranged wherever considered necessary.

19. Balance sheet abstract and Company's General Business Profile as per Part IV of Schedule VI of Companies Act, 1956 :

i) Registration Details :

Registration No. : 2460 State Code : 17

Balance Sheet Date : 31.03.2007

ii) Capital raised during the year (Rs. in thousands)

Public Issue : Nil

Right Issue : Nil

Nil

Bonus Issue : Nil

Private Placement : Nil

Nil

iii) Position of Mobilisation and Deployment of Funds (Rs. in thousands)

Total Liabilities : 921826

Total Assets : 921856

921856

**Sources of Funds**

Paid-up Capital : 217435

Reserves & Surplus : 431726

431726

Secured Loans : 142994

Unsecured Loans : 50000

50000

Deferred Tax Liability : 79701

**Application of Funds**

Net Fixed Assets : 524554

Investments : 1

1

(Includes Capital work in progress)

Net Current Assets : 397301

Misc. Expenditure : Nil

Nil

iv) Performance of Company (Rs. in thousands)

Turnover : 2010513

Total Expenditure : 1784028

1784028

(Including other income)

Profit Before Tax : 226485

Profit After Tax : 146560

146560

Earning per Share (in Rs.) : 6.74

Dividend Rate (%) : Nil

Nil

v) Generic Names of Principal Products of the Company :

(as per monetary terms)

Item Code No. (ITC Code)

854620.14

Product Description

Porcelain post insulators 66 KV to 132 KV

854620.15

Porcelain post insulators above 132 KV

854620.31

Porcelain solidcore insulators (H.T.)

As per our report of even date attached

For **S.S. KOTHARI & CO.**

Chartered Accountants

**(B.L. VERMA)**

Partner

(Membership No. 10900)

Place : Jaipur

Date : 30th June, 2007

For and on behalf of the Board

H.S. Ranka - Chairman

Sachin Ranka

S.S. Karnavat

S.B.L. Jain

R.N. Goyal

R.R. Maheshwari

H.L. Sharma

Krishna Tela

Place : Mumbai

Date : 30th June, 2007

Directors

- Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

Particulars	(Rs. in lacs)	
	2006-2007	2005-2006
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	2264.85	1125.70
ADJUSTMENTS FOR		
– Depreciation	347.57	298.76
– Foreign Exchange	2.20	(17.56)
– Interest & Bank Charges	296.97	754.88
– Loss/(Profit) on Sale of Fixed Assets	(1.27)	1.62
– Provision for doubtful debts	10.87	4.77
– Bad Debts written off	26.26	3.42
Operating Profit before working capital changes	<u>2947.45</u>	<u>2171.59</u>
ADJUSTMENTS FOR		
– Trade and other receivables	(594.93)	480.00
– Inventories	(60.41)	(376.23)
– Trade and other payable	653.47	(1.66)
Cash generation from operations	<u>2945.58</u>	<u>2273.70</u>
Interest and bank charges paid	(296.97)	(799.05)
Income Tax Paid	(365.80)	(298.37)
Fringe Benefit Tax Paid	(11.35)	(6.00)
<b>Net Cash from operating Activities</b>	<u>2271.46</u>	<u>1170.28</u>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
– Purchase of Fixed Assets (Including Capital Work in Progress)	(840.94)	(829.35)
– Sale of Fixed Assets	6.53	7.09
<b>Net cash used in investing activities</b>	<u>(834.41)</u>	<u>(822.26)</u>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
– Proceeds from Borrowings		
Banks	112.55	(25.05)
Unsecured Loan	(200.00)	(200.00)
Debentures/Loans	–	(135.08)
<b>Net cash from financing activities</b>	<u>(87.45)</u>	<u>(360.13)</u>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<u>1349.60</u>	<u>(12.11)</u>
<b>Cash &amp; Cash Equivalents - Opening Balance</b>	88.80	100.91
<b>Cash &amp; Cash Equivalents - Closing Balance</b>	<u>1438.40</u>	<u>88.80</u>

As per our report of even date attached

For **S.S. KOTHARI & CO.**  
Chartered Accountants**(B.L. VERMA)**  
Partner  
(Membership No. 10900)Place : Jaipur  
Date : 30th June, 2007

For and on behalf of the Board

H.S. Ranka	– Chairman
Sachin Ranka	} Directors
S.S. Karnavat	
S.B.L. Jain	
R.N. Goyal	
R.R. Maheshwari	
H.L. Sharma	} Company Secretary
Krishna Tela	
Place : Mumbai	
Date : 30th June, 2007	