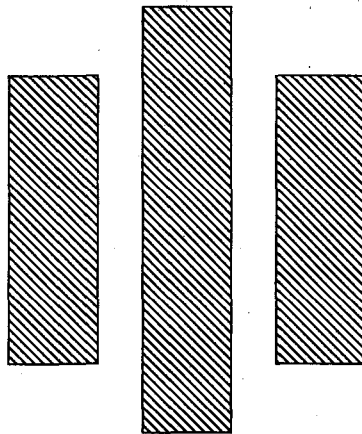


ANNUAL REPORT
2009-2011



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

COMPANY SECRETARY

Shri Sonu Lakhani

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 26th Annual General Meeting of **Modern Insulators Limited** will be held on Saturday the 24th September, 2011 at 11.00 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 31st March, 2011 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 H.L.Sharma as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To re-appoint Shri S.S.Karnavat as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To re-appoint Shri R. R. Maheshwari as Director 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 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 :

- (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 269, 198, 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 R. K. Ladia as an Executive Director of the Company from 01/04/2010 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 resolutions as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309 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 Company hereby accords its approval and consent to the payment of remuneration to Shri H. S. Ranka, Chairman of the Company with effect from 01/02/2011 for a period of three years on the terms & Conditions of remuneration as specified in the explanatory statement annexed hereto."

- (8) To consider and if thought fit to pass, with or without modification, 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 :

On First Charge Basis

1. Central Bank of India for its working capital assistance of upto Rs. 2925 lacs (Fund based) & upto Rs. 1875 lacs (Non-fund based) respectively.
2. Punjab National Bank for its working capital assistance of upto Rs.975 lacs (Fund based) & upto Rs. 625 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 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."

"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 the consent of the Company be and is hereby accorded to the Board of Directors 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 Gujarat Polyfils, a division of the Company situated at Village Nana Borsara, Tehsil Mangrol, District Surat in the State of Gujarat present and future, in favour of the Industrial Finance Corporation of India (IFCI) on exclusive first charge basis under the Corporate Loan Agreement to secure rupee term loan not exceeding Rs 4500 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."

"RESOLVED FURTHER THAT the mortgage charge create and or all agreements/documents 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."

- (10) 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 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 Gujarat Polyfils, a division of the Company situated at Village Nana Borsara, Tehsil Mangrol, District Surat in the State of Gujarat on Second Pari Passu Charge basis in favour of :-

1. Sumurai Commercials Private Limited 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 Pvt. 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.

"RESOLVED FURTHER THAT the mortgage charge created and or all agreements/documents 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."

By Order of the Board

Place : Mumbai
Dated : 25th June, 2011

(SONU LAKHANI)
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. **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 TO BE A MEMBER.**
3. The proxy should be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the commencement of the meeting.
4. The Ministry of Corporate affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notices/documents including Annual Report can be sent by e-mail to its members. To support this objective of the Government, members are requested to register their e-mail addresses with the registered office of the Company.
5. The Share transfer books and Register of members shall remain closed from 22.09.2011 to 24.09.2011 (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 appointed as Executive Director of the Company for a period of 3 years on 01/04/2007, as terms of his appointment expired on 31/03/2010, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01/04/2010. The terms & Conditions of payment of remuneration to Shri R. K. Ladia as Executive Director has also been approved by the Remuneration Committee of Directors of the Company.

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

(A) Salary - Rs. 2,50,000/- (Rupees Two Lacs 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 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. 10,00,000/-.
 - (vi) Company's contribution towards superannuation fund as per Company's policy but not exceeding 15% of the basic salary.
 - (vii) Free use of car with driver, for Company's business.
 - (viii) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
 - (ix) 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 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

Shri H. S. Ranka is working as Chairman of the Company without remuneration. The Board considers for payment of remuneration to Shri H. S. Ranka, Chairman of the Company for a period of 3 years w.e.f. 01/02/2011. The terms & Conditions of payment of remuneration to Shri H. S. Ranka, Chairman of the Company has also been approved by the Remuneration Committee 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.

(B) Perquisites and allowances :

- (i) Fees of clubs - subject to a maximum of two clubs & maximum amount of Rs. 75,000/- per annum.
- (ii) Company's contribution towards provident fund as per the rules of the Company but not exceeding 12% of the salary.
- (iii) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 10,00,000/-.
- (iv) Free use of car with driver, for Company's business.
- (v) Free telephone facility at residence for Company's business.

(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. S. Ranka and Shri Sachin Ranka, are concerned or interested in the said resolution in item No. 7. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956

Item No. 8

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 Insulators 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 Corporate Loan by IFCI to the extent of Rs. 4500 lacs. The financial assistance from the IFCI is to be secured by way of exclusive first charge of all the immovable and movable properties of the Gujarat Polyfils division of the Company, present and future.

As the mortgage or charge on properties to secure the Corporate Loan facilities on exclusive first charge basis may be regarded as disposal of the whole or substantially the whole of the Gujarat Polyfils 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. 10

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 upto of Rs.20 crores by Sumurai Commercials Private Limited & upto of Rs.20 crores by Pirth Mercantiles Private Limited by way of subscription in Zero Coupon Secured Redeemable Debentures. The financial assistance from Sumurai Commercials Private Limited and Pirth Mercantiles Private Limited is to be secured by way of second pari passu 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 second 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.

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting Annual Report and audited accounts for the period ended on 31st March, 2011.

1. FINANCIAL RESULTS

(Rs. in crores)

	Period ended 31.03.2011 (18 months)	Period ended 30.09.2009 (18 months)
Net Profit after tax	34.10	37.02
Add : Taxes in respect of earlier year (net)	(0.08)	8.33
Add : Balance brought forward from last year	105.31	59.96
Balance carried to Balance Sheet	139.33	105.31

2. OPERATIONS

During the period of 18 months under review the Insulator division has made a turnover of Rs. 354 crores and Yarn division made a turnover of Rs. 226 crores. The operations of the Company has resulted in a net profit of Rs. 34.10 crores including net profit of Rs. 7.26 crores of the yarn division. However, to consolidate the long term resources for enhanced working capital and further balancing the plant and machineries of the Company to maintain the growth in productivity, profitability and turnover, the Directors of your Company are constrained not to recommend any dividend for the period under review.

INSULATORS DIVISION

Your company is a leading manufacturer and supplier of high voltage porcelain insulators that are essential components of the global electrical infrastructure. The Company's design and production technology in porcelain insulators make it the preferred supplier of leading OEMS like Siemens, ABB, AREVA etc. Your company's orientation to excellence in technology, research and marketing has helped it in maintaining its place as one of the leading manufacturer of Insulators. Both in Domestic as well as export market, Company's products are rated high due to their excellent quality, reliability in performance and good services to the customers.

YARN DIVISION

As reported in the previous period report, the yarn division has been implemented in two phases. The Commercial production of the first phase having capacity of 12500 tons per annum has commenced in September, 2008 and commercial production of second phase of the project with capacity of another 12500 tons per annum has commenced in March, 2010. The period under review was volatile for the Polyester Industry due to weak domestic textile market, over supply of polyester yarns compared to the over all demands, unprecedented increase in oil prices leading to abnormal hike in the prices of raw materials.

3. EXPORTS

The Company is one of the major exporter of Insulators from India and the largest in high voltage segment. Company's exports (Insulators) stood at Rs. 114 crores for the period as against Rs. 137 crores in the previous period in spite of worldwide competitive market and deferment of delivery schedule by the overseas customers. The Company has been awarded Trading House Status by JDGFT. The decline in exports have also affected adversely the performance of the insulator division. Your company is now focusing to save cost effectively with better process control so that products of the insulator division remain competitive in terms of quality and price in the international market. The company is also exploring new markets to reduce dependence on existing markets and the future growth in exports.

4. FUTURE PROSPECTS

The future of insulator industry looks promising due to major thrust on power sector reforms and speedier implementation of new power projects. The Government of India has given emphasis on upgrading transmission system in the country along with plans for construction of new power transmission grids. The Company carries sufficient orders in hand and is having long term; understanding with multinationals for supply of insulators for their world-wide requirement. The company has been successful in getting repeat orders from US market with increased volume.

5. AMALGAMATION OF MODERN TERRY TOWELS LIMITED WITH THE COMPANY

Modern Terry Towels Limited had filed Draft Rehabilitation Scheme with Hon'ble BIFR for its amalgamation with your company by taking deemed date of amalgamation as 1.1.2008 and same is under active consideration for circulation and thereafter for sanction.

6. DEMERGER OF YARN DIVISION OF THE COMPANY

With a view to implement and develop the business plan of Insulator division of the company as a focused entity and to take the further opportunities in the Insulator business, it has been decided by the Board of Directors of the company to demerge the Yarn division into a separate corporate entity by a Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 with effect

from 1st April, 2011. The demerger would result in benefit to the shareholders, creditors, employees and the general public. Requisite application before the Hon'ble High Court of Rajasthan at Jaipur has been filed for sanction of the Scheme of Arrangement.

7. CHANGE OF ACCOUNTING YEAR

It has been decided by the Board of Directors to change the Accounting Year to end on 31st March, 2011 instead of 30th September, 2010 and therefore the accounting year under review is for a period of 18 months from 1.10.2009 to 31.3.2011. Accordingly necessary approval from the Ministry of Corporate Affairs, Office of Registrar of Companies has also been obtained.

8. SUBSIDIARY COMPANY

The statement under Section 212 of the Companies Act, 1956 in respect of Motile Power Trade Pvt. Ltd. and Gujarat Polyfils (India) Ltd., subsidiaries of the Company along with audited accounts are attached.

9. DIRECTORS

Shri H.L. Sharma, Shri S.S. Karnavat and Shri R.R. Maheshwari 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.

10. 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 2011-12. 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.

11. 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 the Companies (Particulars of Employees) Rules, 1975 as amended.

12. 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 along with proper explanation relating to material departures;
- 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;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.

13. 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.

14. 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

15. 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 executives, staff, workers, financial Institutions, working capital bankers and Central as well as State Government of the Company.

ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 25th June, 2011

(H.S. RANKA)
Chairman

AUDITORS' REPORT

To,

The Members,

1. We have audited the attached Balance Sheet of **MODERN INSULATORS LIMITED** as at 31st March, 2011, the Profit & Loss Account and cash flow statement of the Company for the period from 1st October, 2009 to 31st March, 2011 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 13).*
 - (b) *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. (Note No.11 of Schedule 13).*
- (c) *Provision for taxation (including interest etc.) estimated at Rs.1239.23 lacs for current period (upto the period Rs.3491.88 lacs) has not been made in accounts, in view of proposed amalgamation proceedings awaiting approvals. Meanwhile Income Tax Department has completed assessment for Assessment Year 2008-09 and demand of Rs.1413.30 lacs has been raised in respect of disallowance of losses pertaining to proposed amalgamation, which is under appeal (Note No.14 of schedule 13).*
 - (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 31st March, 2011,
 - (b) In the case of Profit & Loss Account, of the profit of the Company for the period from 1st October, 2009 to 31st March, 2011.
 - (c) In the case of Cash Flow Statement, of the cash flows for the period from 1st October, 2009 to 31st March, 2011.

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

(**B.L. VERMA**)
Partner

Place : Jaipur
Date : 25th June, 2011

(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 has given loans to two subsidiaries. In respect of the said loans, the maximum amount outstanding at any time during the period was Rs.4750 lacs and the period end balance is Rs.4500 lacs (Previous year Rs.1300 lacs & Rs.1300 lacs respectively). The said loans are without interest and principal amounts are repayable on demand.
- (b) The company has also given interest-free loan/advance of Rs.1945.61 lacs to a company covered under section 301 of companies Act, 1956 in view of proposed amalgamation awaiting approvals. Maximum amount outstanding during the period was Rs.1945.61 lacs and the period end balance was Rs.1945.61 lacs (previous period Rs.280 lacs & Rs.280 lacs respectively).
- (c) 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 clause 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 internal audit carried out during the period commensurates 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 the records of the Company examined by us, the particulars of dues of Income tax, sales tax, excise duty and cess as at 31st March-2011 which have not been deposited on account of dispute, are as follows:

Name of the Statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act 1956 and RV Act 2003	CST and VAT	447.94	2007-08 & 2008-09	Deputy Commissioner (Appeals), Jodhpur
Income Tax Act 1961	Income Tax	1087.37	2007-08	CIT(Appeals)-II, Jaipur
Excise duty Act 1944	Excise Duty	51.31	2009-10	Commissioner (Appeals), Jaipur

- (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.
- (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) The company has not issued any debenture during the period covered by audit.
- (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 : Jaipur

Date : 25th June, 2011

(Membership No. 10900)

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs. in lacs)

	Schedule	As at 31.03.2011	As at 30.09.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	1	2174.35	2174.35
Reserves & Surplus	2	13958.23	10556.16
		<u>16132.58</u>	<u>12730.51</u>
LOAN FUNDS			
Secured Loans	3	10399.95	7516.93
		<u>10399.95</u>	<u>7516.93</u>
Deferred Tax Liability (Refer Note No. 19 of Schedule 13)		1382.28	1188.60
TOTAL		<u>27914.81</u>	<u>21436.04</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	21651.01	16934.59
Less : Depreciation		7920.47	6843.29
Net Block		13730.54	10091.30
Capital work in Progress		405.29	608.07
		<u>14135.83</u>	<u>10699.37</u>
INVESTMENTS	5	122.05	117.11
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	5383.01	3881.69
Sundry Debtors		4593.47	5460.73
Cash and Bank Balances		709.24	2638.95
Loans and Advances		8329.24	3088.24
		<u>19014.96</u>	<u>15069.61</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	4711.79	3972.65
Provisions		646.24	477.40
		<u>5358.03</u>	<u>4450.05</u>
Net Current Assets		<u>13656.93</u>	<u>10619.56</u>
TOTAL		<u>27914.81</u>	<u>21436.04</u>
Notes on Accounts	13		

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 : 25th June, 2011

For and on behalf of the Board

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

Sonu Lakahni – Company Secretary

Place : Mumbai

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2011

(Rs. in Lacs)

	Schedule	Period Ended 31.03.2011 (18 Months)	Period Ended 30.09.2009 (18 Months)
INCOME			
Sales		58031.14	44656.43
Less : Excise Duty		4057.21	2549.44
Net Sales		53973.93	42106.99
Other Income	8	148.29	141.71
Increase/(Decrease) in Stock	9	918.72	379.68
		<u>55040.94</u>	<u>42628.38</u>
EXPENDITURE			
Materials Cost	10	25055.04	15207.25
Employees Cost	11	3305.20	2414.82
Operational & Other expenses	12	21985.42	20081.49
Depreciation		1091.54	870.39
		<u>51437.20</u>	<u>38573.95</u>
Profit before Tax		3603.74	4054.43
Less : Provision for Taxation			
Current tax		-	-
Deferred tax		193.68	341.52
Fringe Benefit Tax		-	10.98
Profit after Tax		3410.06	3701.93
Less : Taxes in respect of earlier years (Net)		7.99	(833.38)
Add: Balance brought forward		10531.16	5995.85
Balance Carried to Balance Sheet		<u>13933.23</u>	<u>10531.16</u>
Basic / Diluted Earning Per Share (Rs.)		15.68	17.03
(Refer Note No. 18 of Schedule 13)			

Notes on Accounts

13

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 : 25th June, 2011

For and on behalf of the Board

H.S. Ranka – Chairman

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

} Directors

Sonu Lakahni – Company Secretary

Place : Mumbai

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

	As at 31.03.2011	As at 30.09.2009
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 31.03.2011	As at 30.09.2009
Capital Subsidy	25.00	25.00
Profit & Loss Account	<u>13933.23</u>	<u>10531.16</u>
	<u>13958.23</u>	<u>10556.16</u>

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

	As at 31.03.2011	As at 30.09.2009
Term Loans from Financial Institution	3727.02	1300.00
Zero Coupon Secured Redeemable Debentures	2000.00	2000.00
Advance subscription towards Zero Coupon Secured Redeemable Debentures	850.00	450.00
Bank Borrowings for Working Capital	3763.75	3766.93
Other Loans	59.18	-
	<u>10399.95</u>	<u>7516.93</u>

1. Term loans from financial institution are secured by (i) Exclusive first charge on all the immovable and movable fixed assets of yarn division; (ii) First charge on all the assets of Motile Power Trade Pvt. Ltd and Gujarat Polyfils (India) Ltd. (Subsidiary Companies); (iii) Personal guarantee of one of directors; (iv) Corporate guarantee from Motile Power Trade Pvt. Ltd and Gujarat Polyfils (India) Ltd and (v) Pledge of all shares of Motile Power Trade Pvt. Ltd and Gujarat Polyfils (India) Ltd.
2. Zero Coupon Secured Redeemable Debentures/advance subscription towards Zero Coupon Secured Redeemable Debentures are secured by way of second charge of all the immovable properties of yarn division; redemption to commence from 1st October, 2012 in quarterly instalments till entire redemption is completed on or before 30th September, 2016.
3. Borrowings for working capital are secured by hypothecation of stocks, book debts and first charge on fixed assets of Insulator Division and are personally guaranteed by some of the directors.
4. Other Loans are secured against hypothecation of the specific assets.

SCHEDULE 4 : FIXED ASSETS*(Rs. in lacs)*

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 30.09.2009	Additions	Deduct- ions	As at 31.03.2011	upto 30.09.2009	for the period	Deduct ions	upto 31.03.2011	As at 31.03.2011	As at 30.09.2009
Leasehold land	243.00	-	-	243.00	-	-	-	-	243.00	243.00
Freehold land	376.76	333.80	-	710.56	-	-	-	-	710.56	376.76
Buildings	2754.14	434.79	-	3188.93	602.67	134.64	-	737.31	2451.62	2151.47
Plant & Machinery	13057.44	3818.97	-	16876.41	5955.54	886.12	-	6841.66	10034.75	7101.90
Furniture & Fixtures, Computers & Other Office Equipments	374.08	57.69	6.25	425.52	238.49	50.04	2.00	286.53	138.99	138.59
Vehicles	129.17	109.42	32.00	206.59	46.59	20.74	12.36	54.97	151.62	82.58
Total	16934.59	4754.67	38.25	21651.01	6843.29	1091.54	14.36	7920.47	13730.54	10091.30
Previous Period	11646.18	5334.56	46.15	16934.59	5991.37	870.68	18.76	6843.29	10091.30	-

SCHEDULE 5 : INVESTMENTS*(Rs. in lacs)*

	As at 31.03.2011	As at 30.09.2009
LONG TERM INVESTMENTS		
a. Investment in Govt. Securities		
National Saving Certificates	0.01	0.01
b. Investment in shares of subsidiary companies (Unquoted)*		
Motile Power Trade Private Ltd. (43000 Equity Shares of Rs. 10/- each fully paid up)	4.30	4.30
Gujarat Polyfils (India) Ltd. (49400 Equity shares of Rs. 10/- each fully paid up)	4.94	-
c. Non-trade investments (Unquoted)**		
VS Lignite Power Pvt. Ltd. (385186 Class 'A' - Equity shares of Rs. 10/- each, fully paid up)	38.52	38.52
(742814 Class 'A' - 0.01% Cumulative & Redeemable Preference shares of Rs. 10/- each, fully paid up)	74.28	74.28
	<u>122.05</u>	<u>117.11</u>

* Pledged with IFCI Ltd. in terms of loan agreements.

** Lying with the said company under lien.

SCHEDULE 6 : CURRENT ASSETS, LOANS AND ADVANCES*(Rs. in lacs)*

	As at 31.03.2011	As at 30.09.2009
A: CURRENT ASSETS		
INVENTORIES		
(As taken, Valued and Certified by the Management)		
Raw Materials	1164.91	952.52
Materials in Process	1313.48	975.81
Finished Stock	2382.55	1463.83
Stores & Spares	522.07	489.53
	<u>5383.01</u>	<u>3881.69</u>
SUNDRY DEBTORS (Unsecured)		
Outstanding for a period exceeding six months		
Considered good	657.12	508.10
Considered doubtful	42.32	6.99
	<u>699.44</u>	<u>515.09</u>
Less : Provision for doubtful debts	42.32	6.99
	<u>657.12</u>	<u>508.10</u>
Others (Considered Good)	3936.35	4952.63
	<u>4593.47</u>	<u>5460.73</u>
CASH AND BANK BALANCES		
Cash on Hand	5.42	2.24
Balances with Scheduled Banks :		
In Current Accounts	563.20	296.63
In Fixed Deposits (Including against margin Rs. 139.29 lacs; previous year Rs. 1959.78 lacs)	140.62	2340.08
	<u>709.24</u>	<u>2638.95</u>
	<u>10685.72</u>	<u>11981.37</u>
B: LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	2115.84	416.91
Loan to Subsidiary Companies	4500.00	1300.00
Sundry Deposits	583.03	314.22
Prepaid Expenses	83.29	71.03
Claims and Other Receivables (Including Income Tax Advance Rs. 425 lacs and Tax deducted as source Rs. 150.84 lacs, previous year Rs. 425 lacs & Rs. 103.60 lacs respectively)	1047.08	986.08
	<u>8329.24</u>	<u>3088.24</u>
	<u>19014.96</u>	<u>15069.61</u>

SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS*(Rs. in lacs)*

	As at 31.03.2011	As at 30.09.2009
CURRENT LIABILITIES		
Sundry Creditors and other liabilities	4578.46	3888.15
Interest Accrued but not due	4.64	7.98
Sundry Deposits	128.69	76.52
	<u>4711.79</u>	<u>3972.65</u>
PROVISIONS		
For Gratuity & leave encashment	644.35	475.51
For Fringe Benefit Tax (Net of advance)	1.89	1.89
	<u>646.24</u>	<u>477.40</u>
	<u>5358.03</u>	<u>4450.05</u>

SCHEDULE 8 : OTHER INCOME*(Rs. in lacs)*

	Period Ended 31.3.2011 (18 Months)	Period Ended 30.9.2009 (18 Months)
Scrap Sale	100.02	130.88
Liabilities & sundry balances written back (Net)	17.56	5.21
Miscellaneous receipts	30.71	5.62
	<u>148.29</u>	<u>141.71</u>

SCHEDULE 9 : INCREASE/(DECREASE) IN STOCK*(Rs. in lacs)*

	Period Ended 31.3.2011 (18 Months)	Period Ended 30.9.2009 (18 Months)
Closing Stock of Finished Goods	2382.55	1463.83
Less : Opening Stock of Finished Goods	<u>1463.83</u>	<u>1084.15</u>
	<u>918.72</u>	<u>379.68</u>

SCHEDULE 10 : MATERIALS COST*(Rs. in lacs)*

	Period Ended 31.3.2011 (18 Months)	Period Ended 30.9.2009 (18 Months)
STOCK AT COMMENCEMENT		
Raw Materials	952.52	709.37
In Process	975.81	664.49
	<u>1928.33</u>	<u>1373.86</u>
Add : Purchases	25605.10	15761.72
	<u>27533.43</u>	<u>17135.58</u>
LESS : STOCK AT CLOSE		
Raw Materials	1164.91	952.52
In Process	1313.48	975.81
	<u>2478.39</u>	<u>1928.33</u>
	<u>25055.04</u>	<u>15207.25</u>

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

	Period Ended 31.3.2011 (18 Months)	Period Ended 30.9.2009 (18 Months)
Salaries, Wages, Bonus and other allowances	2741.36	2003.53
Staff & Labour Welfare	69.63	46.54
Contribution to Provident & Other Funds	259.02	181.25
Gratuity & Leave encashment	235.19	183.50
	<u>3305.20</u>	<u>2414.82</u>

SCHEDULE 12 : OPERATIONAL AND OTHER EXPENSES*(Rs. in lacs)*

	Period Ended 31.3.2011 (18 Months)	Period Ended 30.9.2009 (18 Months)
MANUFACTURING EXPENSES		
Power & Fuel	10358.01	9932.88
Stores & Spares	2828.37	2352.99
Packing	3015.91	2222.78
Excise duty on increase/decrease in Finished Stock	71.34	7.75
Repairs to:		
Plant & Machinery	922.70	1088.18
Buildings	323.54	233.62
Others	22.85	17.28
Other expenses	302.37	223.94
	<u>17845.09</u>	<u>16079.42</u>
ADMINISTRATIVE EXPENSES		
Rent	28.69	26.10
Insurance (Net)	32.35	37.31
Rates & Taxes	9.72	9.48
Travelling & Conveyance	195.26	163.79
Telecommunication Expenses	20.07	21.62
Directors fees and Expenses	0.31	0.29
Payment to Auditors		
for Audit fee	2.47	2.47
for Tax Audit fee	0.83	0.83
for Expenses	2.83	2.32
Other expenses	311.13	327.87
	<u>603.66</u>	<u>592.08</u>
FINANCIAL EXPENSES		
Interest		
On Term Loans	626.80	90.96
On Bank Borrowings	830.13	744.99
	<u>1456.93</u>	<u>835.95</u>
Less : Interest received	78.74	43.60
Other Expenses	289.55	239.89
	<u>1667.74</u>	<u>1032.24</u>
SELLING EXPENSES		
Commission, rebates etc.	757.43	1371.84
Carriage outward (Net)	867.48	835.85
Bad debts written off	14.96	38.19
Less: Provision for doubtful debts	—	18.94
Provision for doubtful debts	35.32	—
Sales Promotion & Advertisement	34.44	40.24
Other expenses	153.51	103.21
	<u>1863.14</u>	<u>2370.39</u>
OTHER EXPENSES		
Lease rent on land	0.08	0.03
Loss/Profit on Fixed Assets sold(net)	5.71	7.33
	5.79	7.36
	<u>21985.42</u>	<u>20081.49</u>

SCHEDULE 13 : 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 of raw materials & stores 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 therefrom 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.2399.98 lacs (Previous period Rs.2414.87 lacs).

3. Contingent liabilities not provided for: -
- Guarantees given by bankers on behalf of the Company Rs.1788.23 lacs (Previous period Rs.1166.15 lacs).
 - Corporate guarantees given by the Company Rs.3.18 lacs (Previous period Rs.753.18 lacs).
 - Outstanding Letters of Credit Rs. 142.10 lacs (Previous period Rs. 152.22 lacs).
 - Liability if any in respect of pending Sales Tax assessment for the year 2009-10 & onwards.
 - Claims against the company, not acknowledged as debts Rs.39.81 lacs (Previous period Rs.35.46 lacs).
 - Disputed Income Tax demand Rs.2.50 lacs (Previous period Rs.2.50 lacs) against which amount deposited under protest Rs.2.50 lacs (Previous period Rs.2.50 lacs).
 - Disputed Land Tax demand Rs.12.44 lacs which has been deposited under protest (Previous period Rs.9.18 lacs).
 - Disputed Service Tax demand Rs.5.25 lacs which has been deposited under protest (Previous period Rs.5.25 lacs).
 - Disputed Sales Tax demand Rs.516.66 lacs (Previous period Rs.0.71 lacs) against which Rs.68.72 lacs has been deposited under protest (Previous period Rs.0.71 lacs).
 - Disputed Excise duty demand Rs.51.31 lacs (Previous period Rs. Nil).
 - Interest for the period Rs.78.87 lacs (upto the period Rs.133.78 lacs) not provided in respect of unpaid entry tax, payment of which has been stayed by Hon'ble High Court, Jodhpur.
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.26.25 lacs (Previous period Rs.8.33 lacs) and prior year credits Rs.1.35 lacs (Previous period Rs.6.48 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. Inventories include goods in transit.
8. Sundry debtors include Rs.1.30 lacs (Previous period Rs.1.30 lacs) under litigation for which adequate provision has been made.
9. Loans and advances include interest free loan of Rs.1945.61 lacs (Previous period Rs.280 lacs) paid to a company covered under section 301 of Companies Act, 1956 in view of proposed amalgamation awaiting approvals (Maximum amount due at any time during the period Rs.1945.61 lacs; previous period Rs.280 lacs).
10. Loans to subsidiary companies included under schedule of Current Assets, Loans and Advances as detailed below are for acquiring debts of IFCI pertaining to Group Companies and are without interest and the same are payable on demand.

(Rs. in lacs)

S. No.	Name of the Company	As at 31st March-2011	As at 30th Sept-2009	Maximum balance during the period
1	Motile Power Trade Pvt. Ltd.	1300.00	1300.00	1300.00
2	Gujarat Polyfils (India) Ltd.	3200.00	-	3450.00

11. 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.
12. Payments to Directors :

(Rs. in lacs)

	Period ended <u>31.03.2011 (18 Months)</u>	Period ended <u>30.09.2009 (18 Months)</u>
Salaries	61.98	40.59
Contribution to PF	6.23	4.27
Perquisites	4.15	2.06
	<u>72.36</u>	<u>46.92</u>

13. Addition in Fixed Assets and Capital Work in Progress during the period include Capitalization of Pre-operative Expenses in respect of the project completed/ in process: -

(Rs. In Lacs)

Particulars	Period ended <u>31.03.2011 (18 Months)</u>	Period ended <u>30.09.2009 (18 Months)</u>
Salaries, Wages and other Allowances	-	74.43
Staff & Labour Welfare	-	0.13
Power & Fuel	-	72.33
Traveling & Conveyance	0.89	8.86
Rent, Rates and Taxes	-	3.80
Insurance	0.36	2.68
Erection and Installation expenses	93.83	-
Depreciation	-	0.44
Other Expenses	<u>60.09</u>	<u>34.74</u>
Sub total	<u>155.17</u>	<u>197.41</u>
Less: Interest Income(Net)	-	67.86
Total	<u>155.17</u>	<u>129.55</u>
Less: Capitalized during the period	<u>152.87</u>	<u>129.55</u>
Balance	<u>2.30</u>	-

14. Provision for taxation (including interest etc.) estimated at Rs.1239.23 lacs for current period (upto the period Rs.3491.88 lacs) has not been made in accounts, in view of proposed amalgamation proceedings awaiting approvals. Meanwhile Income Tax Department has completed assessment for Assessment Year 2008-09 and demand of Rs.1413.30 lacs has been raised in respect of disallowance of losses claimed pertaining to proposed amalgamation, which is under appeal.

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

	Period ended 31.03.2011 (18 Months)	Period ended 30.09.2009 (18 Months)
- Discount rate	8%	8%
- Expected rate of return on assets	-	-
- Expected rate of future salary increase	5.5%	5.5%

	Period ended 31.03.2011 (18 Months)		Period ended 30.09.2009 (18 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	363.70	111.81	266.11	69.03
- Interest cost	43.65	13.42	31.98	8.37
- Current service cost	57.60	29.75	42.31	24.92
- Past Service Cost	50.52	-	-	-
- Benefits paid	(37.67)	(28.64)	(27.30)	(17.65)
- Actuarial loss on Obligations	22.52	17.69	50.60	27.14
- Present value of obligations as at the close of the period	<u>500.32</u>	<u>144.03</u>	<u>363.70</u>	<u>111.81</u>

	Not applicable		Not applicable	
Change in fair value of plan assets				
Liability recognized in the Balance Sheet				
- Present value of obligations as at the end of the period	500.32	144.03	363.70	111.81
- Fair value of plan assets as at the close of the year	-	-	-	-
- Funded status/difference	500.32	144.03	363.70	111.81
- Unrecognized Actuarial (Gain)/Loss	-	-	-	-
- Net (Assets)/Liability recognized in Balance Sheet	<u>500.32</u>	<u>144.03</u>	<u>363.70</u>	<u>111.81</u>
Expenses recognized in Profit and Loss Account				
- Current service cost	57.60	29.75	42.31	24.92
- Past service cost	50.52	-	-	-
- Interest cost	43.65	13.42	31.98	8.37
- Expected return on plan assets	-	-	-	-
- Net Actuarial (Gain)/Loss recognized during the period	22.52	17.69	50.60	27.14
	<u>174.29</u>	<u>60.86</u>	<u>124.89</u>	<u>60.43</u>
- Less: Considered as pre-operative expenses	-	-	0.60	1.22
- Total Expense recognized in Profit and Loss Account	<u>174.29</u>	<u>60.86</u>	<u>124.29</u>	<u>59.21</u>

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

16. Segment information as per Accounting Standard 17 :

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

	Period ended 31.03.2011 (18 Months)			Period ended 30.09.2009 (18 Months)		
	Insulators	Yarn	Total	Insulators	Yarn	Total
1 Segment Revenue	35414.41	22616.73	58031.14	36089.79	8566.64	44656.43
Sales						
2 Segment Result						
Profit before Financial Expense	4570.46	701.02	5271.48	4630.47	456.20	5086.67
Less: Financial Exp.	1693.09	(25.35)	1667.74	1035.93	(3.69)	1032.24
Profit before tax	2877.37	726.37	3603.74	3594.54	459.89	4054.43
Provision for taxation			193.68			352.50
Profit after tax			3410.06			3701.93
3 Capital Employed						
Segment Assets	22435.69	10837.15	33272.84	17398.07	8488.02	25886.09
Segment liabilities	15987.17	1153.09	17140.26	12614.76	540.82	13155.58
Capital Employed	6448.52	9684.06	16132.58	4783.31	7947.20	12730.51

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

Revenue by Geographical Market	Period ended 31.03.2011 (18 Months)	Period ended 30.09.2009 (18 Months)
	In India	46384.33
Other than India	11646.81	14184.21
	<u>58031.14</u>	<u>44656.43</u>

Carrying Amounts of Segment Assets (Sundry Debtors)

In India	2573.52	2653.46
Other than India	<u>2019.95</u>	<u>2807.27</u>
	<u>4593.47</u>	<u>5460.73</u>

17. Related party Disclosures as per Accounting Standard 18 :
i) Related Party Relationships :

- a) Where control exists :
Modern Denim Ltd.
Modern Terry Towels Ltd.
- b) Key Management Personnel :
Shri Sachin Ranka (Director)
Shri R.R. Maheshwari (Executive Director)
Shri H.L. Sharma (Executive Director)
Shri R.K. Ladia (Executive Director)
- c) Subsidiary Company :
Motile Power Trade Pvt. Ltd.
Gujarat Polyfils (India) 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 31.03.2011	Outstanding as on 30.09.2009
			Period ended 31.03.2011 (18 Months)	Period ended 30.09.2009 (18 Months)		
Where Control exists	Purchase of goods	Modern Terry Towels Ltd.	1.17	0.59	-	-
	Loans and Advances given	Modern Terry Towels Ltd.	1665.61	280.00	1945.61	280.00
	Others	Modern Denim Ltd. Modern Terry Towels Ltd.	0.64 0.05	0.95 -	- -	- -
Key Managerial Personnel	Remuneration etc.	Refer Note No. 12				
Subsidiary Company	Loan given	Motile Power Trade Pvt. Ltd. Gujarat Polyfils (India) Ltd.	- 3450.00	1300.00 -	1300.00 3200.00	1300.00 -
Relatives of Key Managerial Personnel and their enterprises	Rent paid	Meena Ranka Shubham Corporate Advisory Services Pvt.Ltd.	2.70 12.96	2.70 12.96	- -	- -

18. Earning per Share as per Accounting Standard 20 :

	Period ended 31.03.2011 (18 Months)	Period ended 30.09.2009 (18 Months)
i) Net profit after tax available for equity Shareholders (Rs. in lacs)	3410.06	3701.93
ii) Number of Equity Shares of Rs.10/- each	21743500	21743500
iii) Basic & Diluted earning per share (Rs.)	15.68	17.03

19. 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.193.68 lacs has been adjusted in Profit & Loss Account.
- ii) Breakup of net deferred tax liability.

(Rs. in lacs)

	As at 31.03.2011	As at 30.09.2009
(a) Liability		
Depreciation	<u>1791.25</u>	<u>1477.67</u>
(b) Assets		
- Expenses allowable for Tax purpose on payment basis	394.91	286.69
- Others (Provision for doubtful debts)	<u>14.06</u>	<u>2.38</u>
	<u>408.97</u>	<u>289.07</u>
Net deferred Tax liability	<u>1382.28</u>	<u>1188.60</u>

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

Particulars	Currency	Amount in Foreign Currency		Purpose
		As at 31.03.2011	As at 30.09.2009	
Forward Contracts	EURO	-	1076842	Hedging for Export Debtors

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

	As at 31.03.2011		As at 30.09.2009	
	Payable	Receivables	Payable	Receivables
USD	511248	3581888	554552	2525077
EURO	259804	611274	221260	1698737
GBP	-	41533	-	-

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

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

	Period ended 31.03.2011 (18 Months) (MT)	Period ended 30.09.2009 (18 Months) (MT)
i) Licensed & Installed Capacity :		
(a) High tension and other insulators and bushings		
- Licensed capacity (per annum)	Not applicable	Not applicable
- Installed capacity (per annum) (As certified by the management)	16500	16500
b) Yarn (FDY)		
- Licensed Capacity (per annum)	Not applicable	Not applicable
- Installed capacity (per annum) (As certified by the management)	25000 MT**	12500MT*
* Commenced production w.e.f. 01.09.2008		
** Increased 12500 MT capacity w.e.f. 01.03.2010		

ii) Production, Sales and stock of Insulators & Yarn

	Period ended 31.03.2011 (18 Months)		Period ended 30.09.2009 (18 Months)	
	Insulators (MT)	Yarn (MT)	Insulators (MT)	Yarn (MT)
Opening Stock	2773	101	2003	-
Production	25002	22965	23538*	9868
Sales	24815	22443	22768	9767
Closing Stock	2960	623	2773	101

* Includes free samples 126 MT in Previous period

iii) Raw materials consumed

	Period ended 31.03.2011 (18 Months)		Period ended 30.09.2009 (18 Months)	
	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. in lacs)
Clays	17672	1396.88	18546	1410.60
Calcined Alumina	11493	3495.37	14866	4190.53
Metal Fittings	4136	4331.31	3951	3907.68
Chips	23873	15023.20	10400	5191.69
Others		808.28		506.73
		<u>25055.04</u>		<u>15207.25</u>

iv) Value of imports Calculated on CIF Basis :

	Period ended 31.03.2011 (18 Months)	Period ended 30.09.2009 (18 Months)
Raw Materials	2059.14	1171.60
Capital Goods	1000.28	2443.93
Stores & Spares	202.88	190.55
v) Earnings in foreign exchange:		
Export of goods calculated on FOB basis	11487.73	13748.51
vi) Expenditure in foreign currency :		
Selling Commission	75.34	409.14
Advance Payments for capital goods	282.16	-
Technical Consultancy	53.63	4.26
Foreign Travelling Expenses	21.75	22.11
Claims & Rebates	81.72	-
Others	89.32	65.40

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

	Period ended 31.03.2011 (18 Months) Rs. in lacs (%)		Period ended 30.09.2009 (18 Months) Rs. in lacs (%)	
	(a) Raw materials :			
Imported	2641.37	10.54	1526.94	10.04
Indigenous	<u>22413.67</u>	<u>89.46</u>	<u>13680.31</u>	<u>89.96</u>
	<u>25055.04</u>	<u>100.00</u>	<u>15207.25</u>	<u>100.00</u>
(b) Stores and Spares:				
Imported	23.61	0.83	34.29	1.46
Indigenous	<u>2804.76</u>	<u>99.17</u>	<u>2318.70</u>	<u>98.54</u>
	<u>2828.37</u>	<u>100.00</u>	<u>2352.99</u>	<u>100.00</u>

23. 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	: 31.03.2011		
ii) Capital raised during the period (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	: 2791481	Total Assets	: 2791481
Sources of Funds			
Paid-up Capital	: 217435	Reserves & Surplus	: 1395823
Secured Loans	: 1039995	Unsecured Loans	: Nil
Deferred Tax Liability	: 138228		
Application of Funds			
Net Fixed Assets	: 1413583	Investments	: 12205
(Includes Capital work in progress)		Misc. Expenditure	: Nil
Net Current Assets	: 1365693		
iv) Performance of Company (Rs. in thousands)			
Turnover	: 5412222	Total Expenditure	: 5051848
(Including other income)		Profit After Tax	: 341006
Profit Before Tax	: 360374	Dividend Rate (%)	: Nil
Earning per Share (in Rs.)	: 15.68		
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 **S.S. KOTHARI & CO.**
 Chartered Accountants

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

Place : Jaipur
 Date : 25th June, 2011

For and on behalf of the Board

H.S. Ranka – Chairman

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

Directors

Sonu Lakahni – Company Secretary

Place : Mumbai

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2011

Particulars	(Rs. in lacs)	
	Period ended 31.03.2011 (18 Months)	Period ended 30.09.2009 (18 Months)
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	3603.74	4054.43
ADJUSTMENTS FOR		
– Depreciation	1091.54	870.39
– Foreign Exchange	(10.17)	259.63
– Interest & Bank Charges	1667.74	1032.24
– Loss/(Profit) on Sale of Fixed Assets	5.71	7.33
– Provision for doubtful debts	35.32	–
– Bad Debts written off	14.96	19.25
Operating Profit before working capital changes	<u>6408.84</u>	<u>2188.84</u>
ADJUSTMENTS FOR		6243.27
– Trade and other receivables	(4413.85)	(3693.10)
– Inventories	(1501.32)	(1084.70)
– Trade and other payable	915.96	997.57
Cash generation from operations	<u>1409.63</u>	<u>(3780.23)</u>
Interest and bank charges paid	(1675.72)	2463.04
Income Tax Paid	(7.99)	(1024.26)
Fringe Benefit Tax Paid	–	236.85
Net Cash from operating Activities	<u>(274.08)</u>	<u>(10.84)</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES		1664.79
– Purchase of Fixed Assets (Including Capital Work in Progress)	(4551.89)	(3344.34)
– Sale of Fixed Assets	18.18	20.06
– Investments	(4.94)	(117.10)
Net cash used in investing activities	<u>(4538.65)</u>	<u>(3441.38)</u>
(C) CASH FLOW FROM FINANCING ACTIVITIES		
– Proceeds from Borrowings		
Banks	(3.18)	1724.96
Unsecured Loan	–	(300.00)
Term Loan	2427.02	1300.00
Other	–	(1150.00)
Other loans	59.18	–
Zero Coupon Secured Redeemable Debentures	–	2000.00
Advance subscription toward Zero Coupon Secured Redeemable Debentures	400.00	450.00
Net cash from financing activities	<u>2883.02</u>	<u>4024.96</u>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	<u>(1929.71)</u>	<u>2248.37</u>
Cash & Cash Equivalents - Opening Balance	2638.95	390.58
Cash & Cash Equivalents - Closing Balance	709.24	2638.95

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 : 25th June, 2011

For and on behalf of the Board

H.S. Ranka – Chairman

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

Sonu Lakahni – Company Secretary

Place : Mumbai

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:
- Development of low carbon body recipe to cut down firing cycle time and fuel consumption by using low carbon clays in the existing body.
 - Exploring various high grades of alternate indigenous raw materials to replace the imported clays as ongoing cost reduction.
 - Weight reduction in the existing design of solid core & long rod insulators.
 - Process optimization & improvement to conserve natural resources in particular energy, fuels, water and key input materials by minimized process loss, reusing and recycling.
 - Develop bauxite body new recipe by improving raw material quality, reducing carbon percent for low temperature firing cycle.
 - Development of scratch resistant and glossy appearance glaze to improve aesthetics.
 - Development of extra high strength products for overseas market.
 - Process & product improvement through innovative techniques.
- b) Benefits as a result of the above R & D:
- Improvement in Quality & reliability of product.
 - Reduced fuel consumption & raw material cost.
 - Development of alternate / low cost raw material source.
 - Entry in new product segment.
- c) Future plan of action:
- Automation in material handling.
 - Weight reduction in the existing designs of solid core & longrod insulators.
 - Reduction of carbon percent in body by using of low organic clays.
 - New Glaze development for better glazed strength, glossiness, scratch resistance & long verification range.
 - Develop bauxite body new recipe by improving raw material quality & further reducing carbon percent for low temperature firing cycle.
 - Development of fast firing body to reduce cost & fuel consumption.
 - Development of clay in slurry form.
 - Development of 800 kv HVDC longrod insulators.
 - Substitution of imported clays.
- d) Expenditure on R & D:
- | | |
|---|----------------|
| - Capital | - |
| - Recurring | Rs.223.47 lacs |
| - Total | Rs.223.47 lacs |
| - Total R & D expenditure,
as % of total turnover. | 0.39 % |

2. Technology Absorption, Adoption and Innovation:

- a) Efforts, in brief made towards technology absorption, adoption and innovation:-
- Development of a special gravel composition & its application method as part of process improvement Implemented in production.
 - All filter press feed pump motor made operative in star mode in place of delta resulting in 33% power saving.
 - Development of high strength Dalcrete cement to avoid curing process.
 - High capacity rotopump with suitable motor has been installed in slip house for faster slurry pumping.
 - Recuperator installation in kiln for heat recovery.
 - In house commissioning of glost pitcher plant for reusing fired porcelain scrap.
- b) Benefits derived as a result of above efforts:
- Improvement in efficiency and productivity.
 - Enhanced consistency in mechanical strength & reduction in re-fire generation.
 - Reduction in firing cycle time & cost saving with increased productivity.
 - Development of new products.

B. FOREIGN EXCHANGE EARNING & OUTGO:

The company has earned during the period foreign exchange of Rs.11487.73 lacs at F.O.B. price against an outgo of Rs.3866.22 lacs.

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

1	Name of the Subsidiary Company	Motile Power Trade Pvt. Ltd.	Gujarat Polyfils (India) Ltd
2	The financial period of the Subsidiary Company ended on	31st March, 2011	31st March, 2011
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	(99%) 49400 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 31st March, 2011 amounted to		
	i) For the Subsidiary's financial period ended as in (2) above	Profit Rs.0.05 lacs	Loss Rs.0.06 lacs
	ii) For the Subsidiary's financial years of the Subsidiary since it became Subsidiary of the Company.	Loss Rs.0.30 lacs	Loss Rs.0.48 lacs
	b) Dealt with in Company's accounts for the period ended 31st March, 2011 amounted to		
	i) For Subsidiary financial period ended as in (2) above	-	-
	ii) For the previous financial years of the Subsidiary since it became the holding Company's Subsidiary.	-	-

For and on behalf of the Board

H.S. Ranka – Chairman
Sachin Ranka
S.S. Karnavat
R.N. Goyal
S.B.L. Jain
R.R. Maheshwari
H.L. Sharma } Directors
Sonu Lakahni – Company Secretary

Place : Mumbai
Date : 25th June, 2011

MODERN INSULATORS LIMITED

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur-302 004

PROXY FORM

Reg. Folio No.

No. of Shares held

I/We
 of
 being a Member/Members of MODERN INSULATORS LIMITED here by appoint
 of
 or failing him of
 as my/our proxy to vote for me/us on my/our behalf at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company to be held on Saturday the 24th September, 2011 at 11.00 A.M. and at any adjournment thereof.

Signed this day of 2011

Signature

Affix Re 1/- Revenue Stamp

Note : This form duly completed and signed must be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the Meeting.

MODERN INSULATORS LIMITED

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur-302 004

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

26th Annual General Meeting-24th September, 2011

I hereby record my presence at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company held at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 on Saturday the 24th September, 2011 at 11.00 A.M.

Full Name of Member (IN BLOCK LETTERS)

Reg. Folio No.

No. of Shares held

Full Name of Proxy (IN BLOCK LETTERS)

Member's/Proxy's Signature

NOTE : ADMISSION WILL BE STRICTLY PERMITTED FOR SHAREHOLDERS/VALID PROXY HOLDERS ONLY.

If undelivered please return to :

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

