



**modipon
limited**

42ND ANNUAL REPORT 2007-09

BOARD OF DIRECTORS

Dr. M. K. Modi Chairman & Managing Director
 Mr. Manish K. Modi
 Mr. S. K. Verma, IAS Nominee of UPSIDC
 Mr. Ranjeet Singh Pankaj, IAS Nominee of UPSIDC
 Mr. O. P. Makkar

COMPANY SECRETARY

Mr. A. K. Goel

BANKERS

Abu Dhabi Commercial Bank Limited
 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 42nd Annual General Meeting of Modipon Limited, Modinagar will be held on Friday, the 19th June, 2009 at 12.30 P.M. at Alok Park Club, Alok Park, Modinagar - 201204 (U. P.) to transact the following Business:

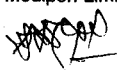
ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009, the Profit & Loss Account for the Financial Year ended on that date together with the Reports of the Auditors and the Directors thereon.
2. 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 Rs.2,00,000/- (Rupees Two lacs only) plus applicable Service Tax etc. together with reimbursement of out of pocket expenses incurred by them in the course of their duties 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".

SPECIAL BUSINESS

3. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that Dr. Mahendra K. Modi, who retires from Office as a Director of the Company on the 18th August, 2010 and, who being eligible for re-appointment, offers himself for such re-appointment, be and is hereby appointed as a Director of the Company for a period of three years commencing from 19th August, 2010, in terms of Article 105 of the Articles of Association of the Company".
4. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that Mr. Manish K. Modi, who retires from Office as a Director of the Company on the 18th August, 2010 and, who being eligible for re-appointment, offers himself for such re-appointment, be and is hereby appointed as a Director of the Company for a period of three years commencing from 19th August, 2010, in terms of Article 105 of the Articles of Association of the Company".
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that due Notice for appointment of Mr. Ranjit Singh Pankaj, in accordance with Section 257 of the Companies Act, 1956, having been received from certain Shareholders and of which Notice has already been given to the Members of the Company, Mr. Ranjit Singh Pankaj be and is hereby appointed as a Director of the Company for a period of three years commencing from 19th June, 2009, in terms of Article 105 of the Articles of Association of the Company".
6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that Messrs P. R. Mehra & Co., Chartered Accountants, New Delhi, the Auditors of the Company, be paid additional remuneration of Rs.2,00,000/- (Rupees Two lacs only) plus applicable Service Tax for auditing the Accounts of the Company for 18 months from 1st April, 2006 to 30th September, 2007 and Rs.90,000/- (Rupees Ninety Thousand only) plus applicable Service Tax for 18 months from 1st October, 2007 to 31st March, 2009 as Fees due to extension of the Financial Years of the Company to 18 months instead of 12 months each year in addition to their remuneration fixed at the last Annual General Meetings at Rs.4,00,000/- and Rs.2,00,000/- respectively together with reimbursement of actual travelling and out of pocket expenses for the same".

By Order of the Board,
For Modipon Limited



(A. K. Goel)
Company Secretary

Place : Lucknow
Date : 10th May, 2009

Notes :

1. 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.
2. Explanatory Statement in respect of Item Nos. 3 to 6 of the Notice as required under Section 173(2) of the Companies Act, 1956 are annexed hereto.
3. 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.
4. 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, Okhla Industrial Area, Phase-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.
5. 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.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 8th June, 2009 to 13th June, 2009 (both days inclusive).

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos. 3 to 5

Article 105 of the Articles of Association of the Company provides for the appointment of Directors once in every three years as set out in Article 106 thereof. Dr. Mahendra K. Modi and Mr. Manish K. Modi were appointed as Directors for a period of three years from 19th August, 2007.

Under Article 121 of the Articles of Association of the Company, the retiring Directors are eligible for re-election and as such they have offered themselves for re-appointment.

Notice in writing has been received from certain Shareholders as required under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. Ranjeet Singh Pankaj as a Director of the Company for a period of three years with effect from 19th June, 2009 in accordance with the provisions of Article 105 of the Articles of Association of the Company. A Deposit of Rs.500/- in accordance with the requirement of Section 257 of the Companies Act, 1956 has also been received. Mr. Ranjeet Singh Pankaj was appointed as an Additional Director.

Mr. Ranjeet Singh Pankaj is a Senior IAS Officer and is presently Secretary, Mines & Minerals, Government of Uttar Pradesh.

Dr. Mahendra K. Modi, Mr. Manish K. Modi and Mr. Ranjeet Singh Pankaj are interested to the extent of their respective appointment and the remuneration, if any, payable to them as Directors. Dr. Mahendra K. Modi is the father of Mr. Manish K. Modi.

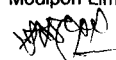
Item No. 6

The Board of Directors of your Company had decided to change the Financial Year of the Company in two phases, firstly from 31st March, 2007 to 30th September, 2007 and secondly from 30th September, 2008 to 31st March, 2009. Accordingly, the Auditors of the Company, Messrs P. R. Mehra & Co., Chartered Accountants, New Delhi had to Audit the Accounts prepared for a period of 18 months each year instead of 12 months. The extension of the period to 18 months each year was not contemplated at the time of their appointment.

In view of this, your Directors have recommended that the Auditors be paid additional remuneration of Rs.2,00,000/- and Rs.90,000/- making total remuneration of Rs.6,00,000/- and Rs.2,90,000/- (including Fees for Cash Flow certification) plus applicable Service Tax etc. together with reimbursement of actual travelling and out of pocket expenses for the Financial Year 2006-07 and 2007-09 respectively. The Resolution No. 6 is recommended for the approval of the Shareholders.

None of the Directors is interested in the Resolution.

By Order of the Board,
For Modipon Limited



(A. K. Goel)
Company Secretary

Place : Lucknow
Date : 10th May, 2009

DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting the 42nd Annual Report with Audited Statement of Accounts for the Financial Year (18 months) ended 31st March, 2009.

FINANCIAL HIGHLIGHTS

	2007-09 (18 months)	2006-07 (18 months)
	Rs. Lacs	Rs. Lacs
Turnover	46.71	29,183.36
Other Income	78.95	802.51
Gross Profit/(Loss)	(1,928.05)	(3,037.01)
Depreciation	-	1,155.17
Profit/(Loss) after Depreciation	(1,928.05)	(4,192.18)
Add: Prior Period Expenses (Net)	(624.00)	(18.39)
Add/(Less): Exceptional Income/(Losses)	3,140.62	(2,847.29)
Profit/(Loss) before Tax	588.57	(7,057.86)
Less/(Add) :		
Provision for Taxation- Fringe Benefit Tax	5.25	(68.25)
Less : Write Back of Earlier Years' Tax Provision	-	230.00
Net Profit/(Loss) after Tax	583.32	(6,896.11)

SCHEME OF ARRANGEMENT

As reported earlier, the Company had, post re-structuring through Slump Sale 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 Indofil Organic Industries Limited (IOIL) by IOIL to the Shareholders of the Company in part discharge of the purchase consideration. In terms of the Order passed by Hon'ble Allahabad High Court on 28.01.2008, the Meeting of the Shareholders of the Company was convened on 3rd May, 2008. The Shareholders had approved the Scheme of Arrangement with over whelming majority. The matter is yet to be listed for final hearing. As per the Slump Sale Scheme, the Shares of IOIL were to be listed at the Bombay Stock Exchange, Mumbai. Unfortunately, despite elapse of considerable time, IOIL has not been able to get its Shares listed at the Stock Exchange.

CHANGE IN ACCOUNTING YEAR

Your Company had changed the decision to extend the current Financial Year by six months instead of three months so as to be able to follow the uniform Accounting Year. Accordingly, the current Financial Year has ended on 31st March, 2009 (18 months period) instead of 31st December, 2008 as reported earlier.

CLOSURE OF MANUFACTURING OPERATIONS

As reported earlier, the Manufacturing Operations of the Company had been permanently closed down after seeking requisite permission from the 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 utilisation of its real estate.

SETTLEMENT WITH THE BANKS

It has been the endeavor of your Company to arrive at an amicable One Time Settlement (OTS) of the outstanding dues of the Banks. Several meetings have been held with the Banks at different level and at one point of time the Banks were agreeable for OTS at 85% of NPA dues. However, subsequently the Banks did not agree for the same and no settlement could be finalised as yet. The Company is still desirous of liquidating the balance NPA dues of Banks under OTS. In the meantime, the Banks initiated recovery proceedings under SARFAESI Act, 2002 and had invited offers for sale of charged Block Assets (Land, Buildings and Plant & Machinery etc.) of the Company. The Banks finalised the sale of Plant & Machinery etc. of the Company which was confirmed by Hon'ble Debts Recovery Tribunal. The Banks, however, did not receive any offer for Land.

DIVIDEND

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

OPERATIONS

During the Year under review, the Company has registered Turnover of Rs.46.71 lacs and earned Profit after Tax of Rs.583.32 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 Rs.870 lacs.

FIXED DEPOSITS

The Company had stopped accepting Deposits from Public. During the Year under review, the Company repaid Deposits of Rs.127.08 lacs. At the end of the Financial Year, the balance on account of Fixed Deposits accepted from the Public and Members stood at Rs.32.45 lacs which remained unclaimed/unpaid. There was no Deposit liable to be transferred to the credit of Investors' Education and Protection Fund. Out of the unclaimed/unpaid Deposits a sum of Rs.3.25 lacs have been paid so far.

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 Earnings and Outgo in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

DIRECTORS

After the last Annual General Meeting of the Company, the following changes in the Board of Directors have taken place-

Mr. Avinash K. Srivastava, IAS and Mr. Sudhir M. Bobde, IAS were appointed w.e.f. 29.12.2007 in place of Mr. Atul Kumar Gupta and Mr. Balvinder Kumar, as Nominee Directors of UPSIDC Limited. Mr. Sudhir M. Bobde ceased to be a Director on 22.02.2008. Mr. S. K. Verma, IAS was appointed as a Nominee Director of UPSIDC Limited w.e.f. 29.07.2008. Mr. Ranjeet Singh Pankaj was appointed as an Additional Director w.e.f. 01.02.2009.

The Board places on record its appreciation for the valuable advice and guidance given by Mr. Atul Kumar Gupta, Mr. Balvinder Kumar, Mr. Sudhir M. Bobde, Mr. M. V. S. Rami Reddy and Mr. Avinash K. Srivastava during their tenure.

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 12 workmen who have yet to tender resignations) have been paid. Industrial Relations in the Company were healthy and cordial during the Year.

There was no employee, employed for full or part of the year, whose particulars are required 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 appointment 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 extension of the Year and permanent Closure of the Manufacturing Operations, the Company had applied for exemption from the requirement of Cost Audit. Accordingly, their re-appointment 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the Financial Year and of the Profit of the Company for that Year;
- (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 COMPANY

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 form part of this

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, 2009 comprises of five Directors, out of which one is Chairman and Managing Director and four are 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 re-appointment in terms of Clause 105 of the Articles of Association of the Company. Out of four Non-Executive Directors, two Directors are Nominees of U. P. State Industrial Development Corporation Limited, Kanpur (UPSIDC) and one Director is a Chartered Accountant and does not have any material pecuniary relationship with the Company. UPSIDC is not a notified Financial Institution in terms of Section 4A of the Companies Act, 1956. However, 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 two Nominee Directors of UPSIDC, 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 80% of Non-Executive Directors to total number of Directors and 60% of Independent Directors to total number of Directors and therefore confirms to the requirement of Clause 49 of the Listing Agreement.

The Composition of the Board as on 31st March, 2009, 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 Member-ship	No. of Other Committee(s)** Chairman-ship	No. of Shares held in the Company
Dr. M. K. Modi	C&MD - Promoter	5	1	-	1,18,906
Mr. Ranjeet Singh Pankaj	NED - Independent	-	-	-	-
Mr. S. K. Verma	NED - Independent	4	-	-	-
Mr. Manish K. Modi	NED - Promoter	8	-	-	19,392
Mr. O. P. Makkar	NED - Independent	-	-	-	-

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)

Place : Lucknow

Date : 10th May, 2009

Chairman & Managing Director

C&MD - Chairman & 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 period of 18 months ended 31st March, 2009, eight Board Meetings were held on 30.10.2007, 29.12.2007, 22.02.2008, 28.04.2008, 04.07.2008, 29.07.2008, 30.10.2008 and 01.02.2009. The last Annual General Meeting was held on 20.03.2008. 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	8	Yes
Mr. Atul Kumar Gupta*	-	N.A.
Mr. Balvinder Kumar**	-	N.A.
Mr. Manish K. Modi	3	No
Mr. O. P. Makkar	6	Yes
Mr. Avinash K. Srivastava*	-	No
Mr. Sudhir M. Bobde**	1	N.A.
Mr. M. V. S. Rami Reddy	2	No
Mr. S. K. Verma \$	3	N.A.
Mr. Ranjeet Singh Pankaj#	-	N.A.

* Mr. Avinash K. Srivastava had been appointed as a Director w.e.f. 29.12.2007 in place of Mr. Atul Kumar Gupta.

** Mr. Sudhir M. Bobde had been appointed as a Director w.e.f. 29.12.2007 in place of Mr. Balvinder Kumar and ceased on 22.02.2008.

\$ Mr. S. K. Verma has been appointed as a Director w.e.f. 29.07.2008 in place of Mr. M. V. S. Rami Reddy.

Mr. Ranjeet Singh Pankaj has been appointed as an Additional Director w.e.f. 01.02.2009.

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 3 Non-Executive Independent Directors, namely, (1) Mr. Ranjeet Singh Pankaj, as Chairman; (2) Mr. S. K. Verma and (3) Mr. O. P. Makkar, as Members 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 attended 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 auditors 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 Period of 18 months ended 31st March, 2009, Meetings were convened on 22.02.2008, 28.04.2008, 29.07.2008, 30.10.2008 and 01.02.2009 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. Atul Kumar Gupta*	-
Mr. Balvinder Kumar**	-
Mr. Avinash K. Srivastava*	-
Mr. Sudhir M. Bobde**	-
Mr. M. V. S. Rami Reddy \$	1 on 22.02.2008
Mr. S. K. Verma #	2 on 30.10.2008# & 01.02.2009
Mr. O. P. Makkar	3 on 22.02.2008, 28.04.2008# & 01.02.2009

* Mr. Avinash K. Srivastava had been appointed on 29.12.2007 in place of Mr. Atul Kumar Gupta.

** Mr. Sudhir M. Bobde had been appointed on 29.12.2007 in place of Mr. Balvinder Kumar.

\$ Mr. S. K. Verma has been appointed on 29.07.2008 in place of Mr. M.V.S. Rami Reddy, who was earlier appointed as a Member w.e.f. 22.02.2008

Meeting not held for want of quorum.

D. REMUNERATION COMMITTEE

The Remuneration Committee as reconstituted comprises of Mr. Ranjeet Singh Pankaj as Chairman; Mr. S. K. Verma and Mr. O. P. Makkar, as Members 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 period of 18 months ended 31st March, 2009 was as under:

Directors	Salary	Commission	Perquisites and Retirement Benefits	Sitting Fees
Dr. M. K. Modi	-	-	-	-
Mr. Manish K. Modi	-	-	-	0.15
Mr. O. P. Makkar	-	-	-	0.45

In addition to the above Rs.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 period ended 31.03.2009 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

(a) Locations, Date and Time for the last 3 Annual General Meetings were as under :

Year ended	Type	Location	Date	Time
30.09.2007 (18 months)	AGM	Ginni Modi Community Hall, Kedar Puri, Hapur Road, Modinagar 201 204	20.03.2008	12.30 P.M.
31.03.2006	AGM	Dayawati Modi Public School Auditorium, Modinagar 201 201	23.12.2006	12.30 P.M.
31.03.2005	AGM	" "	26.09.2005	12.30 P.M.

(b) Location, Date and Time for the General Meeting : In terms of the Order passed by Hon'ble Allahabad High Court on 28th January, 2008, a Meeting of the Shareholders of the Company was convened on 3rd May, 2008 at 11.00 A.M. at Ginni Modi Community Hall (Barat Ghar), Kedar Puri, Hapur Road, Modinagar - 201 204 to approve the Scheme of Arrangement u/s 391/393/394 of the Companies Act, 1956, which was approved with over whelming majority.

(c) A Special Resolution was passed in last AGM held on 20th March, 2008 for amendment in the Articles of Association of the Company in regard to reduction in minimum number of Directors.

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 22 of Schedule 15 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 Financial Results of the Company are placed before the Audit Committee/Board of Directors before the end of the following month. The Quarterly Financial Results are generally published in the Newspapers, namely, Financial Express and Jansatta.

(b) Company's Results and Official News release are being uploaded on the Company's website - 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 maintained by the National Informatics Centre.

I. GENERAL SHAREHOLDER INFORMATION**1. Annual General Meeting**

Date and Time : 19th June, 2009 at 12.30 P.M.

Venue : Alok Park Club, Alok Park,
Modinagar - 201 204

2. Financial Year

The Company has been following April-March Financial Year. However, the previous Financial Year of 18 months was closed on 30th September, 2007. The Financial Year under review has been extended by six months and has accordingly closed on 31st March, 2009. The Results for every Quarter beginning from April are generally declared in the month following the Quarter as required under the Listing Agreement.

3. Book Closure

From 8th June, 2009 to 13th June, 2009 (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 (BSE). The Company has paid the Listing Fees to BSE for the Year 2009-10.

Stock Code (BSE) : 503776

Demat ISIN No. in NSDL & CDSL : INE170C01019

6. Stock Price Data

Month	The Bombay Stock Exchange Limited	
	High Rs. Per Share	Low Rs. Per Share
October, 2007	83.00	61.00
November, 2007	87.00	62.50
December, 2007	107.00	68.00
January, 2008	113.00	66.50
February, 2008	86.95	46.50
March, 2008	75.00	49.70
April, 2008	58.70	36.55
May, 2008	54.85	42.00
June, 2008	43.20	36.15
July, 2008	40.10	30.40
August, 2008	35.75	32.00
September, 2008	39.35	32.80
October, 2008	33.75	15.20
November, 2008	15.10	10.95
December, 2008	14.28	10.70
January, 2009	14.00	10.26
February, 2009	15.00	10.20
March, 2009	15.75	10.00

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 Industrial Area, Phase-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, 2009 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, 2009 :**

No. of Equity Shares held	No. of Share- holders	%age of Share- holders	No. of Shares held	%age of Share- holders
1 - 500	8,200	98.05	5,37,115	6.85
501 - 1000	76	0.91	58,739	0.75
1001 - 2000	28	0.33	40,307	0.51
2001 - 3000	7	0.08	18,747	0.24
3001 - 4000	3	0.04	11,064	0.14
4001 - 5000	6	0.07	27,021	0.35
5001 -10000	10	0.12	59,196	0.76
10001 and above	33	0.40	70,85,868	90.40
Total	8,363	100.00	78,38,057	100.00

Pattern of Shareholding by Ownership as on 31st March, 2009 :

Category	No. of Share-holders	Total No. of Shares	No. of Shares held in Demat	%age of Share-holding
A. Shareholding of Promoters and Promoters Group				
Individuals/ Hindu Undivided Family	09	2,66,744	65,614	3.40
Bodies Corporate	07	49,43,292	33,94,032	63.07
Sub Total (A)	16	52,10,036	34,59,646	66.47
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
Sub Total (B)(1)	12	13,19,565	13,12,040	16.84
2. Non Institutional				
Bodies Corporate	124	1,99,232	1,73,587	2.54
Individual holding nominal Share Capital upto Rs.One lac	8,173	6,80,498	3,38,624	8.68
Individual holding nominal Share Capital in excess of Rs.One lac	14	4,17,846	3,23,547	5.33
NRIs/OCB	18	8,649	8,099	0.11
Clearing Members	06	2,231	2,231	0.03
Sub Total (B)(2)	8,335	13,08,456	8,46,088	16.69
Total Public Shareholding (B)=(B)(1)+(B)(2)	8,347	26,28,021	21,58,128	33.53
Total A + B	8,363	78,38,057	56,17,774	100.00

9. Dematerialisation of Shares

There were 3,300 Shareholders holding 56,17,774 Shares in Dematerialised form, which constitutes 71.67% of the Paid up Equity Share Capital of the Company as on 31st March, 2009. 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 six 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 10th May, 2009.

13. Plant Location

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. Consolidation, Transmission, Issue of Duplicate Share Certificates, Change of Address etc.

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

Tel. : 011-26387281-83
Fax : 011-26387384
E-mail :
info@masserv.com

For any other matters or in case of any query on Annual Report

Group Head-Corp. Affairs,
Modipon Limited
Modinagar - 201 204

Tel. : 01232-242100
Fax : 01232-242100

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. 19th 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 Government of Uttar Pradesh under Uttar Pradesh Industrial Disputes Act, 1947, the Manufacturing Operations of the Company have been permanently closed w.e.f. 8th 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, 2009.

For and on behalf of the Board,


(M. K. Modi)
Chairman & Managing Director

Place : Lucknow
Date : 10th May, 2009

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 18 months ended on 31st March, 2009 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement *except of the following conditions of Corporate Governance:*

- Chairman of Audit Committee did not attend the Annual General Meeting of the Company held on 20th March, 2008.
- 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 is not a notified Financial Institution under this Section. In view of this, the number of Independent Directors in the composition of Board and Audit Committee of the Company is less than the stipulated members as per Clause 49 of the Corporate Governance. The Chairman of the Audit Committee should be an Independent Director. The nominee of UPSIDC is the Chairman of the Audit Committee of the Company.
- The Audit Committee meetings were held twice as against the stipulated minimum 6 meetings in 18 months period and also gap between two Meetings held were more than the stipulated gap of four months. In view of the above, quarterly unaudited financial results of certain quarters were not reviewed by the Audit Committee before submission to the Board for approval.
- No discussions were held with Internal Auditors since no Internal Audit was conducted for the 18 months period ended 31st March, 2009.

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
Ramesh Chand Goyal
Partner
M. No. 012628

Place : Lucknow
Date : 10th May, 2009

AUDITORS' REPORT

TO THE MEMBERS OF
MODIPON LIMITED,
MODINAGAR.

1. We have audited the attached Balance Sheet of Modipon Limited as at 31st March, 2009, the Profit & Loss Account and the Cash Flow Statement of the Company for the 18 months period 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, *except from one nominee director of a state corporation*, from the Directors as on 31st March, 2009 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, 2009 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
5. *The above financial results of the Company for the 18 months period ended 31st March, 2009 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. Adjustments relating to recoverability of most of the recorded asset amounts has been made in the accounts for the 18 months period each ended 30th September, 2007 & 31st March, 2009 (Refer Note 3 of Schedule 15 and paragraph 6 below).*
6. We draw attention to:
 - (i) Note no. 15 (a), (b) & (d) of Schedule 15 of accounts regarding valuation of fixed assets and stores & spare-parts at lower of net book values and net realizable values as on 30th September, 2007 and 31st March, 2009 which resulted into provision being made for (a) impairment loss on fixed assets of Rs.3,374.53 lacs and reversal of provision for impairment loss by Rs.1,795.85 lacs as on 30th September, 2007 and as on 31st March, 2009 respectively and (b) Rs.265.46 lacs and Rs.45.48 lacs as on 30th September, 2007 and as on 31st March, 2009 respectively on stores and spare-parts.
 - (ii) Note no. 13 regarding sale of assets by the bank which have not been accounted for in the books of account in view of uncertainty.
7. (i) *During the year ended 30th September, 2007, the Company vide agreement dated 28.10.2006 had sold its profit-making Chemicals 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 Rs.124.66 crores (sale consideration arrived at by aggregating tax written down value in case of depreciable assets and net book values for other assets/liabilities) whereas the fair market value, amount unascertained, of these assets, in our opinion, was substantially higher than cost/book value. Sale consideration of Rs.124.66 crores has been discharged by IOIL by way of : (a) payment of Rs.17.83 crores by cheque; (b) taking over the loan liabilities of Fibres Division of Rs.57.84 crores and (c) issue of 1,17,57,086 fully paid up equity shares of Rs.10 each of IOIL for Rs.48.99 crores i.e. at a premium of Rs.37.23 crores which were distributed directly to the equity shareholders of the Company. In our opinion, the above transaction of transfer of Chemical Division of the Company as a going concern at or below cost/book values and appropriation of part sale consideration of Rs.48.99 crores towards issue of fully paid-up shares of IOIL to the equity shareholders of the Company is an arrangement i.e. reconstruction by way of demerger of an undertaking of the Company which is covered under section 391 and 394 of the Companies Act, 1956 and required prior approval of the High Court and all stakeholders whereas originally the Company had approved the above transaction under sections 293(1)(a) and 293(3) of the Companies Act, 1956 and now, as stated in Note 9 of Schedule 15 of the accompanying statement of financial results, has also sought approval under section 391 of the Companies Act, 1956 of the Hon'ble High Court for treating Rs.48.99 Crores as Goodwill in the books of account. In terms of the order of the Hon'ble Company Judge, the meeting of the shareholders of the Company was held on 3rd May, 2008 and the shareholders approved the scheme. The minutes thereof were submitted to Hon'ble Allahabad High Court and further orders are awaited.*
 - (ii) *As the matter is still pending for final determination by the Hon'ble Allahabad High Court, the nature of payment and the final accounting treatment that should be given in the books of account to Rs.48.99 crores (which is presently shown as "Equity shares of IOIL issued to shareholders" on the face of the balance sheet under the head "Miscellaneous Expenditure" (to the extent not written off or adjusted)) as on 31.03.2009, even though IOIL has already discharged the aforesaid part sale consideration by issue of its shares directly to the equity shareholders of the Company on 28.03.2007) will depend upon the order of the Hon'ble Allahabad High Court. In case the Hon'ble Allahabad High Court finally approves the above scheme of treating Rs.48.99 crores as Goodwill in the books of the Company, the same, in our opinion, will have to be charged to revenue as per Accounting Standard 26 i.e. Intangible Assets.*
 - (iii) *Further, we are unable to comment on the tax liability that may arise under the Income-tax Act, 1961 on sale of ICC Division at or below cost/book value and on distribution of shares to the shareholders.*
8. *Balance confirmation certificates as on 30th September, 2007 and 31st March, 2009 were not obtained by the Company from debtors, creditors and banks etc. and consequently adjustments required, if any, has not been carried out in the financial results for the 18 months period each ended on 30th September, 2007 & 31st March, 2009 (Note 2). Further, amount received of Rs.361.86 lacs during the previous year from Modipon Welfare Trust has been treated as revenue during the current year. Rs.50.00 lacs received from another Trust during the current year has been shown as Amount Payable as on 31st March, 2009. The confirmation regarding nature of payments made to the Company have not been received from the above Trusts (Notes 2 & 15 (e)).*
9. *Managing Director's remuneration of Rs.2.71 lacs w.e.f. 12th February, 2007 to 31st May, 2007 is subject to the approval of the Central Government (Refer foot-note of Schedule 12).*
10. *Closing stock of finished goods of Rs.33.40 lacs (already hypothecated to banks against cash credit facilities) as on 31st March, 2009 also includes Rs.30.36 lacs which have been pledged with a supplier.*

11. (i) (a) The Company has not provided interest of Rs.1,473.60 lacs upto 31st March, 2008 on overdue amounts payable to two suppliers. (b) The amount of unprovided interest for the period 1st April, 2008 to 31st March, 2009 has not been ascertained (Note 4).
- (ii) The amount of unprovided interest, if any, for the period 1st April, 2007 to 31st March, 2009 to Small and Micro enterprises has not been ascertained & provided for (Note 10).
12. The Company has sold 68,042 sq. yds. of its vacant land at Modinagar for Rs.1,021.15 lacs (original cost Rs.1.95 lacs) for which the approval from banks to whom immovable properties of the Company, including the above land, are charged in pending. However, as stated in Note 15(c) of Schedule 15, profit on sale of the above land amounting to Rs.1,019.20 lacs has been accounted for in the books of account.
13. No internal audit was conducted for the 18 months period ended 31st March, 2009. Further, internal controls needs to be improved adequately including in respect of maintaining proper books of account in time, reconciliation of accounts and balance confirmation of banks, debtors and creditors in order to safeguard the interest of the Company (Note 2).
14. As stated in Note 18(e), amounts paid by the proposed assignee i.e. Ashoka Mercantile Limited (AML) to a bank on account of OTS of dues of the bank has not been accounted for in the books of the Company in view of pending: (i) assignment of debt to AML and (ii) settlement of the dues of other bankers of the Company.
15. We further report that without considering item no.7(ii) & (iii), 8, 11(i)(b) & (ii) and 14 above, the effect of which could not be determined, had the observations made by us at paragraphs 11(i)(a) above been considered, the profit for the year of Rs.583.32 lacs would have been converted into loss of Rs.890.28 lacs, debit balance of profit & loss would have been Rs.6,644.32 lacs (as against the reported figure of Rs.5,170.72 lacs), and sundry creditors would have been Rs.4,587.68 lacs (as against the reported figure of Rs.3,114.08 lacs).
16. 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.
 - (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 mentioned in Schedule 15, 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 10 of Schedule 15 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, 2009;
 - (b) in the case of the Profit & Loss Account, of the Profit of the Company for the 18 months period ended on that date; and
 - (c) in the case of Cash Flow Statement, of the Cash Flows of the Company for the 18 months period ended on that date.

For P. R. MEHRA & CO.,
Chartered Accountants,
Ramesh Chand Goyal
Partner
M. No. 012628

Place : Lucknow
Date : 10th May, 2009

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

In addition and subject to our observations mentioned in paragraph 7 in our Audit Report, we further report as under:

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The Fixed Assets of the company were not physically verified during the current year.
- (c) Substantial part of Fixed Assets of the Company are in the process of being disposed off in view of closure of manufacturing operations which has affected the going concern (Refer paragraph 5 of our audit report and Note 13 of Schedule 15).
- II. (a) The inventory of the Company has not been physically verified during the year by the management.
- (b) In view of closure of manufacturing operations and the proposed sale of assets including inventory on as is where is basis as stated in Note 13 of Schedule 15, in our opinion, the clause relating to procedures of physical verification of inventory followed by the management is not applicable.
- (c) In our opinion and according to the information and explanations given to us, except for cops, the company has maintained proper records of its inventory.
- III. (a) In respect of Loans amounting to Rs.293.49 lacs granted in earlier years to four 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 Rs.64.55 lacs, 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 Rs.14.50 lacs is overdue from a wholly owned subsidiary of the Company mentioned at (i) above.
 - (iii) Unsecured, interest free loans amounting to Rs.214.44 lacs is overdue from two Sick Industrial Undertakings in respect of which BIFR has forwarded its opinion for winding up. Further proceedings are continuing.

However, full provision for doubtful amounts has been made in all the above cases.
- IV. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of the business with regard to the sale of goods. There were no purchases of inventory and fixed assets during the current year due to closure of manufacturing operations. We have not observed any continuing failure to correct major weaknesses in internal control system.
- 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 except for sale of flat at Mumbai to Ashoka Mercantile Limited (Refer Note 8 of Schedule 15).
- (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 except for sale of flat at Mumbai (Refer Note 8 of Schedule 15).
- 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. In view of closure of manufacturing operations during the previous year, no cost records were 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 not 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 and there have been serious delays in a large number of cases.
- (b) According to the information and explanations given to us, undisputed amounts payable in respect of aforesaid dues as at 31st March, 2009 for a period of more than six months from the date they became payable were Rs.50.38 lacs.
- (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 (Rs. in lacs)
Sales Tax	High Court	1991-92	1.41
	Assistant Commissioner(s)	2005-06, 2006-07	15.00
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
Grand Total			117.57

X. In our opinion, as per the books of account, the accumulated losses of the Company at the end of 31st March, 2006 was more than fifty percent of its net worth. However, the company did not hold general meeting for the consideration of such erosion. However, based on opinion formed regarding complete erosion of net worth as on 31st March, 2007, the Company had made a reference under section 15 of Sick Industrial Companies Act to Board for Industrial & Financial Reconstruction (BIFR) which was declined by BIFR. 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 (including devolved letter of credit/ letter of guarantees invoked paid by the banks) taken from 4 banks amounting to Rs.7,229.34 lacs as on 31st March, 2009 are out of order and were classified by banks as non-performing assets before 31st March, 2009. (ii) Four member banks of the consortium i.e. Punjab National Bank, Allahabad Bank, Bank of Baroda and Karnataka Bank 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, Allahabad Bank and Bank of Baroda have also issued notices under-section 13(4) of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 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 taken steps for sale of assets as stated in note 13 of schedule 15. (iii) Loan taken of Rs.181 lacs from Ashoka Mercantile Limited (AML) on 27.06.2007 has been secured by creating first charge on entire fixed assets of the Company whereas the banks already hold second charge on these fixed assets against working capital facilities sanctioned by them since the financial institutions held first charge on these assets. Further, Allahabad bank, one of the members of the consortium, has objected to the creation of charge and has filed an application before the Hon'ble Debt Recovery Tribunal for setting aside/recalling its order dated 02.08.2007 to the extent "the title deeds so released in favour of Modipon Limited herein may further be delivered to Ashoka Mercantile Limited in whose favour the charge has been created by Modipon...". Hon'ble Debt Recovery Tribunal vide its order dated 31.01.2008 has directed that title deeds need not be released until disposal of the application. Further proceedings are pending. Debt Recovery Tribunal, Delhi has in another matter pending before it under SARFESAI Act, 2002 held that the debt of AML is not covered under the provisions of the said Act. (iv) During the current year, Abu Dhabi Commercial Bank (the bank) has entered into a debt settlement agreement with the Company for one-time-settlement (OTS) of its dues of Rs.351.05 lacs. We are informed that OTS dues are being paid by Ashoka Mercantile Limited (AML), a related party, to whom the debt is to be assigned on payment of full OTS amount. As stated in note 18(e) of schedule 15, the payments made to the bank upto 31st March, 2009 has not been accounted for in the books of account in view of pending assignment of debt and settlement of dues of other bankers of the Company (Refer Notes 18 & 19 of Schedule 15).

- 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(b) of Schedule 15 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, no term loans were taken during the current year.
- XVII. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis 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.
- XIXI. 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. MEHRA & CO.,
Chartered Accountants,
Ramesh Chand Goyal
Partner
M. No. 012628

Place : Lucknow
Date : 10th May, 2009

BALANCE SHEET
As at 31st March, 2009

DESCRIPTION	Schedule	As at	As at
		31st March, 2009	30th Sept., 2007
		Rs. Lacs	Rs. Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	1	855.60	855.60
(b) Reserves and Surplus	2	180.64	487.14
		1,036.24	1,342.74
Loan Funds			
(a) Secured Loans	3	7,770.27	5,868.19
(b) Unsecured Loans		32.57	779.64
		7,802.84	6,647.83
Total Funds Employed		8,839.08	7,990.57
APPLICATION OF FUNDS			
Fixed Assets			
Fixed Assets held for Disposal (Note 15)			
	4	4,312.18	2,564.61
Investments (Net of Provisions)	5	0.80	2.84
Net Current Assets			
(a) Current Assets, Loans and Advances	6	611.30	1,011.21
(b) Less : Current Liabilities and Provisions	7	6,154.92	6,547.63
		(5,543.62)	(5,536.42)
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Equity Shares of IOIL issued to Shareholders (Note 9)		4,899.00	4,899.00
Profit & Loss Account		5,170.72	6,060.54
Total Assets (Net)		8,839.08	7,990.57
Significant Accounting Policies, Contingent Liabilities and Notes			
	15		

PROFIT & LOSS ACCOUNT
For the Year (18 Months) ended 31st March, 2009

DESCRIPTION	Schedule	Year	Year
		(18 Months) ended 31st March, 2009	(18 Months) ended 30th Sept., 2007
		Rs. Lacs	Rs. Lacs
INCOME			
Sales of Products and Other Income	8	125.66	35,938.72
Less : Excise Duty on Sales		8.50	2,371.22
			117.16
			33,567.50
EXPENDITURE			
Materials, Manufacturing and Others	9	43.22	27,163.18
Excise Duty on Stocks		(8.50)	(22.65)
Personnel	10	151.58	3,145.70
Administration, Selling and Interest	11	1,858.91	6,303.28
Managerial Remuneration	12	-	15.00
Depreciation (Note 16)		-	1,155.17
			2,045.21
			37,759.68
Profit/(Loss) Before Tax, Prior Period and Exceptional Items for the Year			
			(1,928.05)
Prior Period Expenses (Net)	13	(624.00)	(18.39)
Exceptional Income/(Losses) (Note 15)	14	3,140.62	(2,847.29)
Profit/(Loss) Before Tax for the Year from Discontinuing Operations			
		588.57	(7,057.86)
Less/(Add) : Provision for Taxation-Fringe Benefit Tax			
		5.25	(68.25)
		583.32	(7,126.11)
Less : Write Back of Earlier Years' Tax Provision			
		-	230.00
Profit/(Loss) After Tax for the Year from Discontinuing Operations			
		583.32	(6,896.11)
Less/(Add) : Loss Brought Forward from Last Year			
		6,060.54	(3,602.91)
Accumulated Profit/(Loss)			
		(5,477.22)	(10,499.02)
Less : Set off from Reserves (Schedule 2)			
		306.50	4,438.48
Profit/(Loss) Carried Over to Balance Sheet			
		(5,170.72)	(6,060.54)
Earning per Share (in Rs.) (Note 20)			
- Before Prior Period and Exceptional Income/(Losses)			
		(24.91)	(54.60)
- After Exceptional Income/(Losses)			
		7.20	(19.61)

AUDITORS' REPORT

As per our Report of even date attached
For P. R. MEHRA & CO.,
Chartered Accountants
Ramesh Chand Goyal
Partner
M. No. 012628

Place : Lucknow
Date : 10th May, 2009

For and on behalf of the Board,

A. K. Goel O. P. Makkar S. K. Verma M. K. Modi
Company Secretary Director Director Chairman & Managing Director

CASH FLOW STATEMENT

For the Year (18 Months) ended 31st March, 2009.

DESCRIPTION	Year	Year	DESCRIPTION	Year	Year
	(18 Months)	(18 Months)		(18 Months)	(18 Months)
	ended	ended		ended	ended
	31st March,	30th Sept.,		31st March,	30th Sept.,
	2009	2007		2009	2007
	Rs. Lacs	Rs. Lacs		Rs. Lacs	Rs. Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES			B. CASH FLOW FROM INVESTING ACTIVITIES		
Net Profit/(Loss) Before Tax	588.57	(7,057.86)	Purchase of Fixed Assets	-	(231.37)
Adjustments for :			Advance Received against Fixed Assets held for Disposal (Note 13 of Schedule 15)	775.00	-
Depreciation (Note 1)	-	1,210.95	Disposal of Fixed Assets/Security Forfeited	1,129.42	58.40
Provision for Wealth Tax	1.64	5.43	Sale of Long Term Investments	0.03	1,021.21
Interest Charged to Revenue	1,969.94	1,371.34	Sale of Wholly-owned Subsidiary(ies)	2.01	20.03
Assets Written Off/Loss on Sale of Assets	0.08	31.33	Slump Sale of Chemicals Division's Business	-	12,443.97
Other Non-Cash Expenses (Provision for Doubtful Debts/Advances/ Stores Written Off/Loss on Sale of Stores)	212.68	302.31	Issue of Equity Shares of IOIL to the Shareholders	-	(4,899.00)
Amounts/Bad Debts Written Off	25.43	1.87	Insurance Claims Realised	-	558.55
Deferred Revenue Expenditure Amortised	-	246.91	Purchase of Equity Shares	-	(2.36)
Profit on Sale of Assets/Stores	(1,087.41)	(11.79)	Interest Received	1.61	324.23
Loss on Slump Sale of Chemicals Division	-	555.73	Dividend Received	-	139.88
Interest Received	(32.31)	(164.79)	Loans to Employees (Net)	-	6.94
Insurance Claims Realised	-	(558.55)	Wealth Tax Paid	(3.87)	(2.24)
Dividend Income	-	(2.18)	Net Cash used in Investing Activities	1,904.20	9,438.24
Other Non-Cash Income	(207.28)	(1,549.73)	C. CASH FLOW FROM FINANCING ACTIVITIES		
Diminution in Value of Assets held for Disposal:			Interest Paid	(81.54)	(1,908.64)
(a) Fixed Assets	(1,795.85)	3,374.53	Proceeds from Short Term Borrowings (Net)	-	401.86
(b) Inventories	45.48	265.46	Payment of Short Term Borrowings	(747.08)	(452.03)
	(867.60)	5,078.82	Payment of Long Term Borrowings	(7.86)	(6,623.56)
Operating Profit before Working Capital changes	(279.03)	(1,979.04)	Working Capital from Banks (Net)	21.13	1,622.23
Adjustments for :			Refund of Advances to Subsidiary Companies	-	(20.00)
Decrease/(Increase) in Inventories	53.91	250.26	Net Cash from Financing Activities	(815.35)	(6,980.14)
Decrease/(Increase) in Sundry Debtors	-	(953.61)	Net Increase/(Decrease) in Cash and Cash Equivalents	(26.91)	(2,193.94)
Decrease/(Increase) in Other Receivables	95.43	(2,652.21)	Cash and Cash Equivalents (Opening) (Note 2)	34.84	2,228.78
(Decrease)/Increase in Trade and Other Payables	(1,002.63)	724.70	Cash and Cash Equivalents (Closing) (Note 2)	7.93	34.84
	(853.29)	(2,630.86)	Notes :		
Cash generated from Operations	(1,132.32)	(4,609.90)	1. Includes - (i) Depreciation on Machinery Spares	-	2.49
Income Tax (Payments)/Refunds (Net)	22.63	(6.49)	(ii) Cops Written Off	-	53.29
Fringe Benefit Tax (Payments)/Refund (Net)	(6.07)	(35.65)	2. Cash and Cash Equivalents exclude Fixed Deposits pledged with the Banks/Court Rs.220.83 lacs (Previous year Rs.174.93 lacs).		
	16.56	(42.14)	3. 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 for Discontinued Operations.		
Net Cash from Operating Activities	(1,115.76)	(4,652.04)	4. (a) In view of Note 3 above, the figures are not comparable with the Previous year's figures.		
			(b) 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 : Lucknow
Date : 10th May, 2009

Partner
M. No. 012628

A. K. Goel O. P. Makkar S. K. Verma M. K. Modi
Company Secretary Director Director Chairman & Managing Director

Schedules 1 to 15 annexed to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 1 : SHARE CAPITAL

DESCRIPTION	As at	As at
	31st March, 2009	30th Sept., 2007
	Rs. Lacs	Rs. Lacs
AUTHORISED		
2,00,00,000 Equity Shares of Rs.10 each	2,000.00	2,000.00
5,00,000 Preference Shares of Rs.100 each	500.00	500.00
	<u>2,500.00</u>	<u>2,500.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
78,38,057 Equity Shares of Rs.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 Rs.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 Rs.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 Schedule15)	71.79	71.79
	<u>855.60</u>	<u>855.60</u>

SCHEDULE 2 : RESERVES AND SURPLUS

DESCRIPTION	As on	Additions	Deductions	As at
	1st October, 2007			31st March, 2009
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
Capital Reserve	21.80	-	-	21.80
Capital Redemption Reserve	158.84	-	-	158.84
Debentures Redemption Reserve	300.00	-	300.00 (Note 1)	-
Export Reserve	6.50	-	6.50 (Note 2)	-
	<u>487.14</u>	<u>-</u>	<u>306.50</u>	<u>180.64</u>

Notes :

- In view of the Redemption of Debentures during the Year 2005-06, the Debentures Redemption Reserve is no longer required, hence transferred to Profit & Loss Account.
- Export Reserve created upto 30th June, 1988, which is no longer required, transferred to Profit & Loss Account.
- Reserves and Surplus as at 30th September, 2007:

DESCRIPTION	As on	Additions	Deductions	As at
	1st April, 2006			30th Sept., 2007
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
Capital Reserve	21.80	-	-	21.80
Capital Redemption Reserve	158.84	-	-	158.84
Revaluation Reserve*	1,484.95	-	1,484.95	-
General Reserve#	4,438.48	-	4,438.48	-
Debentures Redemption Reserve	300.00	-	-	300.00
Export Reserve	6.50	-	-	6.50
Profit & Loss Account#	(3,602.91)	(6,896.11)	(10,499.02)	-
	<u>2,807.66</u>	<u>(6,896.11)</u>	<u>(4,575.59)</u>	<u>487.14</u>

* Revaluation Reserve was adjusted as under:

- Rs.9.22 lacs was transferred to Profit & Loss Account.
- Rs.106.59 lacs adjusted on Slump Sale of Chemicals Division (Note 9).
- Balance Rs.1,369.14 lacs was reversed due to Valuation of Fixed Assets at Lower of Original Cost/W.D.V. (before Revaluation) and Net Realisable Value.

Debit Balance of Rs.10,499.02 lacs in Profit & Loss Account was adjusted/shown as under:

- Rs.4,438.48 lacs deducted from General Reserve.
- Rs.6,060.54 lacs shown on the face of Balance Sheet.

SCHEDULE 3 : LOAN FUNDS

	As at 31st March 2007 Rs. Lacs	As at 31st March 2009 Rs. Lacs
SECURED LOANS		
From Banks		
Cash Credit/Working Capital Demand Loan	5,691.58	5,670.45
Interest Accrued and Due on above (Secured by hypothecation of Stocks of Raw Materials, Goods-in-Process, Finished Goods, Stores, Spares and Book Debts and Second Charge on Block Assets) (Note 18 of Schedule 15)	1,888.81	-
Hire Purchase Loans (Secured by hypothecation of Vehicles)	8.88	16.74
From Others		
Term Loan (Note 19)	181.00	181.00
	<u>7,770.27</u>	<u>5,868.19</u>
UNSECURED LOANS		
Fixed Deposits	32.45	159.53
Interest Accrued and Due (Unclaimed) on Fixed Deposits	0.12	0.11
Inter-Corporate Deposits from Others	-	620.00
	<u>32.57</u>	<u>779.64</u>
	<u>7,802.84</u>	<u>6,647.83</u>

SCHEDULE 4 : FIXED ASSETS HELD FOR DISPOSAL

DESCRIPTION	As on 1st October, 2007 Rs. Lacs	Assets Disposed Off Rs. Lacs	Reversal of Impairment Loss (Note 15 (a)) Rs. Lacs	As at 31st March, 2009 Rs. Lacs
Land (Freehold)	26.66	1.95	-	24.71
Non-Factory Buildings (including Residential Colony)	321.39	21.16	-	300.23
Vehicles	62.41	25.17	-	37.24
	<u>410.46</u>	<u>48.28</u>	<u>-</u>	<u>362.18</u>
Factory Buildings	91.80	-	8.20	100.00
Plant and Machinery (including Electric Installations, Office and Other Equipments and Furniture & Fixtures etc.)	2,062.35	-	1,787.65	3,850.00
	<u>2,154.15</u>	<u>-</u>	<u>1,795.85</u>	<u>3,950.00</u>
	<u>2,564.61</u>	<u>48.28</u>	<u>1,795.85</u>	<u>4,312.18</u>

SCHEDULE 5 : INVESTMENTS (NET OF PROVISIONS)

	As at 31st March 2007 Rs. Lacs	As at 31st March 2009 Rs. Lacs
LONG TERM (OTHER THAN TRADE)		
Quoted : At Cost less Provision for Diminution in Value		
(a) Government Securities		
8 % Central Government Loan (2011) (Note)	0.16	0.16
(b) Equity Shares Fully Paid up of Rs.10 each		
39,15,995 Lords Chloro Alkali Limited (Note)	554.12	554.12
Less : Provision for Diminution in Value	(554.12)	(554.12)
2,000,000 Spark Plugs Company (India) Limited (Note)	150.00	150.00
Less : Provision for Diminution in Value	(150.00)	(150.00)
75,632 Modi Spinning & Weaving Mills Co. Limited (Note)	-	-
5,580 Modi Industries Limited (Note)	-	-
1,000 J. K. Synthetics Limited (Note)	0.02	0.02
640 Century Enka Limited	0.04	0.04
225 Garware Nylons Limited (Note)	0.02	0.02
100 J. K. Cerient Limited	-	-
28 Shree Synthetics Limited (Note)	0.01	0.01
	<u>0.25</u>	<u>0.25</u>
Unquoted : At Cost		
(a) Government Securities		
National Savings Certificates (Pledged with Sales Tax Deptt.)	0.20	0.20
(b) Equity Shares Fully Paid up of Rs.10 each		
3,460 Modi Intercontinental Private Limited	0.35	0.35
- Modipon Estates Private Limited (Previous year 201,020 Shares) (A Wholly-owned Subsidiary upto 21st May, 2008)	-	2.01
- Shreyas Co-operative Housing Society Limited (Previous year 60 Shares of Rs.50 each) (Note 8)	-	0.03
(c) Preference Shares Fully Paid up of Rs.100 each		
165 Modi Spinning & Weaving Mills Co. Limited	-	-
(d) 12.5% Redeemable Non-Convertible Debentures of Rs. 200 each		
328 Modi Industries Limited	-	-
	<u>0.55</u>	<u>2.59</u>
	<u>0.80</u>	<u>2.84</u>
Aggregate Face Value of Quoted Investments	600.08	600.08
Aggregate Face Value of Unquoted Investments	1.37	21.50
Aggregate Market Value of Quoted Investments (Note)	0.45	1.15

Note : Aggregate Market Value is exclusive of these Investments in view of non-availability of Current Market Rates.

SCHEDULE 6 : CURRENT ASSETS, LOANS AND ADVANCES

DESCRIPTION	As at	As at
	31st March, 2009	30th Sept., 2007
	Rs. Lacs	Rs. Lacs
A. INVENTORIES		
Stores and Spares, Stock-in-Trade as per Inventories taken, valued and certified by the Management (Note 15 (d))		
Stores and Spare Parts	164.39	222.80
Raw Materials	3.57	3.57
Finished Goods (Pledged with a Supplier Rs. 30.36 lacs)	33.40	71.54
	<u>201.36</u>	<u>297.91</u>
B. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured Doubtful	74.98	84.94
Other Debts		
Unsecured Doubtful	-	13.23
	<u>74.98</u>	<u>98.17</u>
Less : Provision for Doubtful Debts	<u>74.98</u>	<u>98.17</u>
	<u>-</u>	<u>-</u>
C. CASH AND BANK BALANCES		
Cash-in-Hand	0.63	0.77
Stamps-in-Hand	0.01	0.01
Silver Coins (At Cost)	0.02	0.02
Bank Balances with Scheduled Banks in:		
Current Accounts	7.27	25.49
Margin Account	-	8.55
Fixed Deposits Accounts (Pledged with the Banks/Court Rs.220.83 lacs; Previous year Rs.174.93 lacs)	220.83	174.93
	<u>228.76</u>	<u>209.77</u>
D. LOANS AND ADVANCES		
Unsecured - Good unless otherwise stated		
Loans to Others (considered Doubtful)	256.26	256.26
Advances Recoverable in Cash or in Kind or for Value to be Received (including considered Doubtful Rs.584.07 lacs; Previous year Rs.584.10 lacs)	673.14	697.28
CENVAT Receivable (considered Doubtful) (Note 17)	235.87	235.87
Interest Accrued on Deposits/Investments	39.74	6.57
Security/Other Deposits (Note below)	47.91	109.85
Income Tax Deducted at Source (Recoverable)	4.46	26.47
Prepaid Expenses	-	11.59
	<u>1,257.38</u>	<u>1,343.89</u>
Less : Provision for Doubtful Loans and Advances	<u>1,076.20</u>	<u>840.36</u>
	<u>181.18</u>	<u>503.53</u>
	<u>611.30</u>	<u>1,011.21</u>
Note : Include Deposit with Modi Industries Limited, a Company under the same Management	7.68	7.68
Maximum balance during the year	7.68	7.68

SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS

DESCRIPTION	As at	As at
	31st March, 2009	30th Sept., 2007
	Rs. Lacs	Rs. Lacs
A. CURRENT LIABILITIES		
Sundry Creditors (Note 1 below and Notes 2 & 10 of Schedule 15)	3,132.25	3,832.15
Excise Duty/Sales Tax Payable	6.59	21.62
Security Deposits (Note 2 below)	1,813.58	908.22
Other Liabilities	165.07	545.38
Gratuity Payable	37.15	477.31
V.R.S./Closure Compensation Payable	27.14	529.70
Interest Accrued but not Due	3.29	3.70
Income Tax Deducted at Source	30.37	48.80
Advance Received against Fixed Assets held for Disposal (Note 13)	775.00	-
Managerial Remuneration Payable (Note 3 below)	4.88	5.42
	<u>5,995.32</u>	<u>6,372.30</u>
B. PROVISIONS		
Gratuity		
Opening Balance	11.92	510.98
Add : Provision made during the Year	2.48	250.86
Less : 1. Paid/Adjusted during the Year	3.05	210.87
2. Transferred to Gratuity Payable Account	6.48	477.31
3. Transferred to IOIL	-	61.74
Closing Balance	<u>4.87</u>	<u>11.92</u>
Leave Encashment		
Opening Balance	8.89	286.88
Add : Provision made during the Year	2.59	66.34
Less : 1. Paid/Adjusted during the Year	-	94.72
2. Transferred to Sundry Creditors	8.22	51.58
3. Transferred to IOIL	-	198.03
Closing Balance	<u>3.26</u>	<u>8.89</u>
Wealth Tax		
Opening Balance	3.80	6.61
Add : Provision made during the Year	1.64	5.43
Less : 1. Paid/Adjusted during the Year	3.87	2.24
2. Transferred to IOIL	-	6.00
Closing Balance	<u>1.57</u>	<u>3.80</u>
Fringe Benefit Tax		
Opening Balance	12.29	7.37
Add : Provision made during the Year	5.25	68.25
Less : 1. Paid/Adjusted during the Year	6.07	35.65
2. Paid/adjusted by IOIL	-	27.68
Closing Balance	<u>11.47</u>	<u>12.29</u>
Taxation (Net of Payments and Write Back)	<u>138.43</u>	<u>138.43</u>
	<u>159.60</u>	<u>175.33</u>
	<u>6,154.92</u>	<u>6,547.63</u>
Notes : 1. Amounts under dispute for Excise Duty on Crimped Yam (Guaranteed by Banks against Company's Counter Guarantees)		
	82.60	82.60
2. Include Security Deposits Received against Houses		
	1,768.11	8,62.36
3. Include Gratuity Payable		
	4.25	4.25

SCHEDULE 8 : SALES OF PRODUCTS AND OTHER INCOME

DESCRIPTION	Year	
	(18 Months) ended 31st March, 2009	(18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
A. SALES OF PRODUCTS		
Sales (Net of Returns)	46.87	30,318.49
Less : Rebate, Discounts and Brokerage	0.16	1,135.13
	<u>46.71</u>	<u>29,183.36</u>
B. Slump Sale of Chemicals Division		
Closing Stocks of Finished Goods (at Cost as on 30.09.2006)	-	5,952.85
C. OTHER INCOME		
Miscellaneous Income	0.01	160.06
Other Sales/Services	10.96	57.12
House Rent	7.71	6.21
Rent Realised	1.59	21.70
Interest Received (Note below)	32.31	164.79
Dividend on Investments (Other than Trade)	-	2.18
Profit on Sale/Disposal of Fixed Assets	10.68	1.00
Profit on Sale/Disposal of Stores	2.84	10.79
Income from Foreign Exchange Rate Difference	-	93.61
Excess Provision/Amount Written Back	13.55	2.28
Export Incentives and Entitlements	-	276.95
Dharmada Collected	0.03	5.82
Less : Disbursed	(0.73)	-
	<u>78.95</u>	<u>802.51</u>
	<u>125.66</u>	<u>35,938.72</u>

Note : Consists :

(a) On Bank Deposits*	28.47	104.26
(b) On Staff Loans	-	0.64
(c) On Security/Other Deposits	-	55.82
(d) From Customers/Others	2.68	2.83
(e) On Refunds from Income Tax Department	1.16	1.24
	<u>32.31</u>	<u>164.79</u>
* Tax Deducted at Source	4.46	5.00

SCHEDULE 9 : MATERIALS, MANUFACTURING AND OTHERS

DESCRIPTION	Year	
	(18 Months) ended 31st March, 2009	(18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
A. RAW MATERIALS CONSUMED	-	15,297.27
B. FINISHED GOODS PURCHASED	-	1,718.23
C. MANUFACTURING		
Stores Consumed	0.55	1,388.63
Power and Fuel	-	2,438.46
Repairs to Plant and Machinery	4.44	320.89
Cops Repair and Maintenance	-	142.23
Repairs to Buildings	-	41.91
Processing Charges	-	240.25
Lease Rent/Hire Charges	-	41.14
Pollution Control	0.09	12.74
	<u>5.08</u>	<u>4,626.25</u>
D. DECREASE IN STOCKS		
Opening Stocks :		
Finished Goods	71.54	5,302.55
Goods-in-Process	-	290.42
	<u>71.54</u>	<u>5,592.97</u>
Less : Closing Stocks :		
Finished Goods	33.40	71.54
Goods-in-Process	-	-
	<u>33.40</u>	<u>71.54</u>
	<u>38.14</u>	<u>5,521.43</u>
	<u>43.22</u>	<u>27,163.18</u>

SCHEDULE 10 : PERSONNEL

DESCRIPTION	Year	
	(18 Months) ended 31st March, 2009	(18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
Salaries, Wages and Bonus	119.38	2,383.53
Contribution to Provident and Other Funds	12.26	257.94
Gratuity	7.33	250.86
Employees Welfare	12.61	253.37
	<u>151.58</u>	<u>3,145.70</u>

SCHEDULE 11 : ADMINISTRATION, SELLING AND INTEREST

DESCRIPTION	Year	
	(18 Months) ended 31st March, 2009	(18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
Rent	15.91	106.51
Rates and Taxes	33.24	103.07
General Office Expenses (including Communication, Advertisements, Bank Charges and Stationery etc.)	77.61	1,639.58
Legal Fees and Expenses	50.14	170.45
Electricity Charges	53.84	-
Repairs to Buildings	4.09	-
Travelling and Conveyance	28.16	340.79
Directors' Fee and Travelling	2.41	76.66
Payment to Auditors (Note 1)	14.23	22.03
Interest (Note 2)	1,550.48	1,371.34
Insurance	22.98	174.52
Outward Freight	1.86	684.75
Fixed Assets/Stores/Spares Written Off	0.08	22.07
Amounts/Bad Debts Written Off	25.43	1.87
Provision for Doubtful Debts/Loans and Advances	(23.19)	266.41
Wealth Tax	1.64	5.43
Foreign Exchange Rate Difference	-	6.61
Sales Promotion	-	685.12
Commission on Sales	-	401.97
Depreciation on Machinery Spares	-	2.49
Loss on Sale of Fixed Assets/Stores	-	37.66
Donations	-	6.01
Data Access Expenses Written Off	-	165.79
Lease Rent/Hire Charges	-	4.65
Written Down Value of Stores and Spares	-	7.50
	<u>1,858.91</u>	<u>6,303.28</u>

Notes :

1. Payment to Statutory Auditors :		
(a) Statutory Audit Fees	4.04	11.24
(b) Tax Audit Fees	5.31	2.79
(c) Certification Work/Management Services	3.36	5.80
(d) Expenses Reimbursed	1.52	2.20
	<u>14.23</u>	<u>22.03</u>
2. Consists of :		
(a) On Fixed Loans	42.95	142.54
(b) On Others	1,507.53	1,228.80
	<u>1,550.48</u>	<u>1,371.34</u>

SCHEDULE 12 : MANAGERIAL REMUNERATION

DESCRIPTION	Year (18 Months) ended 31st March, 2009	Year (18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
Remuneration Paid to the Managing Directors		
Salaries	-	11.81
Contribution to Provident and Other Funds	-	3.19
	-	15.00

Note : The Remuneration of Dr. Mahendra K. Modi, Chairman & Managing Director (C&MD) w.e.f. 1st April, 2007 to 31st May, 2007 is subject to the approval of the Central Government. However, pending approval, Provision for Remuneration amounting to Rs.1.50 lacs was made as per previous approval of the Central Government. The C&MD had given his consent for not receiving the Remuneration w.e.f. 1st June 2007.

SCHEDULE 13 : PRIOR PERIOD EXPENSES (NET)

DESCRIPTION	Year (18 Months) ended 31st March, 2009	Year (18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
A. EXPENSES		
Personnel	11.69	0.53
Administration and Selling	-	9.51
Interest on Cash Credit/WCDL {Note 18 (b)}	419.46	-
Materials and Manufacturing Raw Materials Consumed (non-admission of Quantity Rebate by a Supplier)	-	0.90
	192.85	-
	<u>624.00</u>	<u>10.94</u>
B. INCOME		
Sales and Services : Rate Difference and Rebate	-	(7.45)
	-	(7.45)
C. INCOME/(LOSSES) (B-A)	(624.00)	(18.39)

SCHEDULE 14 : EXCEPTIONAL INCOME/(LOSSES) (Note 15)

DESCRIPTION	Year (18 Months) ended 31st March, 2009	Year (18 Months) ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
A. INCOME		
Amount Received from Employees Welfare Trust Claims Realised	361.86	-
Profit on Sale of Land and Building {Notes 8 & 15(c)}	-	558.55
Excess Provision/Amount Written Back	1,073.89	-
	193.73	1,547.45
	<u>1,629.48</u>	<u>2,106.00</u>
B. EXPENDITURE		
Loss on Slump Sale of ICC Division	-	555.73
Closure Compensation/ V.R.S. Paid	3.36	757.57
Diminution in Value of Fixed Assets held for Disposal	(1,795.85)	3,374.53
Diminution in Value of Inventories held for Disposal	45.48	265.46
Provision for Loans and Advances (Cenvat Receivable) (Note 17)	235.87	-
	(1,511.14)	4,953.29
C. INCOME/(LOSSES) (A-B)	3,140.62	(2,847.29)

SCHEDULE 15 : SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES

A. SIGNIFICANT ACCOUNTING POLICIES

- INVENTORY VALUATION** - At lower of Cost or Net Realisable Value.
- REVENUE RECOGNITION**
 - Interest Income on Refunds from Income Tax/Sales Tax Department(s) is accounted for in the year of receipt of the Order(s) of the Assessing Authority.
 - Sales are inclusive of Excise Duty where applicable but exclusive of Sales Tax and Value Added Tax and Net of Trade Discounts.
- INVESTMENTS**
Investments being Long Term are carried at Cost less Provision for Diminution other than temporary, in the Value of such Investments.
- RETIREMENT BENEFITS TO EMPLOYEES**
 - Company's Contribution to Provident/Pension and Superannuation Funds are charged to the Profit & Loss Account.
 - 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

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

	As at 31st March, 2009	As at 30th September, 2007
	Rs. Lacs	Rs. Lacs
(i) Sales Tax/Excise/Customs Duty	110.46	86.21
(ii) Water Tax	7.11	7.11
(iii) Income Tax	-	165.45
(iv) Others	358.21	368.57

(v) The following are the particulars of above Dues on account of Sales Tax, Excise Duty, Customs Duty and Water Tax as at 31st March, 2009 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 (Rs. 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
Customs Law	Customs Duty	1982-83	Asst. Commissioner	74.66
		2002-03	Appellate Tribunal	19.39
Uttar Pradesh Water Supply & Sewerage (Amendment) Act, 1999	Water Tax	1997-98 & 1998-99	Additional Civil Judge	7.11
Central Excise Law (on-account payment of Rs.125.00 lacs)	Excise Duty	1983-84	High Court	115.75

- Guarantees executed in favour of Banks and Government Authorities on behalf of the following Companies against their Counter Guarantees :
 - Modi Industries Limited, a Company under the same Management Rs.10.63 lacs (Previous year Rs.10.63 lacs);
 - Other Corporate Body Rs.28.00 lacs (Previous year Rs.28.00 lacs).

The amounts outstanding against these Guarantees are not available.
- Balance confirmation certificates from the Debtors, Creditors and some Banks etc. as on 31st March, 2009 were not obtained and consequently adjustment required on reconciliations, if any, will be carried out subsequently as and when reconciled/confirmed.
- The Accounts of the Company has not been prepared on a going concern basis in view of Closure of Manufacturing Operations of the Company during the Previous year.

(contd.) SCHEDULE 15 : SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES

4. Claims from two suppliers towards Interest on late payments etc. amounting to Rs.1,473.60 lacs upto 31st March, 2008, has not been provided in the Books of Account. The amount of non-provision for the Current year ended 31st March, 2009 is not ascertainable.
5. 1,45,495 15% Redeemable Convertible Cumulative Preference Shares of Rs.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. (a) The Previous Accounting year of the Company was extended to 18 Months period so as to close on 30th September, 2007 and the Current Accounting year has also been extended to 18 Months period so as to close on 31st March, 2009.
(b) Pursuant to Slump Sale of the Chemicals Division, as mentioned in Note 9 below and Closure of Manufacturing Operations of the Fibres Division's Plant with effect from 19th May, 2007, the figures for the Current year ended 31st March, 2009 are not comparable with the Previous year's figures.
(c) 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. Opening Fixed Assets held for Disposal include Rs.20.30 lacs being Written Down Value (Original Cost including Additions Rs.25.34 lacs) of a Flat in a Co-operative Housing Society at Mumbai in which the Company also holds 60 Shares of Rs.50 each in the name of Dr. Mahendra K. Modi, Managing Director of the Company who has given disclaimer in favour of the Company. These Shares are in the custody of a third party against their dues payable by the Company. During the Current year, the above Flat alongwith Shares held were sold for Rs.75.03 lacs on as is where is basis which resulted in Profit on Sale of Building amounting to Rs.54.70 lacs.
9. 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 Rs.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 Rs.17.83 crores by Cheques; (b) taking over the Liabilities of the Fibres Division of Rs.57.84 crores due to the Financial Institutions and (c) Subscription to 1,17,57,086 Fully Paid up Equity Shares of Rs.10 each of IOIL for Rs.48.99 crores i.e. at a Premium of Rs.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 now sought approval under Section 391 of the Companies Act, 1956 of the Hon'ble Allahabad High Court for treating Rs.48.99 crores as "Goodwill" in the Books of Account for which the approval of the Court is yet to be received. Pending final determination of the matter by the Hon'ble Allahabad High Court, the above amount of Rs.48.99 crores has been shown as "Equity Shares of IOIL issued to Shareholders" on the face of the Balance Sheet under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)". The Accounts for the year have been prepared without giving any effect to the above. Consequent adjustment in the Accounts, i.e. the above amount of Rs.48.99 crores will be charged to Revenue as per Accounting Standard (AS) 26 i.e. Intangible Assets on receipt of the final approval of Hon'ble Allahabad High Court for treating/accounting Rs.48.99 crores as Goodwill in the Books of Account, is pending.
10. 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.
11. Arrears of Dividend on Redeemable Convertible Cumulative Preference Shares for the Period from 1st April, 1998 to 31st March, 2009 amounts to Rs.165.34 lacs, excluding Tax on Distributed Profits, if any.
12. In view of Unabsorbed Depreciation, substantial Losses incurred by the Company and Closure of the Manufacturing Operations of the Company (Refer Notes 9 and 14), the recognition of Deferred Tax Assets (Net) has been postponed on consideration of prudence.
13. As stated in Note 18(d) below, the Plant & Machinery, Factory & Administrative Office Buildings and Other Movable Assets lying in the Factory/Office premises were allowed to be sold to a buyer by the Hon'ble DRT for Rs.32.50 crores which includes Rs.1.50 crores for Stocks but excludes Rs.8.50 crores paid/payable to the Company for Workers/Statutory Dues.

The Bank had entered into an agreement to sell the movable assets on 28th November, 2008. The party failed to make the full payment to the Bank as stipulated in the agreement. In terms of the agreement, the agreement to sell will become null and void in the event of non-fulfilment of terms of the agreement. Further, part of the amount payable i.e. Rs.70 lacs out of Rs.8.50 crores has also not been paid to the Company till date. The authorised Officer of the Bank has not yet issued Certificate of Sale as required by Rule 7 of Security Interest (Enforcement) Rules, 2002 specifying the name of purchaser, price paid and assets sold and hence the Sale has not become absolute.

Further, another party has also moved an application before DRT conveying its interest in purchasing above assets of the Company for Rs.46 crores. As per the order of DRAT, the party has deposited Rs. One crore with the Registrar, DRAT. The matter is now sub-judice. In view of the uncertainties involved as stated above, the recognition of Sale and Revenue has been postponed as a matter of prudence. Further, in view of non-availability of details/appropriations of amounts paid to Punjab National Bank by the party, no effect of such payment could be given in the Books of Account for the Current year ended 31st March, 2009.
14. The Manufacturing Operations of the Company have been closed with effect from 19th May, 2007 and the Company had applied on 7th June, 2007 to the Government of Uttar Pradesh for Closure Permission under Section 6-W of the Uttar Pradesh Industrial Disputes Act, 1947 which had been approved by the Board of Directors of the Company in their Meeting held on 23rd June, 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.
15. Exceptional Items in Profit & Loss Account includes :
 - (a) (i) In view of Closure as stated in Note 14 above, the Factory/ Office Buildings and Plant & Machinery (including Office Equipments, Furniture and Fixtures and Electrical Equipments/ Installations etc.) at Modinagar (Cost and Accumulated Depreciation as on 30th September, 2007 were Rs.24,924.55 lacs and Rs.19,445.86 lacs respectively) were retired from active use and are held for Disposal. In line with the Accounting Standard (AS-10) "Accounting for Fixed Assets" issued by the Institute of Chartered Accountants of India, such Factory/Office Buildings and Plant & Machinery etc. as on 30th September, 2007 were

(contd.) SCHEDULE 15 : SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES

- written down to the lower of Net Book Value (Rs.5,478.69 lacs) and Net Realisable Value (Rs.2,104.16 lacs) thereof based on Valuer's Report and was disclosed separately as "Fixed Assets held for Disposal" on the face of the Balance Sheet as on 30th September, 2007 and provision was made for Diminution in the Value of Fixed Assets held for Disposal amounting to Rs.3,374.53 lacs.
- (ii) As stated in Note 13 above, the Net Realisable Value of Plant & Machinery and Factory Buildings etc. is taken as Rs.41.00 crores based on Sale price approved by Hon'ble DRT of Rs.32.50 crores and Rs.8.50 crores paid/payable to the Company, in addition to the above sale price, for Workers/Statutory Dues. Accordingly, provision made for diminution in Value of Fixed Assets has been reduced from Rs.3,374.53 lacs to Rs.1,578.68 lacs and excess provision made of Rs.1,795.85 lacs as compared to the Previous year has now been reversed in the Books of Account.
- (b) Since the Net Book Value of Land, Residential Buildings at Modinagar, Office Premises outside Modinagar and Vehicles etc. 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 Rs.362.18 lacs (as on 30th September, 2007 Rs.410.46 lacs) has been clubbed with "Fixed Assets held for Disposal" on the face of the Balance Sheet.
- (c) The Company has sold 65,743 sq. yds. and 2,299 sq. yds. of its vacant Land at Modinagar for Rs.986.15 lacs (original cost Rs.1.88 lacs) and Rs.35.00 lacs (original cost Rs.0.07 lac) respectively which resulted in Profit on Sale of Land amounting to Rs.1,019.20 lacs. Approval of Banks to whom immovable properties of the Company, including the above Land, are charged is pending.
- (d) Provision has been made for Impairment in the Value of Stores and Spare Parts held for Disposal amounting to Rs.45.48 lacs (Previous year Rs.265.46 lacs) based on Net Realisable Value.
- (e) Amount received from Modipon Welfare Trust amounting to Rs.361.86 lacs shown as a Liability as on 30th September, 2007, which was utilised generally for payment of "Workers' Dues", has now been treated as Revenue since the same is not payable to the Trust.
16. In view of Valuation of Fixed Assets at Lower of Cost and Net Realisable Value, as stated above, no Provision for Depreciation has been made since 1st April, 2007.
17. The Company has lodged Claim for Recovery of Rs.235.87 lacs being un-utilised CENVAT Credit available and shown as "CENVAT Receivable" in the Balance Sheet. The Excise Authorities has rejected the above Claim against which appeal has been filed before Hon'ble CESTAT, which is pending. However, in view of the uncertainty, provision has been made of the above amount during the Current year.
18. (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) Interest on Working Capital facilities obtained from Banks has now been provided for the period from 1st April, 2007 to 31st March, 2009 (including Interest Rs.419.46 lacs for the period from 1st April, 2007 to 30th September, 2007). However, the Management is taking up the matter of One Time Settlement (OTS) of Dues of Banks.
- (c) Four Member Banks of the Consortium i.e. Punjab National Bank, Allahabad Bank, Bank of Baroda and Karnataka Bank have already 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 Rs.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.
- (d) 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 Current year. Hon'ble DRT-II granted permission to the Bank to sell certain Assets of the Company to a buyer for a sum of Rs.32.50 crores excluding Rs.8.50 crores paid/payable to the Company for Workers/Statutory Dues.
- (e) The Abu Dhabi Commercial Bank Limited has agreed to settle its Dues of Rs.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 its Bankers.

Since the assignment of debt to AML and settlement of Dues of other Bankers of the Company are still pending, the amount of Rs.351.05 lacs outstanding in the Books of the Company continues to appear in Schedule 3 i.e. "Cash Credit/Working Capital Demand Loan from Banks" as on 31st March, 2009.

19. Loan of Rs.181.00 lacs taken on 27th June, 2007 is secured by way of First Charge on Block Assets of the Company. Allahabad Bank, one of the Members of Consortium, has objected to the creation of charge in favour of M/s Ashoka Mercantile Limited (AML) and has filed an application before the Hon'ble Allahabad High Court for setting aside/recalling its Order dated 2nd August, 2007 to the extent of "the Title Deeds so released in favour of Modipon Limited herein may further be delivered to AML in whose favour the charge has been created by Modipon Limited". Hon'ble Debt Recovery Tribunal vide its Order dated 31st January, 2008 has directed that Title Deeds need not be released until disposal of the application. Further proceedings in the matter are pending.

Hon'ble DRT-II, Delhi has in another matter pending before it under SARFAESI Act, 2002 held that the debt of AML is not covered under the provisions of the said Act.

20. EARNING PER SHARE (E.P.S.) :

DESCRIPTION	Year (18 Month)	
	ended 31st March, 2009	ended 30th September, 2007
	Rs. Lacs	Rs. Lacs
Profit/(Loss) before Tax, Prior Period & Exceptional Items for the Year	(1,928.05)	(4,192.18)
Add : 1. Provision for Taxation	(5.25)	(68.25)
2. Dividend on Preference Shares (including Dividend Tax)	(18.90)	(18.90)
Profit/(Loss) after Tax but before Prior Period & Exceptional Items (A)	(1,952.20)	(4,279.33)
Number of Equity Shares (of Rs.10 each) (B)	78,38,057	78,38,057
E.P.S. before Exceptional Items (in Rs.) (A)/(B)	(24.91)	(54.60)
Profit/(Loss) before Tax, Prior Period & Exceptional Items for the Year	(1,928.05)	(4,192.18)
Less/(Add) :		
1. Prior Period Items (Net)	(624.00)	(18.39)
2. Exceptional Income/(Losses)	3,140.62	(2,847.29)
3. Provision for Taxation	(5.25)	(68.25)
4. Dividend on Preference Shares (including Dividend Tax)	(18.90)	(18.90)
Profit/(Loss) after Tax (C)	564.42	(7,145.01)
E.P.S. after Tax (in Rs.) (C)/(B)	7.20	(91.16)

21. SEGMENT INFORMATION :

In view of Slump Sale of the Chemicals Division and Closure of Manufacturing Operations of the Fibres Division's Plant in the Previous year as stated in Notes 9 & 14 above, there is no reportable Segment during the Current year, hence no information is required to be furnished.

22. RELATED PARTIES DISCLOSURE :

- A. ENTITIES UNDER THE CONTROL OF THE COMPANY :
Subsidiary : Modipon Estates Private Limited (upto 21.05.2008)
- B. KEY MANAGEMENT PERSONNEL :
Dr. Mahendra K. Modi - Chairman & Managing Director
- C. 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

(contd.) SCHEDULE 15 : SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES

D. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCE AS ON 31ST MARCH, 2009 (Refer Note 18(e)) :

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

DESCRIPTION	01.10.2007 to 31.03.2009 (18 Months)	01.04.2006 to 30.09.2007 (18 Months)	DESCRIPTION	01.10.2007 to 31.03.2009 (18 Months)	01.04.2006 to 30.09.2007 (18 Months)
	Rs. Lacs	Rs. Lacs		Rs. Lacs	Rs. Lacs
Receipt of Rent	2.39	2.99	Loans Received :		
Rendering of Services	6.34	5.70	- Received during the year	-	246.00
Recovery of Expenses	7.80	14.58	- Balance Outstanding	181.00	181.00
Receiving of Services	-	74.07	Security Deposits Received :		
Purchase of Goods	-	0.32	- Received during the year	57.50	-
Payment of Rent	0.06	1.75	- Balance Outstanding	57.50	-
Payment of Interest	74.29	37.02	Inter-Corporate Deposits :		
Selling Agency Commission	-	188.14	- Received during the year	-	225.99
Sale of Fixed Assets	95.24	31.75	- Balance Outstanding	-	-
Sale of Investment	0.03	-	Amount Payable	13.17	262.00
			Amount Receivable	5.52	*139.88
			* Includes Rs.128.25 lacs provided as Doubtful in earlier years.		

(b) Payment to Key Management Personnel :

(i) Receiving of Services (Schedule 12)	-	15.00
(ii) Amount Payable as on 31st March, 2009 (including Gratuity Payable Rs.4.25 lacs)	4.88	5.42

23. Schedules 1 to 15 form an integral part of the Balance Sheet and the Profit & Loss Account and have been duly authenticated.

24. Additional Information as required by Part II of Schedule VI of the Companies Act, 1956 :

**A. PARTICULARS OF INSTALLED CAPACITIES, PRODUCTION, STOCKS AND SALES
FOR MANUFACTURING OPERATIONS**

DESCRIPTION	FIBRES DIVISION						CHEMICALS DIVISION			
			Synthetic Filaments Yarns		Yarn Waste (including derived), By-Products & Others	Trading Operation (Grey Cloth) (Quantity in Metres)	Indofil M-45/ Mancozeb	Other Agro Formulations (Quantity in KL/MT)	Speciality Industrial Chemicals	Other Chemicals Purchased
			Nylon	Polyester						
(i) Actual Production	M. Tons	This Year	-	-	-	-	-	-	-	-
		Previous Year	4,718	-	560	-	5,673	2,111	4,667	-
(ii) Finished Stocks :										
Opening Balance	M. Tons	This Year	78	-	51	-	-	-	-	-
		Previous Year	226	-	155	-	1,723	887	662	132
	Rs. Lacs	This Year	61.57	-	9.97	-	-	-	-	-
		Previous Year	437.41	-	25.09	-	1,605.46	2,678.49	388.54	167.56
Closing Balance	M. Tons	This Year	44	-	36	-	-	-	-	-
		Previous Year	78	-	51	-	-	-	-	-
	Rs. Lacs	This Year	30.84	-	2.56	-	-	-	-	-
		Previous Year	61.57	-	9.97	-	-	-	-	-
(iii) Sales (B)	M. Tons	This Year	34	-	15	-	-	-	-	-
		Previous Year	4,866	-	664	5,94,382	5,311	2,098	4,486	1,371
		Slump Sale					2,085	900	843	532
							7,396	2,998	5,329	1,903
	Rs. Lacs	This Year	39.58	-	7.13	-	-	-	-	-
		Previous Year	10,157.91	-	366.72	337.20	5,198.94	8,064.83	2,887.65	2,162.67
		Slump Sale					1,900.91	2,829.84	528.75	693.35
							7,099.85	10,894.67	3,416.40	2,856.02
(iv) Purchases	M. Tons	This Year	-	-	-	-	-	-	-	-
		Previous Year	-	-	-	5,94,382	-	-	-	1,771
	Rs. Lacs	This Year	-	-	-	-	-	-	-	-
		Previous Year	-	-	-	335.53	-	-	-	1,382.70

(A) In view of Closure of Manufacturing Operations, details of Installed Capacity is not furnished since all the Assets are now held for Disposal.

(B) Sales figures (in Value) are inclusive of Excise Duty Realised.

(contd.) SCHEDULE 15 :
SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES

B. RAW MATERIALS CONSUMED (Note)

DESCRIPTION	Year (18 Months) ended		Year (18 Months) ended	
	31st March, 2009		30th September, 2007	
	Quantity M. Tons	Amount Rs. Lacs	Quantity M. Tons	Amount Rs. Lacs
Caprolactam	See		4,638.050	5,235.20
Titanium Dioxide			35.450	68.49
Nylon Chips			208.650	303.09
Carbon-di-Sulphide			3,131.600	635.71
Technical Materials for Pesticide Formulations	Note		494.357	3,560.64
Ethylene Diamine			1,214.332	1,251.13
Monomers			1,645.633	1,251.59
Manganese Sulphate			9,899.421	653.36
Others	below			2,338.08
				<u>15,297.29</u>

Note : In view of Closure of Operations during the Previous year, there is no Consumption of Raw Materials during the Current year.

C. OTHER ADDITIONAL INFORMATION

- Value of Imports on C. I. F. Basis (Include Goods-in-Transit)

(a) Raw Materials	-	5,211.13
(b) Spare Parts and Components	-	45.52
- Expenditure in Foreign Currency (on Accrual basis)

(a) Travel (Net)	-	93.05
(b) Interest	-	81.76
(c) Others	-	343.99
- Earnings in Foreign Exchange on Export of Goods (F. O. B. Value)

-	*3,776.14
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* In case of the Fibres Division, Freight was computed on estimated basis.
- Value of Imported/Indigenous Raw Materials, Spare Parts and Components Consumed (Note) :

(a) Raw Materials	See		
(i) Imported		6,926.97	45.28
(ii) Indigenous		8,370.32	54.72
		<u>15,297.29</u>	<u>100.00</u>
(b) Spare Parts and Components	Note		
(i) Imported		88.18	7.60
(ii) Indigenous	below	1,071.85	92.40
		<u>1,160.03</u>	<u>100.00</u>

Note : In view of Closure of Operations during the Previous year, there is no Consumption of Spare Parts and Components during the Current year.

AUDITORS' REPORT

As per our Report of even date attached

For P. R. MEHRA & CO.,
Chartered Accountants
Ramesh Chand Goyal
Partner
M. No. 012628

For and on behalf of the Board,

S. K. Verma
Director
M. K. Modi
Chairman &
Managing Director

Place : Lucknow
Date : 10th May, 2009

A. K. Goel
Company Secretary

O. P. Makkar
Director

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

I. Registration Details

Registration No. 3 0 8 2 State Code 2 0
Balance Sheet Date 3 1 0 3 0 9
Date Month Year

II. Capital raised during the Year (Amount in Rs.Thousands) :

Public Issue Rights Issue
NIL NIL
Bonus Issue Private Placement
NIL NIL

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs.Thousands) :

Total Liabilities Total Assets
8 8 3 9 0 8 8 8 3 9 0 8

Sources of Funds

Paid up Capital Reserves and Surplus
8 5 5 6 0 1 8 0 6 4
Secured Loans Unsecured Loans
7 7 7 0 2 7 3 2 5 7

Application of Funds

Fixed Assets held for Disposal Investments (Net of Provisions)
4 3 1 2 1 8 8 0
Net Current Assets Misc. Expenditure
- 5 5 4 3 6 2 4 8 9 9 0 0
Accumulated Losses
5 1 7 0 7 2

IV. Performance of Company (Amount in Rs.Thousands) :

Turnover/Other Income Total Expenditure
1 7 5 5 1 4 1 1 6 6 5 7
Profit/Loss Before Tax Profit/Loss After Tax
5 8 8 5 7 5 8 3 3 2
Earning per Share in Rs. Dividend @ %
7 . 2 0 NIL

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

Item Code No. (ITC Code) Product Description
5 4 0 2 Synthetic Filament Yarns (Nylon and Polyester)*

* Manufacturing Operations closed permanently.

For and on behalf of the Board,

S. K. Verma
Director
M. K. Modi
Chairman &
Managing Director

Place : Lucknow
Date : 10th May, 2009

A. K. Goel
Company Secretary

O. P. Makkar
Director

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 42nd ANNUAL GENERAL MEETING of the Company held on Friday, the 19th June, 2009 at 12.30 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

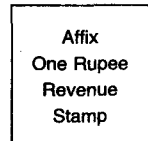
in the District of as my/our Proxy to attend and vote for me/us and on my/

our behalf at the 42nd ANNUAL GENERAL MEETING of the Company held on Friday, the 19th June, 2009 at 12.30 P.M. at Alok Park Club, Alok

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

Signed this day of 2009

Signature



* 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

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If undelivered, please return to:

modipon 
limited

Hapur Road,
Modinagar-201 204