



**modipon  
limited**

**44TH ANNUAL REPORT 2010-11**

**BOARD OF DIRECTORS**

Dr. M. K. Modi Chairman & Managing Director  
Mr. Manish K. Modi  
Mr. O. P. Makkar

**COMPANY SECRETARY**

Mr. A. K. Goel

**BANKERS**

Allahabad Bank  
Bank of Baroda  
Karnataka Bank Limited  
Punjab National Bank

**AUDITORS**

Messrs P. R. Mehra & Co.,  
Chartered Accountants  
56, Darya Ganj,  
New Delhi-110 002

**REGISTERED OFFICE**

Hapur Road,  
Modinagar - 201 204  
District : Ghaziabad (U. P.)

**REGISTRAR AND TRANSFER AGENT**

MAS Services Limited  
T-34, 2nd Floor,  
Okhla Industrial Area, Phase-II,  
New Delhi - 110 020

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**NOTICE**

Notice is hereby given that the 44th Annual General Meeting of Modipon Limited, Modinagar will be held on Friday, the 30th September, 2011 at 1.00 P.M. at Alok Park Club, Alok Park, Modinagar-201 204 (U. P.) to transact the following Business:

**ORDINARY BUSINESS**

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors and the Directors thereon.
- To appoint Auditors and to fix their Remuneration and in that connection to consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that Messrs P. R. Mehra & Co., Chartered Accountants, New Delhi, the retiring Auditors, be and are hereby 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 at a Fee of ₹ 2,00,000/- (Rupees Two Lacs only) plus applicable Service Tax etc. and such other Remuneration as may be mutually agreed between the Managing Director of the Company and the said Firm for any work that may be done by them in any capacity other than as Statutory Auditors of the Company".

By Order of the Board,  
For Modipon Limited



(A. K. Goel)  
Company Secretary

Place : New Delhi  
Dated: 11th August, 2011

**Notes:**

- A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll, to vote instead of himself. The Proxy need not be a Member of

the Company. The Proxy Form duly completed and signed should reach the Company's Registered Office at Modinagar, not later than 48 hours before the time fixed for the Meeting.

- All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during Office hours on all working days except Saturday between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.
- Members holding Shares in Physical Form are requested to notify change of address, under their signatures to Messrs MAS Services Limited, T-34, 2nd Floor, Okhala Indl. Area, Ph-II, New Delhi-110 020, the Registrar and Transfer Agent (RTA) of the Company, quoting Folio Nos. Members holding Shares in Demat Form may update such details with their respective Depository Participants (DPs). All correspondence regarding Demat/Transfer/Consolidation/ Split-up of Shares etc. should be addressed to them for expeditious disposal.
- Pursuant to the directions of the Securities and Exchange Board of India (SEBI), the Trading in the Equity Shares of your Company has been in compulsory dematerialised form since 29.1.2001. Members, who have not yet got their Shares dematerialised, are requested to opt for the same in their own interest and send the Share Certificates through the DPs with whom they have opened their Demat Account.
- The Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 2011 to 29th September, 2011 (both days inclusive).
- The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. Shareholders are requested to register their e-mail ID in the format attached hereunder with the Company to receive communication in electronic mode as permitted by Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 issued by the Ministry of Corporate Affairs.

To,  
MAS Services Ltd.  
T-34, Okhla Indl. Area, Ph-II, New Delhi-20

Dear Sir,

**E-COMMUNICATION REGISTRATION FORM**

(in terms of Circular No. 17/2011 dated 21<sup>st</sup> April, 2011 issued by the Ministry of Corporate Affairs)

Folio No. : .....

Name of 1<sup>st</sup> Registered Holder : .....

Name of joint Holder(s) : .....

Registered Address : .....

E-mail ID ( to be registered ) : .....

Phone Nos. : .....

I/We shareholder(s) of Modipon Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail in your records for sending communication through e-mail.

Date.....

Signature:.....  
(First Holder)

Note: Shareholder(s) are requested to keep the company informed as and when there is any change in the e-mail address.

**DIRECTORS' REPORT**

To the Shareholders,

Your Directors have pleasure in presenting the 44th Annual Report with Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2011.

**FINANCIAL HIGHLIGHTS**

	<u>2010-11</u>	<u>2009-10</u>
	₹ Lacs	₹ Lacs
Turnover	-	37.77
Other Income	49.60	4.37
Gross Profit/ (Loss)	(293.29)	(570.55)
Depreciation	0.28	1.53
Profit/(Loss) after Depreciation	(293.57)	(572.08)
Add: Prior Period Expenses (Net)	(7.16)	(8.50)
Add/(Less) Exceptional Income/(Losses)	389.44	548.69
Profit/(Loss) before Tax	88.71	(31.89)
Less/(Add) :		
Provision for Taxation- Fringe Benefit Tax	-	9.41
Extra Ordinary item	(4899.00)	-
Net Profit/(Loss) after Tax	(4810.29)	(22.48)

**SCHEME OF ARRANGEMENT**

As reported earlier, the Company had, post re-structuring through Slump sales of Chemicals business alongwith certain specified assets, filed a Scheme of Arrangement U/s 391/393/394 of the Companies Act, 1956 before Hon'ble Allahabad High Court seeking its approval to the accounting treatment to the direct allotment of shares of IOIL by IOIL to the shareholders of the Company in part discharge of the purchase Consideration. Hon'ble High Court has, vide its Order dated 8th September, 2010 approved the said Scheme of Arrangement.

**CLOSURE OF MANUFACTURING OPERATIONS**

As reported earlier, the industrial undertaking of the Company has been permanently closed down after seeking requisite permission from Government of Uttar Pradesh under the provisions of the Uttar Pradesh Industrial Disputes Act, 1947. The Company is now exploring other possibilities so as to have optimal utilization of its real estate.

**SETTLEMENT WITH BANKS**

In its endeavour to arrive at an amicable One Time Settlement of the outstanding dues of the banks, the Company had earlier finalized settlement with Abu Dhabi Commercial Bank and Allahabad Bank whose dues have been duly paid by the assignee of the debt. Recently Karnataka Bank has also approved One Time Settlement of its dues. The settled dues are being paid by Ashoka Mercantile Ltd. (AML), a Group MKM Company. Debt will be assigned to AML/ARC once the entire settled amount is paid. The Company is desirous of liquidating the balance NPA dues of other banks under OTS on the lines of the settlement with Allahabad Bank. The banks had initiated recovery proceedings under SARFESAI Act, 2002 and have sold the Plant & Machinery, Stores & Spares and Structures of the Company which are in the process of being dismantled and removed. This has enabled the Company to reduce its NPA dues by ₹33.61 crores.

**DIVIDEND**

In view of the Losses suffered by the Company, your Directors are unable to recommend any Dividend on Equity and Preference Share Capital.

**OPERATIONS**

During the year under review, the Company registered total revenue of ₹ 49.60 lacs from sale of old stocks etc. and has incurred a Loss after tax of ₹ 4810.29 lacs.

**EXPORTS**

On account of closure of the manufacturing operations of the Company, there has not been any export during the year. The FOB value of exports during the previous financial year was nil.

**FIXED DEPOSITS**

The Company had stopped accepting deposits from public. During the year under review, no deposit was claimed for payment. At the end of the financial year, the balance on account of Fixed Deposits accepted from the Public and Members stood at ₹ 25.72 lacs which remained unclaimed/unpaid. There was no deposit liable to be transferred to the credit of Investors' Education and Protection Fund.

Presently the Company is neither accepting fresh deposits nor renewing the existing ones.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

In view of the permanent closure of the Manufacturing Operations, provisions relating to furnishing of the details of (i) Conservation of Energy, (ii) Research & Development and Technology Absorption and (iii) Foreign Exchange Earning and Outgo in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

**DIRECTORS**

After the last Annual General Meeting of the Company, there has been no change in the Board of Directors.

**PERSONNEL**

Subsequent to the closure of the Manufacturing Operations of the Company, all issues of ex-workmen/employees have been amicably resolved. The total dues of these workmen/employees (other than 11 workmen who have not yet tendered resignations) have been paid.

There was no employee, employed for full or part of the year, whose particulars are to be given in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**AUDITORS AND AUDIT REPORT**

Messrs P. R. Mehra & Co., Chartered Accountants, New Delhi, the retiring Auditors, being eligible, offer themselves for reappointment.

With reference to the qualifications contained in the Auditors' Report, the Directors wish to state that the Notes on Accounts and Significant Accounting Policies referred to by the Auditors in their Report are self-explanatory and hence do not call for any further comment.

## COST AUDIT

The Central Government had approved the appointments of Messrs N. Dewan & Co., Cost Accountants, New Delhi to conduct the Cost Audit in respect of Nylon & Polyester Filament Yarns for the year ended 31st March, 2007. However, in view of permanent closure of operations, the Company had applied for exemption from the re-requirement of Cost Audit. Accordingly, their reappointment is not envisaged.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors of your Company declare as under:

- (i) that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors had 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 Loss of the Company for that period;
- (iii) that the Directors had 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;
- (iv) that in view of the permanent closure of the Manufacturing Operations of the Company, the Directors had not prepared the Annual Accounts on a going concern basis.

## SUBSIDIARY COMPANIES

The Company does not have any Subsidiary Company.

## CORPORATE GOVERNANCE

The Report on Corporate Governance together with the Statutory Auditors' Certificate thereon are annexed hereto and forms part of this Report. The Management Discussion and Analysis Report is annexed hereto and forms part of this Report.

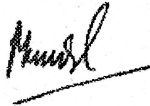
## STATUTORY DISCLOSURES

None of the Directors are disqualified under the provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made the requisite disclosures, as required under the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

## APPRECIATION

Your Directors would like to express their sincere appreciation to the various Departments of the Central and State Governments and Investors for their continued valuable support and assistance. Your Directors also wish to thank all the Officers and Staff of the Company at all levels for their contribution, support and continued co-operation throughout the year.

For and on behalf of the Board,



(M. K. Modi)

Chairman & Managing Director

New Delhi  
11<sup>th</sup> August, 2011

## CORPORATE GOVERNANCE REPORT

### A. COMPANY'S PHILOSOPHY

Your Company firmly believes in and continues to practice good Corporate Governance. The Company continuously endeavors to improve transparency, professionalism and accountability on an ongoing basis.

### B. BOARD OF DIRECTORS

Modipon's Board as on 31st March, 2011 comprises of Four Directors, out of which one is Chairman and Managing Director and three Non-Executive Directors. The Company has a Whole-time Chairman and therefore one half of the Board should comprise of Independent Directors. Directors are appointed/re-appointed with the approval of the Shareholders for a period of three years at a time and are eligible for reappointment in terms of Clause 105 of the Articles of Association of the Company. Out of three Non-Executive Directors, one Director is Secretary, Government of U.P. and one Director is a Chartered Accountant and do not have any material pecuniary relationship with the Company. Keeping in view the criteria of Independent Director, i.e. material pecuniary relationships with the Promoters etc. and looking to the independent position held by the Secretary, Government of U.P. and the Chartered Accountant, the Board considered them as Independent Directors as they satisfied the requirements of being independent in terms of amended Clause 49 of the Listing Agreement. Accordingly, the Composition of the Board is 75% of Non-Executive Directors to total number of Directors and 50% of Independent Directors to total number of Directors and therefore conforms to the requirement of Clause 49 of the Listing Agreement.

The Composition of the Board as on 31st March, 2011, Category of Directorship, No. of other Directorships, Memberships/ Chairmanships of the Committees in other Companies and Shares held in the Company are as under:

Name Of the Directors	Category of Directorship	No. of Other Directorship*	No. of Other Committee(s)**	No. of Shares held in the Company
Dr. M. K. Modi	Chairman & MD-Promoter	4	2	1,18,906
Mr. S. K. Verma	NED-Independent	4	-	-
Mr. Manish K. Modi	NED-Promoter	5	-	19,392
Mr. O. P. Makkar	NED-Independent	-	-	-

MD - Managing Director

NED - Non-Executive Director

\* Excludes Directorship held in Private Limited Companies and Membership of various Chambers/ Bodies etc.

\*\* Represents Audit Committee, Investors' Grievance Committee and Remuneration Committee.

### MEETINGS AND ATTENDANCE

During the year ended 31st March, 2011 four Board Meetings were held on 13.05.2010, 13.08.2010, 13.11.2010 and 12.02.2011. The last Annual General Meeting was held on 25.09.2010. Dr. M. K. Modi presided over the Annual General Meeting. The Attendance of the Directors was as under:

Name of the Directors	No. of Board Meetings Attended	Attendance at last AGM
Dr. M. K. Modi	4	Yes
Mr. Manish K. Modi	4	Yes
Mr. O. P. Makkar	4	Yes
Mr. S. K. Verma	4	No

### C. AUDIT COMMITTEE

Pursuant to revised Clause 49 of the Listing Agreement, the Audit Committee of the Board of Directors was reconstituted and now comprised of 2 Non-Executive Independent Directors, namely, (1) Mr. S. K. Verma, as Chairman; (2) Mr. O. P. Makkar, as Member and Mr. A. K. Goel as Secretary of the Committee. The quorum of the Audit Committee is two Members or one-third of the strength of the Audit Committee, whichever is higher.

Besides the Committee Members, Chairman & Managing Director, Group Head-Corp. Affairs, and Partner/other Representatives of the Firm of Statutory Auditors also attend the Meetings on the invitation of the Chairman.

The scope of the Audit Committee includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the Management, the annual financial statements before submission to the Board for approval, with primary focus on the Matters required to be included in the Directors' Responsibility Statement; Changes, if any, in accounting policies and practices and reasons thereof; Major accounting entries; Significant adjustments; Compliance with listing and other legal requirements relating to financial statements; Disclosure of any related party transactions; Qualifications in the draft audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the Internal Audit Department, staffing and seniority of the Official heading the Department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors, any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations, by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

During the year ended 31st March, 2011 four Meetings were held on 13.05.2010, 13.08.2010, 13.11.2010 and 12.02.2011 for review of Quarterly Results/Annual Accounts and other Business and Attendance at its Meetings was as under:

Name of the Committee Members	No. and Date of Meetings Attended
Mr. S. K. Verma	4 on 13.05.2010, 13.08.2010, 13.11.2010 & 12.02.2011
Mr. O. P. Makkar	4 on 13.05.2010, 13.08.2010, 13.11.2010 & 12.02.2011

### D. REMUNERATION COMMITTEE

The Remuneration Committee as reconstituted comprises of Mr. S.K. Verma as Chairman and Mr. O. P. Makkar as Member and Mr. A. K. Goel as Secretary of the Committee. The Non-Executive Directors are not paid any Commission or other Remuneration except Sitting Fees of Rs.5,000/- for each Meeting of the Board or Committee of the Board attended by them. Details of remuneration paid to the Directors of the Company during the year ended on 31st March, 2011 was as under:

(₹ Lacs)				
Directors	Salary	Commission	Perquisites and Retirement Benefits	Sitting Fees
Dr. M. K. Modi	-	-	-	-
Mr. Manish K. Modi	-	-	-	0.20
Mr. O. P. Makkar	-	-	-	0.40

In addition to the above ₹ 0.40 lac was paid to UPSIDC Limited towards the Sitting Fees in respect of Meetings attended by their Nominee Directors.

### E. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders/Investors' Grievance Committee as reconstituted comprises of Dr. M. K. Modi and Mr. O. P. Makkar as Members and Mr. A. K. Goel as Secretary of the Committee. All Shareholders' Complaints received through SEBI/Stock Exchange and other Authorities have been resolved to the satisfaction of the Shareholders and none remained outstanding at the end of the year ended 31.03.2011 under report. Mr. A. K. Goel, Secretary of the Company is the Compliance Officer under Clause 49 of the Listing Agreement. The status of the Shareholders' Complaints are reported to the Board Members at every Board Meeting by the Compliance Officer.

### F. GENERAL BODY MEETINGS

Location, Date and Time for the last 3 Annual General Meetings were as under :

Year ended	Type	Location	Date	Time	No. of Special Resolution passed
31.03.2010	AGM	Alok Park Club Alok Park, Modinagar	25.09.2010	1.00 P.M.	-
31.03.2009 (18 months)	AGM	Alok Park Club Alok Park, Modinagar	19.06.2009	12.30 P.M.	-
30.09.2007 (18 months)	AGM	Ginni Modi Community Hall Kedar puri, Hapur Road, Modinagar	20.03.2008	12.30 P.M.	1

## G. DISCLOSURES

### (a) Directors' Interest in the Company:

Directors make full disclosures to the Board of Directors regarding the nature of their interest in the Companies in which they are Directors or Members. The Company's contracts with the Companies in which some of the Directors of the Company are interested as Director or Member are in the ordinary course of the Company's business without giving any specific weightage to them and full particulars of such contracts entered into with the Companies are entered in the Register of Contracts maintained under Section 301 of the Companies Act, 1956 and the same are placed in every Board Meeting for the noting by the Directors.

In terms of Accounting Standard 18, the details of Related Party Transactions during the year have been set out at Note 18 of Schedule 14 annexed to the Balance Sheet and Profit & Loss Account. However, these are not having any potential conflict with the interest of the Company at large.

### (b) Statutory Compliance:

There have been neither any instances of non-compliance by the Company nor any penalties or strictures imposed on the Company by the Stock Exchange, SEBI or any other Statutory Authorities on any matter related to capital markets during the last three years.

The Company is in compliance with all the mandatory requirements of revised clause 49 of the Listing Agreement.

### (c) Non-mandatory requirements:

#### 1. Chairman of the Board

The Company has a Chairman and Managing Director.

#### 2. Remuneration Committee

The Company has constituted a Remuneration Committee, the details of which are provided in this Report.

#### 3. Shareholders' Rights

Half-yearly Financial Results including summary of the significant events are presently not being sent to Shareholders of the Company.

#### 4. Audit Qualifications

Efforts are being made towards a regime of unqualified Financial Statements.

#### 5. Training of Board Members

Considering the nature and risk profile of the Business of the Company vis-à-vis professional standing/business experience of the Board Members, they are eminently competent to discharge their duties.

#### 6. Mechanism for evaluation of Non-Executive Board Members

There is no policy framed for evaluation of Non-Executive Directors.

#### 7. Whistle Blower Policy

The question of instituting a formal policy in this respect may be considered after considering all relevant aspects, including the General Corporate Practice in India and also elsewhere. However, no personnel has been denied access to the Audit Committee.

## H. MEANS OF COMMUNICATION

### (a) The Unaudited Quarterly/Half Yearly Financial Results of the Company are placed before the Audit Committee/ Board of Directors before the end of 45 days from the

close of the quarter. The Quarterly/Half Yearly Financial Results are generally published in the Newspapers, namely, Financial Express and Amrit Varsha.

### (b) Company's Results and Official News release are being uploaded on the Company's website - [www.modipon.net](http://www.modipon.net).

The Financial Results and Shareholding Pattern for each Quarter and Annual Accounts of the Company are also put on the Electronic Data Information Filing and Retrieval (EDIFAR) website - [www.sebidifar.nic.in](http://www.sebidifar.nic.in) maintained by the National Informatics Centre.

## I. GENERAL SHAREHOLDER INFORMATION

### 1. Annual General Meeting

Date and Time : 30.09.2011 at 01.00 P.M.  
 Venue : Alok Park Club, Alok Park,  
 Modinagar-201 204

### 2. Financial Year

The Company follows April-March Financial Year. The Results for every Quarter beginning from April are generally declared within 45 days of the close of the Quarter as required under the Listing Agreement.

### 3. Book Closure

23rd September, 2011 to 29th September, 2011 (both days inclusive).

### 4. Unpaid/Unclaimed Dividend

Pursuant to Section 205A of the Companies Act, 1956, Unclaimed Dividend for the Accounting years upto 31st December, 1993 have been transferred to the General Revenue Account of the Central Government with the Registrar of Companies, U. P., Kanpur and the Unclaimed Dividend for the Financial year ended 31st March, 1995 have been transferred to the Investors' Education and Protection Fund of the Central Government established under Section 205C(1) of the Companies Act, 1956 in February, 2003.

### 5. Listing of Equity Shares on Stock Exchanges and Payment of Listing Fees

Modipon's Shares are listed on The Bombay Stock Exchange Limited, Mumbai. Due to financial stringency, the Company could not pay the listing Fees to the Bombay Stock Exchange Limited for the year 2011-12 as yet.

Stock Code (BSE) : 503776

Demat ISIN No. in NSDL & CDSL : NE170C01019

### 6. Stock Price Data

Month	The Bombay Stock Exchange Ltd.	
	High ₹ Per Share	Low ₹ Per Share
April, 2010	23.60	19.55
May, 2010	22.00	17.20
June, 2010	21.45	16.45
July, 2010	20.50	17.70
August, 2010	21.05	18.30
September, 2010	22.05	18.10
October, 2010	22.55	19.00
November, 2010	24.35	17.65
December, 2010	24.65	17.50
January, 2011	22.50	17.55
February, 2011	22.50	16.40
March, 2011	19.40	15.05

The Stock Price Quotations as indicated above are not truly reflective of the correct share price of the shares of the Company as the quantity of shares transacted at the Stock Exchange after deleting the transfers inter se amongst the Promoters/Shareholders is negligible.

## 7. Share Transfer System

As per the directions of SEBI, all Share Registry Work in respect of both Physical and Demat segments is being handled by a single Common Agency, i.e. Messrs MAS Services Limited, T-34, 2nd Floor, Okhla Indl. Area, Ph-II, New Delhi - 110 020, as the Registrar and Share Transfer Agent (RTA), for all aspects of Investors' servicing relating to Shares.

All transfers, transmissions etc. were processed and registered within the stipulated time. As on 31st March, 2011 no Shares were pending for transfer for more than 15 days. Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchange, Certificates on half-yearly basis have been received from a Company Secretary-in-Practice for due compliance of Share transfer formalities by the Company. Certificates have also been received from a Company Secretary-in-Practice for timely dematerialisation of the Shares of the Company and conducting a Secretarial Audit on a quarterly basis in respect of reconciliation of the Equity Share Capital of the Company.

## 8. Distribution of Shareholding

Pattern of Shareholding by Equity Shares Class as on 31st March, 2011:

No. of Equity Shares held	No. of Share-holding	%age of Share-holders	No. of Equity Shares holders	%age of Share-holding
1 - 500	7,905	97.80	5,26,104	6.71
501 - 1000	87	1.08	67,756	0.86
1001 - 2000	33	0.41	47,722	0.61
2001 - 3000	9	0.11	24,168	0.31
3001 - 4000	4	0.05	14,483	0.19
4001 - 5000	5	0.06	22,596	0.29
5001 - 10000	10	0.12	71,533	0.91
10001 and above	30	0.37	70,63,695	90.12
<b>Total</b>	<b>8,083</b>	<b>100.00</b>	<b>78,38,057</b>	<b>100.00</b>

## Pattern of Shareholding by Ownership as on 31st March, 2011:

Category	No. of Share-holders	Total No. of Shares	No. of shares held in demat form	%age of Share-holding
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### A. Shareholding of Promoters and Promoters Group

Individuals/Hindu Undivided Family	09	2,66,744	65,614	3.40
Bodies Corporate	07	51,34,148	37,33,998	65.51
<b>Sub Total (A)</b>	<b>16</b>	<b>54,00,892</b>	<b>37,99,612</b>	<b>68.91</b>

### B. Public Shareholding

#### 1. Institutional

Mutual Funds/ UTI	03	7,100	-	0.09
Financial Institutions /Banks	05	475	100	0.01
Insurance Companies	02	1,96,686	1,96,636	2.51
Foreign Institutional investors	02	11,15,304	11,15,304	14.23
<b>Sub Total (B)(1)</b>	<b>12</b>	<b>13,19,565</b>	<b>13,12,040</b>	<b>16.84</b>

## 2. Non Institutional

Bodies Corporate	121	1,96,454	1,72,259	2.51
Individuals holding nominal share Capital upto ₹ One lac	7,899	6,94,413	3,67,584	8.86
Individuals holding nominal share capital in excess of ₹ One lac	10	2,14,867	1,20,568	2.74
NRI/OCB	19	8,690	8,140	0.11
Clearing Members	06	3,176	3,176	0.04
<b>Sub Total (B)(2)</b>	<b>8,055</b>	<b>11,17,600</b>	<b>6,71,727</b>	<b>14.26</b>
<b>Total Public Shareholding</b>				
<b>(B)=(B)(1)+(B)(2)</b>	<b>8,067</b>	<b>24,37,165</b>	<b>19,83,767</b>	<b>31.09</b>
<b>Total A + B</b>	<b>8,083</b>	<b>78,38,057</b>	<b>57,83,379</b>	<b>100.00</b>

## 9. Dematerialisation of Shares

There were 3,250 Shareholders holding 57,83,379 shares in dematerialised form, which constitutes 73.79% of the Paid up Equity Share Capital of the Company as on 31st March, 2011. As the Trading in the Shares of the Company is permitted only in dematerialised form, it is advisable that the Shareholders who have shares in physical form get their shares dematerialised.

## 10. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, their Conversion Dates and likely Impact on Equity

No GDRs/ADRs were issued by the Company and hence not outstanding.

## 11. Code of Conduct

The Company has framed the Code of Conduct for Members of the Board and Senior Management of the Company which is intended to focus the areas of ethical risk, provide guidance and mechanisms to report unethical conduct and help foster a culture of honesty and accountability. The Code of Conduct is available on the Company's Website.

The Company has also framed the Code of Conduct for Prevention of Insider Trading in the Securities of the Company by its Directors and designated Employees pursuant to SEBI (Insider Trading) Regulations, 1992. The Code, inter-alia, prohibits Purchase/Sale of Shares of the Company by the Directors and designated Employees while in possession of unpublished price sensitive information in relation to the Company. Trading Window was closed four times during the year under report.

## 12. CEO/CFO Certification

Certificate in compliance with Clause 49(V) of the Listing Agreement signed by Dr. M. K. Modi, Chairman & Managing Director and Group Head-Corp. Affairs in respect of Modipon Limited was placed before the Board of Directors at its Meeting held on 11th August, 2011.

## 13. Plant Locations

Hapur Road, Modinagar- 201 204 (U. P.)  
(Manufacturing operations closed permanently)

## 14. Address for Correspondence

To contact RTA for all matters relating to Equity Shares, i.e. Demat, Remat, Consolidation, Transmission, Issue of Duplicate Share Certificates, Change of Address, etc.	MAS Services Ltd. T-34, Okhla Indl. Area, Ph-II, New Delhi - 110 020	Tel. 011-26387281-83 Fax 011-26387384 E-mail: info@masserv.com
For Fixed Deposits and any other matters or in case of any query on Annual Report	Group Head-Corp. Affairs, Modipon Limited, Modinagar - 201 204	Tel. 01232-242610 Fax 01232-242610



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

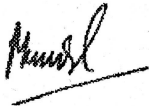
On account of continuous losses incurred in the past, the Company had faced acute financial shortage and had to operate with negative working capital which had deteriorated the performance of the Company to a level beyond rectification. The Company had been finding it difficult to service the interest liability of the Banks and was forced to suspend the manufacturing operations w.e.f. 19<sup>th</sup> May, 2007.

The outlook was not bright with the ever increasing input costs, having no reflection in sales realisation. Therefore, it was thought expedient to permanently close down the manufacturing operations of the Company. Accordingly, after seeking approval from the Govt. of Uttar Pradesh under U. P. Industrial Disputes Act, 1947 the manufacturing operations of the company have been permanently closed w.e.f. 8<sup>th</sup> September, 2007.

### Declaration as required under Clause 49 of the Listing Agreement

All Directors and Senior Management of the Company have affirmed compliance with the Modipon Code of Conduct for the year ended 31st March, 2011.

For and on behalf of the Board,



(M. K. Modi)

Chairman & Managing Director

Place: New Delhi

Date: 11<sup>th</sup> August, 2011

## CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE IN INDIA

### AUDITORS' CERTIFICATE

TO THE MEMBERS OF  
 MODIPON LIMITED,  
 MODINAGAR.

We have examined the compliance of conditions of Corporate Governance by Modipon Limited for the year ended on 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance up to 31st March, 2011 as stipulated in the above mentioned Listing Agreement *except of the following conditions of Corporate Governance:*

- (i) *Chairman of Audit Committee did not attend the Annual General Meeting of the Company held on 25th September, 2010.*
- (ii) *As per clause 1(A)(iv), read with explanation to Clause 49 of the Listing Agreement, nominee Directors appointed by an Institution are deemed to be Independent Directors provided the concerned Institution is included in the list specified under Section 4A of the Companies Act, 1956. UPSIDC Limited, one of the promoters of the Company, is not a notified Financial Institution under this Section. In view of this, the number of independent directors in the composition of Board of Directors and Audit Committee of the Company is less than the stipulated members as per clause 49 of Corporate Governance. The Chairman of the Audit Committee should be an independent director whereas the nominee of UPSIDC is the Chairman of the Audit Committee of the Company.*

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the Affairs of the Company.

For P. R. MEHRA & CO.,  
 Chartered Accountants  
 (Regn. No. 000051N)

Ramesh Chand Goyal

Partner

Place: New Delhi

Date : 11<sup>th</sup> August, 2011

M. No. 012628

## AUDITORS' REPORT

TO THE MEMBERS OF  
 MODIPON LIMITED,  
 MODINAGAR.

1. We have audited the attached Balance Sheet of Modipon Limited as at 31st March, 2011, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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. Those 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 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 the Companies (Auditors' Report) Order, 2003 issued by Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 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 purposes of our audit.
  - (ii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (iii) On the basis of written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors from whom written representations were received is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
5. During the year ended 30th September, 2007, the company vide agreement dated 28.10.2006 had sold its profit-making Chemical Division along with certain other immovable properties and investment in shares (ICC Division) on a

- going concern basis w.e.f. 01.10.2006 to Indofil Organics Industries Ltd (IOIL) for ₹ 124.66 Crores and the same was discharged by IOIL partly by way of issue of 1,17,57,085 fully paid up equity shares of ₹ 10 each of IOIL for ₹ 48.99 Crores i.e. at a premium of ₹ 37.23 Crores which were distributed directly to the equity shareholders of the company. The company had approved the above transaction under sections 293(1)(a) and 293(3) of the Companies Act, 1956. As stated in note 8 of schedule 14 of the accompanying statement of financial results, the company has also obtained approval under section 391 of The Companies Act, 1956 of the Hon'ble Allahabad High Court, vide its order dated 20th September, 2010, for treating ₹ 48.99 Crores as Goodwill in the books of account and the same has now been charged to revenue as per Accounting Standard 26 i.e. Intangible Assets and shown as an "Extra-ordinary Item" in profit and loss account.
6. *The above financial results of the company for the year ended 31st March, 2011 has not been prepared on a going concern basis since the company has closed its manufacturing operations since 19th May, 2007 (closure of factory w.e.f. 8th September, 2007) on account of huge losses incurred and sale of entire plant & machinery during the previous year. Adjustments relating to recoverability of most of the recorded asset amounts have been made in the accounts (Refer note 3 of Schedule 14).*
  7. *Balance confirmation certificates were not obtained by the company from creditors, house/shop security depositors and banks (for cash credit balance, interest accrued on cash credit, appropriation of amount of sale consideration received by banks towards principal & interest on cash credit and fixed deposits with banks including interest accrued on these deposits) etc. since 30th September, 2007 and consequently adjustments required, if any, has not been carried out in the financial results (Note 2 of Schedule 14). Further, amount received of ₹ 361.86 Lakhs during the year ended 30th September, 2007 from Modipon Welfare Trust (MWT) was treated as revenue during the year ended 31st March, 2009 for which the confirmation of MWT regarding nature of payments made to the company as well as balance confirmation letters as on 31st March, 2009 and onwards have not been received till date (Note 14 (c)).*
  8. *Managing Director's remuneration paid of ₹ 2.71 Lakhs w.e.f. 12th February, 2007 to 31st May, 2007 is subject to the approval of the Central Government (Note 19 of schedule 14 ).*
  9. (a) *The company has not provided interest of ₹ 1000.54 Lakhs upto 31st March, 2008 on overdue amounts payable to a supplier (Note 4).*  
(b) *The amount of unprovided interest for the period 1st April, 2008 to 31st March, 2011 has not been ascertained (Note 4).*
  10. (i) *The amount of unprovided interest, if any, for the period 1st April, 2007 to 31st March, 2011 to Small and Micro enterprises has not been ascertained (Note 9).*  
(ii) *Amount of interest payable on loan taken of ₹ 540 Lakhs from Ashoka Mercantile Limited, a related party, has not been ascertained and provided for by the management in view of the reasons stated in note 16(d)(ii)(b).*
  11. *Non-provision of interest on cash credit from banks amounting to ₹ 222.30 Lakhs for the current year (upto 31st March, 2011 ₹ 416.38 Lakhs) (Note 16(d)(iv)).*
  12. *During the year ended 31st March, 2009, the company has sold 68,042 sq. yds. of its vacant land at Modinagar for ₹ 1021.15 Lakhs (original cost ₹ 1.95 Lakhs) for which the approval has not been obtained from banks to whom immovable properties of the company, including the above land, are charged.*
  13. *As stated in note 16(e), amounts paid by the assignee i.e. Ashoka Mercantile Limited (AML), a related party, to Abu Dhabi Commercial Bank (ADCB) on account of OTS of dues of the bank was accounted for in the books of the company to the extent of OTS amount paid to the ADCB by AML and the balance amount of ₹ 153.92 Lakhs is still lying unallocated under unsecured loans in view of pending settlement of the dues of Punjab National Bank. Further, the amount of interest, if any, payable to AML has not been ascertained and provided for by the management in view of the above (Note 16(e) of schedule 14).*
  14. *We further report that without considering item numbers 7, 8, 9(b), 10 and 13 above, the effect of which could not be determined, had the observations made by us at paragraphs 9(a) & 11 above been considered, the loss for the year before tax would have been ₹ 5,032.59 Lakhs (as against the reported figure of ₹ 4,810.29 Lakhs), debit balance of profit & loss would have been ₹ 11,420.41 Lakhs (as against the reported figure of ₹ 10,003.49 Lakhs), loan funds would have been ₹ 4,997.07 Lakhs (as against the reported figure of ₹ 4,580.69 Lakhs) and sundry creditors would have been ₹ 3,654.20 Lakhs (as against the reported figure of ₹ 2,653.66 Lakhs).*
  15. *Subject to the foregoing:*
    - (i) 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.
    - (ii) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956 except for non-disclosure of deferred tax assets and liabilities.
    - (iii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other Notes thereon including note no. 1(b) regarding disputed income-tax demands mentioned in Schedule 14, give the information required by the Companies Act, 1956, in the manner so required except for non-disclosure of information relating to Micro, Small and Medium enterprises as stated in note 9 of schedule 14 and give a true and fair view in conformity with the accounting principles generally accepted in India:
      - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

- (b) in the case of the Profit & Loss Account, of the loss of the Company for the year ended on that date; and
- (c) in the case of Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

For P. R. MEHRA & CO.,  
Chartered Accountants,  
(Regn. No. 000051N)

Ramesh Chand Goyal  
Partner  
M.No. 012628

Place : New Delhi  
Dated:11<sup>th</sup>August, 2011

### ANNEXURE REFERRED TO IN PARAGRAPH (3) OF AUDITORS' REPORT OF EVEN DATE

- I. (a) *The Company has not maintained proper records showing full particulars including quantitative details and situation of its fixed assets.*
- (b) *The Fixed Assets of the company have not been physically verified by the management during the last four years.*
- (c) *Substantial part of the Fixed Assets of the Company were disposed off during the previous year in view of closure of manufacturing operations and the company is not a going concern (Refer paragraph 6 of our audit report and note 3 of schedule 14).*
- II. *There is no inventory at the year end. Accordingly, the provision of clause 4(ii) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.*
- III. *In respect of Loans amounting to ₹ 84.81 Lakhs granted in earlier years to two Companies, covered in the register maintained u/s 301 of the Companies Act, 1956, our observations are as under:*
- (i) *Unsecured interest free loans amounting to ₹ 70.31 Lakhs, due from a Company which has been declared a Sick Industrial Undertaking, is receivable after the rehabilitation period.*
- (ii) *Unsecured, interest free loans amounting to ₹ 14.50 Lakhs is overdue from an erstwhile wholly owned subsidiary of the Company mentioned at (i) above against which liquidation order has been passed.*
- However, full provision for doubtful amounts has been made in both the cases.
- IV. *There are no purchases and sale of inventory and purchase of fixed assets. Accordingly, the provision of clause 4(iv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.*
- V. (a) *According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered*

during the current year in the register required to be maintained under that Section.

- (b) *In our opinion and according to the information and explanations given to us, the transactions made during the current year in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.*
- VI. *In our opinion and according to the information and explanations given to us, the Company has not complied with the provision of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public since there were defaults in the repayment of deposits on the due dates and the existing deposits are overdue and are in excess of the limits prescribed under the Rules. Further, the defaults in the repayment of deposits received from depositors was not intimated to the Company Law Board as required by section 58AA(1) of the Companies Act, 1956. The investments as required under Rule 3A of the Companies (Acceptance of Deposits) Rules, 1975 have not been made in view of the stay granted by the Hon'ble Allahabad High Court. As per information and explanations given to us, no order has been passed by the Company Law Board, company law tribunal or Reserve Bank of India or any Court or any other tribunal on the Company.*
- VII. *The Company has no internal audit system and no internal audit has been conducted since 1st October, 2007.*
- VIII. *No cost records are required to be maintained by the Company.*
- IX. *In respect of statutory dues:*
- (a) *According to the information and explanations given to us and the records of the company examined by us, the company was generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax including tax deducted at source and cess applicable to it except for few minor delays in deposit of TDS, PF and FPS dues.*
- (b) *According to the information and explanations given to us, undisputed amounts payable in respect of aforesaid dues as at 31st March, 2011 for a period of more than six months from the date they became payable were ₹ 4.45 Lakhs.*
- (c) *According to the records of the company and based on information and explanations furnished to us, the following sales-tax, income-tax, custom duty, excise duty and cess dues were not deposited on account of disputes pending at various forums:*

Nature of Dues	Forum where matter is pending	Financial Year to which the amount relates	Gross Amount (₹ in Lakhs)
Sales Tax	High Court	1991-92	1.41
	Asst. Commissioner	2005-06 & 2006-07	15.00
	Additional Commissioner	2004-05	94.30
Custom Duty	Assistant Commissioner	1982	74.66
	Appellate Tribunal	2002-03	19.39
Water tax	Addl. Civil judge, Ghaziabad	1997-98, 1998-99	7.11
Excise Law	High Court	1983-84	115.75
Income-tax Act	High Court	2006-07 to 2008-09	207.33
	Commissioner of Income -tax (Appeals)	2006-07 to 2008-09	662.91
<b>Grand Total</b>			<b>1197.86</b>

- X. *In our opinion, as per the books of account, the accumulated losses of the Company at the end of the current Financial Year are more than 100% of its net worth. The Company has incurred cash losses in this financial year as well as in the preceding financial year. Our opinion on the matters specified in this clause has been arrived at after considering the effect of the qualifications on the figures of accumulated losses, net-worth and cash losses except for the those qualifications the effect of which can't be ascertained/given.*
- XI. *In our opinion, and according to the information and explanations given to us, the details of defaults in repayment of dues to banks are as under: (i) Cash credit/working capital demand loans taken from Punjab National Bank and Bank of Baroda amounting to ₹ 2,825.93 Lakhs as on 31st March, 2011 as per books of account i.e. excluding un-provided interest of ₹ 416.38 Lakhs as on 31st March, 2011 are out of order and were classified by banks as non-performing assets before 31st March, 2009 and these banks have already issued notices to the company under section 13(2) of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 for the recovery of their dues. Further, Punjab National Bank has also issued notice under-section 13(4) of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 on 12th February, 2008 to the company for taking possession of the secured assets of the company, has also taken symbolic possession of the assets of the company and also sold all movable assets as stated in note 13(B)(a)(i) of schedule 14. (ii) Another member of the consortium i.e. Karnataka Bank Limited had also recalled its loans. However, the company has entered into one time settlement (OTS) of its dues of ₹ 749.20 Lakhs at ₹ 410 Lakhs with Karnataka Bank on 2nd May, 2011 out of which ₹ 225.50 Lakhs has been paid and balance amount of ₹ 194.50 Lakhs is payable in 2 installments of ₹ 94.25 Lakhs each in August & September, 2011.*

*Refer note 16(d)(iii) of schedule 14 regarding OTS of dues of Karnataka Bank.*

- XII. According to the information and explanations given to us, the company has not granted loans and advances on the basis of any security by way of pledge of shares, debentures and other securities.
- XIII. The provisions of any special statute as specified under Clause 4(xiii) of the Order are not applicable to the Company.
- XIV. As the Company is not dealing in or trading in shares, securities, debentures and other investment, the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- XV. In our opinion, and according to the information and explanations given to us, during the current year, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions which are prejudicial to the interest of the Company. *However, in the past, the Company had given guarantees/ undertakings as mentioned in Note 1(c) of Schedule 14 of Annual Accounts in respect of certain Companies (which presently have become Sick Industrial Undertakings and are yet to be rehabilitated or are under liquidation) to banks and government authorities.*
- XVI. In our opinion, and according to the information and explanations given to us, term loans taken during the current year were applied for the purposes for which these were taken.
- 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 during the current year have been used for long-term investment.
- XVIII. The company has not made any preferential allotment of shares during the year.
- XIX. The company has not issued any debentures during the year.
- XX. During the period covered by our audit report, the company has not raised any money by way of public issues.
- XXI. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of audit.

For P.R.MEHR & CO.,  
Chartered Accountants  
(Regn. No. 000051N)

Ramesh Chand Goyal  
Partner  
M.No. 012628

Place: New Delhi  
Dated: 11<sup>th</sup> August, 2011

**BALANCE SHEET**

As at 31st March, 2011

DESCRIPTION	Schedule	As at	
		31st March, 2011	31st March, 2010
		₹ Lacs	₹ Lacs
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
(a) Share Capital	1	855.60	855.60
(b) Reserves and Surplus	2	<u>180.64</u>	<u>180.64</u>
		1,036.24	1,036.24
Loan Funds			
(a) Secured Loans		3,575.13	4,261.20
(b) Unsecured Loans		<u>1,005.56</u>	<u>340.90</u>
		4,580.69	4,602.10
<b>Total Funds Employed</b>		<b><u>5,616.93</u></b>	<b><u>5,638.34</u></b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets held for Disposal	4	375.77	426.05
Investments (Net of Provisions)	5	56.01	0.60
Net Current Assets			
(a) Current Assets, Loans and Advances	6	281.38	362.21
(b) Less : Current Liabilities and Provisions	7	<u>5,099.72</u>	<u>5,242.72</u>
		(4,818.34)	(4,880.51)
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Equity Shares of IOIL issued to Shareholders (Note 8)			
		-	4,899.00
Profit & Loss Account		10,003.49	5,193.20
<b>Total Assets (Net)</b>		<b><u>5,616.93</u></b>	<b><u>5,638.34</u></b>

**Significant Accounting Policies,  
Contingent Liabilities and Notes 14**

**PROFIT & LOSS ACCOUNT**

For the Year ended 31st March, 2011

DESCRIPTION	Schedule	Year ended	
		31st March, 2011	31st March, 2010
		₹ Lacs	₹ Lacs
<b>INCOME</b>			
Sales of Products and Other Income	8	49.60	37.77
<b>EXPENDITURE</b>			
Decrease in Stocks	9	-	33.40
Personnel	10	20.48	28.82
Administration	11	81.55	143.69
Depreciation		0.28	1.53
Interest (Other than on fixed loan) {Note 16(d)(iv)}		<u>240.86</u>	<u>402.41</u>
		343.17	609.85
<b>Loss Before Tax, Prior Period, Extraordinary and Exceptional Items for the Year</b>		293.57	572.08
Prior Period Expenses (Net)	12	7.16	8.50
Exceptional (Income)/Losses (Note13)	13	<u>(389.44)</u>	<u>(548.69)</u>
<b>Profit/(Loss) Before Tax &amp; Extra Ordinary Item for the Year*</b>		88.71	(31.89)
Less: Provision for Fringe Benefit Tax written back		-	9.41
<b>Profit/(Loss) After Tax &amp; Before Extra Ordinary Item for the Year</b>		88.71	(22.48)
Less: Extra Ordinary Item (Note 8 of Schedule 14)		<u>(4,899.00)</u>	-
<b>Loss After Tax for the Year</b>		4,810.29	22.48
Add: Losses Brought Forward from Last Year		5,193.20	5,170.72
<b>Losses Carried Over to Balance Sheet</b>		<b><u>10,003.49</u></b>	<b><u>5,193.20</u></b>
<b>Earning Per Share (in ₹) (Note 17)</b>			
- Before Extraordinary item		0.97	(0.45)
- After Extraordinary item		(61.53)	(0.45)
* Represents Loss from discontinuing operations			

**AUDITORS' REPORT**

As per our Report of even date attached

For P. R. MEHRA &amp; CO.,

Chartered Accountants

Ramesh Chand Goyal

For and on behalf of the Board,

Place : New Delhi

Partner

A.K. Goel

O.P. Makkar

Manish K. Modi

M. K. Modi

Date : 11th August, 2011

M. No. 12628

Company Secretary

Director

Director

Chairman &amp; M.D.

**CASH FLOW STATEMENT  
 FOR THE YEAR ENDED 31ST MARCH, 2011**

DESCRIPTION	Year ended 31st March, 2011	Year ended 31st March, 2010	DESCRIPTION	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ Lacs	₹ Lacs		₹ Lacs	₹ Lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b> (Refer Foot Note 2 below)			<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax	(4810.29)	(31.89)	Disposal of Fixed Assets/Security Forfeited/ Damages recovered	50.00	3,278.63
Adjustments for :			House Security deposits received	138.97	256.68
Depreciation	0.28	8.09	Interest Received	11.08	0.09
Provision for Wealth Tax	2.66	3.38	Dividend Received	0.04	0.01
Interest Charged to Revenue	240.86	402.41	Wealth Tax Paid	(2.66)	(2.28)
Assets Written Off/Loss on Sale of Assets	-	13.04			
Provision for Doubtful Debts/ Advances Written Off	5.00	158.56	Net Cash used in Investing Activities	197.43	3,533.13
Goodwill Written Off (Note 8 of Schedule 14)	4,899.00	-			
Investment/Bad Debts Written Off	-	0.20	<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Profit on Sale of Assets/Stores	-	(188.68)	Interest Paid	(6.00)	(11.57)
Interest Received	(2.33)	(228.22)	Payment of Short Term Borrowings	-	(217.00)
Dividend Income	(0.04)	(0.01)	Payment of Long Term Borrowings	(1.96)	(13.66)
Other Non-Cash Income (Note 13 A (i) & (ii) Schedule 14)	(481.27)	(346.62)	Unsecured Loan Received (Net)	655.75	-
	4,664.16	(177.85)	Repayment of Cash Credit to Banks (Net)	(540.00)	(3,360.89)
Operating Profit before Working Capital changes	(146.13)	(209.74)	Net Cash from Financing Activities	107.79	(3,603.12)
Adjustments for :					
Decrease/(Increase) in Inventories	-	201.36	Net Increase in Cash and Cash Equivalents	(21.13)	23.96
Decrease/(Increase) in Other Receivables	46.75	(86.87)	Cash and Cash Equivalents (Opening) (Note 1)	31.89	7.93
(Decrease)/Increase in Trade and Other Payables	(226.97)	(36.87)	Cash and Cash Equivalents (Closing) (Note 1)	10.76	31.89
	(180.22)	77.62			
Cash generated from Operations	(326.35)	(132.12)			
Interest Income on Income Tax Refund	-	228.13			
Fringe Benefit Tax (Payments)/Refunds (Net)	-	(2.06)			
	-	226.07			
Net Cash from Operating Activities	(326.35)	93.95			

**Notes :**

- Cash and Cash Equivalents exclude Fixed Deposits pledged with the Banks/Court- ₹175.76 Lacs (Previous year ₹ 211.73 Lacs)
- In view of the Closure of the Manufacturing Operations of the Fibres Division with effect from 19th May, 2007 (Closure has become Operative from 8th September, 2007), the above Cash Flows represent cash flows of Discontinued Operations.
- Previous year's figures have been regrouped/recast wherever necessary.

**AUDITORS' REPORT**

As per our Report of even date attached

 For P. R. MEHRA & CO.,  
 Chartered Accountants  
 Ramesh Chand Goyal

For and on behalf of the Board,

 Place : New Delhi  
 Date : 11th August, 2011

 Partner  
 M. No. 12628

 A.K. Goel  
 Company Secretary

 O.P. Makkar  
 Director

 Manish K. Modi  
 Director

 M. K. Modi  
 Chairman & M.D.

**Schedules 1 to 14 annexed to and forming part of the Balance Sheet and the Profit & Loss Account**

**SCHEDULE 1 : SHARE CAPITAL**

DESCRIPTION	As at	As at		As at
	31st March, 2011	31st March, 2010		31st March, 2011
	₹ Lacs	₹ Lacs		₹ Lacs
<b>AUTHORISED</b>				
2,00,00,000	Equity Shares of ₹10 each	2,000.00		2,000.00
5,00,000	Preference Shares of ₹100 each	500.00		500.00
		<u>2,500.00</u>		<u>2,500.00</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
78,38,057	Equity Shares of ₹10 each Fully Paid up	783.81		783.81
	Of the above Shares :			
(i) 12,14,990	Equity Shares were issued as Partly Paid up to the extent of ₹ 30.50 lacs for consideration other than Cash,			
(ii) 50,00,000	Equity Shares were allotted as Fully Paid up Bonus Shares by Capitalisation of General Reserve and			
(iii) 8,38,057	Equity Shares were issued to the Shareholders of erstwhile Indofil Chemicals Limited as Fully Paid up on merger without payment being received in Cash			
71,792	15% Redeemable Convertible Cumulative Preference Shares of ₹100 each Fully Paid up issued to the Shareholders of erstwhile Indofil Chemicals Limited as Fully paid up on merger without payment being received in Cash (Note 5 of Schedule 14)	71.79		71.79
		<u>855.60</u>		<u>855.60</u>

**SCHEDULE 2 : RESERVES AND SURPLUS**

DESCRIPTION	As at	Additions	Deductions	As at
	1st April, 2010			31st March, 2011
	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs
Capital Reserve	21.80	-	-	21.80
Capital Redemption Reserve	158.84	-	-	158.84
	<u>180.64</u>	<u>-</u>	<u>-</u>	<u>180.64</u>

**SCHEDULE 3 : LOAN FUNDS**

DESCRIPTION	As at	As at
	31st March, 2011	31st March, 2010
	₹ Lacs	₹ Lacs
<b>SECURED LOANS</b>		
<b>From Banks</b>		
Cash Credit/Working Capital Demand Loan @ (Secured by Charge on Block Assets) (Note 16 of Schedule 14)	3,575.13	4,259.24
Hire Purchase Loans (Secured by hypothecation of Vehicles)	-	1.96
	<u>3,575.13</u>	<u>4,261.20</u>
<b>UNSECURED LOANS</b>		
Fixed Deposits	25.72	25.72
Interest Accrued and Due (Unclaimed) on Fixed Deposits	0.12	0.12
Loan from Others (Note 16 (e) of Schedule 14)	971.60	315.06
Interest accrued and due	8.12	-
	<u>1,005.56</u>	<u>340.90</u>
	<u>4,580.69</u>	<u>4,602.10</u>

@ Including interest accrued

**SCHEDULE 4 : FIXED ASSETS HELD FOR DISPOSAL**

DESCRIPTION	As on	Deduction	Fixed Assets Written Off During the year	Depreciation for the year	As at
	1st April, 2010				31st March, 2011
	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs
Land (Freehold)	24.71	-	-	-	24.71
Non Factory Buildings (Including Residential Colony)	300.23	-	-	-	300.23
Vehicles	1.11	-	-	0.28	.083
Factory Buildings	100.00	50.00	-	-	50.00
		(Note 14 a)			
<b>Total</b>	<u>426.05</u>	<u>50.00</u>	<u>-</u>	<u>0.28</u>	<u>375.77</u>
Previous Year	<u>4,312.18</u>	<u>3,868.94</u>	<u>9.10</u>	<u>8.09</u>	<u>426.05</u>

**SCHEDULE 5 : INVESTMENTS (NET OF PROVISIONS)**

DESCRIPTION	As at	As at
	31st March, 2011	31st March, 2010
	₹ Lacs	₹ Lacs
<b>LONG TERM (OTHER THAN TRADE)</b>		
<b>Quoted : At Cost less Provision for Diminution in Value</b>		
<b>(a) Government Securities</b>		
8% Central Government Loan (2011) (Note 1)	0.16	0.16
<b>(b) Equity Shares Fully Paid up of ₹ 10 each</b>		
3,91,598 Lords Chloro Alkali Limited (Note 1 & 2)	55.41	55.41
Less : Provision for Diminution in Value Note 13 (A)(i) of Schedule 14	-	(55.41)
20,00,000 Spark Plugs Company (India) Limited (Note-1&4)	150.00	150.00
Less : Provision for Diminution in Value	(150.00)	(150.00)
75,632 Modi Spinning & Weaving Mills Co. Limited (Note-1&3)	-	-
5,580 Modi Industries Limited (Note-1)	-	-
1,000 J. K. Synthetics Limited (Note-1)	0.02	0.02
640 Century Enka Limited	0.04	0.04
225 Garware Nylons Limited (Note-1)	0.02	0.02
100 J.K.Cement Limited	-	-
28 Shree Synthetics Limited (Note-1)	0.01	0.01
	<u>55.66</u>	<u>0.25</u>
<b>Unquoted : At Cost</b>		
<b>(a) Government Securities</b>		
National Savings Certificates (Pledged with Sales Tax Deptt.)	-	-
<b>(b) Preference Shares Fully Paid up of ₹ 100 each</b>		
165 Modi Spinning & Weaving Mills Co. Limited	-	-
<b>(c) Non-Convertible Debentures of ₹ 200 each (12.5% Redeemable Non-Convertible)</b>		
328 Modi Industries Limited	-	-
<b>(d) Equity Shares Fully Paid up of ₹ 10 each</b>		
3,460 Modi Intercontinental Pvt Ltd	0.35	0.35
15126 Haryana Distillery Limited (Note 3)	-	-
15126 Rajputana Fertilizers limited (Note 3)	-	-
	<u>0.35</u>	<u>0.35</u>
	<u>56.01</u>	<u>0.60</u>
Aggregate Face Value of Quoted Investments	247.64	247.58
Aggregate Face Value of Unquoted Investments	4.19	1.17
Aggregate Market Value of Quoted Investments	126.62	2.09

**Notes :-**

- Aggregate Market Value is exclusive of these Investments in view of non-availability of Current Market rates. Further, shares of Lords Chloro Alkali Limited were not quoted as on 31st March, 2010 whereas these shares are quoted as on 31 st March, 2011.
- In view of rehabilitation scheme of Lords Chloro Alkali Ltd sanctioned by Board for Industrial & Financial Reconstruction (BIFR) 90% of the shares have been cancelled & accordingly written off during the previous year. Further, new share certificates of 6600 equity shares is yet to be received.
- In view of Rehabilitation scheme of Modi Spg & Wvg Mills Co. Ltd. (MSWM), the company was allotted free of cost 15,126 equity shares of ₹10 each during the current year of Haryana Distillery Ltd. (HDL) and Rajputana Fertilizers Ltd. (RFL) on account of demerger of units of MSWM to HDL & RFL. Consequently the original cost of ₹ 1 has been allocated on notional basis among MSWM, HDL & RFL. Shares of HDL are yet to be received by the company.
- 5,00,000 equity shares are yet to be transferred to the name of the company.

**SCHEDULE 6 : CURRENT ASSETS, LOANS AND ADVANCES**

DESCRIPTION	As at	As at
	31st March, 2011	31st March, 2010
	₹ Lacs	₹ Lacs
<b>A. CASH AND BANK BALANCES</b>		
Cash-in-Hand	0.25	0.89
Silver Coins (At Cost)	0.01	0.01
<b>Bank Balances with Scheduled Banks in :</b>		
Current Accounts	10.50	30.99
Fixed Deposits Accounts (pledged with the Banks/Court) (Note 2 of Schedule 14)	175.76	211.73
	<u>186.52</u>	<u>243.62</u>
<b>B. LOANS AND ADVANCES</b>		
<b>Unsecured - Good unless otherwise stated</b>		
Loans to Others (considered Doubtful)	84.81	84.81
Advances Recoverable in Cash or in Kind or for Value to be Received (including considered Doubtful ₹ 312.84 lacs; Previous year ₹ 308.24 lacs)	365.28	369.81
CENVAT Receivable (considered Doubtful)	235.87	235.87
Interest Accrued on Deposits/Investments	26.84	35.59
Security/Other Deposits	12.00	16.97
Income Tax Deducted at Source (Recoverable)	3.58	4.46
	<u>728.38</u>	<u>747.51</u>
Less : Provision for Doubtful Loans and Advances	633.52	628.92
	<u>94.86</u>	<u>118.59</u>
	<u>281.38</u>	<u>362.21</u>



**SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS**

DESCRIPTION	As at 31st March, 2011	As at 31st March, 2010
	₹ Lacs	₹ Lacs
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors (Note-1 below and Notes 4 & 9 of Schedule 14)	2,653.66	2,920.65
Excise Duty/Sales Tax Payable	4.42	4.42
Security Deposits (Note-2 below)	2,175.47	2,036.50
Other Liabilities	75.33	75.23
Gratuity Payable	27.03	31.14
V.R.S./Closure Compensation Payable	14.79	17.93
Income Tax Deducted at Source	1.10	1.95
Managerial Remuneration Payable (Gratuity)	-	4.08
	<u>4,951.80</u>	<u>5,091.90</u>
<b>B. PROVISIONS</b>		
<b>Gratuity</b>		
Opening Balance	5.65	4.87
Add : Provision made during the Year	0.57	0.78
Less : Paid/Adjusted during the Year	2.72	-
Closing Balance	<u>3.50</u>	<u>5.65</u>
<b>Leave Encashment</b>		
Opening Balance	4.08	3.26
Add : Provision made during the Year	0.53	0.82
Less :Paid/Adjusted during the Year	1.28	-
Closing Balance	<u>3.33</u>	<u>4.08</u>
<b>Wealth Tax</b>		
Opening Balance	2.66	1.57
Add : Provision made during the Year	2.66	2.66
Less : Paid/Adjusted during the Year	2.66	1.57
Closing Balance	<u>2.66</u>	<u>2.66</u>
<b>Fringe Benefit Tax</b>		
Opening Balance	-	11.47
Add : Provision made during the Year	-	-
Less :Paid/Adjusted during the Year	-	11.47
Closing Balance	<u>-</u>	<u>-</u>
<b>Taxation (Net of Payment)</b>	<u>138.43</u>	<u>138.43</u>
	<u>147.92</u>	<u>150.82</u>
	<u>5,099.72</u>	<u>5,242.72</u>
<b>Notes :</b>		
1. Amounts under dispute for Excise Duty on Crimped Yarn (Guaranteed by Banks against Company's Counter Guarantees)	82.60	82.60
2. Includes Security Deposits received against Houses/Shops	2,163.73	2,024.76

**SCHEDULE 8 : SALES OF PRODUCTS AND OTHER INCOME**

DESCRIPTION	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ Lacs	₹ Lacs
<b>A. SALES OF PRODUCTS</b>		
Sales (Net of Returns) (Note 13 (a) (ii))	-	33.40
	<u>-</u>	<u>33.40</u>
<b>B. OTHER INCOME</b>		
Miscellaneous Income	4.67	1.93
Rent Realised	10.73	2.28
Interest Received on Bank Deposit *	2.33	0.09
Dividend on Investments (Other than Trade)	0.04	0.01
Profit on Sale/Disposal of Fixed Assets	-	0.06
Amounts Written Back	31.83	-
	<u>49.60</u>	<u>4.37</u>
<b>Total A+B</b>	<b>49.60</b>	<b>37.77</b>
	<u>49.60</u>	<u>4.37</u>
*Tax Deducted at Source	0.29	-

**SCHEDULE 9 : DECREASE IN STOCKS**

DESCRIPTION	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ Lacs	₹ Lacs
<b>DECREASE IN STOCKS</b>		
Opening Stocks :		
Finished Goods	-	33.40
Less : Closing Stocks :		
Finished Goods	-	-
	<u>-</u>	<u>33.40</u>

**SCHEDULE 10 : PERSONNEL**

DESCRIPTION	Year	Year
	ended	ended
	31st March,	31st March,
	2011	2010
	₹ Lacs	₹ Lacs
Salaries, Wages and Bonus	16.37	18.15
Contribution to Provident and Other Funds	2.13	2.24
Gratuity	0.57	0.78
Employees Welfare	0.57	1.36
Ex-Gratia to Ex-Employees	0.84	6.29
	<b>20.48</b>	<b>28.82</b>

**SCHEDULE 11 : ADMINISTRATION**

DESCRIPTION	Year	Year
	ended	ended
	31st March,	31st March,
	2011	2010
	₹ Lacs	₹ Lacs
Rent Paid	1.73	5.48
Rates and Taxes	12.04	10.83
Retainership Expenses	4.41	13.90
General Office Expenses (including Advertisement, Car Expenses, Telephone, Stationery, etc.)	22.23	30.23
Legal Fees and Professional Expenses	18.02	43.91
Electricity Charges	0.44	2.22
Repairs to Buildings	4.43	4.56
Travelling and Conveyance	1.50	6.67
Directors' Fee and Travelling	2.12	2.02
Payment to Auditors (Note 1)	6.90	7.45
Insurance	0.03	0.52
Outward Freight	0.04	-
Fixed Assets/Stores/Spares Written Off	-	9.10
Investment written off (Net of Provision for Diminution in value of investment ₹ 498.71 lacs in pervious year)	-	0.20
Amounts/Bad debts Written off	0.40	-
Less:- Adjusted against Provision for doubtful advances	0.40	-
Wealth Tax	2.66	2.66
Provision for Doubtful loan and advances	5.00	-
Loss on Sale of Fixed Assets	-	3.94
	<b>81.55</b>	<b>143.69</b>
Note : 1. Payments to Statutory Auditors :		
(a) Statutory Audit Fees	2.21	2.21
(b) Tax Audit Fees	1.65	3.31
(c) Certification Work/ Management Services	2.21	1.46
(d) Expenses reimbursed	0.83	0.47
	<b>6.90</b>	<b>7.45</b>

**SCHEDULE 12 : PRIOR PERIOD EXPENSES (NET)**

DESCRIPTION	Year	Year
	ended	ended
	31st March,	31st March,
	2011	2010
	₹ Lacs	₹ Lacs
<b>A. EXPENSES</b>		
Personnel	0.33	-
Administration and Selling	6.88	1.91
Wealth Tax Paid	-	0.72
Depreciation	-	6.55
	<b>7.21</b>	<b>9.18</b>
<b>B. INCOME</b>		
Interest accrued on 8% Central Govt. loan	0.05	-
Sales and Services	-	0.68
	<b>0.05</b>	<b>0.68</b>
<b>C. (INCOME)/LOSSES (A - B)</b>	<b>7.16</b>	<b>8.50</b>

**SCHEDULE 13 : EXCEPTIONAL (INCOME)/LOSSES\***

DESCRIPTION	Year	Year
	ended	ended
	31st March,	31st March,
	2011	2010
	₹ Lacs	₹ Lacs
<b>A. INCOME</b>		
Profit on Disposal of Movable assets	-	188.62
Amounts Written Back	370.59	-
Prov. For Dimn. In Investment Written Back	55.41	-
Excess Provision Written Back	23.44	346.62
Interest income on Income Tax Refund	-	228.13
	<b>449.44</b>	<b>763.37</b>
<b>B. EXPENDITURE</b>		
Bank Charges (Paid for settlement of Bank dues)	60.00	-
Mesne Profit to Landlord	-	56.12
Loan & Advances Written off (Net of Provision ₹ 514.02 lacs in previous year)	-	91.82
Provision for doubtful Loans and Advances	-	66.74
	<b>60.00</b>	<b>214.68</b>
<b>C. (INCOME)/LOSSES (B - A)</b>	<b>(389.44)</b>	<b>(548.69)</b>

\* Refer note 13 of schedule 14

**SCHEDULE 14 : SIGNIFICANT ACCOUNTING POLICIES,  
CONTINGENT LIABILITIES AND NOTES****A. SIGNIFICANT ACCOUNTING POLICIES****1. REVENUE RECOGNITION**

Rental Income is accounted for on cash basis where there is unascertainty in realization.

**2. INVESTMENTS**

Investments being Long Term are carried at Cost less Provision for Diminution, other than temporary, in the Value of such Investments.

**3. RETIREMENT BENEFITS TO EMPLOYEES**

(a) Company's Contribution to Provident/Pension is charged to the Profit & Loss Account.

(b) Provision for Leave Encashment Benefits and Gratuity of the continuing employees is provided on accrual basis based on actual computation.

**B. CONTINGENT LIABILITIES AND NOTES**

1. (a) Claims against the Company not acknowledged as Debts (excluding unascertainable amounts) in respect of :

	As at 31st March, 2011	As at 31st March, 2010
	₹ Lacs	₹ Lacs
(i) Income Tax (See note 1(b) below)	870.24	-
(ii) Sales Tax/ Excise/ Customs Duty	191.11	110.46
(iii) Water Tax	7.11	7.11
(iv) Others	157.80	228.07

- (iv) The following are the particulars of above Dues on account of Sales Tax, Excise Duty, Customs Duty, Water Tax and Income Tax as at 31st March, 2011 that have been disputed by the Company in Appeals pending before the Appellate Authorities:

Nature of the Statute	Nature of the Dues	Period to which the Amount relates	Forum where Dispute is Pending	Amount of Disputed Dues (₹ Lacs)
Sales Tax Laws	Sales Tax	1991-92	High Court	1.41
		2006-07	Asst. Commissioner	7.00
		2005-06 & 06-07	Asst. Commissioner	8.00
		2004-05	Additional Commissioner (Appeals)	94.30
Customs Law	Customs Duty	1982-83	Asst. Commissioner	74.66
		2002-03	Appellate Tribunal	19.39
The Uttar Pradesh Water Supply and Sewerage (Amendment) Act, 1999	Water Tax	1997-98 & 1998-99	Additional Civil Judge	7.11
Central Excise Law (on-account payment of ₹ 125.00 lacs)	Excise Duty	1983-84	High Court	115.75
Income tax Act, 1961	Non-Deduction of TDS	2006-07 to 2008-09	High Court Commissioner of Income Tax (Appeals)	207.33 662.91

- (b) For Assessment years 2006-07 to 2008-09, a demand of ₹ 870.24 lacs was raised by Income Tax department towards non-deduction of TDS ₹ 260.77 lacs plus interest and penalty amounting to ₹ 609.47 lacs. On an appeal filed by the company, the Hon'ble Allahabad High Court has stayed recovery of demand of ₹ 181.87 lacs along with interest of ₹ 25.46 lacs and the matter is pending.

Company has also filed appeals before Commissioner of Income Tax (Appeals) which are pending.

- (c) Guarantees executed in favour of Banks and Government Authorities on behalf of the following Companies against their Counter Guarantees:

- (i) Modi Industries Limited, a Company under the same Management ₹ 10.63 lacs (Previous year ₹10.63 lacs);
- (ii) Other Corporate Body ₹ 28.00 lacs (Previous year ₹ 28.00 lacs).

The amounts outstanding against these Guarantees are not available.

2. Balance confirmation certificates from Creditors, house/shop security depositors, and Bank's (for cash credit, certain current accounts & fixed deposits including interest accrued with two banks) etc. as on 31st March, 2008 and onwards were not obtained and consequently adjustment required on reconciliations, if any, will be carried out subsequently as and when reconciled/confirmed.
3. The Accounts of the Company have not been prepared on a going concern basis in view of Closure of Manufacturing Operations of the Company during the year ended 30th September, 2007 and sale of all moveable assets including Plant & machinery during the previous year.
4. Claims from two suppliers towards Interest on late payments etc. amounting to ₹ 1000.54 lacs upto 31st March, 2008, has not been provided in the Books of Account as the same are being disputed by the company. The amount of interest for the 36 month period ended 31st March, 2011 is not ascertainable.
5. 1,45,495 15% Redeemable Convertible Cumulative Preference Shares of ₹ 100 each, carrying a limited right of conversion into Equity Shares on the basis of 13 such Shares being convertible into 100 Equity Shares in case of further issue of Equity Shares, were due for redemption on 31st March, 1996 as per the Order of the Hon'ble Allahabad High Court. Subsequently, the Company had filed an application for extension of time upto the year 2006 for Conversion/Redemption of the aforesaid Preference Shares. The said application was rejected by the Hon'ble Allahabad High Court against which the Company filed a special appeal before the Division Bench. In terms of the Order dated 13th February, 2002, the entire 73,703 Preference Shares held by the Financial Institutions were redeemed on 28th June, 2002. Balance 71,792 Preference Shares are overdue for redemption.
6. Previous year's figures have been regrouped/ recast, wherever necessary.
7. Undertakings given to certain Financial Institutions and/or Banks :
- (a) in respect of Lords Chloro Alkali Limited and Spark Plugs Company (India) Limited to procure funds jointly/severally with others to meet (i) any shortfall in financing their Projects and/or for Working Capital and (ii) Cash Losses in case of Spark Plugs Company (India) Limited. The funds made available/to be made available can only be withdrawn with the prior approval of the said Institutions and shall not involve any charge or lien on the Assets of the said Companies.
- (b) who have given Loans to Lords Chloro Alkali Limited that the Company shall not transfer, assign, pledge, hypothecate or otherwise dispose off in any manner its Shareholding in the Capital of the Company without their prior consent in writing.
8. With the intention of restructuring the Operations, the Company vide Agreement dated 28th October, 2006 has sold its Chemicals Division alongwith certain other Immovable Properties and Investments in the Shares of Quick

- Investment (India) Limited and Good Investment (India) Limited, the two Wholly-owned Subsidiaries of the Company ("ICC Division") as a going concern with effect from 1st October, 2006 to Indofil Organic Industries Limited (IOIL) for a total consideration of ₹ 124.66 crores (arrived at by aggregating Tax Written Down Value in case of depreciable Assets and Net Book Values for other Assets/Liabilities) pursuant to the Resolution passed at its Board Meeting held on 28th October, 2006 and subsequent approval of its Shareholders by Postal Ballots on 23rd December, 2006. Sale consideration has been discharged by IOIL by way of (a) Payment of ₹ 17.83 crores by Cheques; (b) taking over the Liabilities of the Fibres Division of ₹ 57.84 crores due to the Financial Institutions and (c) Subscription to 1,17,57,085 Fully Paid up Equity Shares of ₹ 10 each of IOIL for ₹ 48.99 crores i.e. at a Premium of ₹ 37.23 crores which were issued and distributed directly to the Equity Shareholders of the Company. The Shareholders of the Company has approved the above transaction of Sale of ICC Division and Issue of Equity Shares of IOIL to themselves under Sections 293(1)(a) and 293(3) respectively of the Companies Act, 1956. The Company has also sought approval under Section 391 of the Companies Act, 1956 of the Hon'ble Allahabad High Court for treating ₹ 48.99 crores as "Goodwill" in the Books of Account for which the approval of the Court has been received during the current year. Pending final determination of the matter by the Hon'ble Allahabad High Court, the above amount of ₹ 48.99 crores was shown as "Equity Shares of IOIL issued to Shareholders" on the face of the Balance Sheet upto 31-03-2010 under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)". The Accounts for the current year have been prepared by giving effect to the above and consequent adjustment in the Accounts, i.e. the above amount of ₹ 48.99 crores has been charged to Revenue as per Accounting Standard (AS) 26 i.e. Intangible Assets as an "Extra-Ordinary item" during the current year on receipt of the final approval of Hon'ble Allahabad High Court for treating/accounting ₹ 48.99 crores as Goodwill in the Books of Account.
9. Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force on 2nd October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company has not collected the relevant information. Since the information is not readily available, no disclosures/provision for interest have been made in the Books of Account.
10. Arrears of Dividend on Redeemable Convertible Cumulative Preference Shares for the Period from 1st April, 1998 to 31st March, 2011 amounts to ₹ 186.88 lacs, excluding Tax on Distributed Profits, if any.
11. In view of Unabsorbed Depreciation, substantial Losses incurred by the Company, sale of Chemical and Fibers Divisions and Closure of Manufacturing Operations of the Company (Refer Notes 8 and 12), the recognition of Deferred Tax Assets (Net) has been postponed on consideration of prudence.
12. The Manufacturing Operations of the Company have been closed with effect from 19th May, 2007. In terms of the provisions of the Uttar Pradesh Industrial Disputes Act, 1947, the Closure has become operative from the date of expiration of the period of 90 days from the date of application i.e. on 8th September, 2007.
13. Exceptional Items in Profit & Loss Account for the year ended 31st March, 2011 and 31st March, 2010 includes :
- (A) For the year ended 31st March, 2011:
- (i) Provision made for diminution in value of investments in Lords Chloro Industries Ltd of ₹ 55.41 lacs in earlier year has been written back as the shares are now quoted and market value as on 31st March, 2011 was ₹ 125.31 lacs.
- (ii) Refer notes 16 d (ii) for write back of ₹ 370.59 lacs.
- (B) For the year ended 31st March, 2010:
- (a) (i) In view of Closure as stated in Note 12 above, the moveable assets (Including Plant & Machinery, Office Equipments, Furniture and Fixtures and Electrical Equipments/ Installations etc.) (Book value as on 31st March, 2009 ₹ 3850 lacs), retired from active use and held for Disposal were sold by the banks which resulted in profit on sale of moveable assets amounting to ₹ 188.62 lacs during the previous year.
- (ii) Further in the absence of break-up of sale value of movable assets, the net book value of inventory/ book debts (Net of provision) of ₹ 201.36 lacs which also includes finished goods of ₹ 33.40 lacs has been treated as sale value in the books of accounts during the previous year.
- (b) Interest income amounting to ₹ 228.13 lacs on Income tax refunds received during the previous year has been taken to revenue.
- (c) Management has conducted detailed exercise during the previous year to identify: (i) Provision for expenses made during the previous year's which are, no longer required, (ii) inoperative credit balances outstanding for more than three years i.e. time-barred which are not payable and (iii) Old entries in amount recoverable account/ inoperative debit balances which are to be written off. Based on the above exercise, the following amounts have been written back/ written off during the previous year:
- (i) Excess Provision /amount written back amounting to ₹ 346.62 lacs.
- (ii) Amount written off amounts to ₹ 605.84 lacs against which provision made in earlier years amounting to ₹ 514.02 lacs has been netted off in the inner column in schedule 13.
14. (a) Since the Net Book value of Land, Residential buildings at Modinagar, Office premises outside Modinagar and factory/ administrative building in Modinagar are lower than the Net Realisable Value as per Valuer's Report / Management's estimate, no provision for Diminution is required to be made and the net book Value of ₹ 374.94 lacs (net of ₹ 50 lacs recovered as damages to factory building) as on 31st March, 2011 has been clubbed with "Fixed Assets held for Disposal" on the face of the Balance Sheet.
- (b) The company has sold 65,743 sq. yds. and 2299 sq. yds. of its vacant land at Modinagar for ₹ 986.15 lacs (original cost ₹ 1.88 lacs) and ₹ 35.00 lacs (original cost ₹ 0.07 lacs) respectively which resulted in Profit on Sale of Land amounting to ₹ 1019.20 lacs during the year ended 31st March 2009. Approval of banks to whom immovable properties of the company, including the above Land, are charged is pending.
- (c) Amount received from Modipon Welfare trust amounting to ₹ 361.86 lacs shown as a Liability as on 30th September, 2007, which was utilized generally for payment of "Worker's Dues", was treated as Revenue during the year ended 31st March, 2009 since the same is not payable to the Trust.
15. In view of Valuation of fixed assets (excluding vehicles) at lower of cost and net realizable value, no provision for Depreciation has been made since 1st April, 2007.
16. (a) Cash Credit/ Working Capital Demand Loans (including Interest Accrued and Due) taken from Banks are out of

order and have been classified by Banks as Non-Performing Assets.

- (b) Four Member Banks of the Consortium i.e. Punjab National Bank, Allahabad Bank, Bank of Baroda and Karnataka Bank issued Notices to the Company under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) for the recovery of their Dues amounting to ₹ 5,831.20 lacs. Further, Punjab National Bank, Allahabad Bank and Bank of Baroda have also issued Notices under Section 13(4) of the SARFAESI to the Company for taking possession of the Secured Assets of the Company.
- (c) Punjab National Bank has initiated Recovery proceedings before Hon'ble DRT-II, Delhi, taken symbolic possession of Fixed Assets and proceeded to sell the charged Assets during the Previous year. Hon'ble DRT-II granted permission to the Bank to sell movable Assets of the Company and the bank has sold these assets during the previous year as stated in note 13(B)(a)(i) above. The amount of sale consideration of ₹ 33.61 Crores paid to banks on sale of moveable assets has been adjusted in cash credit accounts of bank which also includes interest of ₹ 2,279.61 lacs credited for the period from 1st April, 2007 to 31st March, 2010.
- (d) (i) Interest on Working Capital Facilities obtained from Banks was provided during the year ended 31st March 2009 for the period from 1st April, 2007 to 31st March, 2009 (including Interest ₹ 419.46 lacs for the period from 1st April, 2007 to 30th September, 2007) and has been credited to cash credit accounts of the banks.
- (ii) (a) The Management is taking up the matter of one time settlement (OTS) of dues of banks. Allahabad Bank has already approved one time settlement (OTS) of dues at ₹ 540.00 lacs which has been paid in 4 equal monthly installments w.e.f. July 2010 by Ashoka Mercantile Limited (AML) a related party. In view of the above, no provision of interest for the current year was made in cash credit dues payable to Allahabad Bank and ₹ 370.59 lacs being excess of balance outstanding in the books of account over OTS dues has been recognized as revenue during the current year on full payment of OTS dues to Allahabad bank.
- (b) Pending finalisation of term of loan agreement with AML, no provision of Interest on loan taken of ₹ 540 lacs has been made during the year ended 31st March, 2011.
- (iii) Karnataka Bank vide their letter dated 2nd May, 2011 has approved one time settlement (OTS) of its dues at ₹ 410 lacs out of which ₹ 225.50 lacs has been paid after, 1st April, 2011 and balance amount of ₹ 194.50 lacs will be paid in two equal monthly installments of ₹ 92.25 lacs each in August and September, 2011. In view of the above, no provision of interest for the current year has been made in cash credit dues payable to Karnataka Bank and excess amount (balance outstanding in the books of account over OTS dues) of ₹ 339.20 lacs will be recognized/ accounted for in 2011-12 on full payment of OTS dues and / or on execution of loan agreement with Ashoka Mercantile Ltd, who is paying the OTS dues to Karnataka Bank or with the Assignee.
- (iv) In view of the above, pending OTS with PNB and BOB simple interest @ 10 % amounting to ₹ 226.48 lacs on the balance outstanding as on 31st March 2009 after taking into account the amounts received

by banks from sale of movable assets of the company has been provided for during the current year and has been credited to the cash credit accounts of banks. Has the interest been provided as per past practice followed upto 31st March 2009, Interest expenses for the current year would have been higher by ₹ 222.30 lacs (upto 31st March, 2011 ₹ 416.38 lacs).

- (e) (i) The Abu Dhabi Commercial Bank Limited has settled its Dues of ₹ 351.05 lacs under One Time Settlement (OTS) as conveyed vide its letter dated 23.09.2008. Since the Company did not have funds to pay the settled dues, it had approached M/s Ashoka Mercantile Limited (AML) for making payment of settled dues to the Banks. Further, it has also been agreed with AML that it shall not be entitled to settlement of its claim better than what is agreed by the Company with PNB.
- (ii) Since settlement of Dues of PNB is still pending, the amount paid towards OTS by AML of ₹ 157.13 lacs (net of ₹ 40 lacs paid to AML upto 31st March, 2011) is shown as unsecured loan in Schedule 3 i.e. as on 31st March, 2011 and the balance amount of ₹ 153.92 lacs (₹ 351.05 lacs – ₹ 197.13 lacs) outstanding in the Books of accounts has also been shown as unsecured loan, to be written back or credited to AML at the time of OTS with other banks as stated in (i) above.
- (iii) As the OTS with PNB as stated above is pending, no interest has been provided on the balances mentioned in the 16 (e) (ii) above during the current year as well as previous years, amount unascertained.

#### 17. EARNING PER SHARE (E.P.S.) :

DESCRIPTION	Year	
	ended 31st March, 2011	ended 31st March, 2010
	₹ Lacs	₹ Lacs
Profit/(Loss) before Tax and Extra-ordinary Item for the Year	88.71	(22.48)
Add/(Less):		
Dividend on Preference Shares (including Dividend Tax)	(12.60)	(12.60)
Profit/(Loss) after Tax but before Extra-Ordinary Item (A)	76.11	(35.08)
Number of Equity Shares (of ₹ 10 each) (B)	78,38,057	78,38,057
E.P.S. before Extra-Ordinary Items (in ₹) (A)/(B)	0.97	(0.45)
Profit/(Losses) before Tax and Extra-Ordinary Item for the Year	88.71	(22.48)
Less/(Add) :		
1. Extra-ordinary item	(4,899.00)	-
2. Dividend on Preference Shares (including Dividend Tax)	(12.60)	(12.60)
Profit/(Loss) after Tax (C)	(4,822.89)	(35.08)
E.P.S. after Tax (in ₹) (C)/(B)	(61.53)	(0.45)

#### 18. RELATED PARTIES DISCLOSURE:

- A. KEY MANAGEMENT PERSONNEL:  
Dr. Mahendra K. Modi – Chairman & Managing Director
- B. OTHER RELATED PARTIES WITH WHOM  
THE COMPANY HAD TRANSACTIONS ETC;

Enterprises over which the Key Management Personnel and their relatives are able to exercise significant influence.

1. Ashoka Mercantile Limited
2. Modi Industries Limited

**C. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCE AS ON 31ST MARCH, 2011 (Refer Note 16(e)):**

(a) Transactions with the Enterprises over which the Key Management Personnel and their Relatives are able to exercise significant influence:

DESCRIPTION	Year ended	Year ended
	31st March, 2011	31st March, 2010
	₹ in Lacs	₹ in Lacs
Recovery of Expenses	0.24	0.88
Expenses Reimbursed	3.08	2.25
Payment of interest	9.03	11.57
Sale of Fixed Assets to Modi industries Ltd.	-	8.84
Sale of store Goods	-	1.83
Loans Received from Ashoka Mercantile Ltd.		
- Received during the year {Note 16 (e)}	722.31	197.13
- Repayment of loan	66.57	217.00
- Balance outstanding	810.47	161.13
Security Deposit Received from Modi Industries Ltd.		
- Received during the year	97.95	9.15
- Refunded during the year	18.40	-
- Balance Outstanding	146.20	66.65
Amount payable	20.23	9.08
Interest Payable	8.12	-
Amount Receivable	1.58	10.30

(b) Key Management Personnel:

Dr. M. K. Modi  
Amount payable - 4.72

19 The Remuneration of Dr. M. K. Modi, Chairman & Managing Director (C&MD) of ₹ 2.71 lacs w.e.f. 12th February, 2007 to 31st May, 2007 is subject to the approval of the Central Government.

20 No Provision for Income Tax under the Income Tax Act, 1961 is considered necessary for current financial year on account of substantial amount of unabsorbed depreciation and unabsorbed business losses.

21 Schedules 1 to 14 form an integral part of the Balance Sheet and the Profit & Loss Account and have been duly authenticated.

22 Additional Information, to the extent applicable, required by Part II of Schedule VI of the Companies Act 1956:

**PARTICULARS OF STOCKS AND SALES**

DESCRIPTION		
	Synthetic Filaments Yarns	Yarn Waste (including derived) bye products & others
<b>(i) Finished Stocks:</b>		
Opening balance:		
M.Tons This year	-	-
Previous year	44	36
₹ lacs This year	-	-
Previous year	33.84	2.56
<b>(ii) Sales (B)</b>		
M.Tons This year	-	-
Previous year	44	36
₹ lacs This year	-	-
Previous year	30.84	2.56

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.  State Code

Balance Sheet Date     
Date Month Year

**II. Capital raised during the year (Amount in ₹ Thousands)**

Public Issue  Rights Issue

Bonus Issue  Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)**

Total Liabilities  Total Assests

Sources of Funds

Paid up Capital  Reserves & Surplus

Secured Loans  Unsecured Loans

Application of Funds

Fixed Assests held for Disposal  Investments (Net of Provisions)

Net Current Assets  Misc. Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in ₹ Thousands)**

Turnover/Other Income  Total Expenditure

Profit/Loss Before Tax  Profit/Loss After Tax

Earning per Share in ₹  Dividend @ %

**V. Generic Names of three Principal Products/ Services of Company(as per Monetary terms) :**

Not Applicable Since Manufacturing Operations closed permanently.

(Manish K. Modi)  
Director

(M.K Modi)  
Chairman & M.D.

(A.K Goel)  
Company Secretary

(O.P Makkar)  
Director

As per our Report of even date attached

For P.R Mehra & Co.  
Chartered Accountants  
(Ramesh Chand Goyal)

Place: New Delhi  
Date: 11<sup>th</sup> August, 2011

Partner  
M.No.12628

**ATTENDANCE SLIP**

**MODIPON LIMITED**

Regd. Office : Modinagar - 201 204  
District Ghaziabad (U. P.)

DP ID No.*	
Client ID No.*	

Master Folio No.	
No. of Shares held	

Name and Address of the Shareholder.....  
.....

I hereby record my presence at the 44th ANNUAL GENERAL MEETING of the Company held on Friday, the 30th September, 2011 at 1.00 P.M. at Alok Park Club, Alok Park, Modinagar - 201 204.

Signature of the Shareholder/Proxy .....

\* Applicable for Members holding Shares in Demat Form.

Note : Shareholder/Proxy holder desiring to attend the Meeting should bring his Copy of the Annual Report for reference at the Meeting.

**FORM OF PROXY**

**MODIPON LIMITED**

Regd. Office : Modinagar - 201 204  
District Ghaziabad (U. P.)

DP ID No.*	
Client ID No.*	

Master Folio No.	
No. of Shares held	

I/We ..... of ..... in the District of .....

being Member(s) of Modipon Limited, hereby appoint Mr./Ms. ....

of ..... in the District of .....

or failing him/her, Mr./Ms. .... of .....

in the District of ..... as my/our Proxy to attend and vote for me/us and on my/

our behalf at the 44th ANNUAL GENERAL MEETING of the Company to be held on Friday, the 30th September, 2011 at 1.00 P.M. at Alok Park Club, Alok

Park, Modinagar - 201 204 or at any adjournment thereof.

Signed this ..... day of ..... 2011

Signature .....

Affix One Rupee Revenue Stamp
--

\* Applicable for Members holding Shares in Demat Form.

Note : The Proxy Form duly stamped, completed and signed should reach the Registered Office of the Company not less than 48 hours before the commencement of the Meeting. The Proxy need not be a Member of the Company.

**BOOK POST**

If undelivered, please return to:

**modipon**   
**limited**

Hapur Road,  
Modinagar-201 204