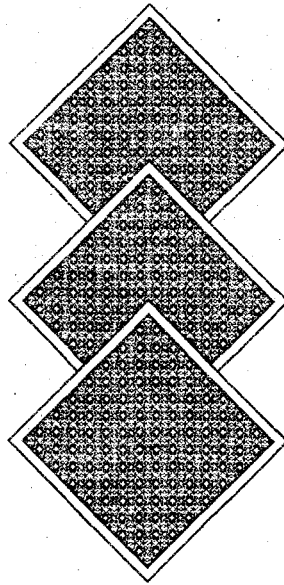


ANNUAL REPORT
2008-2009



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 H.L. Sharma - Executive Director
- Shri R.K. Ladia - Executive Director
- Shri R.R. Maheshwari - Director & Company Secretary

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 25th Annual General Meeting of **Modern Insulators Limited** will be held on Wednesday the 31st March, 2010 at 11.30 A.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302004 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 30th September, 2009 and the Audited Profit & Loss Account for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To re-appoint Shri R.N.Goyal as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To re-appoint Shri S.B.L.Jain as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (4) 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 Annual General Meeting until 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 :

- (5) To consider, and if thought fit, to pass with or without modifications, the following resolutions as a Special Resolution:-
“RESOLVED THAT pursuant to the provisions of Section 314, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and further subject to 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 appointment of Shri R.R.Maheshwari as Director and Company Secretary of the Company with effect from 01.01.2009 for a period of three years on the terms & Conditions of remuneration as specified in the explanatory statement annexed hereto.”
- (6) To consider, and if thought fit, to pass with or without modifications, the following resolutions 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-enactment thereof, for the time being in force) and further subject to 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 H.L.Sharma as an Executive Director of the Company from 01.07.2009 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 provision 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 present and/or future properties, which is situated at Abu Road, Rajasthan whether movable or immovable on first charge basis in favour of :

1. Central Bank of India for its working capital assistance of upto Rs. 2925 lacs (Fund based) & upto Rs. 1650 lacs (Non-fund based) respectively.
2. Punjab National Bank for its working capital assistance of upto Rs. 975 lacs (Fund based) & upto Rs. 550 lacs (Non-fund based) respectively.

In connection with the working capital facilities 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 by the Company in respect of working capital facilities, such security, to rank as the case may be to 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.”

“RESOLVED FURTHER THAT the mortgage / charge created or to be created and/or all agreements/documents executed/ to be executed and all acts as done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified.”

- (8) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging all the immovable and movable properties of the Company situated at Abu Road, Rajasthan, present and future, in favour of the Industrial Finance Corporation of India (IFCI) under the Corporate Loan Agreement on first charge basis ranking pari-passu with the charges created / to be created in favour of existing working capital bankers to secure rupee term loan not exceeding Rs 1300 Lacs lent and advanced by IFCI to the Company under Corporate Loan Agreement and interest at respective agreed rates, compound/additional interest, liquidated damages, commitment charges.”

“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.”

- (9) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provision of section 293(1)(a) and all other applicable provision, 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 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 moveable (other than Book Debts) and immovable properties of the Gujrat Polyfils, a division of the Company situated at Village Nana Borsara, Tehsil Mangrol, District Surat in the State of Gujrat on first charge basis in favour of :-

1. Sumurai Commercials Private Ltd. to secure amount upto a sum of Rs. 20,00,00,000/- for its subscription in Zero Coupon Secured Redeemable Debentures (Series I) by way of private placement basis.

2. Pirth Mercantiles Private Ltd. to secure amount upto a sum of Rs. 20,00,00,000/- for its subscription in Zero Coupon Secured Redeemable Debentures (Series II) by way of private placement basis.

"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."

- (10) To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 18 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act, 1985 as also of the Companies Act, 1956 and sub-clause 24 of clause III-B of the Object Clause of the Memorandum of Association of the Company and subject to the sanction of the Board for Industrial and Financial Reconstruction (BIFR) under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) or any other authority or authorities under any law for the time being in force, and further subject to the requisite approval of

the members of the Company and other required approvals, the Company do hereby accord its approval for the amalgamation of Modern Terry Towels Limited (MTTL) with the Company with effect from 1st January, 2008."

"RESOLVED FURTHER THAT the Scheme of Amalgamation of MTTL with the Company the draft of which is put before the meeting and initialed by the Chairman for the purpose of identification be and is hereby approved and the Board of Directors of the Company be and is hereby authorized to accept such alterations and modifications in the said Scheme as may be stipulated or required by BIFR or any such authority or authorities or Operating Agency or State or Central Government agencies or authorities, if any required in connection therewith, which the Board of Directors of the Company may deem fit and in the interest of the Company and to do such acts, deeds and things as may be necessary and/or expedient to give effect to the said Scheme of Amalgamation".

By Order of the Board

Place : Mumbai

(R.R. MAHESHWARI)

Dated : 31st December, 2009 Director & Company Secretary

NOTES :

1. The Explanatory statement pursuant to Section 173(2) and/or any other applicable provisions of the Companies Act, 1956 in respect of Special Business is annexed hereto.
2. MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
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 27.03.2010 to 31.03.2010 (both days inclusive).

ANNEXURE TO NOTICE EXPLANATORY STATEMENT

(Pursuant to section 173 (2) of the Companies Act, 1956)

Item No. 5

Shri R.R.Maheshwari Director of the Company was appointed as Company Secretary of the Company for a period of 3 years w.e.f. 01.01.2009. The terms & Conditions & payment of remuneration to Shri R.R.Maheshwari as Director and Company Secretary of the Company has also been approved by the Remuneration Committee of Board of Directors of the Company.

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

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

(B) Perquisites and allowances :

- (i) Company's Contribution towards provident fund as per rules of the Company but not exceeding 12 % of Salary.
- (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 as per rules of the Company but not exceeding 5% of the Salary.
- (iv) Gratuity not exceeding half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
- (v) Free use of car with driver, for Company's business.
- (vi) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (vii) Encashment of leave as per Company's rules.

(C) He shall not be paid any sitting fees for attending the meeting of Board of Directors or Committee thereof.

None of the Directors, except Shri R.R.Maheshwari, is concerned or interested in the said resolution. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

Item No. 6

Shri H.L.Sharma was appointed as Executive Director of the Company for a period of 3 years on 01.07.2006. As terms of his appointment expired on 30.06.2009, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01.07.2009. The terms & Conditions & payment of remuneration to Shri H.L.Sharma as Executive Director has also been approved by the Remuneration Committee of Board of Directors of the Company.

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

(A) Salary - Rs. 60,000/- (Rupees Sixty Thousand only) per month for first year and thereafter increase of Rs. 10,000/- every year for next 2 years.

(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 as per Company's Rules.

- (iv) Company's contribution towards Provident Fund as per Company's rules but not exceeding 12% of the salary.
- (v) Gratuity not exceeding 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 the Directors, except Shri H.L.Sharma, is concerned or interested in the said resolution. 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 bankers have sanctioned enhanced limits on the basis of creation of first charge on the fixed assets of the Insulator division of the Company.

As the mortgage or charge on properties to secure the working capital facilities on first charge basis may be regarded as disposal of the whole or substantially the whole of the Insulator division 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.

None of the Directors of the Company is any way concerned or interested in the resolution.

Item No. 8

The Company has been sanctioned Corporate Loan by IFCI to the extent of Rs 1300 lacs. The financial assistance from the IFCI is to be secured by a first mortgage of all the immovable and movable properties of the Insulator division of the Company, present and future.

As the mortgage or charge on properties to secure the Corporate Loan facilities on first charge basis may be regarded as disposal of the whole or substantially the whole of the Insulator division 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.

None of the Directors of the Company is in any way, concerned or interested in the resolution.

Item No.9

The Company has been sanctioned financial assistance for the purpose of funding the requirement of capital expenditure of Gujarat Polyfils, a division of the Company to the extent of Rs.20 crores by Sumurai Commercials Private Ltd. & to the extent of Rs.20 crores by Pirth Mercantiles Private Ltd. by way of subscription in Zero Coupon Secured Redeemable Debentures. The financial assistance from Sumurai Commercials Private Ltd. and Pirth Mercantiles Private Ltd. is to be secured by way of first charge/mortgage on all the movable (other than Book Debts) and immovable properties of the Gujarat Polyfils, a division of the Company.

As the mortgage or charge on properties to secure the financial assistance facilities on first charge basis may be regarded as disposal of the whole or substantially the whole of the Gujarat Polyfils, a division 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.

None of Directors is in any way concerned or interested in the resolution.

Item No.10

Explanatory Statement to the Scheme of Amalgamation

1. The Scheme

The Scheme of Amalgamation (hereinafter called "the Scheme" or "this Scheme" as the context may admit) provides for the amalgamation of Modern Terry Towels Limited, (hereinafter referred as Transferor Company) with Modern Insulators Limited (hereinafter called "the Transferee Company").

2. Approval of Board of Directors

The Scheme has been approved by the Board of Directors of the Company in their meeting held on 26/6/2009.

3. The Scheme of Amalgamation will be operative from "Appointed Day", i.e., 1st January, 2008 but shall take effect finally from the "Effective Date" as mentioned in the said Scheme.

4. (a) The Transferor Company was originally incorporated in 1976 in the name of Modern Woollens Private Limited, which later on changed to Modern Woollens Limited. The woollen division was spun off to Modern Threads (India) Limited from April, 1994 under the scheme of arrangement approved by Rajasthan High Court. The name of Modern Woollens Limited was thereafter changed to Modern Terry Towels Limited.

(b) The Registered Office of the Transferor Company is situated at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004.

(c) The Authorised, issued, subscribed and paid-up share Capital of the Transferor Company is as follows :-

(i) The authorised share capital of the Company is Rs.65,00,00,000 (Rupees Sixty Five Crore Only) divided into 4,50,00,000 equity shares of Rs.10/- each & 20,00,000 Preference Shares of Rs.100/- each.

(ii) The issued, subscribed and Paid-up Share capital of the company is Rs.54,62,65,000 (Rupees Fifty Four Crore Sixty Two Lakh Sixty Five Thousand Only) divided into 4,39,10,926 equity shares of Rs.10/- each & 11,00,000 Preference Shares of Rs.100/- each.

5. (a) The Transferee Company was incorporated as Public Limited Company on 1st May, 1982 under the provisions of the Companies Act, 1956 in the name and style of Modern Insulators Limited.

(b) The Registered Office of the Transferee Company is situated at A-4, Vijay Path, Tilak Nagar, Jaipur - 302 004.

(c) The authorised, issued, subscribed and paid-up Share Capital of the Transferee Company is as follows :-

(i) The authorised share capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores Only) divided into 2,50,00,000 equity shares of Rs.10/- each and 5,00,000 Preference Shares of Rs.100/- each.

(ii) The Issued, subscribed and paid-up Share Capital of the Company is Rs.21,74,35,000/- (Rupees Twenty One Crores Seventy Four Lakh Thirty Five Thousand Only) divided into 2,17,43,500/- (Two Crores Seventeen Lakh Forty Three Thousand Five Hundred only) equity shares of Rs.10/- (Rupees Ten) each.

6. The Transferor Company's main objects, inter-alia, are to carry on the business of manufacturers, processors, spinners, doublers, combers, weavers, ginners, balers, sellers, buyers, importers, exporters, distributors and or otherwise dealers in all kinds of industrial fabrics, woollen fabrics, woollen carpet yarn, woollen yarn, woollen carpet manufacturing, woollen hosiery yarn and hosiery goods, canvas, synthetic yarn, synthetic fabrics rayon.

7. The Transferee Company's main objects, interalia

a) To carry on all or any of the business of manufacturers, producers, processors, importers, exporters, buyers, sellers and dealers in all kind of high-tension or low-tension insulators made of Ceramics, Glass, Plastics, Epoxy resins or any other substance, which may be used for insulations and all kind of ceramic products, such as, industrial ceramics, high alumina ceramics, electronic ceramics, fuses, fuse carriers, cartridge, caps, gauges, bushings or other article in which clay is used as one of the main raw-materials.

b) To carry on the business of preparing, combining, spinning, doubling, twisting, drawing, texturising, imparting, crimping, converting, calendaring, testing, sizing, weaving, knitting, bleaching, processing, dyeing, ginning, cutting, scouring, winding, mercerising, combing, printing, finishing, manufacturing, buying,

selling, importing, exporting or otherwise dealing in industrial fabrics, synthetic fabrics, synthetic chips, polyester oriented yarn, fully drawn yarn, textured yarn, synthetic yarn, acrylic yarn, rayon yarn, nylon yarn, nylon tyre yarn, nylon tyre cord, tyre fabrics, polyester, rayon and any other textile cellulosic or non cellulosic end products, polyester, acrylic, viscose, polypropylene cotton, linen, wool, silk, flex, hemp, jute, artificial silk, rayon, canvas and other fibres or textile products substances whether natural or synthetic or manmade, in any state and whether similar to the foregoing substances or not, and to treat, utilise and deal in any waste arising from any such operations and to manufacture, felted, knitted, looped and embroidered fabrics, lace and other types of manufactured, processed or decorated fabrics and to manufacture coated or laminated fabrics and readymade garments and apparels including all type of industrial and geo fabrics.

8. The amalgamation of the Transferor Company with the Transferee Company will be effected by a Scheme of Amalgamation (hereinafter referred to as "the Scheme").
9. The main object of the proposed amalgamation and/or merger is to carry on business of both the companies more efficiently, economically, conveniently and advantageously as both the Companies are under the same management. The resources and funds of the Transferee Company on amalgamation can be pooled and productively utilized for the benefit of the Transferor Company. The management expertise of the Transferee Company will enable the combined operation to grow in wider scope in the business activities of both the Companies. The merger will also help the Companies to achieve all round economies, savings in cost and reduction in day to day administrative, operational and other cost and overheads. There will also be savings in income tax outgo in accordance with the provisions of law.

10. Salient Features of the Scheme & Share exchange ratio

- (a) "Appointed Date" and /or "Transfer Date" means January 1, 2008.
- (b) "Sanction Date" means date of sanction of the scheme by BIFR.
- (c) "Effective Date" means the date on which certified true copy of the Order of BIFR for sanction of the Scheme is filed with the Registrar of Companies. This Scheme although effective from the appointed date, shall become operative from the Effective Date.
- (d) "Record Date" means the date to be fixed by the Board of Directors or a Committee thereof of the Transferor Company for the purpose of determining the members of the Transferor Company to whom equity shares of the Transferee Company will be allotted pursuant to this Scheme.
- (e) Upon the Scheme coming into effect from the Appointed Date, the Undertaking of the Transferor Company with all assets and liabilities shall, without any further act or deed, be transferred to and vested in the Transferee Company including all the estates, assets, rights and interests of the Transferor Company therein but subject nevertheless to all charges, if any, then affecting the same or any part thereof and as on the Transfer date, and the Transferor Company shall be deemed to have been amalgamated with the Transferee Company.
- (f) The Transferee Company shall issue at par and allot to every shareholder holding equity shares of Transferor Company on a date to be fixed by the Board of Directors of the Transferor Company (hereinafter referred to as "Record Date"), two equity shares of Rs.10 each credited as fully paid-up for every three equity shares of Rs.10 each fully paid up held by such shareholder in the Transferor Company subsequent to write down and allotment of fresh shares by the Transferor Company as per Scheme.
- (g) Equity shares so allotted by the Transferee Company to the member(s) of the Transferor Company will in all respects rank pari-passu with the existing equity shares of the Transferee Company for dividend and voting rights.

- (h) All members of the Transferor Company whose names appear in the register of members of the Transferor Company on the Record Date shall surrender to the Transferee Company for cancellation their share certificates in respect of the equity shares held in the Transferor Company and the Transferee Company shall issue to them certificates for equity shares in the Transferee Company to which they may be entitled in terms of this Scheme and every such shareholder of the Transferor Company shall take all requisite steps to obtain from the Transferee Company to which he is entitled to hereunder. Upon the new equity shares being issued and allotted by the Transferee Company to the members standing on the Register of Members of the Transferor Company on the aforesaid Record Date, share certificates in respect of the shares held by them in the Transferor Company shall be deemed to stand cancelled.

- (i) Approval to the issue and allotment of the equity shares in the Transferee Company to equity shareholders of the Transferor Company, shall be deemed to be approved pursuant to Section 81(IA) of the Companies Act, 1956 on approval of this Scheme by a Resolution of the shareholders of the Transferee Company.

11. Under the proposed Scheme of Amalgamation, Modern Terry Towels Limited (the Transferor Company) is to amalgamate with Modern Insulators Limited (the Transferee Company). Save and except as expressly provided in the Scheme, the existing rights of members or creditors of either the Transferor Company or the Transferee Company are not sought to be affected in any manner whatsoever.
12. The Scheme of Amalgamation is conditional and subject to necessary sanctions and approvals as set out in the Scheme.
13. No investigation proceedings have been instituted or are pending under Sections 235 to 251 of the Companies Act, 1956 in respect of the Transferor Company and the Transferee Company.
14. Upon this Scheme being sanctioned as aforesaid, the Transferor Company, shall stand dissolved without winding up on such Effective Date.

15. Shareholding of Directors

A) Directors of Transferor Company (MTTL)

Name	No. of Shares held in	
	In Modern Terry Towels Ltd.	In Modern Insulators Ltd.
Shri R. R. Maheshwari	100	Nil
Shri H. L. Sharma	100	Nil

B) Directors of Transferee Company (MIL)

Name	No. of Shares held in	
	In Modern Insulators Ltd.	In Modern Terry Towels Ltd.
Shri H. S. Ranka	10	Nil

The above Directors of the respective Companies may be deemed to be interested in the proposed Scheme to the extent of their shareholding as above. Save and except this, the Directors of the Transferor Company and the Transferee Company have no interest in the Scheme except as Directors in the respective companies.

16. This statement may also be treated as an Explanatory Statement under section 393 of the Companies Act, 1956.

Note : The following documents will be open for inspection of the members at the Registered Office of the Transferee Company on any working day prior to the date of meeting during office hours :

- (a) Memorandum and Articles of Association of the Transferor Company and the Transferee Company.
- (b) Audited Accounts of the Transferor Company and the Transferee Company for the period ended 30th September, 2009.
- (c) Valuation Report dated 5th October, 2009 from M/s Mehta Lodha & Co., Chartered Accountants, Ahmedabad regarding proposed share exchange ratio.
- (d) Scheme of rehabilitation/amalgamation duly examined by IFCI (Operating Agency) as submitted to BIFR.

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting Annual Report and audited accounts for the period ended on September 30, 2009.

1. FINANCIAL RESULTS

	(Rs. in crores)	
	Period ended 30.09.2009 (18 months)	Year ended 31.03.2008 (12 months)
Net Profit after tax	37.02	17.23
Add : Taxes in respect of earlier year (net)	8.33	(0.19)
Add : Balance brought forward from last year	59.96	42.92
Balance carried to Balance Sheet	105.31	59.96

2. OPERATIONS

The performance of the Company has been satisfactory. Various factors have contributed for satisfactory performance of your company inter alia includes balancing of plant and machinery, continuous efforts for production of value added insulators and diversification into Textile activities during the period under review. The gross turnover during the period under review has been Rs.447 crores as against Rs.237 crores during 12 months in the previous year. The net profit for the period is Rs.37.02 crores as compared to Rs.17.23 crores during 12 months in 2007-08. Turnover & net profit for the period under review also includes turnover & net profit of yarn division.

YARN DIVISION

The Board of Directors of the Company had decided that it will be beneficial to the Company, Lenders and to the Shareholders that the Company diversify in textile sector which was booming in the post quota scenario and India's competitiveness in the world textile markets and huge demand growth in domestic market for clothing India's large population. Accordingly Board of Directors of the Company had decided to set up a separate division i.e. Yarn Division under name of 'Gujarat Polyfils' for the manufacture of Polyester Yarn with capacity of 25000 tons per annum near Surat in the State of Gujarat at the total investment cost of about Rs.100 crores. The implementation of the first phase of the project with capacity of 12500 tons per annum is completed and commercial production has commenced from September, 2008. The second phase of the project is under progress and likely to be completed during current financial year.

Keeping in view the need to conserve the Company's resources for meeting the enhanced working capital and capital expenditure requirements, your Directors deemed it prudent not to recommend any dividend for the period under review.

3. EXPORTS

The Company's sustained efforts in exporting its products inspite of stiff competition with the global players in insulator industry resulted in achieving exports of Rs.137 crores during the period under review. Your Company is one of the largest exporters of EHV porcelain Insulators from India. The Directors are pleased to inform that the Company won the prestigious 'TOP EXPORT AWARD' from CAPEXIL for last four consecutive years. This year also company has received certificate for export performance. Your Company is now a regular supplier to all the multinational OEMs contractors for their world wide requirements of quality extra high voltage porcelain insulators.

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. Looking to the present scenario in power sector, the business prospects for insulator Industry are good. Company is putting all efforts to strengthen its leadership both in domestic as well as global markets. The Govt. of India has given emphasis on upgrading transmission system along with plans for construction of new power transmission grids in the country.

5. AMALGAMATION OF MODERN TERRY TOWELS LIMITED WITH THE COMPANY

The Board of Directors of the Company has made a proposal to Modern Terry Towels Limited for its amalgamation into your Company under the aegis of BIFR which will have following advantages :-

- a) Your Company is exposed to high taxation due to negligible tax shields, the amalgamation of Modern Terry Towels Ltd. with the Company will provide tax breaks for your Company.

The amalgamation scheme envisages tax benefits under Section 72A of the Income Tax Act, 1961 and the merged entity would be eligible for substantial amount of Income Tax benefit under Section 72A of the Income Tax Act.

- b) The amalgamation of Modern Terry Towels Ltd. with the Company will also result in consolidation of two companies which would result into savings in the administrative costs.

6. CHANGE OF ACCOUNTING YEAR

It has been decided by the Board of Directors to change the Accounting Year to end on 30th September, 2009 instead of 31st March, 2009 and therefore the accounting year under review is for a period of 18 months from 1.4.2008 to 30.9.2009. Accordingly necessary approval from the Department of Corporate Affairs, Office of Registrar of Companies has also been obtained.

7. SUBSIDIARY COMPANY

The statement under Section 212 of the Companies Act, 1956 in respect of Motile Power Trade Pvt. Ltd., subsidiary of the Company along with audited accounts are attached.

8. DIRECTORS

Shri S. B. L. Jain and Shri R. N. Goyal are liable to retire by rotation and being eligible, offer themselves for reappointment. Appropriate resolution for the reappointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

9. 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 2009-10. 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.

10. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for putting their best efforts. The Company has enjoyed healthy and cordial industrial relations throughout the period under review. 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.

11. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for the period under review;

- iii) 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 and;
- iv) the Directors have prepared the annual accounts on a going concern basis.

12. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND 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.

13. CONSTITUTION OF AUDIT COMMITTEE

The Board of Directors have constituted the 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

14. 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 : 31st December, 2009

(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:
- Exploring various high grade of clays for upgrading overall body recipe.
 - Development of scratch resistant and glossy appearance glaze to improve aesthetics.
 - Body composition under various trials for improving drying characteristics.
 - Development of extra high strength products for overseas market.
- b) Benefits as a result of the above R & D:
- Improvement in Quality.
 - Entry in new markets.
 - Entry in new product segment.
- c) Future plan of action:
- Automation of raw material charging system.
 - Automation in material handling.
 - Development of Ultra High Voltage Porcelain for 1200 + KV Segment.
- d) Expenditure on R & D:
- | | |
|----------------------------|---------------|
| - Capital | Rs. Nil |
| - Recurring | Rs.58.33 lacs |
| - Total | Rs.58.33 lacs |
| - Total R & D expenditure, | 0.16 % |
| as % of total turnover. | |

2. Technology Absorption, Adoption and Innovation:

- a) Efforts, in brief 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. 13748.51 lacs at F.O.B. price against an outgo of Rs. 1678.51 lacs.

AUDITORS' REPORT

To,

The Members

1. We have audited the attached Balance Sheet of **MODERN INSULATORS LIMITED** as at 30th September 2009, the Profit & Loss Account and cash flow statement of the Company for the period from 1st April, 2008 to 30th September, 2009 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 applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) (a) *Balances of debtors and creditors are subject to reconciliations/ confirmations (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.10 (i) of Schedule 14).*
 - (c) *Provision for taxation (including interest etc.) estimated at Rs.2252.65 lacs (including for previous year Rs.927.28 lacs reversed during the period) has not been made in accounts in view of proposed amalgamation proceedings awaiting approvals; this has resulted in over-statement of Reserves & Surplus / profits and under-statement of Current Liabilities & Provisions to this extent. (Note No.13 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 had 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 30th September, 2009.
 - (b) In the case of Profit & Loss Account, of the profit of the Company for the period from 1st April, 2008 to 30th September, 2009.
 - (c) In the case of Cash Flow Statement, of the cash flows for the period from 1st April, 2008 to 30th September, 2009.

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

(B.L. VERMA)

Partner

Place : Mumbai

Date : 31st December, 2009

(Membership No. 10900)

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 period 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 period, the company has not disposed off substantial part of the fixed assets.
- (ii) (a) As explained to us, the inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, 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. As explained to us, the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
- (iii) (a) The company during the period has given interest-free loan of Rs.1300 lacs to subsidiary company. The company has also given interest-free advance of Rs.280 lacs to a company covered under section 301 of companies Act, 1956 in view of proposed amalgamation awaiting approvals. Maximum amounts involved during the period and the period end balances of such loans and advances are Rs.1580 lacs and Rs.1580 lacs respectively.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (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 lacs in respect of any party during the period.
- (vi) The Company has not accepted any deposits from the public during the period.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the company and the nature of its business.
- (viii) The Central Government has prescribed the maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 in respect of the Yarn product only. On the basis of the records produced, we are of the opinion that prima-facie the records and accounts have been maintained as prescribed by the Central Government u/s 209(1)(d) of the Companies Act, 1956. However we have not carried out detailed examination of such records and accounts with a view to ascertain whether they are accurate or complete. Maintenance of such records has not been prescribed for insulators.
- (ix) (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, 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. The company has not paid/provided income tax (refer clause 4(v)(c) of Auditors' Report).
- (b) According to the information and explanations given to us and as per the records examined by us, there are no disputed dues of Income tax/Sales tax/Service tax/Custom duty/Wealth tax/Excise duty/Cess as at 30th September 2009.
- (x) The Company does not have accumulated losses as at the end of the financial period and it has not incurred any cash losses during the financial period 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 period.
- (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, the terms and conditions whereof are prejudicial to the interest of the company.
- (xvi) On the basis of records examined by us, we have to state that the company has prima facie, applied the term loan for the purpose for which it was obtained.
- (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 period.
- (xix) During the period covered by our audit report, the Company has allotted 200 Zero Coupon Secured Redeemable Debentures of Rs. Ten lacs each aggregating to Rs. 2000 lacs. Debenture certificates are yet to be issued, pending mortgage of immovable properties of yarn division.
- (xx) During the period 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 period.

For S.S. KOTHARI & CO.
Chartered Accountants

(B.L. VERMA)

Partner

Place : Mumbai

Date : 31st December, 2009

(Membership No. 10900)

BALANCE SHEET AS AT 30TH SEPTEMBER, 2009

		(Rs. in lacs)	
	Schedule	As at 30.09.2009	As at 31.03.2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	1	2174.35	2174.35
Reserves & Surplus	2	10556.16	6020.85
		<u>12730.51</u>	<u>8195.20</u>
LOAN FUNDS			
Secured Loans	3	7516.93	3191.97
Unsecured Loans	4	-	300.00
		<u>7516.93</u>	<u>3491.97</u>
Deferred Tax Liability (Refer Note No. 17 of Schedule 14)		1188.60	847.08
		<u>21436.04</u>	<u>12534.25</u>
TOTAL			
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	16934.59	11646.18
Less : Depreciation		6843.29	5991.37
Net Block		10091.30	5654.81
Capital work in Progress		608.07	2598.00
		<u>10699.37</u>	<u>8252.81</u>
INVESTMENTS	6	117.11	0.01
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		3881.69	2796.99
Sundry Debtors		5460.73	4181.32
Cash and Bank Balances		2638.95	390.58
Loans and Advances		3088.24	953.43
		<u>15069.61</u>	<u>8322.32</u>
LESS: CURRENT LIABILITIES AND PROVISIONS	8		
Current Liabilities		3972.65	3107.47
Provisions		477.40	933.42
		<u>4450.05</u>	<u>4040.89</u>
Net Current Assets		<u>10619.56</u>	<u>4281.43</u>
		<u>21436.04</u>	<u>12534.25</u>
TOTAL			
Notes on Accounts	14		

As per our report of even date attached

For and on behalf of the Board

For S.S. KOTHARI & CO.
Chartered Accountants

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

Place : Mumbai
Date : 31st December, 2009

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

} Directors

R.R. Maheshwari – Director & Company Secretary
Place : Mumbai

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2009

(Rs. in Lacs)

	Schedule	Period Ended 30.9.2009 (18 Months)	Year Ended 31.3.2008 (12 Months)
INCOME			
Sales		44656.43	23721.47
Less : Excise Duty		2549.44	1815.94
Net Sales		42106.99	21905.53
Other Income	9	142.44	113.77
Increase/(Decrease) in Stock	10	379.68	517.87
		<u>42628.81</u>	<u>22537.17</u>
EXPENDITURE			
Materials Cost	11	15207.68	6182.61
Employees Cost	12	2414.82	1239.48
Operational & Other expenses	13	20081.49	12011.49
Depreciation		870.39	394.27
		<u>38574.38</u>	<u>19827.85</u>
Profit before Tax		4054.43	2709.32
Less : Provision for Taxation			
Current tax		—	927.28
Deferred tax		341.52	50.07
Fringe Benefit Tax		10.98	9.25
Profit after Tax		3701.93	1722.72
Add : Taxes in respect of earlier years (Net)		833.38	19.13
Add: Balance brought forward		5995.85	4292.26
Balance Carried to Balance Sheet		<u>10531.16</u>	<u>5995.85</u>
Basic / Diluted Earning Per Share (Rs.)		17.03	7.92

(Refer Note No. 18 of Schedule 14)

Notes on Accounts

14

As per our report of even date attached

For and on behalf of the Board

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

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

Place : Mumbai
Date : 31st December, 2009

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

} Directors

R.R. Maheshwari – Director & Company Secretary
Place : Mumbai

SCHEDULE 1 : SHARE CAPITAL*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
AUTHORISED		
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>
ISSUED, SUBSCRIBED AND PAID-UP		
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*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
Capital Subsidy	25.00	25.00
Profit & Loss Account	10531.16	5995.85
	<u>10556.16</u>	<u>6020.85</u>

SCHEDULE 3 : SECURED LOANS*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
Term Loans from Financial Institutions	1300.00	-
Zero Coupon Secured Redeemable Debentures	2000.00	-
Advance subscription towards Zero Coupon Secured Redeemable Debentures	450.00	-
Other Loans	-	1150.00
Bank Borrowings for Working Capital	3766.93	2041.97
	<u>7516.93</u>	<u>3191.97</u>

- Term loan from financial institution is secured by (i) First charge on all the immovable and movable fixed assets, present and future (excluding the assets of yarn division) ranking pari-passu with the charges created/ to be created in favour of existing bankers of the company and by way of first charge on all the assets of Motile Power Trade Pvt. Ltd. (Subsidiary Company); (ii) Personal guarantee of one of directors; (iii) Corporate guarantee from Motile Power Trade Pvt. Ltd. and (iv) Pledge of all shares of Motile Power Trade Pvt. Ltd. First charge by way of mortgage of immovable fixed assets yet to be created. However, charge by way of hypothecation of movable fixed assets has been created.
- Zero Coupon Secured Redeemable Debentures/ advance subscription towards Zero Coupon Secured Redeemable Debentures are secured by way of mortgage of all the immovable properties and hypothecation of all movable properties (other than book debts) of yarn division. Charge by way of hypothecation of movable properties (other than book debts) has been created and charge by way of mortgage of immovable properties is yet to be created; redemption to commence from 1st October, 2011 quarterly instalments till entire redemption is completed on or before 30th September, 2015.
- Borrowings for working capital are secured by hypothecation of stocks, book debts and first charge on fixed assets(excluding Yarn Division) and are personally guaranteed by some of the directors.

SCHEDULE 4 : UNSECURED LOANS*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
Deferred of Sales Tax (Under Rajasthan Government's Sales Tax Deferment Scheme for Industries, 1987)	-	<u>300.00</u>

SCHEDULE 5 : FIXED ASSETS*(Rs. in lacs)*

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2008	Additions	Deduct- ions	As at 30.09.2009	upto 31.03.2008	for the period	Deduct ions	upto 30.09.2009	As at 30.09.2009	As at 31.03.2008
Leasehold land	246.09	-	3.09	243.00	-	-	-	-	243.00	246.09
Freehold land	159.19	217.57	-	376.76	-	-	-	-	376.76	159.19
Buildings	1944.94	809.20	-	2754.14	494.33	108.34	-	602.67	2151.47	1450.61
Plant & Machinery	8811.38	4246.06	-	13057.44	5260.40	695.14	-	5955.54	7101.90	3550.98
Furniture & Fixtures, Computers & Other Office Equipments	344.82	45.56	16.28	374.10	198.03	49.33	8.87	238.49	135.61	146.79
Vehicles	139.76	16.17	26.78	129.15	38.61	17.87	9.89	46.59	82.56	101.15
Total	11646.18	5334.56	46.15	16934.59	5991.37	870.68 *	18.76	6843.29	10091.30	5654.81
Previous Year	10705.75	1125.66	185.23	11646.18	5618.55	394.42	21.60	5991.37	5654.81	

* Includes Rs. 0.29 lacs (previous year Rs. 0.15 lacs) capitalised

SCHEDULE 6 : INVESTMENTS*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
LONG TERM INVESTMENTS		
a. Investment in Govt. Securities		
National Saving Certificates	0.01	0.01
b. Investment in shares of subsidiary company (Unquoted)		
Motile Power Trade Private Ltd. (43000 Equity Shares of Rs. 10/- each fully paid up)	4.30	-
c. Non-trade investments (Unquoted)*		
VS Lignite Power Pvt. Ltd. (385186 Class 'A' - Equity shares of Rs. 10/- each, fully paid up)	38.52	-
(742814 Class 'A' - 0.01% Cumulative & Redeemable Preference shares of Rs. 10/- each, fully paid up)	74.28	-
	<u>117.11</u>	<u>0.01</u>

* Lying with the said company under lien.

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
A: CURRENT ASSETS		
INVENTORIES (As taken, Valued and Certified by the Management)		
Raw Materials	952.52	709.37
Materials in Process	975.81	664.49
Finished Stock	1463.83	1084.15
Stores & Spares	489.53	338.98
	<u>3881.69</u>	<u>2796.99</u>
SUNDRY DEBTORS (Unsecured)		
Outstanding for a period exceeding six months		
Considered good	508.10	82.92
Considered doubtful	6.99	25.93
	515.09	108.85
Less : Provision for doubtful debts	6.99	25.93
	508.10	82.92
Others (Considered Good)	4952.63	4098.40
	<u>5460.73</u>	<u>4181.32</u>

CASH AND BANK BALANCES

Cash on Hand	2.24	3.11
Balances with Scheduled Banks :		
In Current Accounts	296.63	125.39
In Fixed Deposits (Including against margin Rs. 1959.78 lacs; previous year Rs. 161.58 lacs)	2340.08	262.08
	<u>2638.95</u>	<u>390.58</u>
	<u>11981.37</u>	<u>7368.89</u>

B: LOANS AND ADVANCES (Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	416.91	132.24
Loan to Subsidiary Company	1300.00	-
Sundry Deposits	314.22	151.86
Prepaid Expenses	71.03	53.60
Claims and Other Receivables	986.08	615.73
	<u>3088.24</u>	<u>953.43</u>
	<u>15069.61</u>	<u>8322.32</u>

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS*(Rs. in lacs)*

	As at 30.09.2009	As at 31.03.2008
CURRENT LIABILITIES		
Sundry Creditors and other liabilities	3888.15	3025.16
Interest Accrued but not due	7.98	-
Sundry Deposits	76.52	82.31
	<u>3972.65</u>	<u>3107.47</u>
PROVISIONS		
For Gratuity & leave encashment	475.51	335.14
For Taxation (Net of advance tax)	-	596.53
For Fringe Benefit Tax (Net of advance)	1.89	1.75
	<u>477.40</u>	<u>933.42</u>
	<u>4450.05</u>	<u>4040.89</u>

SCHEDULE 9 : OTHER INCOME*(Rs. in lacs)*

	Period Ended 30.9.2009 (18 Months)	Year Ended 31.3.2008 (12 Months)
Scrap Sale	130.87	81.18
Liabilities & sundry balances written back (Net)	5.65	27.82
Miscellaneous receipts	5.62	4.77
	<u>142.14</u>	<u>113.77</u>

SCHEDULE 10 : INCREASE/(DECREASE) IN STOCK*(Rs. in lacs)*

	Period Ended 30.9.2009 (18 Months)	Year Ended 31.3.2008 (12 Months)
Closing Stock of Finished Goods	1463.83	1084.15
Less : Opening Stock of Finished Goods	1084.15	566.28
	<u>379.68</u>	<u>517.87</u>

SCHEDULE 11 : MATERIALS COST*(Rs. in lacs)*

	Period Ended 30.9.2009 (18 Months)	Year Ended 31.3.2008 (12 Months)
STOCK AT COMMENCEMENT		
Raw Materials	709.37	678.99
In Process	664.49	535.45
	<u>1373.86</u>	<u>1214.44</u>
Add : Purchases	15762.15	6342.03
	<u>17136.01</u>	<u>7556.47</u>

SCHEDULE 14: NOTES ON ACCOUNTS
1. SIGNIFICANT ACCOUNTING POLICIES
i) Basis of preparation of financial statements

- a) 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.
- b) Income & expenditure are recognised and accounted for on accrual basis.

ii) Fixed Assets

- a) Fixed Assets are stated at cost including addition in value due to revaluation less depreciation.
- b) Direct expenses as well as clearly identifiable indirect expenses, incurred on project during the period of construction are being capitalised to the respective assets.
- c) CENVAT credit and other recoverable taxes on capital goods are accounted for by reducing the cost of capital goods.

iii) Depreciation

Depreciation on fixed assets including revaluation is provided as follows:

- (a) 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.
- (b) 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.
- (c) 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

- (a) Raw materials, Stores & spares and materials in process are valued at cost.
- (b) Finished Stock is valued at lower of cost or estimated net realisable value.
- (c) 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

- a) Sale of goods is recognised on the basis of despatch. Sales is shown inclusive of excise duty, export benefits and exchange fluctuations.
- b) Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognised in the Profit & Loss Account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- c) Claims of customers & others are accounted for as and when settled.

vii) Excise Duty/Cenvat

- (a) 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.
- (b) 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:

- (a) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- (b) Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

x) Foreign Currency Transactions

Transactions in foreign currency are recorded on the basis of exchange rates prevailing on the date of their occurrence. Foreign currency assets and liabilities are converted into rupee equivalent at the exchange rates prevailing on the Balance Sheet date and exchange difference arising there from is charged to the 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) Liability for import duty, if any, on export obligation yet to be completed under EPCG Scheme is accounted for on expiry of obligation period/extension thereof.

xv) Impairment of Assets

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

xvi) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes to the accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

2. Estimated amount of contracts remaining to be executed on capital account, not provided for, net of advances Rs. 2414.87 lacs (Previous year Rs.1525.40 lacs).
3. Contingent liabilities not provided for: -
 - i) Guarantees given by bankers on behalf of the Company Rs. 1166.15 lacs (Previous year Rs. 601.16 lacs).
 - ii) Corporate guarantees given by the Company Rs. 753.18 lacs (Previous year Rs. Nil).
 - iii) Outstanding Letters of Credit Rs.152.22 lacs (Previous year Rs. 135.72 lacs).
 - iv) Pending Sales Tax Assessment for 2007-2008 & onwards; amount unascertainable.
 - v) Claims against the company, not acknowledged as debts Rs.35.46 lacs (Previous year Rs. 26.46 lacs).
 - vi) Disputed Income tax demand Rs. 2.50 lacs (Previous year Rs. 103.69 lacs) against which amount deposited under protest Rs. 2.50 lacs (Previous year Rs. 66.86 lacs).
 - vii) Disputed Land Tax demand Rs. 9.18 lacs which has been deposited under protest (Previous year Rs. 6.12 lacs).
 - viii) Disputed Service Tax demand Rs. 5.25 lacs which has been deposited under protest (Previous year Rs. 5.25 lacs)
 - ix) Disputed Sales Tax demand Rs. 0.71 lacs which has been deposited under protest (Previous year Rs. 0.71 lacs).
4. Balances of debtors and creditors are subject to reconciliations/confirmations.
5. Profit for the period has been arrived at after adjusting prior year debits Rs. 8.33 lac (Previous year Rs. 0.99 lacs) and prior year credits Rs. 6.48 lacs (Previous year Rs.0.90 lacs). Expenses/Income arisen/settled during the period have been charged to revenue.
6. In the opinion of the Board of Directors, Current Assets, Loans and Advances (including capital advances) have a value on realisation in the ordinary course of business 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.
7. Loans and advances include interest free amount of Rs. 280 lacs (Previous year Rs. nil) paid to a company covered under section 301 of Companies Act 1956 in view of proposed amalgamation awaiting approvals.
8. Inventories include goods in transit.
9. Sundry debtors include Rs.1.30 lacs (Previous year Rs. 1.30 lacs) under litigation for which adequate provision has been made.
10. i) In view of insufficient information from the suppliers regarding their status as SSI units, amount overdue to such undertakings could not be ascertained.
 ii) The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and hence disclosure relating to amounts unpaid as at the period end together with interest paid/payable under this Act have not been given.
11. Payment to Directors

	(Rs. in lacs)	
	Period ended	Year ended
	30.09.2009 (18 Months)	31.03.2008 (12 Months)
Salaries	40.59	23.40
Contribution to PF	4.27	2.81
Perquisites	2.06	1.56
	<u>46.92</u>	<u>27.77</u>

12. Addition in Fixed Assets during the period includes Capitalization of Pre-operative Expenses in respect of the project are as under :-

Particulars	(Rs. in lacs)	
	Period ended 30.09.2009 (18 Months)	Year ended 31.03.2008 (12 Months)
Salaries, Wages and other Allowances	74.43	31.36
Staff & Labour Welfare	0.13	-
Power & Fuel	72.33	-
Travelling & Conveyance	8.86	7.11
Rent, Rates and Taxes	3.80	3.80
Insurance	2.68	0.37
Depreciation	0.44	0.15
Other expenses	<u>34.74</u>	<u>17.73</u>
Sub total	197.41	60.52
Less: Interest Income (Net)	<u>67.86</u>	<u>56.15</u>
Total	129.55	4.37
Less : Capitalized during the period	<u>129.55</u>	-
Balance	-	<u>4.37</u>

13. Provision for taxation (including interest etc.) estimated at Rs. 2252.65 lacs (including for previous year Rs. 927.28 lacs reversed during the period) has not been made in accounts. In view of proposed amalgamation proceedings awaiting approvals.

14. Disclosure in respect of employee benefits as per Accounting Standard 15 is given below :-

Assumptions	Period ended		Year ended	
	30.09.2009 (18 Months)	31.03.2008 (12 Months)	31.03.2008 (12 Months)	31.03.2008 (12 Months)
- Discount rate	8%	8%		
- Expected rate of return on assets	-	-		
- Expected rate of future salary increase	5.5%	5.5%		

	Period ended		Year ended	
	30.09.2009 (18 Months)	31.03.2008 (12 Months)	31.03.2008 (12 Months)	31.03.2008 (12 Months)
	Gratuity Unfunded	Leave Encashment Unfunded	Gratuity Unfunded	Leave Encashment Unfunded
Change in present value of obligations				
- Present value of obligations as at the beginning of the period	266.11	69.03	214.76	48.73
- Interest cost	31.98	8.37	17.18	3.90
- Current service cost	42.31	24.92	19.93	9.09
- Benefits paid	(27.30)	(17.65)	(7.77)	(9.16)
- Actuarial loss on Obligations	50.60	27.14	22.01	16.47
- Present value of obligations as at the close of the period	<u>363.70</u>	<u>111.81</u>	<u>266.11</u>	<u>69.03</u>
Change in fair value of plan assets	Not applicable		Not applicable	
Liability recognized in the Balance Sheet				
- Present value of obligations as at the end of the period	363.70	111.81	266.11	69.03
- Fair value of plan assets as at the close of the year	-	-	-	-
- Funded status / difference	(363.70)	(111.81)	(266.11)	(69.03)
- Unrecognized Actuarial (Gain)/Loss	-	-	-	-
- Net (Assets)/Liability recognized in Balance Sheet	<u>363.70</u>	<u>111.81</u>	<u>266.11</u>	<u>69.03</u>
Expenses recognized in Profit and Loss Account				
- Current service cost	42.31	24.92	19.93	9.09
- Past service cost	-	-	-	-
- Interest cost	31.98	8.37	17.18	3.90
- Expected return on plan assets	-	-	-	-
- Net Actuarial (Gain)/Loss recognized during the period	<u>50.60</u>	<u>27.14</u>	<u>22.01</u>	<u>16.47</u>
	124.89	60.43	59.12	29.46
Less : Considered as pre-operative expenses	0.60	1.22	0.30	0.55
- Total Expense recognized in Profit and Loss Account	<u>124.29</u>	<u>59.21</u>	<u>58.82</u>	<u>28.91</u>

The above disclosures are based on information certified by the independent actuary.

15. Segment Information as per Accounting Standard 17 :

A) Primary Segment reporting (By Business Segment) : The two identified segments are i) Insulators ii) Yarn (FDY)

(Rs. in lacs)

	Period ended			Year ended		
	Insulators	Yarn	Total	Insulators	Yarn	Total
1. Segment Revenue						
Sales	36089.79	8566.64	44656.43	23721.47	-	23721.47
2. Segment Results						
Profit before Financial Expense	4630.47	456.20	5086.67	3021.09	-	3021.09
Less : Financial Exp.	1035.93	(3.69)	1032.24	311.77	-	311.77
Profit before tax	3594.54	459.89	4054.43	2709.32	-	2709.32
Provision for taxation			352.50			986.60
Profit after tax			3701.93			1722.72
3. Capital Employed						
Segment Assets	17398.07	8488.02	25886.09	13705.24	2869.90	16575.14
Segment Liabilities	12614.76	540.82	13155.58	8343.46	36.48	8379.94
Capital Employed	4783.31	7947.20	12730.51	5361.78	2833.42	8195.20

B) Secondary segment reporting (By geographical Segment) - The analysis of Geographical segment is based on geographical location of the customers, which is domestic and export.

(Rs. in lacs)

Revenue by Geographical Market	Period ended	Year ended
	30.09.2009 (18 months)	31.03.2008 (12 Months)
In India	30472.22	13784.07
Other than India	14184.21	9937.40
	<u>44656.43</u>	<u>23721.47</u>
Carrying Amounts of Segment Assets (Sundry Debtors)		
In India	2653.46	3030.10
Other than India	2807.27	1151.22
	<u>5460.73</u>	<u>4181.32</u>

16. Related party Disclosures as per Accounting Standard 18 :

i) Related Party Relationships :

a) Where control exists :

Modern Denim Ltd.

Modern Terry Towels Ltd.

Modern Threads (I) Ltd.

b) Key Management Personnel :

Shri Sachin Ranka (Director)

Shri R.R. Maheshwari (Director & Company Secretary)

Shri H.L. Sharma (Executive Director)

Shri R.K. Ladia (Executive Director)

c) Subsidiary Company : Motile Power Trade Pvt. Ltd.

d) Relatives of key Management Personnel and their enterprises where transactions have taken place :

Smt. Meena Ranka

Shubham Corporate Advisory Services Pvt. Ltd.

(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	Name	Volume of transactions		Outstanding as on 30.09.2009	Outstanding as on 31.03.2008
			Period ended 30.09.2009 (18 months)	Year ended 31.03.2008 (12 months)		
Where Control exists	Purchase of goods	Modern Terry Towels Ltd.	0.59	0.86	-	-
		Modern Denim Ltd	-	0.54	-	-
	Loans and Advances given	Modern Terry Towels Ltd.	280.00	-	280.00	-
	Others	Modern Denim Ltd.	0.95	1.05	-	-
Key Management Personnel	Remuneration etc.		Refer Note No. 11			
Subsidiary Company	Loan given	Motile Power Trade Pvt. Ltd.	1300.00	-	1300.00	-
Relative of Key Managerial Personnel and their enterprises	Rent paid	Meena Ranka	2.70	1.20	-	-
		Shubham Corporate	12.96	2.16	-	-
		Advisory Services Pvt. Ltd.				

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. 341.52 lacs has been adjusted in Profit & Loss Account.

ii) Breakup of net deferred tax liability:

	<u>As at 30.09.2009</u>	<u>As at 31.03.2008</u>
(a) <u>Liability</u>		
Depreciation	1477.67	1011.67
(b) <u>Assets</u>		
- Expenses allowable for Tax purpose on payment basis	286.69	155.78
- Others (Provision for doubtful debts)	2.38	8.81
	<u>289.07</u>	<u>164.59</u>
Net deferred Tax liability	<u>1188.60</u>	<u>847.08</u>

18. Earning per Share as per Accounting Standard 20 :

	<u>Period ended 30.09.2009 (18 months)</u>	<u>Year ended 31.03.2008 (12 months)</u>
i) Net profit after tax available for equity Shareholders (Rs. in lacs)	3701.93	1722.72
ii) Number of Equity Shares of Rs.10/- each	21743500	21743500
iii) Basic & Diluted earning per share (Rs.)	17.03	7.92

19. (a) Derivatives : Outstanding as at Balance Sheet date

<u>Paticulars</u>	<u>Currency</u>	<u>Amount in Foreign Currency</u>		<u>Purpose</u>
		<u>As at 30.09.2009</u>	<u>As at 31.03.2008</u>	
Forward Contracts	EURO	1076842	-	Hedging for Export Debtors

(b) Foreign currency exposures which are not hedged as at the Balance Sheet date

	<u>As at 30.09.2009</u>		<u>As at 31.03.2008</u>	
	<u>Payable</u>	<u>Receivables</u>	<u>Payable</u>	<u>Receivables</u>
USD	554552	2525077	761230	1183225
EURO	221260	1698737	540464	240828
GBP	-	-	1945	5848

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

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

	<u>Period ended 30.09.2009 (18 months)</u>	<u>Year ended 31.03.2008 (12 Months)</u>
	<u>(MT)</u>	<u>(MT)</u>
i) Licensed & Installed Capacity :		
(a) High tension and other insulators and bushings		
- Licensed capacity (per annum)	Not applicable	Not applicable
- Installed capacity (per annum)	16500	16500*
(As certified by the management)		
* Capacity enhanced w.e.f. 21.08.2007		

b) Yarn (FDY)		
– Licensed Capacity (per annum)	Not applicable	Not applicable
– Installed capacity (per annum) (As certified by the management)	12500 MT*	NIL
* Commenced production w.e.f. 01.09.2008		

ii) Production, Sales and stock of Insulators & Yarn

	Period ended 30.09.2009 (18 months)		Year ended 31.03.2008 (12 Months)	
	<u>Insulators</u> (MT)	<u>Yarn</u> (MT)	<u>Insulators</u> (MT)	<u>Yarn</u> (MT)
Opening Stock	2003	–	1304	–
Production	23538*	9868	14829*	–
Sales	22768	9767	14130	–
Closing Stock	2773	101	2003	–

* Includes free samples 126 MT (Previous year 57 MT)

iii) Raw materials consumed

	Period ended 30.09.2009 (18 months)		Year ended 31.03.2008 (12 Months)	
	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. in lacs)
Clays	18546	1410.62	11397	838.97
Calcined Alumina	14866	4190.53	9781	2857.88
Metal Fittings	3951	3907.68	2523	2312.92
Chips	10400	5192.12	–	–
Others		506.73		172.84
		<u>15207.68</u>		<u>6182.61</u>

iv) Value of imports Calculated on CIF Basis :

	Period ended 30.09.2009 (18 months)	Year ended 31.03.2008 (12 Months)
		(Rs. in lacs)
Raw Materials	1171.60	363.10
Capital Goods	2443.93	–
Stores & Spares	190.55	97.55

v) Earnings in foreign exchange:

Export of goods calculated on FOB basis	13748.51	9563.91
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vi) Expenditure in foreign currency :

Selling Commission	409.14	423.87
Advance Payments for capital goods	–	419.47
Technical Consultancy	4.26	50.32
Foreign Travelling Expenses	22.11	6.45
Others	65.40	9.70

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

	Period ended 30.09.2009 (18 months)		Year ended 31.03.2008 (12 Months)	
	Rs. in lacs	(%)	Rs. in lacs	(%)
	(a) Raw materials :			
Imported	1527.37	10.04	427.78	6.92
Indigenous	<u>13680.31</u>	<u>89.96</u>	<u>5754.83</u>	<u>93.08</u>
	<u>15207.68</u>	<u>100.00</u>	<u>6182.61</u>	<u>100.00</u>
(b) Stores and Spares:				
Imported	34.29	1.46	28.13	1.30
Indigenous	<u>2318.70</u>	<u>98.54</u>	<u>2137.13</u>	<u>98.70</u>
	<u>2352.99</u>	<u>100.00</u>	<u>2165.26</u>	<u>100.00</u>

22. 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 : 30.09.2009

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

Public Issue	: Nil	Right Issue	: Nil
Bonus Issue	: Nil	Private Placement	: Nil

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

Total Liabilities	: 2143604	Total Assets	: 2143604
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Sources of Funds

Paid-up Capital	: 217435	Reserves & Surplus	: 1055616
Secured Loans	: 751693	Unsecured Loans	: 118860
Deferred Tax Liability	:		

Application of Funds

Net Fixed Assets	: 1069937	Investments	: 11711
(Includes Capital work in progress)			
Net Current Assets	: 1061956	Misc. Expenditure	: Nil

iv) Performance of Company (Rs. in thousands)

Turnover	: 4224913	Total Expenditure	: 3819470
(Including other income)			
Profit Before Tax	: 405443	Profit After Tax	: 370193
Earning per Share (in Rs.):	17.03	Dividend Rate (%)	: Nil

v) Generic Names of Principal Products of the Company :

(as per monetary terms)

Item Code No. (ITC Code)	Product Description
854620.14	Porcelain post insulators 66 KV to 132 KV
854620.15	Porcelain post insulators above 132 KV
854620.31	Porcelain solidcore insulators (H.T.)
54024700	Yarn (FDY)

As per our report of even date attached

For and on behalf of the Board

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

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

Place : Mumbai
 Date : 31st December, 2009

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

R.R. Maheshwari – Director & Company Secretary
 Place : Mumbai

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2009

Particulars	(Rs. in lacs)	
	Period ended 30.09.2009 (18 months)	Year ended 31.03.2008 (12 months)
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	4054.43	2709.32
ADJUSTMENTS FOR		
- Depreciation	870.39	394.27
- Foreign Exchange	259.63	35.93
- Interest & Bank Charges	1032.24	311.77
- Loss/(Profit) on Sale of Fixed Assets	7.33	(15.78)
- Provision for doubtful debts	-	3.75
- Bad Debts written off	19.25	1.37
Operating Profit before working capital changes	<u>6243.27</u>	<u>3440.63</u>
ADJUSTMENTS FOR		
- Trade and other receivables	(3693.10)	(1633.03)
- Inventories	(1084.70)	(571.88)
- Trade and other payable	997.57	637.84
Cash generation from operations	<u>2463.04</u>	<u>1873.56</u>
Interest and bank charges paid	(1,024.26)	(311.77)
Income Tax Paid	236.85	(776.70)
Fringe Benefit Tax Paid	(10.84)	(9.18)
Net Cash from operating Activities	<u>1664.79</u>	<u>775.91</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES		
- Purchase of Fixed Assets (Including Capital Work in Progress)	(3,344.34)	(3565.17)
- Sale of Fixed Assets	20.06	179.41
- Investments	(117.10)	-
Net cash used in investing activities	<u>(3,441.38)</u>	<u>(3385.76)</u>
(C) CASH FLOW FROM FINANCING ACTIVITIES		
- Proceeds from Borrowings		
Banks	1,724.96	612.03
Unsecured Loan	(300.00)	(200.00)
Term Loan	1,300.00	-
Other loans	(1,150.00)	1,150.00
Zero Coupon Secured Redeemable Debentures	2,000.00	-
Advance subscription toward Zero Coupon Secured Redeemable Debentures	450.00	-
Net cash from financing activities	<u>4,024.96</u>	<u>1,562.03</u>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	<u>2,248.37</u>	<u>(1,047.82)</u>
Cash & Cash Equivalents - Opening Balance	390.58	1,438.40
Cash & Cash Equivalents - Closing Balance*	<u>2,638.95</u>	<u>390.58</u>

* Including against margin Rs. 1959.78 lacs (previous year Rs. 161.58 lacs)

As per our report of even date attached

For and on behalf of the Board

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

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

Place : Mumbai
Date : 31st December, 2009

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

R.R. Maheshwari - Director & Company Secretary
Place : Mumbai

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY

- | | | |
|---|---|---|
| 1. Name of the Subsidiary Company | : | Motile Power Trade Pvt. Ltd. |
| 2. The financial period of the Subsidiary Company ended on | : | 30 th September, 2009 |
| 3. Extent of interest of Modern Insulators Limited in the capital of Subsidiary at the end of the financial year of the Subsidiary. | : | (86%) 43000 Equity shares of Rs.10/- each fully paid-up |
| 4. The net aggregate amount of Profit/ Loss of the Subsidiary so far as it concerns the members of Modern Insulators Limited. | : | |
| a) Not dealt with in the Company's accounts for the period ended on 30 th September, 2009 amounted to | | |
| i) For the Subsidiary's financial period ended as in (2) above | : | Loss Rs.0.42 lacs |
| ii) For the previous financial years of the Subsidiary since it became the holding Company's Subsidiary. | : | N.A. |
| b) Dealt with in Company's accounts for the period ended 30 th Sept., 2009 amounted to | | |
| i) For Subsidiary financial period ended as in (2) above | : | Nil |
| ii) For the previous financial years of the Subsidiary since it became the holding Company's Subsidiary | : | N.A. |

For and on behalf of the Board

H.S. Ranka – Chairman

Sachin Ranka

S.S. Karnavat

R.N. Goyal

S.B.L. Jain

H.L. Sharma

} Directors

R.R. Maheshwari – Director & Company Secretary

Place : Mumbai

Date : 31st December, 2009

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