

MODI INDUSTRIES LIMITED

80th Annual Report and Accounts 2013-14

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BOARD OF DIRECTORS

MANAGING DIRECTORS

Shri Mahendra Kumar Modi
Shri Umesh Kumar Modi

DIRECTORS

Shri Krishan Kumar Modi
Shri Vinay Kumar Modi
Shri Rakesh Kumar Modi
Shri Manish Kumar Modi
Shri Abhishek Modi
Shri Santosh Kumar Aggarwal

COMPANY SECRETARY

Shri Vimal Prasad Gupta

BANKERS

Allahabad Bank
Punjab National Bank
State Bank of India
Citi Bank N.A.

AUDITORS

M/s. P. R. Mehra & Co.,
Chartered Accountants,
(Firm Regn. No. 000051N)
56, Daryaganj. New Delhi-11002

COST AUDITORS

M/s. M.K. Singhal & Co.,
Cost Accounts,
(Firm Regn. No. 00074)
'Panchvati', Opp.M.M. College
Modinagar-201204. (U.P.)

STOCK EXCHANGES

U.P. Stock Exchange Ltd.,
14/113, Padam Towers, Civil Lines,
Kanpur (U.P.) -208001

Delhi Stock Exchange Ltd.,
DSE House, 3/1 Asaf Ali Road,
New Delhi-110 002.

REGISTERED OFFICE

Modinagar
District Ghaziabad (U.P.)-201204

NAME OF UNITS

Modi Sugar Mills
Modi Vanaspati Mfg. Co.
Modi Paint & Varnish Works
Modi Gas & Chemicals
Modi Distillery
Modi Arc Electrodes Co.
Modi Steels

MODI INDUSTRIES LIMITED

CIN - L15429UP1932PLC000469

Regd. Office : Modinagar - 201204. (U.P.)

Tel: 01232-231755, 243115, Fax: 01232-242322

Email : modiindustriestlimited@gmail.com

Website : www.modiindustries.net

NOTICE

NOTICE is hereby given that the 80th Annual General Meeting of **Modi Industries Limited** will be held on **Monday, the 29th September, 2014, at 12.30 P.M.**, at Modi Industries Transit House (Modi Industries Complex), Modinagar, to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2014 and Profit & Loss Account for the year ended on that date and the reports of the Directors' and Auditors' thereon.
2. To appoint Directors, who retire by rotation and being eligible, offer themselves for re-appointment and to consider and, if thought fit, to pass, with or without modification(s), the following Resolution(s) as ordinary resolution(s):
 - (a) "**RESOLVED** that Shri Manish Kumar Modi (DIN 00030036), who retires by rotation and is eligible for re-appointment be and is hereby re-appointed as Director of the Company."
 - (b) "**RESOLVED** that Shri Abhishek Modi (DIN 00002798), who retires by rotation and is eligible for re-appointment be and is hereby re-appointed as Director of the Company."
3. To appoint Statutory Auditor and to fix their remuneration and, to consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED** that pursuant to the provisions of Section 139(1) and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) and re-enactment thereof for the time being in force), M/s. P.R. Mehra & Co., Chartered Accountants (FRN 000051N), New Delhi, the retiring Auditors, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors plus applicable Service Tax payable to them together with out of pocket expenses actually incurred by them in connection with the Statutory Audit of the Company."

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s) the resolution for re-appointment of Shri Mahendra Kumar Modi as Managing Director of the Company as a Special Resolution:

"**RESOLVED** that pursuant to the provisions of Sections 196, 197 and 203 and the rules made thereunder read with Schedule V and all other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of Central Government and such other approval(s) as may be required (if any), the consent of the members be and is hereby accorded to the re-appointment of Shri Mahendra Kumar Modi (DIN 00014594) as Managing Director of the Company, whose office shall not be liable to retire by rotation, for a period of five years w.e.f. 01.11.2014 on the remuneration and terms and conditions as set out below :

Salary Rs. 1,25,000/- per month.

PERQUISITES:

CATEGORY 'A':

- i) **HOUSING:** Housing including Gas, Electricity, Water and Furnishings.

PROVIDED, however, that the expenditure on hiring unfurnished accommodation and the expenditure incurred on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules.

- ii) **MEDICAL:** Expenses incurred for self and family subject to a ceiling of one month's salary per year.
- iii) **LEAVE TRAVEL CONCESSION:** For self and family in India in accordance with the Rules of the Company.
- iv) **CLUB FEES:** Fees of Clubs subject to a maximum of two Clubs.
- v) **PERSONAL ACCIDENT INSURANCE PREMIUM AND/OR GROUP INSURANCE PREMIUM:** As per Company Policy.

CATEGORY 'B':

- i) **PROVIDENT FUND AND SUPERANNUATION FUND:** Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Rules of the Company.
- ii) **GRATUITY:** Half-a-month's salary for each completed year of service.
- iii) **LEAVE ENCASHMENT:** Encashment of leave at the end of the tenure.

PROVIDED however that (i) the contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent that these either singly or put together are not taxable under the Income Tax Act, (ii) Gratuity and (iii) Leave encashment shall not be included in the computation of ceiling on perquisites.

CATEGORY 'C':

He shall also be entitled for the following, which will not be considered as perquisites:

- i) Provision of a car with driver for company's business.
- ii) Two Telephones at his residence and one Mobile phone.

He shall also be entitled to the reimbursement of all the expenses actually and properly incurred by him for or in connection with the company's business.

The total value of remuneration including perquisites shall not exceed Rs. 2.50 Lacs (Rupees Two Lacs Fifty Thousand only) per month or Rs. 30.00 Lacs (Rupees Thirty Lacs Only) per year in any case.

The aforesaid remuneration shall also be paid as minimum remuneration in the absence or inadequacy of profits in any financial year.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to review the remuneration payable to Shri Mahendra Kumar Modi as Managing Director of the Company in the event of profit arising henceforth in the company during any financial year subject to relevant provisions of Companies Act, 2013.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby authorized to make necessary alterations, if any, that may be made by the Central Government in his remuneration.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby also authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

- 5. To consider and if thought fit, to pass, with or without modification(s) the resolution for re-appointment of Shri Umesh Kumar Modi as Managing Director of the Company as a Special Resolution:

"**RESOLVED** that pursuant to the provisions of Sections 196, 197 and 203 and the rules made thereunder read with Schedule V and all other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of Central Government and such other approval(s) as may be required (if any), the consent of the members be and is hereby accorded to the re-appointment of Shri Umesh Kumar Modi (DIN 00002757) as Managing Director of the Company, whose office shall not be liable to retire by rotation, for a period of five years w.e.f. 01.11.2014 on the remuneration and terms and conditions as set out below :

Salary Rs. 1,25,000/- per month.

PERQUISITES:

CATEGORY 'A':

i) **HOUSING:** Housing including Gas, Electricity, Water and Furnishings.

PROVIDED, however, that the expenditure on hiring unfurnished accommodation and the expenditure incurred on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules.

ii) **MEDICAL:** Expenses incurred for self and family subject to a ceiling of one month's salary per year.

iii) **LEAVE TRAVEL CONCESSION:** For self and family in India in accordance with the Rules of the Company.

iv) **CLUB FEES:** Fees of Clubs subject to a maximum of two Clubs.

v) **PERSONAL ACCIDENT INSURANCE PREMIUM AND/OR GROUP INSURANCE PREMIUM:** As per Company Policy.

CATEGORY 'B':

i) **PROVIDENT FUND AND SUPERANNUATION FUND:** Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Rules of the Company.

ii) **GRATUITY:** Half-a-month's salary for each completed year of service.

iii) **LEAVE ENCASHMENT:** Encashment of leave at the end of the tenure.

PROVIDED however that (i) the contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent that these either singly or put together are not taxable under the Income Tax Act, (ii) Gratuity and (iii) Leave encashment shall not be included in the computation of ceiling on perquisites.

CATEGORY 'C':

He shall also be entitled for the following, which will not be considered as perquisites:

i) Provision of a car with driver for company's business.

ii) Two Telephones at his residence and one Mobile phone.

He shall also be entitled to the reimbursement of all the expenses actually and properly incurred by him for or in connection with the company's business.

The total value of remuneration including perquisites shall not exceed Rs. 2.50 Lacs (Rupees Two Lacs Fifty Thousand only) per month or Rs. 30.00 Lacs (Rupees Thirty Lacs Only) per year in any case.

The aforesaid remuneration shall also be paid as minimum remuneration in the absence or inadequacy of profits in any financial year.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to review the remuneration payable to Shri Umesh Kumar Modi as Managing Director of the Company in the event of profit arising henceforth in the company during any financial year subject to relevant provisions of Companies Act, 2013.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby authorized to make necessary alterations, if any, that may be made by the Central Government in his remuneration.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby also authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. To consider and if thought fit, to pass, with or without modification(s), the resolution for borrowing of funds as a Special Resolution:

"**RESOLVED** that pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013 (in supersession of the earlier resolutions passed pursuant to provisions of Section 293(1)(d) of the Companies Act, 1956) the consent of the members be and is hereby accorded to the Board of Directors of the Company to borrow moneys from time to time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of

the Company and its free reserves (that is to say reserves not set apart for any specific purpose) provided that the total amount of such borrowings together with the amounts already borrowed and outstanding shall not exceed Rs. 100 Crores (Rupees one hundred crores only).

RESOLVED FURTHER that Board of Directors of the Company be and is hereby also authorized to create charge/mortgage etc. on the property of the Company to secure borrowing and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

7. To consider and if thought fit, to pass, with or without modification(s), the resolution for giving on lease, company's property to a related party as a Special Resolution:

"**RESOLVED** that pursuant to the provisions of Sections 188(1) and the rules made thereunder and all other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the members be and is hereby accorded for renewal of lease agreement in favour of Modi Rubber Limited i.e. the existing Lessee on the terms and conditions as agreed upon in respect of company's property situated at Civil Lines, Modinagar, admeasuring 1651 Sq. Mtrs. for 30 years with effect from 1st October, 2014 to 30th September, 2044 on revised lease rent of Rs. 2,16,000/- per annum.

RESOLVED FURTHER that the consent of the members be and is hereby also accorded for acceptance of the payment of enhanced lease rent, @ Rs. 2,16,000/- per annum, for the period from 1st May, 2004 upto the starting date of new lease agreement by Modi Industries Limited (the lessor) and Modi Rubber Limited (the lessee), from Modi Rubber Limited by way of non-refundable security deposit.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby also authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. To consider and if thought fit, to pass, with or without modification(s), the resolution for approving the remuneration payable to Cost Auditors as an Ordinary Resolution:

"**RESOLVED** that pursuant to the provisions of Section 148(3), and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the members be and is hereby accorded for appointment of M/s. M.K. Singhal & Co., (Firm's Regn. No. 00074) Cost Accountants, Modinagar, as Cost Auditors to conduct the audit of Cost Accounts maintained by Sugar, Distillery, Paint, Electrode and Gas units of the Company for the financial year ending on 31st March, 2015 at a total remuneration of Rs. 1,55,500/- for the financial year 2014-15 (including all expenses) payable to them.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**By Order of the Board of Directors
For Modi Industries Limited**

**Vimal Prasad Gupta
Company Secretary
FCS – 6380
Modinagar, U.P.**

Place : Delhi

Dated: 14th August, 2014

NOTES :

1. **A member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself, a proxy need not be a member of the company.** The Proxy Form, duly completed and signed, should reach the Company's Registered Office atleast 48 hours before the time fixed for the meeting. The Proxy Form is enclosed.
2. Explanatory Statement in respect of Item Nos. 4 to 8 of the Notice as required under Section 102(1) of the Companies Act, 2013 and Information under Clause 49 of the Listing Agreement regarding appointment / re-appointment of Directors (for item No. 2 (a) & (b), 4 & 5) and statement as required by Schedule V Part II, Section II for item no. 4 & 5 is appended herein below.
3. Brief resume of Directors seeking reappointment at the Annual General Meeting are annexed hereto.
4. The Register of Members of the Company will remain closed from 22nd September, 2014 to 29th September, 2014 (both days inclusive).
5. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Sundays and Bank Holidays, between 9.00 A.M. to 11.00 A.M. upto the date of the Annual General Meeting.
6. Shareholders are requested to intimate change in their address, if any, to the company.
7. The Ministry of Corporate Affairs ("Ministry") has undertaken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. Shareholders are requested to register their e-mail ID in the format given below with the company to receive communication through electronic mode as permitted by Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 issued by the Ministry of Corporate Affairs.

E-COMMUNICATION REGISTRATION FORM

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

Folio No. :

Name of 1st Registered Holder :

Name of Joint Holder(s) :

Registered Address :

.....

.....

.....

E-mail ID (to be registered) :

.....

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

Signature:.....
(First Holder)

Date:

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

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 AND INFORMATION UNDER
CLAUSE 49 OF THE LISTING AGREEMENT**

Information of Director retiring by rotation seeking reappointment at this Annual General Meeting are given hereunder:

ITEM NO. 2(a)

BRIEF RESUME, EXPERIENCE AND OTHER DIRECTORSHIP

SHRI MANISH KUMAR MODI

Shri Manish Kumar Modi has been a Director of the Company since 8th December, 2006. He has a Bachelor's Degree in Computer Science from Bangalore University and is an MBA in Marketing from Columbia University. He has extensive industry experience. He holds directorship/membership of Committees of the Board in the following other Public Limited Companies:

1. Modipon Ltd.
2. Weld Excel India Ltd.
3. Exevo Inc. USA
4. Exevo UK Ltd., U.K.

He holds 22,050 Equity Shares of the Company in his name. He is the son of Shri Mahendra Kumar Modi, Managing Director of the Company.

None of the Directors except Shri Mahendra Kumar Modi and his son Shri Manish Kumar Modi are concerned or interested in passing of this resolution.

ITEM NO. 2(b)

BRIEF RESUME, EXPERIENCE AND OTHER DIRECTORSHIP

SHRI ABHISHEK MODI

Shri Abhishek Modi has been a Director of the Company since 8th December, 2006. He is a Chemical Engineer and MBA from Harvard Business School, U.S.A. He is having vast experience in the management of the industrial units. He is holding the directorship in the following other Public Limited Companies:

1. Bihar Sponge Iron Ltd.
2. Modi Hitech India Ltd.
3. SBEC Sugar Ltd.
4. SBEC Bio Energy Ltd.
5. Chandil Power Ltd.

He holds 100 Equity Shares of the Company in his name. He is the son of Shri Umesh Kumar Modi, Managing Director of the Company.

None of the Directors except Shri Umesh Kumar Modi and his son Shri Abhishek Modi are concerned or interested in passing of this resolution.

ITEM NOS. 4 TO 5

The term of office of Shri Mahendra Kumar Modi and Shri Umesh Kumar Modi, Managing Directors of the company, will expire on 31st October, 2014 and 29th February, 2016 respectively. Considering the efforts made by them to enhance the manufacturing capacity, substantial improvement in the performance of the company and to maintain consistency in terms and conditions of appointment of both the Managing Directors, the Board has, subject to your approval and approval of Central Government, re-appointed Shri Mahendra Kumar Modi and Shri Umesh Kumar Modi as Managing Directors of the Company for a further period of five years, with effect from 1st November, 2014 on the remuneration and perquisites as contained in resolution of Item Nos. 4 and 5 of the Notice hereof.

Shri Mahendra Kumar Modi and Shri Umesh Kumar Modi, who are proposed to be re-appointed as Managing Directors of the Company, are not Managing Director/Executive Director/Whole-time Director of any other company.

I. General Information:

1. Nature of Industry Manufacturing of Sugar, Industrial alcohol, Industrial Gases, Paint, Electrodes.
2. Date or expected date of commencement of commercial production. The company commenced commercial production on 3rd January, 1933.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. Not Applicable
4. Financial performance based on given indicators:

(Rupees in lac)	
Financial Parameters	Year ended 31.3.2014
Revenue from operations (Net of Excise Duty) and Other Income.	30,854.16
Profit/(Loss) before Finance Costs, Depreciation & Exceptional items	(1,994.81)
Finance Costs	1,767.84
Depreciation	527.27
Profit/(Loss) for the year before Exceptional items & Tax.	(4,289.92)
Tax Expenses	-
Profit/(Loss) for the year carried to Balance Sheet.	(4,289.92)
5. Export performance and net foreign exchange collaborations	-
6. Foreign Investments or collaborators, if any.	-

II. Information about the appointees:**A. Shri Mahendra Kumar Modi:**

- (1) **Background details:** Shri Mahendra Kumar Modi is qualified as B.Sc (Chem. Engg), A.I.C.E from Banaras Hindu University, securing first division and first position and is a Gold Medalist. He had completed the course on Managing International Collaboration from Harvard University, Graduate School of Business Administration in May, 1994. He has undertaken practical training in the plants and offices of Messrs Lurgi Gesellschaft Mineraloltechnik GmbH, Frankfurt (Main), West Germany to equip himself with the latest technology and expertise in the Industry. He is also on the board of other companies.
- (2) **Past remuneration:** Shri Mahendra Kumar Modi presently is not drawing remuneration from any other company. At the 75th Annual General Meeting of the company held on 29th September, 2009, the shareholders approved subject to approval of Central Government, the basic salary of Rs. 2,00,000/- per month plus perquisites to Shri Mahendra Kumar Modi for three years w.e.f from 1st November, 2009 to 31st October, 2012 and the same remuneration for remaining tenure of two years of his appointment i.e. from 1st November, 2012 to 31st October, 2014 was approved in the 78th Annual General Meeting held on 19th December, 2012. The Central Government approved remuneration of Rs. 18,00,000/- per annum to Shri Mahendra Kumar Modi, Managing Director for the above said period of five years.
- (3) **Recognition of awards:** Shri Mahendra Kumar Modi was conferred Doctor of Science Honoris Causa by Ch. Charan Singh University, Meerut (U.P) in 1996.
- (4) **Job profile and his suitability:** He is working as Managing Director of the company. He has given his valuable contribution towards continuous growth of the company over the years.
- (5) **Remuneration proposed:** Details of the proposed remuneration is given in resolution of Item no. 4 of the notice convening the 80th Annual General meeting of the company.
- (6) **Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person:** In the similar sized company in the business of Sugar, Distillery, Electrodes and Paints and having similar turnover of more than

Rs. 250 crores, remuneration is ranging approximately between Rs. 48 Lacs to Rs. 84 Lacs per annum .

- (7) **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** Shri Mahendra Kumar Modi is one of the promoters and Managing Director of the Company. Shri Manish Kumar Modi, Director, is his son.

B. Shri Umesh Kumar Modi:

- (1) **Background details:** Shri Umesh Kumar Modi is an Engineering Graduate with Gold Medal from BHU. He is on the Board of various other companies carrying business of Sugar, Steel products, Pharmaceuticals and Engineering etc.
- (2) **Past remuneration:** Shri Umesh Kumar Modi is not drawing any remuneration from the company since 1st March, 2006.
- (3) **Recognition of awards:** None
- (4) **Job profile and his suitability:** He is working as Managing Director of the company. He has given his valuable contribution towards continuous growth of the company over the years.
- (5) **Remuneration proposed:** Details of the proposed remuneration is given in resolution of Item no. 5 of the notice convening the 80th Annual General meeting of the company.
- (6) **Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person:** In the similar sized company in the business of Sugar, Distillery, Electrodes and Paints and having similar turnover of more than Rs. 250 crores, remuneration is ranging approximately between Rs. 48 Lacs to Rs. 84 Lacs per annum.
- (7) **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** Shri Umesh Kumar Modi is one of the promoters and Managing Director of the Company. Shri Abhishek Modi, Director is his son. Shri Krishan Kumar Modi and Shri Vinay Kumar Modi are his real brothers.

III. Other Information:

- (1) **Reasons of loss or inadequate profits:** Despite of satisfactory turnover every year, the profitability has suffered due to heavy accumulated losses as the Company is a Sick Industrial Company as declared by Hon'ble BIFR.
- (2) **Steps taken or proposed to be taken for improvement:** The Management of the company has continuously making serious efforts to prepare a rehabilitation scheme for the revival of the company and to take it out from the BIFR.
- (3) **Expected increase in productivity and profits in measurable terms:** The company expects to achieve turnover of Rs. 425 Crores and operational profit of approx. Rs. 0.97 Crore for the year 2014-15.

Since payment of remuneration to the Managing Directors requires approval of the shareholders by way of special resolution in terms of the provisions of Schedule V of the Companies Act, 2013, therefore, the Board recommends these resolutions to be passed as special resolutions.

None of the Directors except Shri Mahendra Kumar Modi himself and his son Shri Manish Kumar Modi are concerned or interested in passing of the resolution as set out in item no. 4.

None of the Directors except Shri Umesh Kumar Modi him self, his son Shri Abhishek Modi, and his real brothers Shri Krishan Kumar Modi and Shri Vinay Kumar Modi are concerned or interested in passing of the resolution as set out in item no. 5.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NO. 6

The Company passed an ordinary resolution in its Annual General Meeting of the Company held on 29th September, 2009 for borrowings of funds upto Rs.100.00 Crores by the Company within the meaning of Section 293(1)(d) of the Companies Act, 1956.

In terms of Section 180(1)(c) of the Companies Act, 2013 Board may borrow money in excess of paid up share capital and free reserves apart from temporary loans obtain from bankers in ordinary course of business for the purpose of Company with the approval of shareholders by Special Resolution. Your directors recommend the resolution for your approval as a Special Resolution.

None of the directors of the Company is concerned or interested in the Resolution as set out in item no. 6.

ITEM NO. 7

The property of the company situated at Civil Lines at Modinagar admeasuring 1651 Sq. Mtrs. was given on lease rent of Rs. 1,08,000/- per annum to Modi Rubber Limited (MRL) a related party, with effect from 1st May, 1974 for 30 years from where Modi Rubber Limited is running its registered office. This lease agreement was expired on 30th April, 2004.

MRL had approached the company with a request for renewal of the lease agreement with retrospective effect i.e. from 1st

May, 2004 for a further period of 30 years and had proposed an increased lease rent of Rs. 2,16,000/- per annum.

Shri Vinay Kumar Modi, Director of the Company is also director in MRL a related party.

The salient features of the new lease agreement which have been agreed between Modi Industries Limited and Modi Rubber Limited are as follows:

1. The lease will be renewed for a period of 30 years with effect from 1st October, 2014 at an annual rent of Rs. 2,16,000/-
2. For the period between the expiry of the previous lease and the starting date of the new lease MRL will pay the company the enhanced rent @ of Rs. 2,16,000/- per annum.
3. MRL will pay difference for this prior period a lump sum payment by way of non-refundable security deposit to the Company.

In terms of Section 188(1)(c) of the Companies Act, 2013 and the rules made thereunder, our Company having negative net worth, now it can lease its property to a related party with the prior approval of shareholders by Special Resolution. Your directors recommend the resolution for your approval as a Special Resolution.

None of the Directors except Shri Vinay Kumar Modi him self and his real brothers Shri Krishan Kumar Modi and Shri Umesh Kumar Modi and Shri Abhishek Modi son of Shri Umesh Kumar Modi are concerned or interested in passing of the resolution as set out in item no. 7 except to the extent of their shareholding in both the companies, if any.

ITEM NO. 8

On recommendation of Audit Committee, Board has appointed M/s. M.K. Singhal & Co., (Firm's Regn. No. 00074) Cost Accountants, Modinagar, as Cost Auditors for the financial year 2014-15 to conduct the audit of Cost Accounts in respect of Sugar, Distillery, Paint, Electrode and Gas units of the company subject to approval of remuneration by share holders.

Proposed remuneration for the financial year 2014-15 is mentioned below:

Name of the unit	Proposed remuneration (including all expenses) to be paid to Cost Auditors. (in Rs.)
(1)	(2)
Sugar	25,000.00
Distillery	15,000.00
Paint	42,000.00
Electrode	52,500.00
Gas	21,000.00
Total	1,55,500.00

Pursuant to the provisions of Section 148(3) of the Companies Act, 2013 remuneration of Cost Accountants will be finally determined by the members of the company in the General Meeting.

Your directors recommend the resolution for your approval as an Ordinary Resolution.

None of the directors of the Company is concerned or interested in the Resolution as set out in item no. 8.

**By Order of the Board of Directors
For Modi Industries Limited**

**Vimal Prasad Gupta
Company Secretary
FCS – 6380
Modinagar, U.P.**

Place : Delhi

Dated: 14th August, 2014

DIRECTORS' REPORT

To,
The Shareholders,

The Directors of your Company hereby present the 80th Annual Report together with the Audited Statement of Account of the Company and the Auditors' Report thereon for the year ended on 31st March, 2014. The working results of the year are summarized as under:

DESCRIPTION	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
	₹ in Lac	₹ in Lac
REVENUE FROM OPERATIONS (NET OF EXCISE DUTY)	30,131.86	33,413.49
OTHER INCOME	722.30	608.25
TOTAL REVENUE	30,854.16	34,021.74
LOSS BEFORE DEPRECIATION, FINANCE COSTS AND EXCEPTIONAL ITEM	1,994.81	1,646.31
<u>Add:</u>		
Finance Costs	1,767.84	1,243.77
Depreciation	527.27	599.40
	2,295.11	1,843.17
LOSS BEFORE EXCEPTIONAL ITEM & TAX	4,289.92	3,489.48
Exceptional items	-	-
Tax Expenses	-	-
LOSS FOR THE PERIOD	4,289.92	3,489.48

DIVIDEND:

On account of accumulated losses, your directors are not in a position to recommend any dividend for this year.

PERFORMANCE OF THE UNITS FOR THE YEAR UNDER REPORT:

- (a) **SUGAR UNIT:** The cane crushing in the year under review was 62.05 lac qtls. as against 69.96 lac qtls. in last year. Sugar recovery in the year under review increased from 8.894% to 9.138%. Market sentiment during the financial year remained bearish owing to the continued mismatch between supply and demand of sugar, affecting sales realization. Further during the year, U.P. Government has fixed very high State Advised Cane price, resulted in loss of ₹ 3356.10 lac.
- (b) **DISTILLERY UNIT:** During the year under review, the production of Spirit (RS/ENA) was 4109 Kl. as compared to last year 4111 Kl. The sale of country liquor was 48666 cases during the year 2013-14 as against 655970 cases in the last year. Due to Distribution Policy, the margins in country liquor remained tight. In the year under review, there was improvement in production of Indian Made Foreign Liquor (IMFL), which has contributed in

improvement in profit of the unit. The unit has made a profit of ₹142.90 lac during the current year as against net profit of ₹72.87 lac in the last year.

- (c) **ELECTRODE UNIT:** The net profit was lower in comparison with the previous year. The raw material prices went up substantially putting severe pressure on the margins. Our company could not pass on the increase in the raw material price due to severe competition from the global as well as domestic competitors. The pressure on the margins was particularly high in general purpose welding electrodes and the solid wire business.
- (d) **GAS UNIT:** The sales and profitability of the unit were satisfactory under the prevailing circumstances.
- (e) **PAINT UNIT:** The unit registered a overall growth of 6.10% over last year.

FIXED DEPOSITS:

The deposits of 1194 depositors amounting to ₹ 79.11 Lac including interest thereon till the date of maturity was claimed, but remained unpaid as on 31st March, 2014. However, the company made attempts in the past to make payment to all depositors but could not succeed in certain cases, since the depositors were not traceable at the recorded address with the company as were provided by the depositors themselves.

The deposits of 160 depositors amounting to ₹ 9.73 Lac including interest thereon till the date of maturity remained unclaimed as on 31st March, 2014.

The Company is a sick industrial company as declared by the Hon'ble BIFR vide their order dated 14th March, 1991 in terms of Section 3(1)(o) of SICA. The rehabilitation scheme of the company is still pending and the payment to depositors will be made as per final orders of Hon'ble BIFR.

During the year under review company has paid ₹ 0.25 Lac to 4 depositors towards their deposits, this includes interest upto the date of maturity as per the conditions laid down in the scheme of acceptance of public deposits.

DEBENTURES:

Debentures worth ₹ 537.32 Lac are due for payment as on 31st March, 2014. The Company will repay to debenture-holders as per final orders of Hon'ble BIFR that may be passed.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, in respect of all units of the company, (excluding Balance Sheet of Steel Unit - refer Note 27(4) of Annual Accounts) it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and wherever required proper explanations relating to material departures have been given;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the losses of the company for that period;

- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

DIRECTORS:

Shri Manish Kumar Modi and Shri Abhishek Modi are due to retire by rotation this year and being eligible, offer themselves for re-appointment.

COMPLIANCE CERTIFICATE UNDER SECTION 383A (1) :

In terms of Proviso to Section 383A (1) of the Companies Act, 1956 as inserted by Companies (Amendment) Act, 2000 Compliance Certificate as obtained from Shri Ram Kishore Gupta, practicing Company Secretary of Kanpur (CP No. 3139) is enclosed herewith.

CONSERVATION OF ENERGY, TECHNOLOGY

ABSORPTION & FOREIGN EXCHANGE:

As required under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy in Form 'A' pertaining to Sugar Unit is annexed hereto. The particulars relating to Technology Absorption in Form 'B' and of the Foreign Currency in Form 'C' are annexed hereto for the units, wherever applicable.

PARTICULARS OF EMPLOYEES:

There are no employees during the period drawing remuneration specified under Section 217(2A) of the Companies Act, 1956 (as amended) read with Companies (Particulars of Employees) Rules, 1975. As such no particulars are required to be furnished.

SUBSIDIARY COMPANIES:

The Company have two subsidiaries namely, Your Investment (India) Limited and Own Investment (India) Limited.

The statement under Section 212(3) of the Companies Act, 1956 in respect of subsidiary companies is separately annexed.

In accordance with the general circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point. The annual accounts of the subsidiary companies shall be kept for inspection by any shareholders at Registered Office of the holding company and of the subsidiary companies concerned.

CONSOLIDATED FINANCIAL STATEMENTS:

In compliance with the Accounting Standards 21 and 23 of the Companies (Accounting Standards) Rules, 2006 and pursuant to the Listing Agreement with the Stock Exchanges, the consolidated financial statements form a part of this Annual Report.

LISTING AGREEMENT:

The securities of the Company are listed with U.P. Stock Exchange Limited, Kanpur as a Regional Exchange and Delhi Stock

Exchange Limited, New Delhi. The Company has paid the Annual Listing Fees to each Exchange.

APPOINTMENT OF AUDITORS:

M/s. P.R. Mehra & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment. The appointment of auditors has to be done by a Special Resolution in terms of Section 139(1) of the Companies Act, 2013.

AUDITORS' REPORT:

With reference to the qualifications contained in the Auditors' Report, the Directors wish to state that the Notes referred to by the auditors in their report are self-explanatory and hence do not call for any further comments.

MANAGEMENT DISCUSSION & ANALYSIS REPORT:

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report is annexed and forms part of this report.

CORPORATE GOVERNANCE:

The report on the Corporate Governance together with the Auditors' Certificate thereon are annexed hereto and forms part of this Report. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year under review.

COST AUDITORS:

Pursuant to the order of the Central Government under the provisions of Section 233B of the Companies Act, 1956, M/s. M.K. Singhal & Co., Cost Accountants, were appointed to conduct cost audits relating to Sugar, Industrial Alcohol, Paints & Varnishes, Organic and Inorganic Chemicals and Mining & Metallurgy of ferrous & non-ferrous metals.

The Cost Audit Report for the last audited accounts for the financial year ended 31st March, 2013 was filed by the Cost Auditors with respect to the sugar, industrial alcohol, Paint & Varnishes and Metallurgy of ferrous and non ferrous metals, the products of units of the company on 16th October, 2013.

LABOUR RELATIONS:

The labour management relations generally remained harmonious.

ACKNOWLEDGMENT:

The Directors wish to thank the Central Government, Government of Uttar Pradesh, Financial Institutions and the Company's Bankers for all the help and encouragement they extended to the Company. Your Directors gratefully acknowledge the continued trust and confidence; you have placed in the Company. The Directors also wish to place on record their deep appreciation for the services rendered by the officers, staff and workers of the Company at all levels and for their dedication and loyalty.

for & on behalf of the Board

M.K. MODI
(DIN-00014594)
MANAGING DIRECTOR

U.K. MODI
(DIN-00002757)
MANAGING DIRECTOR

PLACE: DELHI

DATED : 14th August, 2014

ANNEXURE TO DIRECTORS' REPORT
PARTICULARS REQUIRED UNDER THE COMPANIES(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

FORM "A": DISCLOSURE OF PARTICULARS WITH RESPECT OF CONSERVATION OF ENERGY

PARTICULARS	SUGAR	
	YEAR ENDED ON 31.3.2014	YEAR ENDED ON 31.3.2013
(A) POWER & FUEL CONSUMPTION :		
1) ELECTRICITY:		
a) Purchased Units :		
Total Amount ₹	-	-
Rate/Unit ₹	-	-
b) Own Generation through Diesel Generator :		
Unit	818341	915992
Unit per Ltr.of Diesel Oil		
Cost/Unit ₹	20.22	14.18
Through Steam Turbine/ Generator		
Unit	15317621	16931653
Unit per Ltr.of Fuel Oil/Gas		
Cost/Unit (₹)	1.16	0.95
2) COAL		
Quantity (MT)	-	-
Total Cost (₹)	-	-
Average Rate (₹)	-	-
3) FURNACE OIL :		
Quantity K.Ltr.	-	-
Total Amount (₹)	-	-
Average Rate (₹)	-	-
4) OTHERS/INTERNAL GENERATION :		
Quantity	-	-
Total Cost (₹)	-	-
Rate/Unit (₹)	-	-
B) CONSUMPTION PER UNIT OF PRODUCTION		
Product(with details)Unit		
Electricity KWH PMT	277.04	281.15
Furnace Oil Ltr.PMT	-	-
Coal (Specify Quantity)	-	-

FORM "B: DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:

DESCRIPTION	ELECTRODE	PAINT
RESEARCH & DEVELOPMENT (R & D) :		
1. Specific areas in which R&D carried out by the Company.	To develop new welding electrodes, meeting various classification requirements, as required by customer. Modification in existing products to meet some special requirements of customer which may be beyond the coded requirements also. Reduction in cost without affecting quality.	Matt ray silver and Base Coat silver for Automobile industry, Zinc Silicate Primer, Fast Drying Alkyd, Synthetic Texture Finish.
2. Benefits derived as a result of the above R&D.	Business growth in diversified product ranges developed in in-house R&D centre as well as substitution of foreign exchange.	Percentage contribution has increased.

FORM "B: DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION: (Contd.)

DESCRIPTION	ELECTRODE	PAINT
3. Future Plan of Action	Development of non-synthetic type of electrode as per ASME Section II Part C, SFA 5.4: E2209-16 classification. Development of SS Electrode as per ASME Section II Part C, SFA 5.4: E2594-16 classification. Development of SS electrode as per ASME Section II Part C, SFA 5.4: E318L-16 class. Development of SS electrode as per ASME Section II Part C, SFA 5.4: E347-15 classification. Development of electrode as per ASME Section II Part C, SFA 5.11: E Ni Cr Fe3 classification. Development of electrode as per ASME Section II Part C, SFA 5.11: E Ni Cr Fe2 classification. Development of LH electrode as per ASME Section II Part C, SFA 5.5: E10018 D2 classification. Development of SS electrode as per ASME Section II Part C, SFA 5.4: E385-16 classification.	Coil Coating Back Coat.Unibake Black Primer

DESCRIPTION	ELECTRODE	PAINT
EXPENDITURE ON R&D :		
a. Capital (₹)	-	-
b. Recurring (₹)	43,38,653.89	24,64,171.18
TOTAL (₹)	43,38,653.89	24,64,171.18
c. R&D Expenditure percentage of total turnover	0.80%	1.00%

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

DESCRIPTION	ELECTRODE	PAINT
1. Efforts in brief made towards technology absorption, adaptation and innovation.	N.A.	N.A.
2. Benefits derived as a result of the above efforts e.g. product improvement cost reduction, product development, import substitution etc.	N.A.	N.A.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished :		
a. Technology imported	N.A.	N.A.
b. Year of Import	N.A.	N.A.
c. Has Technology been fully absorbed.	N.A.	N.A.
d. If not fully absorbed areas, where this has not taken place, reasons therefore and future plan of action.	N.A.	N.A.

FORM "C": FOREIGN EXCHANGE EARNINGS & OUTGO

Name of Units	Activities Relating to Exports, Initiative Taken to Increase Exports Development of New Export Markets for Products and Services and Export Plans	Total Foreign Exchange Used and Earned	
			₹ in Lac
Electrode	Earnings		Nil
	Outgo	Travelling	2.59
Distillery	Earnings		Nil
	Outgo	Stores Purchased	47.29
		Travelling	2.88
M.D. Office	Earnings		Nil
	Outgo	Travelling	3.37

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

1. Name of the Subsidiary Companies.	Own Investment (India) Limited	Your Investment (India) Limited
2. Number of Shares held in Subsidiary Companies	13,200 Equity Shares of Rs.100/- each fully paid up.	21,450 Equity Shares of Rs.100/- each fully paid up.
3. Percentage of Holding in the Subsidiary Companies.	99.89%	99.93%
4. Financial year ended	31st March, 2014	31st March, 2014
5. Profit/(Loss) of the subsidiary Companies for their Financial Year so far as they concern the members of Modi Industries Ltd., which have not been dealt with in the Accounts of Modi Industries Limited for the year ended 31st March, 2014:		
For the year ended	₹ 0.26 Lac	₹ 0.53 Lac
For the previous years	₹ 10.39 Lac	₹ 15.20 Lac
6. The net aggregate of Profit/(Loss) of the Subsidiary Companies which have been dealt with in the Accounts of Modi Industries Limited for the year ended 31 st March 2014.		
For the year ended	Nil	Nil
For the previous years	Nil	Nil

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES:

											₹ in Lac
Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Invest-ments	Turnover/ Total Income	Profit/(Loss) Before Taxation	Provision For Taxation	Profit/(Loss) After Taxation	Dividend paid
Own Investment (India) Limited	₹	13.22	10.66	24.22	24.22	11.72	0.82	0.33	0.10	0.23	-
Your Investment (India) Limited	₹	21.46	15.75	37.83	37.83	20.23	1.27	0.78	0.24	0.54	-

ANNEXURE TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) **INDUSTRY SCENARIO :**

SUGAR UNIT: The sugarcane area is expected to decrease by 10% in Uttar Pradesh for the crushing season 2014-15. The sugar production in the country is expected to be 27.9 million tons in the season 2014-15 against the production of estimated 24 million tons in 2013-14.

The consumption of sugar is likely to be 27 million tons during 2014-15.

DISTILLERY UNIT: The industry continues to be regulated at various levels by government. The potable alcohol policy of U.P. Government has been continued in the current year. In the policy the whole sale rights of Country Liquor has been given to one party.

ELECTRODE UNIT: There has been no significant change in the economic environment in the current financial year and most of the concerns highlighted in the previous year continue to exist. The long term prospects are still considered positive despite the uncertainties around the short term outlook. We are well placed as an organization to address growth in opportunities as and when any economic revival happens.

PAINT UNIT: India's strong economic growth has propelled the paint industry to double-digit growth over the past few years and has made it Asia Pacific's fastest growing paint market. Despite fast growth, India's per capita paint consumption is still abysmally low at ~2kg./year. Due to increased Government funding for infrastructure, demand for paints both in industrial and decorative segment is set to rise, thereby rendering Indian Paint Industry to be poised for further growth. Nearly ~65% of the paint market is organized. The organized market is highly concentrated and a classic example of an oligopoly, where entry barriers are high and the 'top-5' players capture most of the market, while the unorganized market is highly fragmented with over 2,000 players.

GAS UNIT: There are presently over 300 small & medium size plants and approximately 25 large tonnage plants all over the country. These gases are supplied through pipelines to captive customers in adjacent factories in cryogenic transport tanks for bulk deliveries to long distance customers or filled in cylinders.

The present annual turnover of the gas industry, excluding captive production is about ₹ 3,500 crores. With increased industrialization, the demand pattern of industrial gases is also changing fast. Modern application in the food processing industry, agro industries, healthcare and technology are growing at a tremendous pace. This has driven the industry to adopt stringent quality control system and an efficient distribution network.

Major players in India include BOC India, Inox Air Products Ltd., Plaxair Oxygen Co. Ltd., Air Liquid India Pvt. Ltd., Goyal MG Gases, IGL Kashipur, Jubilent etc.

(b) **OPPORTUNITIES AND THREATS :**

SUGAR UNIT: The State Government has so far been unable to evolve an equitable policy for allocation of sugarcane area amongst factories. Efforts are continuing at various levels to evolve an equitable methodology for reservation of cane area on factory wise basis, in the overall interest of the industry.

After the decision of Hon'ble Supreme Court empowering

the State Government to fix Cane Price, one of the major threat to the Sugar Industry relates to the successive interventions of the Government in the pricing as well as distribution of Sugarcane.

DISTILLERY UNIT: With the likely increase in production of sugar output, resulting an increase in production and availability of Molasses, the production of Rectified Spirit will be better as compare to last year.

ELECTRODE UNIT: Governmental push on infrastructure, emerging focus on Tier II and Tier III cities present opportunities though the eventual impact could take time. However, a poor monsoon may dampen the good prospects. Global developments including exchange rates, oil prices and FII inflows can aggravate the situation. Competitors with international standing continue to focus heavily on the Indian market and this can pose challenges on pricing and margins. Competition from hitherto smaller and unorganized players is a threat to address.

PAINT UNIT:

India is the fastest growing paint market in Asia Pacific.

- India's paint industry size is estimated to be RS.35bn.
- The decorative paints to industrial paints ratio is 70:30 both in value and volume terms.
- Almost half of the revenues earned by the Indian paint industry are through enamels.
- The demand in the paint industry is seasonal to some extent. While the demand dips in the monsoon season, it is the maximum in the festive season.

The introduction of tinting machine has changed significantly changed marketing technology. These machines are installed at dealer outlets and enable the customers to choose between any of several hundreds shades. These are then generated by mixing colourants with the base paint, and delivered almost instantly. The two major implications of these machines are differentiation on colour ranges is reduced; prior to this technology, a major competitive advantage of a company was the range of colour it offered. Simplified logistics management; with the machines generating shades instantly, dealer can now stock only the base material and thus save almost 20-25% in the working capital cycle. The increase share of organized sector implies that brand awareness will be a thrust area. Also, strong brands are emerging as the most important entry barrier. The opening of rural market has also necessitated the expansion of distribution reach.

GAS UNIT: The Indian gas industry is growing at an average rate of 10 percent per annum during the last couple of years, with the industrial Oxygen growing consistently at 15 percent per annum. The growth of industrial gas industry can be easily forecast on the basis of projections of the steel and other metallurgical industry. Steel demand is seen rising by 10% in the fiscal year to March, 2014, helped by higher spending on infrastructure will continue to drive growth of the gas industry. Metals production and fabrication will continue to be the largest market for industrial gases, accounting for 25% of total demand in value terms in coming years. The second largest market will be the chemical processing/ petroleum refining segment. The medical/healthcare market, though smaller in size, will be the fastest growing and record gains

from the expansion of healthcare services in developing nations and rapidly increasing use of home healthcare respiratory therapies in advanced economics. The industrial gas industry has a very bright future in the coming years.

Although there is a big threat from unorganized sectors and increase in usage of liquid gases pose threat to gas business in cylinders, we still have adequate opportunity in our area of operation.

(c) OPERATIONAL PERFORMANCE :

SUGAR UNIT: The cane crushing in the year under review was 62.05 lac qtls as against 69.96 lac qtls in last year. Sugar recovery in the year under review increased from 8.894% to 9.138%. Market sentiment during the financial year remained bearish owing to the continued mismatch between supply and demand of sugar, affecting sales realization. Further during the year, U.P. Government has fixed very high State Advised Cane Price, resulted in loss of ₹ 3356.10 Lac.

DISTILLERY UNIT: During the year under review, the production of Spirit (RS/ENA) was 4109 Kl. as compared to last year 4111 Kl. The sale of country liquor was 48666 cases during the year 2013-14 as against 655970 cases in the last year. Due to Distribution Policy, the margins in country liquor remained tight. In the year under review, there was improvement in production of Indian Made Foreign Liquor (IMFL), which has contributed in improvement in profit of the unit. The unit has made a profit of ₹ 142.90 lac during the current year as against net profit of ₹ 72.87 lac in the last year.

ELECTRODE UNIT: The net profit was lower in comparison with the previous year. The raw material prices went up substantially putting severe pressure on the margins. Our company could not pass on the increase in the raw material price due to severe competition from the global as well as domestic competitors. The pressure on the margins was particularly high in general purpose welding electrodes and the solid wire business.

PAINT UNIT: The unit registered an overall growth of 6.10% over last year.

GAS UNIT: The sales and profitability of the unit were satisfactory under the prevailing circumstances.

(d) FUTURE OUTLOOK :

SUGAR UNIT: With a carryover stock of 9.3 million tons as on 1st October, 2013 and estimated sugar production of 24 million tons in the country during this year and as expected consumption of 26 million tones, the closing stock of sugar as on 30th September, 2014 is expected to be around 8.3 million tons. In addition to this, government is considering to increase the import duty on sugar to 40% from the current 15% to curb cheaper inflows from overseas and also to make mandatory blending of ethanol with petrol from the current 5% to 10%.

DISTILLERY UNIT: The molasses production is expected to be good in coming years which will result in higher production of rectified spirit with lower cost of production. The unit is producing scotch blended whiskey during last year, and will further expand the supplies in the whole country. The unit is planning to start production of 2nd version of scotch blended whiskey in next fiscal.

In the light of India's growing fuel demand and the surge in the global pricing, the Government of India is keen to promote admixing of ethanol with petrol. Keeping this in

view and the normal growth in the Chemicals and Potable sectors, the demand for alcohol are expected to remain strong in the future.

ELECTRODE UNIT: It is expected that macro-economic elements and the business sentiments could stabilize towards the second half of the year. Multiple and inter woven elements driving economic indicators present strong challenges to any forecasting model. Our new product offerings and work currently in progress on development of more products are expected to help sustain our position.

PAINT UNIT: Indian GDP is expected to grow 8.5-9.0% annually for next few years. Because of the high correlation between GDP and Paint volume growth, decorative paints are expected to grow on the back of strong economic momentum. Real estate boom in the past few years will lead to strong demand for repainting. At the moment the per capita consumption of paint in India is merely around 2kg. (20 kg. in the developed countries, global average 15kg) so the absolute consumption of paint in India is expected to rise. The paint demand in tier II and tier III cities is growing at a faster rate than the tier I cities. Expected decrease in the use of distemper in future.

GAS UNIT: Our main focus will be to enhance the sale of high contributory gases such as DA and Argon gases. We have installed an Oxygen compressing station in March, 2012 and planning to open new sales depot adding to our profitability. We hope, the unit is expected to maintain the growth rate.

(e) RISKS & CONCERNS :

The company is a Sick Industrial Company within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985. Hence fresh funds both for working capital requirement and/or long term requirements are not made available by Banks/Financial Institutions.

(f) INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY :
The key features of the Internal Control Systems are given below :

1. Well defined organization structure, documented policy guidelines, predefined authority levels ensures optimal utilization and protection of resources.
2. Assets are adequately maintained and protected against Theft, Burglary and other Losses.
3. Transactions are properly recorded and accounted for.
4. Accounting records are maintained complying with all the statutory laws and reflect true and fair view.
5. There are adequate Management reporting systems for control and monitoring of performance.
6. Budgetary control system is in place.
7. Periodical review by the Management is being done.
8. Periodical review of system, procedures and transactions by internal Auditors is conducted.

(g) MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT :

The underlying rule of company's policy towards human resource development is that competent and motivated manpower is the most important factor in achieving business goals. The policies in this regard are evolved and pursued to achieve this objective. Industrial relations remained cordial throughout the year.

As on 31st March, 2014 the total number of employees on the payrolls of the company were 1018 .

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE AS REQUIRED BY CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES

1. **COMPANY'S PHILOSOPHY**

Your company firmly believes in good corporate governance. Towards this end, the company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of the basic tenets of the corporate governance.

2. **BOARD OF DIRECTORS**

(a) **COMPOSITION OF BOARD :**

(i) The Board consists of eight directors as on the date of report. Out of these eight directors, six are non-executive directors which include two independent directors. The Company did not have any material pecuniary relation or transaction with non-executive directors during the year under review.

(ii) The Company is a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 as declared by the Hon'ble BIFR vide their order dated 14th March, 1991. The Hon'ble Supreme Court in SLP (Civil) Nos. 23095 – 23097 of 2010 (M.K. Modi vs. U.K. Modi) has passed an order dated 27th August, 2010 directing the parties therein to maintain "status quo" with regard to the management of the company.

In view of the above order of Hon'ble Supreme Court, Board of Directors are unable to appoint any new director under provisions of Companies Act, 1956/2013 and Listing Agreement to comply with the composition of Board and/or various Board Committees.

(b) **BOARD/ SHAREHOLDERS' MEETINGS :**

During the year, five Board meetings were held on 14th May, 2013, 8th August, 2013, 28th September, 2013, 13th November, 2013 and 6th February, 2014. None of the directors is a member of more than ten Committees or acting as Chairman of more than five Committees across all companies in which he is a director. The attendance at the Board meetings during the year 2013-14 and at the last Annual General Meeting held on 13th November, 2013 and also number of other directorship are given herein below:

Name	Cate-gory	No.of Board meetings attended	Attendance at previous AGM	No. of Directorship(s) and Committe Membership(s)/Chairmanship(s) of other Indian Public Limited Companies		
				other Directorship(s)	committee Membership(s)\$	committee Chairmanship(s)\$
Shri Mahendra Kumar Modi	MD	5	Yes	2	1	-
Shri Umesh Kumar Modi	MD	4	Yes	6	-	-
Shri Krishan Kumar Modi	NED	3	No	10	2	1
Shri Vinay Kumar Modi	NED	-	No	2	2	1
Shri Rakesh Kumar Modi	NED	5	Yes	-	-	-
Shri Manish Kumar Modi	NED	4	No	2	1	-
Shri Abhishek Modi	NED	5	Yes	5	-	-
Shri Santosh Kumar Aggarwal	NED	5	No	-	-	-
Shri Krishna Kumar Jain*	NED	1	No	-	-	-

MD: Managing Director, NED: Non-Executive Director
 \$Represents Audit Committee and Investors' Grievance Committee.
 *Shri Krishana Kumar Jain has expired on 24th July, 2013.

(c) **BOARD PROCEDURE :**

As per Corporate Policy, statutory and material information is placed before the Board with a view to enable it to discharge efficiently its responsibilities in formulating the strategies and policies for the growth of the Company. The Agenda and other relevant papers are circulated prior to the scheduled dates of the meetings. The day-to-day affairs of the Company are managed by both the Managing Directors subject to the supervision and control of the Board of Directors. Opinion and advice of non-executive Independent Directors are considered valuable guidance. For specific matters, the various Committees of the Directors deliberate in detail, analyze situations, information and firm up views and advise the Board on decision making and follow up actions as may be considered appropriate.

(d) **RELATIONSHIP AMONGST DIRECTORS :**

Shri Krishan Kumar Modi, Non-Executive Director, Shri Vinay Kumar Modi, Non-Executive Director and Shri Umesh Kumar Modi, Managing Director are real brothers. Shri Manish Kumar Modi, Non-Executive Director, is son of Shri Mahendra Kumar Modi, Managing Director and Shri Abhishek Modi, Non-Executive Director, is son of Shri Umesh Kumar Modi, Managing Director.

3. **AUDIT COMMITTEE :**

(a) **TERMS OF REFERENCE :**

Terms of Reference of the Audit Committee specified by the Board are as contained in Clause 49 of the Listing Agreement.

(b) **COMPOSITION :**

The 'Audit Committee' of the Company, during the year under review, consists of two Non-Executive Independent Directors, namely, (1) Shri Rakesh Kumar Modi and (2) Shri Santosh Kumar Aggarwal, as members. The Dy. Company Secretary acts as Secretary to the Committee. During the year, five Audit Committee Meetings were held on 14th May, 2013, 8th August, 2013, 28th September, 2013, 13th November, 2013 and 6th February, 2014. All the five meetings were attended by all its members.

4. **REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS :**

The Remuneration Committee*, during the year under review, consists of two Non-Executive Independent Directors, namely, (1) Shri Rakesh Kumar Modi and (2) Shri Santosh Kumar Aggarwal, as members. The decisions regarding remuneration of executive and non-executive directors are taken by the entire Board on recommendation of the Remuneration Committee subject to such approvals from the Shareholders or Central Government as may be necessary. The Company does not pay any remuneration to the non-executive directors except payment of Sitting Fees for attending Board/ Committee meetings.

* *Remuneration Committee has been renamed as 'Nomination and Remuneration Committee' with effect from 14th August, 2014.*

Details of remuneration paid to the directors during the year under review are given below:

(a) **Executive Directors :**

No remuneration has been paid to Shri Umesh Kumar Modi, Managing Director during the year under review. The Central Government has accorded its approvals for payment of remuneration to Shri Mahendra Kumar Modi as Managing Director for the period from 1st November, 2009 to 31st October, 2012 and from 1st November, 2012 to 31st October, 2014 and accordingly the Company has made a payment of ₹18.00 Lac to him for the period from 1st April, 2013 to 31st March, 2014.

(b) **Non-Executive Directors :**

Name	Sitting Fees (₹ in thousands)	Shares held	
		Equity	Preference
Shri Krishan Kumar Modi	6.0	9664	8
Shri Vinay Kumar Modi	-	25477	8
Shri Rakesh Kumar Modi	17.5	48901	10
Shri Manish Kumar Modi	8.0	22050	-
Shri Abhishek Modi	10.0	100	-
Shri Santosh Kumar Aggarwal	12.5	100	-
Shri Krishna Kumar Jain	2.5	100	-

5. **SHARE TRANSFER & INVESTORS' GRIEVANCE COMMITTEE***

The Committee, consisting of three members i.e. Shri Mahendra Kumar Modi, Managing Director, Shri Umesh Kumar Modi, Managing Director, and Shri Rakesh Kumar Modi, Independent-Non-Executive Director, has been entrusted with the work of Share/Debtenture Transfer and dealing with Investors grievances. Shri Rakesh Kumar Modi chaired all meetings of the Committee held during the year under review. The Dy. Company Secretary acts as Secretary to the Committee and is Compliance Officer under Clause 49 of the Listing Agreement. All transfers, transmissions etc. of Shares and Debtentures were effected within the stipulated period by the Company.

All 22 Shareholders/Investors complaints, received directly from them or through SEBI/Stock Exchanges and other authorities during the year under review, have been replied by the company and none remained outstanding at the end of the year under review. The status of Shareholders/Investors complaints received during the period under review were reported to the Share Transfer and Investors' Grievance Committee by the Dy. Company Secretary.

**Share Transfer & Investors' Grievance Committee has been renamed as 'Stakeholders Relationship Committee' with effect from 14th August, 2014.*

6. **GENERAL BODY MEETINGS :**

The last three Annual General Meetings were held at Modi Industries Transit House (Modi Industries Complex), Modinagar, Distt. Ghaziabad (U.P.), on the following dates and time:

Financial year	Date	Time
2012-13	13.11.2013	12.30 P.M.
2011-12	19.12.2012	12.30 P.M.
2010-11	29.09.2011	12.30 P.M.

Special resolutions for re-appointment of Statutory Auditors of the Company were passed in the last three Annual General Meetings of the Company. However, Special Resolution for remuneration payable to Shri Mahendra Kumar Modi as Managing Director of the Company was passed in the Annual General Meeting of the Company held on 19th December, 2012. Special Resolution for commencement of new object under clause 3(34) of Memorandum of Association was passed in the Annual General Meeting of the Company held on 29th September, 2011.

The Company has so far no business which had to be conducted through postal ballot for passing any resolution at general meetings.

7. **DISCLOSURES :**

There were no transactions of the company of material significance with its directors or the management, their subsidiaries or relatives during the year which may have potential conflict with interest of the company. There was no non-compliance during the last three years by the company on any matters related to capital markets. Consequently, neither any penalties were imposed nor strictures passed on the company by Stock Exchanges, SEBI or any Statutory Authority. The company has complied with all the mandatory requirements of revised Clause 49.

8. **MEANS OF COMMUNICATION :**

The Quarterly results of the Company are published in English and local language news-papers as required under the Listing Agreement. All financial and other vital information are promptly communicated to the Stock Exchanges on which company's shares are listed. Company's Financial Results and Shareholding Pattern for each quarter and Annual Accounts of the Company are being uploaded on the Company's Website – www.modiindustries.net. Management discussion and analysis form a part of annual report and is given in a separate chapter thereto.

9. **GENERAL SHAREHOLDERS' INFORMATION :**

(a) **Annual General Meeting :**

Date : 29th September, 2014
 Time : 12.30 P.M.
 Venue : Modi Industries Transit House
 (Modi Industries Complex) Modi Nagar, Distt. Ghaziabad (U.P.)

(b) **Financial Calendar :**

(i) Financial year : April to March
 (ii) First quarter results : Upto 14th August, 2014
 (iii) Second quarter results : Upto 14th November, 2014
 (iv) Third quarter results : Upto 14th February, 2015
 (v) Fourth quarter results (Audited) : Upto 30th May, 2015
 (v) Annual General Meeting for the Year 2014-15 : End of September, 2015

(c) **Date of Book Closure :**

22nd September, 2014 to 29th September, 2014 (both days inclusive).

(d) **Dividend payment date :**

The Directors have not recommended any dividend on shares in view of accumulated losses.

(e) **Stock Exchange Listing :**

Shares of the company are listed on:
 U.P. Stock Exchange Ltd., Kanpur (U.P.) (UPSE)
 Delhi Stock Exchange Ltd., New Delhi. (DSE)

(f) **Stock Code :**

Uttar Pradesh Stock Exchange Ltd. Z-493
 Delhi Stock Exchange Ltd. 013154

(g) **Market Price Data : High/Low during each month in the year 2013-14:**

The Company is a Sick Industrial Unit. There have been no transactions of Company's shares on the Stock Exchanges, where the shares of the Company are listed, since long.

(h) **Registrar and Transfer Agents :**

Company has not appointed any Registrar for Shares/ Debenture Transfer. All such work is done in-house at Company's Share Department.

(i) **Share Transfer System :**

Shares lodged with the Company for transfer are processed and returned to the Shareholders within the stipulated time, provided transfer documents are complete and valid in all respect.

(j) **Distribution of Shareholding as on 31.03.2014:**

Distribution of shareholding	Number of		No. of Shareholders		%age of Shareholding	
	Equity shares of ₹ 10 each	Pref. shares of ₹ 100 each	Equity shares	Pref. shares	Equity shares	Pref. shares
Upto 500	681530	248	8935	20	20.59	0.61
501 - 1000	94637	-	125	-	2.86	-
1001 - 2000	100655	-	67	-	3.04	-
2001 - 3000	44945	-	18	-	1.36	-
3001 - 4000	23173	3520	7	1	0.70	8.64
4001 - 5000	28088	9005	6	2	0.85	22.10
5001 - 10000	115778	14344	16	2	3.50	35.21
10001 and above	2220408	13624	52	1	67.10	33.44
Total	3309214	40741	9226	26	100.00	100.00

(k) **Dematerialisation of Shares and Liquidity :**

The Company is a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and all its shares are held in physical form.

(l) **Outstanding GDRs/ADRs/Warrant or any Convertible Instruments, Conversion date and likely impact on Equity :**

The Company has no GDRs/ADRs/or any convertible instrument.

(m) **Plant Location :**

At Modinagar
 District Ghaziabad (U.P.) 201204.

(n) **Address for Correspondence :**

Modi Industries Limited
 Registered Office,
 P.O. Modinagar,
 District Ghaziabad (U.P.)
 Pin 201204.

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Modi Industries Limited
Modinagar.

We have examined the compliance of conditions of corporate governance by Modi Industries Limited for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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.

Wef 24th July, 2013, composition of the Board includes two independent directors as against requirement of three independent directors and Audit Committee have two directors as against the minimum requirement of three directors (Refer Paragraph 2 of Corporate Governance Report for the year ended 31st March, 2014 regarding inability of the Company to appoint new directors in view of Hon'ble Supreme Court order dated 27th August, 2010).

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the company has complied with the conditions of Corporate Governance for the year ended 31st March, 2014 as stipulated in the above mentioned Listing Agreement.

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

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

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

PLACE: Delhi
DATED: August 14, 2014

RAMESH CHAND GOYAL
PARTNER
Membership No. 012628

COMPLIANCE CERTIFICATE

CIN: L15429UP1932PLC000469

AUTHORISED CAPITAL : Rs.5.00 crore

PAID UP CAPITAL : Rs.3.71 crore

TO,
THE MEMBERS,
MODI INDUSTRIES LIMITED
MODINAGAR.

I have examined the registers, records, books and papers of MODI INDUSTRIES LIMITED as required to be maintained under the Companies Act, 1956, and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2014. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

- 01 The company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions and the rules made there under and all entries have been duly recorded.
- 02 The company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and rules made there under.
- 03 The company, being a public limited company, has the minimum prescribed paid-up capital.
- 04 The Board of Directors duly met five times on 14th May, 2013, 8th August, 2013, 28th September, 2013, 13th November, 2013 and 6th February, 2014, in respect of which meetings, proper notices were given and the proceedings were properly recorded, and signed including the circular resolutions passed, in the minutes book maintained for the purpose.
- 05 The company closed its register of members from 8th November, 2013 to 13th November, 2013 and necessary compliance of section 154 of the Act has been made.
- 06 The Annual General Meeting for the financial year ended on 31st March, 2013 was held on 13th November, 2013, after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book for the purpose.
- 07 No Extra Ordinary meeting was held during the financial year.
- 08 The company has not advanced any loan to its directors or persons or firms or companies referred in Section 295 of the Act.
- 09 The company has duly complied with the provisions of Section 297 of the Act, in respect of contracts specified in that section.
- 10 The company has made necessary entries in the register maintained under Section 301 of the Act.
- 11 As there were no instances falling within the purview of section 314 of the Act, the company is not required to obtain any approval from the Board of Directors, Members, Central Government, as the case may be.
- 12 The Board of Directors or duly constituted Committee of Directors has issued no duplicate share certificates/debenture certificates during the financial year.
- 13 The Company has:
 - i) not allotted any securities during the financial year.
 - ii) delivered all the share certificates and debenture certificates on lodgment there of for transfer/transmission or any purpose in accordance with the provisions of the Act.
 - iii) not deposited any amount in a separate bank account as no dividend was declared during the financial year.
 - iv) duly complied with the requirements of Section 217 of the Act.
 - v) not credited/paid any amount to the Investors Education and Protection Fund in respect of debentures and fixed deposits etc. (matured over a period of seven years). It is a sick industrial company. Rehabilitation proposal for payment in respect of debentures and fixed deposits etc. is pending before the IDBI (as the Operating Agency)/BIFR for consideration. The company will pay/ credit the amount as per final orders of BIFR.
- 14 The Board of Directors of the Company is duly constituted. There was no appointment of Additional Directors or Alternate Director during the financial year.
- 15 The Company has not appointed any Managing/ Whole Time Director/Manager during the financial year.
- 16 The Company has not appointed any sole-selling agent during the financial year.
- 17 The Company has obtained all necessary approvals of the Central Government, Company Law Board/ Regional Director, Registrar of Companies and/or such authorities as prescribed under the various provisions of the Act.
- 18 The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of Act and the rules made there under.
- 19 The company has not issued any shares, debentures or other securities during the financial year.
- 20 The company has not bought back any shares during the financial year.
- 21 There was no redemption of Preference Shares or Debentures during the financial year.
- 22 There was no transaction necessitating the company to keep in abeyance the rights to dividends, right shares and bonus shares pending registration of transfer of shares.
- 23 The company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A, during the financial year.
- 24 The Company has not made any borrowings during the financial year.
- 25 The company has not made any loans or advances or given guarantees or provided securities to bodies corporate during the financial year.
- 26 There has been no change in situation of the registered office from one state to another state during the year under scrutiny and hence company has not altered the provisions of the Memorandum with respect thereto.
- 27 The company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
- 28 The company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
- 29 There has been no alteration in the Share Capital of the company and hence company has not altered the provisions of Memorandum with respect thereto.
- 30 The company has not altered its Articles of Association during the financial year.
- 31 There was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the Company during the financial year.
- 32 The company has not received any money as security from its employees during the financial year.

33 The company has deducted and deposited both employees and employer's contribution to the Provident Fund in accordance with the provisions of Provident Fund Act and the provisions of PF Trust Fund.

R.K.GUPTA

Company Secretary

CP NO. 3139
543/102, "K" Block,
Kidwai Nagar,
Kanpur 208011
Ph.No. 0512-2662870
e-mail:sanjayknp102@gmail.com

Place: Delhi

Dated: 14th August, 2014

ANNEXURE "A"

Registers as maintained by the Company:

- 01 Register of members under Section 150.
- 02 Register of debenture holders.
- 03 Register of Directors Particulars under Section 303.
- 04 Register of Loans under Section 372 A.
- 05 Register of Directors' shareholding under Section 307.
- 06 Register of contracts under Section 301.
- 07 Register of Mortgage and charges.
- 08 Minute Books under Section 193 for Board of Directors and its constituted committees Meetings.
- 09 Minute Book under Section 193 for Annual General Meetings.

Other Registers:

01. Share Transfer Register
02. Debenture Transfer Register
03. Proxy Register
04. Attendance Registers of Board of Directors and its constituted committees.
05. Shareholders Attendance Register.
06. Complaint/grievances register.

Note:

The other statutory registers are not required to be maintained by the Company as the same are not applicable or there exists no transactions to be recorded therein.

ANNEXURE "B"

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or Other Authorities during the financial year ended on 31st March, 2014.

Sl.No.	Form No./ Return	Under Section	Date of Filing	Whether Filed in time	If delay, Additional Fee paid Yes/ No
1	Form No. 62 Return of Deposit	58A	19/06/2013 vide MCA SRN No. B77417731	Yes	No
2	Form 23C Appointment of Cost Auditors for Sugar, Distillery, Gas, Paint and Electrode Units	233B(2)	27/06/2013Vide MCA SRN No. S21379987	Yes	No
3	Form 61 Extension of period for holding Annual General Meeting	166(1)	03/09/2013Vide MCA SRN No. B83432450	Yes	No
4	Form No. 32 Ceasation of Director due to death	303	05/09/2013Vide MCA SRN No. B83656363	No	Yes
5	Form No. A-XBRL Cost Compliance Report (Gas Unit)	209 (1)(D)	30/09/2013Vide MCA SRN No. S22647960	Yes	No
6	Form No. I-XBRL Cost Audit Report (Sugar, Industrial Alcohol, Paint & Varnish and Metallurgy of Ferrous and non-ferrous metals)	233B(4)	16/10/2013vide MCA SRN No. S23634033	No	No
7	Form 66 Submission of Compliance Certificate	383A	18/11/2013vide MCA SRN No. Q23686637	Yes	No
8	Form 23 Appointment of Statutory Auditors u/s 224A	192	20/11/2013vide MCA SRN No. B89470991	Yes	No
9	Form No. 23AC XBRL and Form No. 23 ACA XBRL Balance Sheet & Statement of Profit and Loss (31.3.2013)	220	28/11/2013 vide MCA SRN No. Q25744798	Yes	No
10	Form No. 20B Annual Return (31.3.2013)	159	24/12/2013vide MCA SRN No. Q27299924	Yes	No

INDEPENDENT AUDITOR'S REPORT

To the Members of

MODI INDUSTRIES LIMITED

Report on the Financial Statements

(1) We have audited the accompanying financial statements of Modi Industries Limited ("the Company") which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and significant accounting policies and other explanatory information. *The attached Balance Sheet does not include Assets and Liabilities including Contingent Liabilities and other additional information of Steel Unit as at 31st March, 2014 but includes balances as on 31st March, 1992, except for reduction of: (i) unsecured loan by ₹ 323.95Lac in view of write-back of ₹ 278.95Lac during the financial year 2004-05 and payment of ₹ 45Lac during the financial year 2005-06 on account of one-time settlement of dues of a bank and (ii) net fixed assets by ₹ 682.56 Lac (Previous year ₹ 676.05Lac) on account of provision for depreciation for the period 1st April, 1993 to 31st March, 2014 on fixed assets as stated in Note 27(4)(c) of Annual Accounts. The Statement of Profit and Loss does not include: (i) certain provisions as stated in Note 27(4)(f) and (ii) loss, amount unascertained, of the Steel Unit for the year 1992-93 in view of non-incorporation of Annual Accounts of the Steel Unit for the above year. The Cash Flow Statement, except for certain adjustments made as stated in foot-note 2 of cash flow statement, does not include adjustments for Cash Flows from investing/financing activities and changes in assets and liabilities of Steel Unit in view of non-availability of audited Balance Sheets of the Unit as on 31st March, 2013 and 31st March, 2014 {Refer Note 27(4)}.*

(2) **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

(3) **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. *Subject to paragraphs 1 & 4 of this report*, we conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

(4) **Basis for Adverse Opinion**

(A) *The books of accounts, vouchers and other documents of the Steel Unit for 1992-93 were not made available to us and consequently audit could not be conducted in respect of the same. {Note 27(4)}. Therefore, as stated in Paragraph 1 above, the attached Balance Sheet, Statement of Profit and Loss and Cash Flow Statement does not include: (a) the financial data/impact of working results and of declaration of closure/post-closure transactions, which includes realization of depot sales/dues from debtors, provision/payment of final dues of employees and payments to various parties and manufacturing/personnel/administration expenses etc., of the Steel Unit for the year 1992-93 during which the Unit had operated for ten months the exclusion of which, in our opinion, substantially impairs the presentation of above financial statements of the Company especially in view of the fact that (i) the assets and liabilities of Steel Unit constituted 28% and 43% respectively of the total Assets & Liabilities of the Company as at 31st March, 1992 and the Income & Expenditure of the Steel Unit constituted 30% and 32% respectively of the total Income & Expenditure of the Company for the said year which resulted in a loss of ₹ 787.22Lac for the Unit and (b) impact on assets, liabilities and cash flows on account of non-incorporation of transactions/balance sheets for the years 1993-94 to 2013-14 as stated in note 27(4)(c).*

(B) *Further to our comments in paragraphs 1 and 4(A) above and in the Annexure referred to in paragraph 6(i) below, we report that:*

- i. *Understatement of accumulated loss on account of non-incorporation of impact of operational/working results/declaration of closure and post closure transactions of Steel Unit for the year 1992-93, amount/impact unascertained. (Refer Note 27(4) and Paragraph 4(A) above).*
- ii. *Though the Company has been incurring huge losses continuously (losses for the three years i.e. 2011-12, 2012-13 and 2013-14 are ₹ 4,276.10Lac, ₹ 3,489.48Lac and ₹ 4,289.92Lac respectively which aggregates to loss of ₹ 12,055.50Lac for 3 years), accumulated losses of ₹ 18,826.90Lac as on 31st March, 2014 are far in excess of paid-up capital & reserves (excluding revaluation reserve) of ₹ 996.72Lac as on that date and the company has been declared a sick company on 14th March, 1991 and was also issued a show cause notice for winding up by the Board for Industrial & Financial Restructuring on 28th October, 2013 (presently the winding up order has been stayed by the Appellate Authority for Industrial & Financial Restructuring), the accounts have been prepared by the management on a going concern basis for the reasons stated in Note 27(17). In our opinion, these events / conditions cast significant doubt on the ability of the company to continue as a going concern and the appropriateness of the said basis is inter-alia mainly dependent on the vacation of the winding-up order, sanction and implementation of the rehabilitation scheme and the company's ability to infuse requisite funds by sale of unproductive assets or otherwise for meeting substantial financial obligations.*
- iii. *Understatement of losses on account of non-provision of interest on loans, obsolete inventories, doubtful debtors/loan and advances and impairment loss, and non-physical verification of inventories and fixed assets etc. in Steel Unit as stated in Notes 27(4)(f)(i) to (vii) and 27(5) of Annual Accounts. Amount of non-provision not ascertained by the management.*
- iv. (1) *Non-provision of late payment surcharge/recovery charges ₹ 302.66Lac (Previous year ₹ 302.66Lac) {Note 27(9)} and Non-provision of demands of U.P. Power Corporation Ltd ₹ 1311.49Lac (Previous year ₹ 1311.49Lac) {Note 27(4)(f) (viii)(c)};*

- (2) Non-provision of ESI demand ₹ 62.35Lac (previous year ₹ 61.19Lac) {Note 27(10)};
- (3) Non-provision of House-tax demand ₹ 188.63Lac (Previous year ₹ 188.63Lac) {Note 27(11)}.
- (4) Non-provision of simple, penal and compound interest of ₹ 28103.24Lac (for the year ₹ 4288.99Lac) on term loans/debentures and public deposits {Note 27(18)(a) and (f)} and interest/ bank charges ₹ 3017.89Lac (for the year ₹ 437.58Lac) on cash credit from banks {Note 27(18)(d) & (e)};
- (5) Non-provision of Wages ₹ 27.46Lac (Previous year ₹ 27.46Lac) for the lock-out period. {Note 27(21)} and
- (6) Non-provision of recovery charges of ₹ 413.50Lac (Previous Year ₹ 413.50Lac). {Note 27(35)(b)}.
- (C) Accounting treatment given to the manufacture and sale of Vodka and whisky by the Distillery unit (Unit) of company as stated in note 27(16) whereas it has no impact on the net profit of the Unit for the year.
- (D) Confirmation of Debit/Credit balances of debtors/ creditors/certain banks and of parties who have discounted sale bills of Sugar Unit were not obtained. Impact on annual accounts not ascertainable.{Note 27(27)}.
- (E) Our audit observations under sections 227(1A) & 372A of The Companies Act, 1956 are as under:
As stated by the management in Foot-note 7 of Note 27(38), the company has given unsecured interest free security deposit amounting to ₹ 1,100Lac during May 2011 against temporary possession of 59 houses to Ashoka Mercantile Limited, a related party, and the outstanding as on 31st March, 2014 in the books of account of the company is ₹ 998Lac (53 houses). We were informed by the company that few of these houses have been allotted to employees of the company but the same have not been occupied by any of them till date. In our opinion, the above interest free unsecured loans given by the company (i.e. a sick company as mentioned in Note 27(17)) to a related party amounting to ₹ 998Lac (As on 31st March, 2013 ₹ 1,100Lac) have been shown as deposits by the company as on 31st March, 2014.
- (F) As stated by the management in note 27(36), the Electrode Unit of the company has incurred expenditure for advertisement of products amounting to ₹ 281.64Lac (previous year ₹ 381.34Lac) including ₹ 251.09Lac by way of advertisement in newspapers / magazine. In the absence of sufficient appropriate audit evidence regarding prevailing market rates/charges paid to newspaper/magazine publishers by agents, we are unable to verify and express our opinion on these rates/charges paid to agents.
- (G) (i) As per the bottling contract mentioned in note 27(16), the Distillery Unit of the company (bottler) has agreed for blending, manufacturing and bottling of the products for MI Spirit India Private Limited (MI Spirit) and MI Spirit will, either itself or through "Modi Illva India Private Limited (Modi Illva), a company in which a director of the company is also a director, market the products and in case MI Spirit requests the bottler to directly undertake any promotion of the products, then expenses incurred by the bottler in connection with the promotion of the products shall be reimbursed by MI Spirit, against the debit notes raised by the bottler.
(ii) We note that the Distillery Unit (Unit) has accounted for sale promotion expenses (cost of gift items purchased by Modi Illva) amounting to ₹ 222.20Lac in its books of account as on 31st March, 2014 for which credit has been given to MI Spirit based on its debit note dated 31st March, 2014. In view of the facts stated in paragraph 2(i) above, in our opinion, the accounting for such expense in the books of account of the Unit is not proper. Further, we have also not verified / audited these expenses and are also not expressing opinion on these expenses as the purchases as well as distribution of these gifts have not been dealt with by the Unit.
(iii) However, the accounting of these sale promotion expenses in the books of account of the Unit had no impact on the net profit of the Unit as the Unit is entitled to only fixed manufacturing margin as stated in note 27(16) i.e. instead of sale promotion expenses, the 'Trade mark license & marketing fee' expenses would have been accounted for in the books of account of the Unit resulting in no impact on net profit of the Unit.
- (H) We further report that, without considering items mentioned at 4 (B) (i) to (iii), 4(D) to 4(F) above, the possible effects of which could not be determined, had the observations made by us in paragraphs 4(B) (iv), and 4(C & G) above been considered, the loss for the year would have been ₹ 37,717.14Lac (as against the reported loss of ₹ 4,289.92Lac), negative balance of Reserves and Surplus in Note 2 would have been ₹ 49,616.31Lac (as against the reported negative figure of ₹ 16,189.09Lac), current assets would have been ₹ 17,207.58Lac (as against the reported figure of ₹ 19,132.80 Lac), current liabilities would have been ₹ 67,216.75Lac (as against the reported figure of ₹ 34,126.93Lac), long-term borrowings would have been ₹ 4,411.38 Lac (as against the reported figure of ₹ 5,999.20 Lac), gross revenue would have been ₹ 31,829.02 Lac (as against the reported figure of ₹ 33,751.54Lac), trade mark license and marketing fees expense would have been ₹ 222.20 Lac (as against the reported figure of ' Nil), discount and sales promotion expense would have been ₹ 114.32 Lac (as against the reported figure of ₹ 336.52 Lac) and total expenses (including excise-duty) for the year would have been ₹ 69,546.16Lac (as against the reported figure of ₹ 38,041.46Lac).
- (I) In view of the significance of our audit observations in paragraphs 1 and 4(A) to (H) above and especially in view of the fact that the state of affairs would change substantially in case the Statement of Profit and Loss for the financial year 1992-93 and Balance Sheet as on 31st March, 2014 of Steel Unit were included, which we are unable to quantify, we are of the opinion, the said accounts **DO NOT** give a true and fair view:
(a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014, (b) in the case of Statement of Profit and Loss, of the loss for the year ended 31st March, 2014 and (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
- 5. Emphasis of Matter**
- (i) The Company has not deposited unpaid unclaimed public deposits and interest accrued thereon amounting to ₹ 9.73Lac with Investor Education & Protection Fund. Further, unpaid amount of such unclaimed debentures, if any, as on 31.03.2014 has not been identified. {Note 27(30)}.
- (ii) Cars costing ₹ 93.52Lac (Previous Year ₹ 93.52Lac) purchased in the name of employees/Corporate Advisor are yet to be transferred to the name of the company. However, these persons have given disclaimer in favor of the company. (Refer Foot-Note D of Note 10).
- (iii) We invite attention to Note 27(33) regarding entering into agreements to sell 215 (previous year 215) residential quarters, Note 27(34)(a) regarding entering into lease, including perpetual lease, agreements for 27,954.86 Sq. Meters of factory land & buildings and Note 27(34)(b) regarding entering into perpetual lease agreement for 1584 Sq. Mtrs. of factory land for which the approvals of financial institutions, to whom these quarters and factory land & buildings are mortgaged, were not obtained.
- (iv) We invite attention to Note 27(19)(a) regarding reasons for not making provision for disputed Sales-tax demand of ₹ 2,455.78Lac excluding interest (Previous year ₹ 2,455.78Lac) of Vanaspati Unit.
- (v) We invite attention to Note 27(35)(a), (c) and (e) regarding demands of recovery charges & interest of ₹ 955.04Lac (Previous Year

₹ 504.25Lac) on account of non-payment of cane price/commission/interest as the same are disputed by the company/ obtained stay order as stated therein.

- (vi) We invite attention to Note 27(31) regarding non-provision of diminution of ₹ 154.80Lac as on 31st March, 2014 (Previous Year ₹ 133.80Lac) in market value of one of its long-term investment in a group company in view of the reasons stated in the Note i.e. the Modified Rehabilitation Scheme of the group company is still under consideration of the BIFR.

Our opinion is not qualified in respect of the matters mentioned in paragraph 5 above.

6. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditors' Report) Order, 2003 issued by the 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 and 5 of the said order *except for certain matters relating to Steel Unit of the company in view of non-availability of information / details on account of non-incorporation of: (i) Annual Accounts of the Steel Unit for the year 1992-93 and (ii) balance sheets for the years 1993-94 to 2013-14 as stated in note 27(4)(c) . (See Paragraph 4(A) above). (See Paragraphs 1 and 4 A) above*

- (ii) As required by section 227(3) of the Act, we report that:

- a. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit of the Company *except in respect of Steel Unit as mentioned above and the matter referred in paragraph 4 above. In case of Steel Unit, no details, information and explanations are available for the opening and closing assets and liabilities as on 1st April, 2013 and 31st March, 2014 respectively and for contingent liabilities and additional information etc. as on 1st April, 2013 and 31st March, 2014 in view of non-incorporation of: (i) Annual Accounts of Steel Unit for 1992-93 and (ii) Balance Sheets for the years 1993-94 to 2013-14 as stated in note 27(4)(c).*
- b. In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from our examination of the books *except in respect of Steel Unit, where audited balances of opening and closing assets, liabilities, contingent liabilities and additional information etc. as on 1st April, 2013 and 31st March, 2014 respectively were not available and consequently not incorporated in the books of account. (See Paragraph 4(A) above).*
- c. The Balance Sheet referred to in this report is in agreement with the books of accounts of all units and accounting centres taken together, *other than Steel Unit, as on 31st March, 2014 as consolidated with the Balance Sheet of Steel Unit as stated in Note 27(4) (c)&(d) of Annual Accounts and hence is not in agreement with the books of account of the Company as a whole. Further, the Cash Flow Statement for the year ended on that date, which does not include adjustments for Cash Flows from investing/financing activities and changes in assets and liabilities in view of non-availability of audited Balance Sheet of Steel Unit as on 31st March, 2013 & 31st March, 2014, is also not in agreement with the books of account. (Refer foot-note 2 of cash flow statement). Except for non-incorporation of Statement of profit and loss of Steel Unit for the year 1992-93, the Statement of Profit and Loss is in agreement with the books of accounts.*
- d. *Subject to our observations in paragraph 4(B) above, in our opinion, the Statement of Profit and Loss and Balance Sheet, so far as they relate to the remaining units i.e. other than Steel Unit, comply with the requirements of the Accounting Standards referred to in Sub-Section (3c) of Section 211 of the Companies Act, 1956. However, in view of non-availability and consequently non-incorporation of audited (i) opening and closing balances as on 1st April, 2013 and 31st March, 2014 respectively of assets, liabilities, contingent liabilities and other additional information etc. and (ii) Statement of Profit and Loss for 1992-93 of Steel Unit (Refer Paragraph 4(A) above), the accounts do not comply with the requirements of Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 for the Company as a whole.*
- e. On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified, as on 31st March, 2014, from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
Further, the company has been legally advised that provisions of Section 274(1)(g) are prospective in nature and the defaults made by it prior to 13th December, 2000, for non-payment of deposits/interest on deposits on due dates and non-redemption of debentures on due dates, are not covered by Section 274(1)(g) of the Companies Act, 1956, on which we have relied upon.
- f. 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 Accounting Policies and Notes thereon, so far as they relate to the remaining Units i.e. *other than Steel Unit*, 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 (Refer note 27(14)). In the case of Steel Unit, in view of non-incorporation of Balance Sheets of Steel unit as on 31st March, 2014 and 31st March, 2013 on account of non-availability and consequently non-incorporation of audited opening balances as on 1st April, 2013 and 1st April, 2012 respectively of assets, liabilities, contingent liabilities and other additional information etc., the accounts do not give the information required by the Companies Act, 1956 in the manner so required for the Company as a whole. (Refer Note 27(4)).*
- g. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

for **P.R. MEHRA & CO.**,
CHARTERED ACCOUNTANTS
(Regn. No. 000051N)

RAMESH CHAND GOYAL
PARTNER
Membership No.012628

PLACE: NEW DELHI
DATED: 30th June, 2014

ANNEXURE REFERRED TO IN PARAGRAPH 6 (i) OF OUR MAIN REPORT OF EVEN DATE

As required by the Companies (Auditors' Report) Order, 2003 and on the basis of such checks as were considered appropriate and according to the information and explanations given to us, we further state that in our opinion:

- (A) The following matters reported at paragraphs (B) 6, 9(ii & iii), 11, 12, 15 and 16 do not cover matters relating to closed Steel Unit of the company since (i) the Annual Accounts of the Steel Unit for the year 1992-93 have not been prepared and incorporated and consequently the audit of which has not been carried out and (ii) the Balance Sheets of Steel Unit for 1993-94 to 2013-14 have not been incorporated due to non-availability of audited opening balances as on 1st April, 1993. (Refer Note 27(4) and paragraphs 1 & 4(A) of our main audit report).
- (B) Subject to our comments in paragraphs (A) above and 4(F & G) in our main audit report of even date, we report as under:
- (1) (a) Company's Sugar Unit since inception and other Units since November, 1968, have generally maintained proper records including quantitative details and situation of their major fixed assets *except for* : (i) locations in case of furniture and fixture and (ii) recording of additions/deletions of certain previous years. Fixed asset register of Steel Unit has not been produced to us. No physical verification of assets has been conducted by the Management since 1989 in sugar, steel and distillery Units and of corporate office and since 2001-02 in respect of other units.
 - (b) The Company has not disposed off substantial part of fixed assets during the year
 - (2) (a) The inventory of the company, *except for closed steel unit* has been physically verified during the year by the management. In respect of stocks lying with C&F/consignee agents, these have substantially been confirmed.
 - (b) The procedures of physical verification of inventory followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of records of inventory, the company has *except for closed steel unit* has maintained proper records of inventory and the discrepancies noticed on verification between the physical stocks and book records were not material.
 - (3) The Company has not given any loans, secured or unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956 except for unsecured interest free loan given to a company of ₹ 4.01Lac (net) during the previous years, the terms and conditions of which are prima facie not prejudicial to the interest of the Company and repayment of the principal amount will be as per the terms of sanctioned rehabilitation scheme of that company. *We are unable to comment on the rate of interest and other terms and conditions with the two companies {presently one company as stated in Note 27(5)(i)(a) & (b)} covered in the register maintained u/s 301 of the Companies Act, 1956 in view of pending execution of terms of settlement with those companies to whom Punjab National Bank and IFCI have assigned their debts by executing deed of assignments during the year ended 31st March, 2013 and IDBI has agreed to assign their debts in view of the one time settlement of their dues. (Refer note 27(5) of Annual Accounts).* The company has taken interest free loan of ₹ 24.88Lac in the previous years from a company covered in the register maintained under section 301 of the Companies Act, 1956, the terms and conditions of which are not prejudicial to the interests of the company.
 - (4) There is adequate internal control system commensurate with the size and nature of the Company's business for the purchase of inventory and fixed assets and for the sale of goods. *However, internal control system in some of the key areas, including recovery from customers and balance confirmation of customers /suppliers/parties who have discounted sale bills of Sugar Unit of the company needs to be reviewed and strengthened to safeguard the interests of the company.* During the course of our audit, except as stated above, we have not observed any continuing failure to correct major weaknesses in internal control system.
 - (5) (a) To the best of our knowledge and belief and 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 Act, read with Note 27(5) of Annual Accounts, has been entered in the register maintained under that section
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupee five lac in respect of any party during the current financial year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time. (Refer also paragraph 3 above).
 - (6) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Rules framed there under *except that due to accumulated losses, deposits outstanding as on 31st March, 2014 are in excess of the limit and matured/claimed*

and unclaimed deposits amounting to ₹ 64.98Lac and interest accrued are outstanding as on 31st March, 2014. (Refer paragraph 5 (i) of our main audit report). The Company Law Board (CLB) vide its order dated 13th December, 1991, inter-alia, directed the company to pay principal amount of the deposits commencing from April, 1992 with a moratorium of 3 years from the date of the original maturity of the deposits. Against the above order, the company filed writ petition before Hon'ble Allahabad High Court and vide its order dated 25th February, 1992, the court directed that no penal action shall be taken against the company in pursuance of the order of CLB. We are informed that the matter is still pending for final adjudication of the court.

- (7) In our opinion, the company has an Internal Audit System commensurate with the size and nature of its business except in respect of corporate office and Steel Unit where no internal audit is being conducted since long.
- (8) We could not broadly review the cost records to be maintained by the Company in respect of manufacture of Sugar, Paint and Distillery Units pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 as the cost records are yet to be compiled by the company and accordingly we are unable to form opinion that prima facie the prescribed cost records have been maintained. Further, Vanaspati and Steel Units are lying closed and hence no cost records are required to be maintained.
- (9) (i) During the current year, the company was regular in depositing with the appropriate authorities undisputed statutory dues except in following cases:
- (a) Sugar, Steel and Distillery units of the company were not regular in deposit of Provident Fund (PF) and interest on overdue PF/FPS (Sugar & Distillery Units) dues through the year, there were minor delays in deposit of PF dues in few months in other units (excluding corporate office) and there were also minor delays in all months in deposit of FPS dues in all the Units and corporate office.
- (b) In respect of excise-duty dues, there have been substantial delays in deposit of dues of 3 months in Sugar Unit and there were few delays in deposit of dues of certain months in other units (excluding Distillery Unit). In respect of tax deducted at source dues, these have been deposited in time except in case of Sugar, Steel, Distillery & Electrode units where there were delays in certain months. In respect of tax collection at source, there have been delays in certain months in Distillery Unit and in deposit of dues for one month in Sugar Unit. In respect of sales-tax/ vat, these have been regularly deposited though there has been a slight delay in few cases in certain depots of Gas, Paint & Electrode Units. In respect of service-tax, there have been minor delays in deposit in certain months by Electrode, Paint, Gas and Steel Units and MD office.
- (c) Investor Education and Protection Fund:
- As on 31st March, 2014, there were public deposits amounting to ₹ 7.32Lac which has remained unclaimed and unpaid for a period of more than seven years and interest accrued but not paid on these unclaimed deposits till the date of maturity amounts to ₹ 2.41Lac. Details of unclaimed and unpaid debentures for a period of more than seven years have not been ascertained. These amounts have not been deposited with Investor Education and Protection Fund (Refer Note 27(30) of Annual Accounts).
- (ii) On the basis of such checks as were considered appropriate and according to the information and explanations given to us, Statement of Arrears of unpaid undisputed Statutory Dues (excluding of Steel Unit) outstanding for more than six months as on 31st March, 2014 as per books of account are as under :

Nature of dues	(₹ in Lac)
EPS	0.06
Interest on Provident Fund/FPS	106.03
Tax deducted at source/Tax collection at source	27.05
Interest on TCS/water cess	2.95
Excise duty including interest	4.28
U.P. Trade Tax/CST	1109.03
Commission on Cane purchases	258.40
House-Tax	8.83

- (iii) According to the records of the company and based on information and explanations furnished to us, the following custom duty, Excise duty, Income-tax and sales-tax dues (excluding unascertainable amounts and of Steel Unit for the period 1992-93 to 2013-14) were not deposited on account of disputes pending at various forums:

Name of statute	Nature of the dues	Amount of dues (₹ Lac)	Amount deposited under protest (₹ Lac)	Period to which the amount relates	Forum where disputes is pending
U.P.VAT Act	VAT Tax, Penalty, Interest, Exemption to New Units.	2584.59	5.98	1987-88, 1990-91 & 1991-92, May 91 to March 96	Allahabad High Court.
	VAT Tax and Penalty	@ 732.80	377.08	1982-83 to 1986-87, 1988-89, 1992-93, 1994-95 to 1997-98, 1999-2000 to 2001-02	Commercial Tax Tribunal, Ghaziabad
	VAT Tax and Penalty	68.24	0.24	1986-87 + Interest and 2007-08	Joint Commissioner (A),Ghaziabad.
	VAT Tax	0.12	-	2005-06	Deputy Commissioner. (Assessment), Modinagar.
	Penalty under VAT Tax	0.44	0.44	2009-10	Additional Commissioner. (Appeals),Ghaziabad.
Central Sales Tax Act	Central Sales Tax,	213.14	36.40	1985-86, 1988-89, 1992-93, 1994-95 to 1997-98, 1999-2000 to 2000-01	Commercial Tax Tribunal, Ghaziabad.
	Central Sales Tax	1.01	-	2005-06	Deputy Commissioner (A),Modinagar
	Sales Tax	14.40	14.40	2012-13, 2013-14	Deputy Commissioner (Assessment), Modinagar
State Sales Tax Act	State Tax	10.56	0.20	1992-93	Additional Commissioner, Sales Tax, Delhi.
	Sales Tax	5.97	2.00	1985-86, 1997-98, 2002-03, 2004-05 & 2005-06	State Tax
	Penalty (HGST)	0.30	-	1991-92	Tribunal Sales Tax, Chandigarh.
	State Tax	15.79	1.79	1989-90 to 1993-94, 1998-99 and 2006-07	Deputy Commissioner (A), States
Central Sales Tax Act (States)	Central Sales Tax	1.92	0.29	1988-89 to 1992-93.	Appellate Authority/DC (Appeals), Delhi
Wealth Tax Act	Wealth Tax	1.16	0.59	2007-08	I.T.A.T.,New Delhi
	Wealth Tax	0.65	0.65	2008-09	I.T.A.T.,New Delhi
	Wealth Tax	2.66	2.66	2009-10	CIT(Appeals)New Delhi
	Wealth Tax #	3.48	3.48	2010-11	CIT(Appeals)New Delhi
Central Excise & Custom Act	Custom Duty	*43.91	-	1.3.2001 to 25.4.2001	Civil Court Ghaziabad
	Excise Duty	0.70	-	2002-03 and 2003-04	Supreme Court of India
	Excise Duty	0.81	-	2011-12, 2012-13	Deputy Commissioner, Central Excise,Ghaziabad.
	Excise Penalty	0.07	-	2010-11	Commissioner of Central Excise,Ghaziabad.
	Excise Duty	167.43	50.00	1985-86	Delhi High Court
		0.49	0.25	2004-05	Allahabad High Court
		0.74	0.20	1996-97	Commissioner of Central Excise,Ghaziabad
		**113.47	-	February 1981 to February, 1987, 2002-03 to 20010-11	CESTAT
		5.00	-	Information not available.	Information not available.
		6.34	6.34	2009 onwards	Supreme Court of India
Income Tax	Penalty	209.59	-	2007-08 and 2008-09	CIT (appeal) New Delhi

@ Provided for ₹ 82.60 Lac in the Accounts
**Provided for ₹ 32.20 Lac in the Accounts

*Provided for in the Accounts.
Excludes ₹ 10.44 Lac for 2011-12 to 2013-14 for which assessments are pending.

(10) The accumulated losses of the Company at the end the Financial Year exceeds its net worth and the company was declared a sick industrial undertaking on 14th March, 1991 and the Company has incurred cash losses in this Financial Year and in the immediately preceding financial year.

(11) In our opinion, and according to the information and explanations given to us, the Company has defaulted in repayment of dues to Financial Institutions, banks and debenture-holders of the Company. The details of defaults and period of defaults are as under:

(₹ IN LAC)

Particulars	Loan Amount	Interest including unprovided interest	Total dues*	Period of default of principal amount
Loans from Financial Institutions	423.13	17,594.29	18,017.42	Loan amounts since 1991-92.
Loan from banks (Cash credit/ overdraft)	40.55	3,035.50	3,076.05	Entire amount due. Refer note 27(18) (c).
Debentures	537.32	14,967.69	15,505.01	₹ 53 Lac due since August, 1990, ₹ 30 Lac due since December, 1994 & ₹ 454.32 Lac due since February, 1995 to February, 1997.
Total	1,001.00	35,597.48	36,598.48	

*excluding amounts relating to Steel Unit but including dues of IDBI/IFCI relating to other units. Refer note 27(5) regarding assignment of debts by bank and financial institutions & paragraph A above.

(12) 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.

(13) The provisions of any special statute as specified under Clause 4(xiii) of the Order are not applicable to the Company.

(14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investment. Accordingly, the provision of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

(15) 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. However, in the past, the Company had given guarantees/ undertakings as mentioned in Note 27(39) of annual accounts in respect of certain Companies (which presently have become Sick Industrial Undertakings) to Financial Institutions.

(16) In our opinion, and according to the information and explanations given to us, term loans were applied for the purpose for which loans were raised.

(17) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

(18) The company has not made any preferential allotment of shares during the year.

(19) The company has already created security in respect of debentures issued in the past.

(20) The company has not raised any money by way of public issue during the year.

(21) 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
(Regn. No. 000051N)

RAMESH CHAND GOYAL
PARTNER
Membership No.012628

PLACE : NEW DELHI
DATED : 30th June, 2014

Balance Sheet as at 31st March, 2014

(₹ in Lac)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
1	2	3	4
I EQUITY AND LIABILITIES :			
(1) Shareholders' funds:			
(a) Share Capital	1	371.42	371.42
(b) Reserves & Surplus	2	(16,189.09)	(11,899.17)
		(15,817.67)	(11,527.75)
(2) Non-current liabilities :			
(a) Long term borrowings	3	5,999.20	6,217.33
(b) Other long term liabilities	4	1,392.64	1,399.49
(c) Long term provisions	5	1,142.04	1,217.35
		8,533.88	8,834.17
(3) Current liabilities :			
(a) Short term borrowings	6	1,664.64	1,673.67
(b) Trade payables	7	19,703.37	16,208.45
(c) Other current liabilities	8	12,071.13	11,972.79
(d) Short term provisions	9	687.79	639.35
		34,126.93	30,494.26
TOTAL		26,843.14	27,800.68
II ASSETS			
(1) Non-current assets			
(a) Fixed assets :			
i) Tangible assets	10	6,625.68	7,063.93
ii) Intangible assets	11	13.59	18.36
iii) Capital work-in-progress		44.38	42.56
(b) Non-current investments	12	804.28	804.28
(c) Long term loan and advances	13	222.41	526.55
		7,710.34	8,455.68
(2) Current assets			
(a) Inventories	14	9,299.64	8,478.74
(b) Trade receivables	15	5,081.50	5,691.63
(c) Cash and bank balances:-			
(i) Cash and cash equivalents	16(i)	396.42	511.69
(ii) Other bank balances	16(ii)	1,126.85	1,147.37
(d) Short term loans and advances	17	3,099.57	3,377.00
(e) Other current assets	18	128.82	138.57
		19,132.80	19,345.00
Accounting policies and other notes to financial statements	26 & 27		
TOTAL		26,843.14	27,800.68

As per our report of even date attached

for **P.R. Mehra & Co.**
Chartered Accountants,
Regn No. 000051N

Ramesh Chand Goyal
Partner
Membership No. 012628

Date : 30th June, 2014
New Delhi

V.P. Gupta
Manager
Company Secretarial

Mahendra Kumar Modi
(DIN 00014594)
Umesh Kumar Modi
(DIN 00002757)
Managing Directors

Vinay Kumar Modi
(DIN 00274605)
Rakesh Kumar Modi
(DIN 00022386)
Manish Kumar Modi
(DIN 00030036)
Abhishek Modi
(DIN 00002798)
Santosh Kumar Aggarwal
(DIN 00064755)
Directors

Statement of Profit and Loss for the year ended 31st March, 2014

(₹ in Lac)

S.No.	Particulars	Note No.	For the year ended 31.03.2014	For the year ended 31.03.2013
I	Revenue from operations	19	33,029.24	44,917.57
	Less:- Excise duty		2,897.38	11,504.08
			30,131.86	33,413.49
II	Other income	20	722.30	608.25
III	Total Revenue (I + II)		30,854.16	34,021.74
IV	Expenses:-			
	Cost of materials consumed	27(42)(ii)	24,150.41	25,228.93
	Purchases of stock-in-trade	27(42)(iv)	71.93	81.55
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(1,066.55)	(281.79)
	Employee benefits expense	22	3,355.69	3,489.48
	Finance costs	23	1,767.84	1,243.77
	Depreciation and amortization expense	10 & 11	527.27	599.40
	Other expenses	24	6,337.49	7,149.88
	Total expenses		35,144.08	37,511.22
V	Loss before exceptional and extra-ordinary items and tax (IV-III)		4,289.92	3,489.48
VI	Exceptional items:-		-	-
VII	Loss before extra-ordinary items and tax (V+VI)		4,289.92	3,489.48
VIII	Extra-ordinary items		-	-
IX	Loss before tax (VII+VIII)		4,289.92	3,489.48
X	Tax expenses	27(32)	-	-
XI	Loss for the period		4,289.92	3,489.48
XII	Loss from continuing operations		4,383.89	3,321.62
XIII	Loss/(Profit) from discontinuing operations	27(4)(e)	(93.97)	167.86
XIV	Tax expense of discontinuing operations		-	-
XV	Loss/(Profit) from discontinuing operations (after Tax) (XIII+XIV)		(93.97)	167.86
XVI	Loss for the period (XII+XV)		4,289.92	3,489.48
XVII	Basic /Diluted Earnings per equity share of ₹ 10 each (in Rupees)	25	(129.82)	(105.63)
	Accounting policies and other notes to financial statements	26 & 27		

As per our report of even date attached for **P.R. Mehra & Co.** Chartered Accountants, Regn No. 000051N
Ramesh Chand Goyal
 Partner
 Membership No. 012628
 Date : 30th June, 2014
 New Delhi

V.P. Gupta
 Manager
 Company Secretarial

Mahendra Kumar Modi
 (DIN 00014594)
Umesh Kumar Modi
 (DIN 00002757)
 Managing Directors

Vinay Kumar Modi
 (DIN 00274605)
Rakesh Kumar Modi
 (DIN 00022386)
Manish Kumar Modi
 (DIN 00030036)
Abhishek Modi
 (DIN 00002798)
Santosh Kumar Aggarwal
 (DIN 00064755)
 Directors

Cash Flow Statement for the year ended 31st March, 2014.

Particulars	₹ in Lac	2013-14 ₹ in Lac	2012-13 ₹ in Lac
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Profit/(Loss) before Tax		(4,289.92)	(3,489.48)
Less: Adjustment for :			
i) Interest Income	106.70		117.47
ii) Profit on Sale of Fixed Assets	236.63		28.95
iii) Excess Provision written back	20.61		36.43
iv) Unclaimed credit balances W/back	24.19		44.96
v) Amount written back	16.18		13.63
vi) Depreciation add back	0.78		10.62
vii) Dividend Income	36.75		79.98
		<u>441.84</u>	<u>332.04</u>
Add: Adjustments for :		(4,731.76)	(3,821.52)
i) Depreciation	527.27		599.40
ii) Assets/Investment written off/ Loss on Sale of Fixed Assets/Stores	62.64		4.55
iii) Interest Expenses	1,767.84		1,243.77
iv) Provision for Doubtful Debts & Advances	73.28		94.19
v) Amounts/Claims/Bad Debts written off (Net of provisions)	8.92		31.95
vi) Provision for obsolete spare-parts & stores	7.16		4.75
		<u>2,447.11</u>	<u>1,978.61</u>
Operating Profit/ (Loss) before Working Capital Changes		<u>(2,284.65)</u>	<u>(1,842.91)</u>
<u>Adjustments for :</u>			
Trade Receivables		534.24	54.74
Inventories		(838.17)	(193.99)
Trade Payable		3,109.58	2,514.84
Loans/Advances and other assets		621.54	40.92
Other bank balances		20.52	(272.28)
Cash Generated from Operations		<u>1,163.06</u>	<u>301.32</u>
Interest Paid (Foot-note 1 below)		(559.82)	(86.48)
Interest received on tax refund		3.74	3.98
Income tax refund (Net)		13.32	3.87
Net Cash from Operating Activities (A)		<u>620.30</u>	<u>222.69</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of Fixed Assets		(177.22)	(104.54)
Sale of Fixed Assets		275.99	30.92
Interest Received		99.33	113.21
Dividend Received		36.75	79.98
Net Cash Flow from Investing Activities (B)		<u>234.85</u>	<u>119.57</u>

Particulars	2013-14 ₹ in Lac	2012-13 ₹ in Lac
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Secured term borrowings from bank	(22.68)	(20.54)
Secured borrowings from banks (over draft)	(9.03)	144.98
Unsecured Fixed Deposits paid	(0.18)	(4.06)
Unsecured borrowings from others (net)	(201.51)	(3.59)
Interest paid on borrowings	(690.39)	(830.18)
Net Cash from Financing Activities (C)	(923.79)	(713.39)
*Inter Unit Balances (Net) (D) (Foot-note 2 below)	(46.63)	11.38
Net Increase/(decrease) in cash and Cash Equivalents (A+B+C+D)	(115.27)	(359.75)
Opening Cash and Cash Equivalents	511.69	871.44
Closing Cash and Cash Equivalents	396.42	511.69

FOOT-NOTES :

- Interest credited to accounts of suppliers, C & F agents and dealers etc. is treated as paid.
- In view of non availability of audited balance sheet as on 31.03.2013 and 31.03.2014 of Steel Unit, cash flow from investing/ financing activities and changes in current assets & liabilities of steel unit are not included in the Cash Flow Statement except for inclusion of net outflow of ₹ 46.63 Lac on account of net increase in inter unit balances appearing in Note 17 i.e. Short term loans & advances {Refer Note 27(4)}.
- Figures in brackets represents outflows.
- Previous Year figures have been rearranged/regrouped wherever considered necessary.

As per our report of even date attached

for **P.R. Mehra & Co.**
Chartered Accountants,
Regn No. 000051N
Ramesh Chand Goyal
Partner
Membership No. 012628

Date : 30th June, 2014
New Delhi

V.P. Gupta
Manager
Company Secretarial

Mahendra Kumar Modi
(DIN 00014594)
Umesh Kumar Modi
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Managing Directors

Vinay Kumar Modi
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Rakesh Kumar Modi
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Manish Kumar Modi
(DIN 00030036)
Abhishek Modi
(DIN 00002798)
Santosh Kumar Aggarwal
(DIN 00064755)
Directors

Notes forming part of the financial statements for the year ended 31st March, 2014

Note no.1 : SHARE CAPITAL

₹ in Lac

Particulars	As at 31.03.2014	As at 31.03.2013
Authorised:-		
40,00,000 Equity shares of ₹ 10/- each	400.00	400.00
1,00,000 15% Redeemable cumulative Preference shares of ₹ 100/- each	100.00	100.00
	<u>500.00</u>	<u>500.00</u>
Issued, subscribed and paid up:-		
33,09,214 Equity shares of ₹ 10/- each fully paid-up	330.92	330.92
Less: Calls unpaid (Directors and Officers)	-	-
Less: Calls unpaid (others)	0.24	0.24
	<u>330.68</u>	<u>330.68</u>
40,741 15% Redeemable cumulative Preference shares of ₹ 100/- each fully paid-up	40.74	40.74
TOTAL	<u>371.42</u>	<u>371.42</u>

Foot notes:

- (1) (a) Details of equity shares held by each shareholder holding more than 5 percent shares as at the end of financial year are as under:

Name of share holder	As at 31.03.2014		As at 31.03.2013	
	No.of shares held	Percentage	No.of shares held	Percentage
(i) Status Mark Finvest Limited	227844	6.885	227844	6.885

- (b) Details of preference shares held by each shareholder holding more than 5 percent shares as at the end of financial year are as under:

Name of share holder	As at 31.03.2014		As at 31.03.2013	
	No.of shares held	Percentage	No.of shares held	Percentage
(i) ICICI Bank	7794	19.13	7794	19.13
(ii) The Oriental Insurance Company Limited	6550	16.08	6550	16.08
(iii) The New India Assurance Company Limited	13624	33.44	13624	33.44
(iv) The United India Insurance Company Limited	4093	10.05	4093	10.05
(v) General Insurance Corporation of India	3560	8.74	3560	8.74
(vi) National Insurance Company Limited	4912	12.06	4912	12.06

- (2) (a) Cumulative Preference Shares were due for redemption on 31st December, 2010. The company moved Misc. Application (MA) u/s 22(3) of the SICA before Hon'ble BIFR, whereby it had sought extension and suspension of obligation in relation to the 15% Preference Shares concerning Preference Shareholders for two years. The Hon'ble BIFR vide its order dated 18th January, 2011 dismissed the application of the Company. Consequent to the order, the company had written letters to the Institutional Preference Shareholders for settlement and redemption of Preference Shares. Further, negotiations are pending and preference shares are overdue for redemption as on 31st March, 2014.
- (b) Arrears of dividend on Cumulative Preference Shares amounts to ₹ 142.06 Lac (upto 31st March, 2013 ₹ 135.95 Lac).

Note no. 2 : RESERVES & SURPLUS

					(₹ in lac)
SI.No.	Particulars	Opening Balance	Addition	Deduction	Closing Balance
(1)	Capital Reserve	459.34	-	-	459.34
(2)	Capital Redemption Reserve	25.11	-	-	25.11
(3)	Shares Premium Account	22.57	-	-	22.57
(4)	Debenture Redemption Reserve	113.00	-	-	113.00
(5)	Revaluation Reserve	2,012.51	-	-	2,012.51
(6)	Share options outstanding accounts	-	-	-	-
(7)	Other Reserves/Funds:-				
	-Storage fund for Molasses Account (see-foot note below)	81.25	4.34	80.31	5.28
(8)	Surplus i.e. balance in Statement of Profit and Loss	(14,612.95)	(4,289.92)	(75.97)	(18,826.90)
	TOTAL	(11,899.17)	(4,285.58)	(4.34)	(16,189.09)
	Previous year	(8,409.69)	(3,484.11)	5.37	(11,899.17)

Foot-note:-

- Storage fund for Molasses is Created @ ₹ 1.50 per Qtls. of Molasses sold as per the provision of " The Molasses Control (Regulation of fund for erection of storage facilities) order, 1976" and is to be utilised for construction or erection of storage facilities for Molasses.
- ₹ 80.31 Lac has been utilised for construction /storage facilities during the current year. Accordingly ₹ 75.97 Lac (Net of ₹ 4.34 Lac created for 2013-14) has been transferred to surplus i.e., balance in Statement of Profit and Loss as per details given below:

	(₹ in Lac)
Utilisation of molasses fund for storage	80.31
Less: Transfer to molasses storage fund during the current year	4.34
Transfer to surplus i.e., balance in Statement of Profit and Loss as on 31.03.2014	75.97

Note no. 3 : LONG TERM BORROWINGS

			(₹ in lac)
Particulars	As at 31.03.2014	As at 31.03.2013	
Secured:-			
Bonds/debentures	-	-	
Term loan from banks (see-foot note below)	5.63	22.25	
Term loans from others	-	-	
Loan and advance from related parties	-	-	
Unsecured:-			
Bonds/debentures	-	-	
Term loan from banks	-	-	
Term loans from others	1,687.82	1,522.35	
Deposits	-	-	
Loan and advance from related parties			
-Moderate Leasing & Capital Finance Service Ltd. @	4,305.75	4,672.73	
Long term maturities of finance lease obligations	-	-	
TOTAL	5,999.20	6,217.33	

@ Not a related party as at 31.03.2013

Foot-note:-

Secured by hypothecation of vehicles and is repayable in monthly installments. There are no defaults as on 31st March, 2014.

Note no. 4 : OTHER LONG TERM LIABILITIES

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Trade payable	-	-
Others:		
Security received against houses	647.31	623.09
Security received from others	236.29	262.22
Advance received against houses {Note 27 (33)}	504.50	504.50
Lease rent Adjustable Account	-	-
Interest payable on term loan	-	-
Other liabilities	4.54	9.68
TOTAL	1,392.64	1,399.49

Note no. 5 : LONG-TERM PROVISIONS

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	1,098.83	980.18
Add: Provided during the year	(16.54)	148.06
Less: Paid during the year	43.38	29.41
Sub total (A)	1,038.91	1,098.83
Provision for leave encashment:-		
As per last balance sheet	118.52	114.42
Add: Provided during the year	1.25	22.20
Less: Paid during the year	16.64	18.10
Sub total (B)	103.13	118.52
TOTAL (A+B)	1,142.04	1,217.35

Note no. 6 : SHORT TERM BORROWINGS

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Secured:-		
Loans repayable on demand:-		
-from banks		
-Cash credit (including interest accrued)(see-foot note below)	1,498.19	1,498.19
-overdraft from bank against pledge of FDR's	166.45	175.48
-from others	-	-
Loan and advance from related parties	-	-
Other loans and advances	-	-

Note no. 6 : (Contd.)

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Unsecured:-		
Loans repayable on demand:-		
-from banks	-	-
-from others	-	-
Loan and advance from related parties:-		
-Weld Excel India Limited	-	-
Deposits	-	-
Other loans and advances	-	-
TOTAL	1,664.64	1,673.67

Foot-note:-

- Cash credit of ₹ 1498.19 Lac (including interest accrued and due of ₹ 17.61 Lac) is secured by hypothecation of Raw Materials, Stock in Progress, Finished Goods, Stores and Spares and Book Debts and guaranteed by a Managing Director. { Refer note 27(5) (i) (a)}.
- Cash credit of ₹ 58.16 Lac from Allahabad Bank is in default since 1996 and ₹ 1440.03 Lac from PNB is in default since 1992. Interest payable on cash credit has not been paid since then. {Refer note 27(18) (c to e) and note27 (5) (i) (a)}

Note no. 7: TRADE PAYABLES

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Purchase of raw material and store {Note 27 (14)}	19,005.66	14,978.04
Customers/Agents for purchase of goods	697.71	1,230.41
TOTAL	19,703.37	16,208.45

Note no.8 : OTHER CURRENT LIABILITIES

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Current maturities of long-term debts (unsecured)		
-From related parties:-		
- A to Z Holding Pvt. Ltd.	24.89	24.89
-From others	-	-
Current maturities of long -term debts (secured)		
-From banks	16.62	22.68
-From other parties (see foot-note 1)	1,506.85	1,506.85
Current maturities of finance lease obligations (see foot-note 2) {Note 27(20)(a)}	310.99	296.92
Deferred credits {Note 27 (40)}	35.11	35.11
Interest accrued but not due on borrowings (unsecured)	64.44	61.45

Note no.8 : (Contd.)

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Interest accrued but not due on borrowings (secured)	0.08	0.14
Interest accrued and due on borrowings (secured)	1,707.46	1,707.46
Interest accrued and due on borrowings (unsecured)		
-from banks	-	-
-from others	60.72	54.71
Income received in advance	0.27	0.12
Unpaid matured deposits and interest accrued thereon(unsecured):- (see foot-note 3)		
-Fixed deposits	64.98	65.16
-Interest accrued thereon	281.13	281.20
Unpaid matured debentures and interest accrued thereon (secured):- (see foot-note 4)		
-Debentures (Net calls in arrears)	537.32	537.32
-Interest accrued thereon	3,052.50	3,052.50
Other Payable:-		
Employees dues	738.15	730.81
Statutory liabilities	2,296.97	2,203.61
Security received from others	74.50	71.70
Other liabilities	1,298.15	1,320.16
Total	12,071.13	11,972.79

Notes:-

(1) Others:-

- (a) Loans aggregating to ₹ 1377.87 Lac (IDBI ₹ 627.74 Lac, ICICI ₹ 235.00 Lac, IFCI ₹ 287.66 Lac, LIC ₹ 138.97 Lac, GIC and its subsidiaries ₹ 88.50 Lac) are secured against securities as mentioned in 3(b) below. (Refer Note 27(5)(i)(b) and 27(5)(ii)).
- (b) Loan of ₹ 8.08 Lac from Government of Uttar Pradesh under the Industrial Subsidised Housing Scheme is secured by 1st Mortgage of Land and tenements constructed under the Scheme. Details of default not available.
- (c) Loan from IDBI under Technical Development Fund Scheme amounting to ₹ 74.70 Lac is secured against Electrolyser and Copper Electrodes Machine. (Refer Note 27(5)(i)(b)(i)).
- (d) Loan taken under Equipment Finance Scheme amounting to ₹ 46.20 Lac is secured against Effluent treatment plant. (Refer Note 27(5)(i)(b)(ii)) and loan repayment is in default prior to year 1996 and interest payable has not been paid since then.
- (2) Finance lease rent of ₹ 127.63 Lac & ₹ 130.61 Lac due on 1st October 2012 & 1st October 2013, respectively and ₹ 52.75 Lac due during the period 1st February 2010 to 1st October 2011 are over due.
- (3) Fixed deposits:-
- (a) Fixed deposits guaranteed by managing directors ₹ 22.98 Lac (Previous year ₹ 22.98 Lac)

(b) Fixed deposits and interest payable on fixed deposits has not been paid since 1989-90.

(4) Debentures:-

- (a) (i) 2,27,660 12.5% Mortgage Debentures (Non-Convertible part of ₹ 200/- each) redeemable in three yearly instalments of ₹ 65.00, ₹ 65.00 and ₹ 70.00 respectively commencing from the expiry of seventh year from the date of allotment i.e. 29th February, 1988 and due for payment. Interest not paid since 29th February, 1988.
- (ii) 30,000-15% Mortgage Debentures of ₹ 100/- each redeemable at 5% premium on the expiry of seventh year from the date of allotment i.e. 18th December 1987 and due for payment. Interest not paid since 1987-88.
- (iii) 5,300-15% Mortgage Debentures of ₹ 1000/- each redeemable upto 20th August, 1990 and due for payment. 1,000 Debentures redeemed during the year 1998-99 for which discharged debenture certificates not yet received. Interest not paid since 1987-88.
- (b) The above debentures are secured by Joint Mortgage of all fixed assets present and future by hypothecation of the said assets and by deposit of title deeds relating to company's immovable properties, floating charges on all movable/ current assets, other than assets referred in foot notes 1(b,c,d) and foot note 1 of Note 6..

Note no. 9 : SHORT-TERM PROVISIONS

Particulars	(₹ in lacs)	
	As at 31.03.2014	As at 31.03.2013
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	245.37	242.79
Add: Provided during the year	117.81	84.18
Less: Paid during the year	85.66	81.60
Sub total (A)	277.52	245.37
Provision for leave encashment:-		
As per last balance sheet	12.39	15.38
Add: Provided during the year	14.51	18.39
Less: Paid during the year	17.30	21.38
Sub total (B)	9.60	12.39
Others:-		
Provision for Incentive:		
As per last balance sheet	20.24	21.64
Add: Provided during the year	7.54	11.69
Less: Paid / (Recovered) during the year	0.85	6.58
Excess provision w/back	0.84	6.51
Sub total	26.09	20.24
Provision for excise duty	374.58	361.35
Sub total (C)	400.67	381.59
TOTAL (A+B+C)	687.79	639.35

Note no. 10 TANGIBLE ASSETS

Particulars	Gross					Depreciation			Net carrying amount 31.03.2014			
	Opening balance	Additions	Disposals/ Written off.	Other adjustment	Impairment/loss/reversal	Closing balance	For the year			Closing balance		
							Sold/ Adj.	Addback				
Land (A)	2,023.50	-	-	-	-	2,023.50	-	-	-	2,023.50		
Buildings (B & C)	1,356.27	-	-	-	-	1,356.27	909.84	31.36	-	941.20	415.07	
Plant & Equipment	11,519.30	150.06	215.63	402.53	-	11,856.26	7,656.12	400.11	124.15	8,024.90	3,831.36	
Plant & Equipment (Lease) (G)	402.53	-	-	(402.53)	-	-	92.82	-	-	(92.82)	-	
Furniture & Fixtures	337.50	2.71	0.49	-	-	339.72	262.97	13.40	0.21	276.16	63.56	
Vehicles (D)	477.26	7.96	-	-	-	485.22	253.08	54.41	(0.78)	306.71	178.51	
Office equipment	330.26	13.51	0.33	-	-	343.44	222.39	21.48	0.13	243.74	99.70	
Water supply & drainage	59.85	-	-	-	-	59.85	46.15	0.55	-	46.70	13.15	
Others	15.62	-	-	-	-	15.62	14.79	-	-	14.79	0.83	
TOTAL	16,522.09	174.24	216.45	-	-	16,479.88	9,458.16	521.31	123.71	-	9,854.20	6,625.68
Previous year	16,461.80	92.78	28.28	4.21	-	16,522.09	8,908.82	588.31	28.35	10.62	9,458.16	7,063.93

Foot-notes:-

- (A) Company's Land at Modinagar & Meerut was revalued as at 31st March, 1992 at Current Replacement Cost on the basis of valuation report. The appreciation on revaluation ₹ 924.66 Lac was credited to the Revaluation Reserve. The Land was previously revalued as on 31st March 1985 and the appreciation of ₹ 1087.85 Lac on such revaluation also stands credited to the Revaluation Reserve.
- (B) Buildings include Land, Furniture, Fixture & Fittings acquired for a lumpsum consideration of ₹ 2.25 Lac in the year 1947.
- (C) Includes a sum of ₹ 96.58 Lac (Previous year ₹ 96.58 Lac) towards permanent improvement to the rented properties.
- (D) Includes Thirteen (Previous year Thirteen) cars costing ₹ 93.52 Lac (Previous year ₹ 93.52 Lac) WDV ₹ 44.21 Lac (Previous year ₹ 52.55 Lac) purchased in the name of Employees/Corporate Adviser who have given disclaimer in favour of the Company.
- (E) Excludes depreciation on loose tools ₹ 0.07 Lac (Previous year ₹ 0.07 Lac) and ₹ 0.40 Lac (Previous year ₹ 0.47 Lac) on additions to assets of Steel Unit.
- (F) Details of Land & Building given on operating lease has not been disclosed separately.
- (G) Other adjustments represents assets taken on finance lease transferred to own assets on expiry of finance lease.

Note no. 11 INTANGIBLE ASSETS

Particulars	Gross			Amortisation			Net carrying amount 31.03.2014	
	Opening balance	Additions	Disposals/ Written off.	Closing balance	For the year	Other adjustment		
								Opening balance
Computer software	101.81	0.71	-	102.52	83.45	5.48	88.93	13.59
Total	101.81	0.71	-	102.52	83.45	5.48	88.93	13.59
Previous year	100.81	1.00	-	101.81	72.90	10.55	83.45	18.36

Note no. 12 : NON CURRENT INVESTMENTS

(₹ in lac)

Particulars	As at 31.03.2014	As at 31.03.2013
Trade investments	-	-
Other investments		
(a) Investment in Equity Instruments:-		
In subsidiaries:- (unquoted)		
21,450 fully paid-up shares of ₹ 10/-each in Your investment (India)Ltd.	21.45	21.45
13,200 fully paid-up shares of ₹ 10/-each in Own investment (India)Ltd.	13.20	13.20
Others :-		
Unquoted:-		
10,50,000 fully paid-up shares of ₹ 10/-each in Indofil Industries Limited	437.43	437.43
1,200 partly paid-up shares of ₹ 10/- each in Vital Chemicals Private Limited.(Transfer refused by the Board-matter in dispute before the Court).	0.07	0.07
Quoted:-		
7,00,000 fully paid-up shares of ₹ 10/-each in Modipon limited.	20.00	20.00
19,99,960 fully paid-up shares of ₹ 10/-each in Bihar Sponge Iron Limited.	200.00	200.00
8,00,000 fully paid-up shares of ₹ 10/-each in Modi Rubber Limited.	80.00	80.00
62,755 fully paid-up shares of ₹ 10/-each in Lord Chloro Alkali Limited	6.28	6.28
4 fully paid-up shares of ₹ 10/-each in Mukund Limited.	0.01	0.01
(b) Investment in preference shares:- (quoted)		
1 fully-paid preference Share in Mukund Limited	-	-
(c) Investment in Government or trust securities:- (quoted)		
*75551.226 fully-paid Units in UTI Infrastructure Fund-Growth Plan	25.84	25.84
Total	804.28	804.28

* Corporate lien marked on these infrastructure fund units

Foot Notes:

(1) Carrying amount of quoted investments	332.13	332.13
(2) Market value of quoted investments	315.95	375.24
(3) Carrying amount of unquoted investments	472.15	472.15
(4) Aggregate provision for diminution in value of investments { Note 27(31)}	-	-

Note no. 13 : LONG TERM LOANS AND ADVANCES

(₹ in lac)

Particulars	As at 31.03.2014	As at 31.03.2013
Capital advances (unsecured)	1.90	1.90
Security Deposits:-		
- Secured, considered good	-	-
- Unsecured, considered good	-	-
- Related parties:		
- Weld Excel India Limited	36.66	42.04
- Ashoka Mercantile Ltd.	-	-
- Others	163.44	140.93
- Doubtful	-	-
Loans and advances to related parties:-		
- Secured, considered good	-	-
- Unsecured, considered good	-	-
- Weld Excel India Limited {Foot-Note 5 of Note 27 (38)}	-	320.39
- Doubtful	-	-
Other Loans and Advances:- (Unsecured, considered good)		
(a) Prepaid expenses	0.90	1.30
(b) Amount recoverable	11.46	11.46
(c) Loans to employees	0.05	0.53
(d) Loans to others	8.00	8.00
TOTAL	222.41	526.55

Note no. 14 : INVENTORIES

(₹ in lac)

Particulars	As at 31.03.2014	As at 31.03.2013
(a) Raw materials	232.27	417.50
(b) Raw materials (in transit)	81.85	38.70
(c) Work-in-progress	439.65	459.40
(d) Finished goods	7,546.16	6,459.73
(e) Stock-in-trade	1.65	1.78
(f) Stores and spare parts	973.76	1,077.25
(g) Loose tools	24.30	24.38
TOTAL	9,299.64	8,478.74

Note no. 15 : TRADE RECEIVABLES

(₹ in lac)

Particulars	As at 31.03.2014	As at 31.03.2013
Trade receivables outstanding for a period exceeding 6 months:-		
-Secured, considered good	4.78	5.69
-Unsecured, considered good	525.73	637.21
-Doubtful	612.94	563.97
Less:-		
Allowance for bad and doubtful debts	(612.94)	(563.97)

Note no. 15 : (Contd.)

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Other Debts:-		
-Secured, considered good	94.34	95.45
-Unsecured, considered good	4,456.65	4,953.28
-Doubtful	-	7.17
Less:-		
Allowance for bad and doubtful debts	-	(7.17)
TOTAL	5,081.50	5,691.63

Note no. 16 : CASH AND BANK BALANCES

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
(i) Cash and cash equivalents:-		
(a) Balances with banks:		
-In Current Accounts	330.97	396.62
-In FDR's	10.34	12.20
(b) Cheques, drafts on hand	43.10	81.07
(c) Cash on hand	11.98	21.76
(d) Others:-		
-Postage imprest & stamps in hand	0.03	0.04
TOTAL	396.42	511.69
(ii) Other bank balances:-		
(a) Earmarked balance with banks/post office:-		
-Saving account (molasses storage fund)	0.34	0.32
-Fixed deposits (molasses storage fund)*	37.21	83.96
(b) Fixed deposits with banks (Pledged with Excise/Sales Tax Authorities)	19.23	53.10
(c) Fixed deposits with banks (Pledged with tender)	55.33	49.34
(d) Fixed Deposits with Banks (Pledged against overdraft)	268.61	243.20
(e) Balance with banks held as margin money against guarantees	195.22	187.45
(f) Bank deposits with upto 12 months maturity	14.00	38.00
(g) Bank Deposits with more than 12 months maturity	486.91	442.00
(h) Deposits with Allahabad Bank in-no lien account {Note 27 (18) (c) }	50.00	50.00
TOTAL	1,126.85	1,147.37

* These FDR's are in the joint name of Modi Sugar Mills and Sub Inspector, Molasses Excise.

Note No. 17 : SHORT-TERM LOANS AND ADVANCES

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
(a) Loans and advances to related parties:-		
(i) -Secured considered good	-	-
(ii) -Unsecured considered good		
-Bihar Sponge Iron Ltd.	1.36	1.36
-Win Medicare Pvt. Ltd.	1.60	1.66
-Weld Excel India limited	-	5.29
-Modipon Limited	13.44	-
-Ashoka Mercantile Ltd.	0.36	4.53
-Managing Director	-	-
(iii) -Doubtful		
-Modi Senator Pvt. Ltd.	0.85	0.85
-Technicast Engineering Ltd.	0.51	-
Less: Allowance for doubtful	(1.36)	(0.85)
(b) Others (unsecured Considered good):-		
(i) Unutilized balances of		
CENVAT/ VAT	91.81	73.62
(ii) Loans & Advances to employees	13.21	17.93
(iii) Prepaid expenses	68.64	100.83
(iv) Amount recoverable	435.07	270.61
(v) Deposits with excise / sales tax authorities	7.05	359.12
(vi) Others	186.55	183.18
(vii) Unreconciled Inter-unit balances { Note 27 (4) }	954.97	908.74
(c) Others (doubtful):-		
(i) Loans & Advances to employees	3.06	3.06
(ii) Amount recoverable	24.71	24.71
(iii) Others	106.83	112.84
Less: Allowance for doubtful	(134.60)	(140.61)
(d) Security Deposits:-		
-Secured considered good	-	-
-Unsecured considered good		
-Related parties:		
-Ashoka Mercantile Ltd. { Foot-Note 8 of Note 27 (38) }	998.00	1,100.00
-Modi Pon Limited	147.63	147.63
-Others	179.88	202.50
-Doubtful	6.99	7.95
Less: Allowance for doubtful	(6.99)	(7.95)
Total	3,099.57	3,377.00

Note no. 18 : OTHER CURRENT ASSETS

Particulars	(₹ in lac)	
	As at 31.03.2014	As at 31.03.2013
Tax deducted at source	47.33	64.12
Wealth tax receivable	7.37	3.90
Interest accrued on fixed deposits with banks	51.19	47.56
Rent receivable:-		
-Unsecured, considered good	1.19	1.25
-Doubtful	22.78	22.78
Less:-		
Allowance for bad and doubtful debts	(22.78)	(22.78)
Deferred revenue expenditure	11.07	11.07
Stores and spare parts	10.67	10.67
TOTAL	128.82	138.57

Note No. 19 : REVENUE FROM OPERATIONS

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Sale of products	32,597.52	44,789.28
Sale of services	24.50	71.51
Other operating revenue	74.66	56.78
Subsidy on Cane commission	332.56	-
TOTAL	33,029.24	44,917.57

Note no. 20 : OTHER INCOME

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Interest income	106.70	117.47
Dividend received (gross)*	36.75	79.98
Rental income	195.47	209.62
Profit on sale of fixed assets	236.63	28.95
Excess provision written back	20.61	36.43
Unclaimed Credit Balances W/Back	24.19	44.96
Amounts written back	16.18	13.63
Depreciation written back	0.78	10.62
Foreign Currency fluctuation gain (Net)	-	1.69
Other non-operating income	84.99	64.90
Total	722.30	608.25

*Received from subsidiary companies. - 43.23

Note no. 21 : CHANGE IN INVENTORIES OF FINISHED GOODS , WORK-IN-PROGRESS AND STOCK-IN-TRADE

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
(A) Finished goods		
Opening stock	6,180.47	6,021.45
Less: Closing stock	7,035.65	6,180.47
Sub Total (A)	(855.18)	(159.02)
(B) Stock in trade		
Opening stock	1.78	1.81
Less: Closing stock	1.65	1.78
Sub Total (B)	0.13	0.03
(C) Goods in process		
Opening stock	459.40	455.32
Less: Closing stock	439.65	459.40
Sub Total (C)	19.75	(4.08)
(D) By Product		
Opening stock	279.26	160.54
Less: Closing stock	510.51	279.26
Sub Total (D)	(231.25)	(118.72)
Net (Increase) / Decrease in Stock (A+B+C+D)	(1,066.55)	(281.79)

Note no. 22 : EMPLOYEE BENEFITS EXPENSES

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Salary, wages, gratuity & other allowances	2,840.01	2,997.60
Contribution to provident and other funds	204.05	209.50
Staff welfare expenses	311.63	282.38
TOTAL	3,355.69	3,489.48

Note no. 23 : FINANCE COSTS

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
(a) Interest expenses:- {Note 27(4) (f) (i) & (ii), 27 (5) and 27 (18)}		
(i) On borrowings	719.63	814.87
(ii) On statutory dues	64.49	24.56
(iii) On trade payables	841.97	357.18
(iv) On security	9.43	11.14
(v) On Finance Lease	5.05	27.50
(vi) On car loans taken by employees / corporate adviser	2.08	7.61
(vii) On account of refund of refixation of Sugar Price to FCI	124.28	-
(viii) On others (specify nature)	0.91	0.91
(b) Other borrowing costs	-	-
(c) Net gain/loss on foreign currency transactions and translation	-	-
TOTAL	1,767.84	1,243.77

Note no. 24 : OTHER EXPENSES

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Consumption of stores & spare parts	330.90	365.97
Consumption of packing materials	1,080.98	1,797.45
Power & fuel	461.72	473.51
Repairs to machinery	783.96	828.91
Repairs to building	121.12	115.41
Lease rent	165.78	165.09
Rates & taxes	199.52	219.43
Excise duty on stock	(80.27)	(4.24)
Insurance	39.00	38.30
Auditor's remuneration (see foot-note below)	22.52	20.82
Loss on sale of fixed assets	52.54	1.95
Loss on sale of stores	21.54	2.38
Less: Adjustment of provision for obsolete stores	(11.50)	-
Donations	3.22	3.79
Bad debts written-off	23.94	23.47
Less : Adjustment of provision for doubtful debts	(20.95)	(18.83)
Claims / amounts written-off	12.78	56.35

Note no. 24 : (Contd.)

Particulars	(₹ in lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Less : Adjustment of provision for doubtful	(6.85)	(29.04)
Fixed assets written-off	0.06	0.22
Provision for obsolete spare-parts & stores	7.16	4.75
Provision for doubtful debts and advances	73.28	94.19
Freight/ transport & forwarding	540.40	609.91
Commission to selling agents	225.87	220.01
Discount & sale promotion	336.52	178.72
Advertisement expenses	304.17	387.28
Travelling expenses	373.83	383.52
Legal & professional charges	299.46	373.17
Trade mark licence & marketing fees	-	-
Job work charges	2.56	53.93
Retainership Expenses	220.00	160.90
Net gain/loss on foreign currency transactions & translation	12.25	-
Other general expenses	741.98	622.56
TOTAL	6,337.49	7,149.88

NOTE:**Auditor's remuneration:-**

(a) As auditors	7.30	7.30
(b) For taxation matter (Tax Audit fee)	6.12	4.82
(c) For company law matters	2.25	1.69
(d) For management services	-	0.90
(e) For other services including certification work	4.67	4.43
(f) For reimbursement of expenses	2.18	1.68
TOTAL	22.52	20.82

Note No.

25. Earnings per Share (EPS) basic and diluted, computed in accordance with Accounting Standard-20:

Particulars	(₹ in lac)	
	2013-14	2012-13
Less for the year as per Annual Accounts	4289.92	3489.48
Add: Dividend on Preference Shares	6.11	6.11
Total (A)	4296.03	3495.59
Number of Equity Shares issued (B)	33,09,214	33,09,214
Earning per share (in ₹) (A)/(B)	(129.82)	(105.63)
Face Value of Equity Share in Rupees	10	10

26 ACCOUNTING POLICIES:**(1) INVENTORY VALUATION**

- (a) Stocks of raw materials and stores and spares are valued at weighted/moving average cost. (Net of Cenvat benefits/input tax credit of U.P.VAT) or net realizable value whichever is less.

- (b) Loose tools are valued at depreciated cost.
- (c) Cost of machinery spares, which can be used only in connection with an item of fixed asset and whose use is expected to be irregular, are charged to revenue over useful life of the principal item.
- (d) Goods-in-transit are valued at cost.
- (e) Finished goods/Goods-in-Process are valued at lower of cost and net realisable value except by-product i.e. molasses which is valued at net realisable value. Cost inter-alia, includes direct cost, depreciation, excise duty, lease rentals and factory overheads but excludes general administration and selling expenses, Corporate Office administration expenses and Interest. The closing stocks out of inter divisional transfer of goods, is being treated as finished goods instead of raw materials/stores and valued accordingly.

(2) FIXED ASSETS

- (i) Major improvements to fixed assets that increases the future benefits from the existing assets beyond its previously assessed standard of performance is included in the gross block and is depreciated over the remaining life of the original assets.
- (ii) Financing cost (upto the date the assets are ready to be put to use for commercial production) relating to borrowed funds attributable to acquisition of construction of fixed assets are included in the gross book value of fixed assets to which they relate.

(3) DEPRECIATION

- (a) Depreciation on Plant & Machinery is provided on Straight Line Method except in Corporate Office. In respect of other assets including Office Equipments, depreciation is provided on Written Down Value Method in all units except Sugar and Steel Units where it is provided on Straight Line Method.
- (b) Assets for which Straight Line Method basis is adopted and acquired prior to 2nd April, 1987, are depreciated at rates prevailing in the year of acquisition.
- (c) Depreciation on additions/deletions is charged on prorata basis and in accordance with Schedule XIV of the Companies Act, 1956.

(4) INTANGIBLE ASSETS

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer Software is amortized over a period of five years.

(5) REVENUE RECOGNITION:

- (i) Export incentives under the duty entitlement pass book scheme is recognized on accrual basis.
- (ii) Revenue arising by use of company's properties by others yielding rent is recognized when no significant uncertainty as to measurability or collectability exists.
- (iii) Sale of goods is recognized at the point of dispatch of goods to customers.

(6) **INVESTMENTS:**

Long-term investments are valued at cost less provision for diminution, other than temporary, in the value of investments.

(7) **RETIREMENT BENEFITS:**

(a) Contribution to Provident Fund is made at a predetermined rate to the Provident Fund Trust and charged to the Statement of Profit and Loss on accrual basis.

(b) Gratuity Liability is accounted for on accrual basis, computed actuarially, except for Steel Unit upto 31st March, 2002 which is accounted for on cash basis.

(c) Leave encashment is accounted for accrual basis, computed actuarially.

(8) **OPERATING LEASE:**

Lease payments under an operating lease are recognized as an expense in Statement of Profit and Loss on a straight line basis over the lease term.

27. **CONTINGENT LIABILITIES AND OTHER NOTES:**

		(₹ in lac)	
		As at 31.03.2014	As at 31.03.2013
1.	(a) Claims against the Company not acknowledged as debts :		
	(i) Workmen (excluding unascertainable amounts)	289.78	231.22
	(ii) Others	234.42	234.42
	(b) Partly paid-up Equity Shares of Vital Chemicals Private Limited	0.08	0.08
	(c) Disputed Liability for Excise-duty, Sales-tax, Entry-tax matters and liquidated damages on Provident Fund dues (excluding interest unascertainable and undisputed Sales Tax/penalty demands (net of provision made of ₹ 62.21 Lac) of ₹ 175.24 Lac).	1293.46	1273.53
	(d) (i). Income Tax	209.59	-
	(ii). Wealth Tax	18.39	12.46
	(e) Bills discounted	239.14	648.20
2.	Estimated amount of contracts remaining to be executed on Capital Account ₹ 66.12 Lac (Previous Year ₹ 70.62 Lac).		
3.	Guarantees given to Sales-tax/Excise Departments on behalf of Companies in the same group amounts to ₹ 139.42 Lac (Previous year ₹ 139.42 Lac). Information regarding outstanding position is not available. This excludes guarantees of ₹ 109.63 Lac (Previous year ₹ 109.63 Lac) vacated by Sales Tax Department for which guarantee bonds not yet received back.		
4.	(a) The Steel Unit is lying closed since 24th January, 1993 due to strike/lock-out and thereafter closure was declared with effect from 24th November, 1993, as the Unit was found to be unviable. The Company has not been able to obtain access to the accounting, financial and		

production records of the unit necessary for updating the said books of accounts/compiling the data to prepare the annual accounts as well as for finalising the audit for the year ended 31st March, 1993. Transactions subsequent to the closure of the unit could not be incorporated in the annual accounts of 1992-93 and onwards in view of pending access to the earlier accounts viz., 1st April, 1992 to 24th January, 1993, the absence of which would leave the books still incomplete. However, the Statement of Profit and Loss for the current financial year 2013-14 and from 1993-94 to 2012-13 have been incorporated in current financial year and in various previous financial years respectively. As an interim measure ₹ 954.97 Lac (Previous year ₹ 908.74 Lac) which represents: (i) ₹ 1,301.40 Lac (Previous year ₹ 1,355.65 Lac) being net cumulative inter-unit debit balance on account of transactions of other units of the company with Steel Unit during 1st April, 1992 to 31st March, 2014, (ii) payment of unsecured loan of ₹ 45.00 Lac [Refer Note (c) below] and (iii) net loss of ₹ 301.43 Lac for the years 1993-94 to 2013-14 (before inter unit rental income, write-back of ₹ 278.95 Lac and provision for depreciation of ₹ 682.56 Lac) have been clubbed with Current Assets of the company as on 31st March, 2014 and 31st March, 2013 respectively as "Inter- Unit Balances" pending incorporation of (i) Annual Accounts for the period 1st April, 1992 to 31st March, 1993 and (ii) assets and liabilities including inter unit balances arising on account of transactions for the period 1st April, 1993 to 31st March, 2014.

(b) The financial results for the year 1992-93 would be incorporated as soon as the company is able to obtain access to/reconstruct the financial, accounting and production records.

(c) In view of above, as per past practice, the audited opening balances of Assets and Liabilities, quantitative details, contingent liabilities [excluding old electricity dues – Refer Note 4f(viii)] and notes of the Steel Unit as on 1st April, 1992, subject to (i) reduction of unsecured loans taken by ₹ 278.95 Lac in view of write back on account of one-time settlement (O.T.S.) of dues with Hong Kong and Shanghai Banking Corporation Limited (HSBC) during the year 2004-05, and further reduction of ₹ 45.00 Lac on account of payment during 2005-06 of O.T.S. to H.S.B.C.; (ii) reduction of fixed assets (net) by ₹ 682.56 Lac being depreciation provided during 1993-94 to 2013-14 on fixed assets and (iii) decrease in Inter-Unit balance by ₹ 346.43 Lac which represents; the sum of net loss of ₹ 301.43 Lac for the years 1993-94 to 2013-14 (before inter-unit rental income, write-back of above amount of ₹ 278.95 Lac and provision for depreciation of ₹ 682.56 Lac) and repayment of unsecured loan of ₹ 45.00 Lac. The above inter-unit balance will actually represent either net increase in assets or net decrease in liabilities as on 31st March, 2014 over balances as on 31st March, 1993 of the Steel Unit.

(d) Assets and Liabilities of the Steel Unit incorporated in the Balance Sheet of the company as on 31.03.2013 and 31.03.2014 are as under:

(₹ in Lac)					
Liabilities	As at 31.3.2014	As at 31.3.2013	Assets	As at 31.3.2014	As at 31.3.2013
Secured Loans	3421.08	3421.08	Fixed Assets (Net)	443.53	450.04
Current Liabilities & Provisions	2838.28	2838.28	Investments	0.11	0.11
Accumulated Profits/ (Losses) (net):	(705.04)	(799.01)	Current Assets & Advances:		
			Inventories	1340.14	1340.14
1993-94 to 1995-96 (687.81)			Sundry Debtors	1199.25	1199.25
1996-97 and 1997-98 (58.56)			Cash & Bank Balance	150.78	150.78
1998-99 to 2000-01 (29.83)			Loans and Advances	249.70	249.70
2001-02 to 2003-04 56.53			Miscellaneous Expenditure (to the extent not written off or adjusted)	11.07	11.07
2004-05 300.90			Inter-unit Balances	1372.52	1272.04
2005-06 (36.67)			Loss for the year 1991-92	787.22	787.22
2006-07 (18.94)					
2007-08 (10.86)					
2008-09 (24.40)					
2009-10 172.48					
2010-11 (152.17)					
2011-12 (141.82)					
2012-13 (167.86)					
2013-14 (93.97)					
Total	5554.32	5460.35	Total	5554.32	5460.35

- (e) Statement of Profit and Loss of the Steel Unit for the year ended 31st March, 2014 and 31st March, 2013 (excluding inter-unit rental income of ₹ 46.12 Lac) (Previous year ₹ 46.12 Lac) is as under:

(₹ in Lac)		
Particulars	2013-14	2012-13
INCOME :		
Rental Income	172.40	187.17
Profit on sale of fixed assets	*235.31	28.50
Other Income	19.55	-
	427.26	215.67
EXPENDITURE :		
Employees Benefit Expenses	83.33	81.39
Finance Cost	197.29	182.25
Depreciation	6.51	6.68
Legal and Professional Expenses	1.32	77.09
Other Expenses	44.84	333.29
Profit/(Loss) for the year	93.97	(167.86)

*This represents sale of scrap/malwa on dismantling of part of discarded and damaged factory shed/building on land given on lease during the year

- (f) The Profit and Loss Account/Statement of Profit and Loss of Steel Unit for the years 1993-94 to 2013-14 are subject to the following notes on accounts:-
- In view of non-availability of book balance of liabilities towards PNB, IDBI and IFCI in the books of Steel Unit of the Company on account of non-incorporation of annual accounts and balance sheets of Steel Unit [Refer Note 27 (4) (a to c) of Annual Accounts], the difference between OTS amounts and book balances could not be ascertained.
 - No-provision of interest, amount unascertained, is required to be made, on loans from other Financial Institutions as the existing amounts appearing in the books of accounts of the company will be more than sufficient in view of in-principle approval/discussions

being held for one time settlement of dues with the Financial Institutions.

- The impact, if any, on account of non-availability and consequently non incorporation of audited opening balances of assets and liabilities of the Steel Unit as on 1st April, 2013;
- Non-provision of obsolete/damaged stocks and fixed assets, if any, in view of non-incorporation of earlier year's accounts and non-physical verification of inventories and fixed assets as on 31st March, 2014;
- Non-confirmation/reconciliation of balances of debtors, creditors, banks, financial institutions etc. and impact, if any, on the Statement of Profit and Loss;
- Non-provision of doubtful debts and loans & advances, amount unascertained;
- Non-provision of Impairment of Assets, if any, of the fixed assets as per Accounting Standard (AS 28) i.e. Impairment of Assets, amount unascertained.
- (a) Uttar Pradesh Electricity Board (now U.P. Power Corporation Ltd.) raised various demand notices against electricity dues and late payment surcharge amounting to ₹ 2435.48 Lac on the Steel unit of the Company.
- In terms of One Time Settlement with U.P. Power Corporation Limited regarding arrears of electricity dues, the Steel unit paid during the year 2009-10 ₹ 563.90 Lac against the demand of ₹ 1123.99 Lac included in (viii)(a) above. Accordingly shortfall in provision of ₹ 243.37 Lac has been charged to revenue during the year 2009-10.
- The company filed writ petition in Allahabad High Court challenging the said demand notices. The Hon'ble Allahabad High Court dismissed the writ petition filed by the Company. The company filed Special Leave Petition (SLP) with the Hon'ble Supreme Court of India, who has granted interim stay on 14th March, 2005 for stay of recovery by way of sale of property which is still continuing.

In view of the above and pending incorporation of annual accounts of Steel Unit for 1992-93, no provision is considered necessary against the balance demand of ₹ 1311.49 Lac at this stage.

5. With respect to the assignment of debts, the views of both the Managing Directors are stated herein below:-

- Shri U.K. Modi submits that:-
- (a) During the year 2006-07, an agreement dated 22nd January, 2007 for One Time Settlement (OTS) of dues of Punjab National Bank (PNB) was entered into between the Company, PNB, Shri U.K. Modi (as Guarantor) and SBEC Sugar Limited (SSL), on the terms as contained in the PNB's Letter dated 28th September, 2006. Under the said agreement, PNB has agreed to assign all its claims against Steel Unit of the company together with all securities and charges created by the company to SSL on payment of full settlement amount of ₹ 2810.60 Lac together with interest. SSL made full payment to PNB of the settlement amount together with interest. PNB thereafter executed a Deed of Assignment on 15th May, 2012 in favour of SSL by which PNB assigned all its claims together with all securities and charges created by the Company in its favour to SSL. The Registrar of Companies has registered the modification to the charges in favour of SSL. The debts of MIL which was assigned to SSL has been further assigned to SBEC Bioenergy Limited (SBEL) on 31st December, 2012. In view of the above, the secured debt is now payable by the Company to SBEL. The company proposes to enter into revised terms of payment of this secured debt with SBEL.
- (i) With reference to the company's liabilities to IDBI Limited, a settlement agreement was concluded between the Company, IDBI Limited and SBEC Bio Energy Limited (SBEL) on 6th October, 2007. This settlement agreement was in terms of IDBI's letter dated 9th February, 2007. Under the said agreement IDBI agreed to assign its entire debt due and payable by the Company to SBEL subject

to SBEL paying to IDBI its OTS claim amount of ₹ 1232.20 Lac. Acting on the said agreement, SBEL made a payment of ₹ 1232.20 Lac to IDBI together with interest. The said payment to IDBI of ₹ 1232.20 Lac along with interest was completed on 6th October 2007. IDBI's claim against this company stood assigned to SBEL together with the securities and charges and the said debt is now payable by this company to SBEL.

The Hon'ble BIFR vide its orders dated 12th December, 2011 and 19th April, 2012 recognized SBEL as this company's creditor in place of IDBI and by an order dated 17th July, 2012 directed IDBI (OA) to execute the Deed of Assignment in favour of SBEL. The company proposes to enter into fresh terms of payment of the IDBI's assigned debt with SBEL.

- (ii) With reference to this company's liabilities to IFCI Limited, a settlement agreement dated 30th December, 2009 was concluded between this company, IFCI Limited and SBEC Bio-Energy Limited, (SBEL). This settlement agreement was in terms of IFCI's letter dated 30th December, 2009. Under the said settlement agreement, IFCI agreed to assign to SBEL its entire debt as due and payable by this company to it subject to SBEL paying to IFCI its OTS claim of ₹ 775.00 Lac. Acting on the said settlement agreement, SBEL made a payment of ₹ 775.00 Lac to IFCI on 30th December, 2009 and in consideration thereof IFCI Limited executed a Deed of Assignment dated 19th April, 2012, and assigned its all claims against this company together with the securities and charges in favour of SBEL. The Registrar of Companies has registered the modification to the charges in favour of SBEL. The said secured debt is payable by this Company to SBEL. The company proposes to enter into fresh terms of payment of this debt with SBEL.
- (iii) At the hearings before the Hon'ble BIFR and with the consent of Advocates for Shri U.K. Modi and Shri M.K. Modi, the Hon'ble BIFR passed orders and issued directions in M.A. No. 754/BC/2011 (filed on behalf of Shri U.K. Modi) and clarified that the OA shall consider the representations from Shri U.K. Modi, Shri M.K. Modi, Shri D.K. Modi and also from SBEC Bioenergy Ltd. and SBEC Sugar Ltd.
- (iv) The Bench directed that, SBEC Bioenergy and SBEC Sugar be heard and consulted by IDBI (OA) in connection with the preparation of the DRS.
- (v) In the order dated 22nd June, 2012 the Hon'ble BIFR observed and noted that IFCI and PNB have executed deeds of assignments in favour of SBEC Bioenergy Ltd. and SBEC Sugar Ltd. respectively after receiving entire OTS amount along with interest, whereas the IDBI has received the entire OTS amount along with interest and had only entered into an agreement to transfer all the rights, title and interest in the Financial Assistance/ Financial Instruments and the underlying securities in respect thereof to the Applicant (SBEC Bioenergy) of MA No. 224/BC/2012 but has not executed the deed of assignment. The Bench also observed that the IDBI, vide their letter dated 7th May, 2012 has approached BIFR regarding the execution of the assignment deed in respect of assignment of debt to the applicant (SBEC Bioenergy Ltd.).
- (vi) The BIFR by its order dated 22nd June, 2012 allowed MA No. 224/BC/2012 and directed that the name of Applicant (SBEC Sugar Ltd.) be substituted for PNB and the name of the Applicant (SBEC Bioenergy Ltd.) be substituted, in place of IFCI, as the deed of assignment has since been executed.
- (vii) In the proceedings held on 17th July, 2012, the Hon'ble BIFR directed IDBI to execute the deed of assignment

in favour of the Applicant (SBEC Bioenergy Ltd.), with respect to the assignment of its claims against this company together with securities and charges in favour of SBEC Bioenergy Ltd. subject to the various other directions stated therein.

- (viii) Pursuant to the order passed by AAIFR, Shri U.K. Modi and Shri M.K. Modi have now submitted their separate Draft Rehabilitation proposals to the IDBI."
 - (ix) Shri D K Modi had filed 2 Appeals before the AAIFR being Appeal No. 206/2012 and 207/2012 challenging the orders dated 22nd June 2012 and 17th July 2012 passed by the BIFR. By two orders both dated 15th April 2013, the AAIFR has set aside the orders dated 22nd June 2012 and 17th July 2012 and remanded the matter back to the BIFR with directions to consider the MA No.s 224/BC/2012 and 226/BC/2012 afresh after hearing Shri D K Modi and proceed further in accordance with law.
 - (x) Shri U K Modi had also filed an Appeal before the AAIFR, being Appeal No. 178/12 challenging the order dated 17th July 2012 passed by the BIFR.
 - (xi) The aforesaid Appeal No. 178/2012 was heard on 20 November 2013 and the Hon'ble AAIFR, after hearing the submissions of the parties, has been pleased to allow the Appeal, set aside the order and remanded the matter back to BIFR with the following directions:
"Since the order has already been set aside as above, we make it clear that all the matters before BIFR, including MA 224 of 2012 will be considered by the Board on remand afresh giving a reasonable opportunity of hearing to all concerned. It is also made clear that all the issues raised before us in the appeals by the respective parties are kept open and will be considered and adjudicated by the Board afresh. In deciding matters afresh, the Board, needless to mention, will not be influenced by its said earlier order which, as aforesaid was set aside."
 The Appeal preferred by SBEC Bioenergy Ltd. before the AAIFR was challenging the wrongful and arbitrary imposition of conditions on the execution of Deed of Assignment by IDBI in favour of SBEC Bioenergy Ltd., which has since been set aside by the AAIFR. In fact, the AAIFR has clearly stated that all issues raised by SBEC Bioenergy Ltd. in Appeal No. 178/12 are kept open and would be agitated before the BIFR. Therefore, in view of the above, it is clear that SBEC Bioenergy Ltd. and SBEC Sugar Ltd. are the secured creditors of MIL and continue to be so as assignees of the respective debts of IDBI, IFCI and PNB.
 Shri M K Modi submits that AAIFR Order dated 20th November, 2013 in Appeal No. 178/2012, nowhere recognizes SBEC Bio-energy Ltd. and SBEC Sugar Ltd. as being Secured Creditors of MIL or the assignments in their favour to be valid and/or legal.
 As per Shri U K Modi, the above contention of Shri M K Modi is incorrect. It is a matter of record that the Hon'ble BIFR vide its orders dated 12th December, 2011 and 19th April, 2012 has already recognized SBEC Bioenergy Ltd. and SBEC Sugar Ltd. as MIL's secured creditor and it is in this capacity, the applications for substitution were moved before the BIFR. By virtue of the order dated 20th November 2013, the AAIFR has remanded the matter back to BIFR for fresh consideration.
 - (ii) Shri M.K. Modi disagrees with the above statements and submissions made by Shri U.K. Modi as the same are not correct.
- Shri M.K. Modi submits that –
- (a) The said settlements based on assignment in favour of one of the Managing Directors of the Company are neither legal nor binding and are without approval of the Board. The same are also contrary to the 1989 Modi Family MOU, the agreement between the two Managing Directors, the Board Resolution and

- the "Status Quo" order of Hon'ble Supreme Court of India.
- (b) Without prejudice to what is stated in para (i) above, assignments and the terms of payment etc. shall be governed by the directions to be passed by Hon'ble BIFR.
 - (c) Hon'ble BIFR has, in the proceedings of the hearing held on 19th April, 2012, already directed IDBI (OA) to assess the liabilities of each unit of the company (Group wise) and while making an assignment to UKM Group Companies, to see that the security charged to Banks/FIs belonging to his own units are assigned and the security belonging to MKM Group is to be freed. It is thus abundantly clear that the security pertaining to his own units only is to be charged to SBEC Bioenergy Ltd and SBEC Sugar Ltd.
 - (d) By virtue of AAIFR's orders dated 15.04.2013 :
 - (i) BIFR's order dated 22.06.2012, whereby SBEC Bioenergy Ltd. and SBEC Sugar Ltd. were substituted in place of IFCI and PNB respectively, has been set aside; and
 - (ii) BIFR's order dated 17.07.2012, whereby IDBI was permitted to execute assignment deed in favour of SBEC Bioenergy Ltd., has been set aside.

SBEC Bioenergy Ltd. and SBEC Sugar Ltd., thus, have no locus standi in the BIFR proceedings and are not recognized as creditors of MIL by BIFR.
 - (e) MKM Group has, without prejudice to their legal contentions in the matter, already approached both IDBI and IFCI for making payment of the dues pertaining to the six units under management and control of Shri M.K.Modi on assignment basis subject to certain conditions.

Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct. Mr. U.K Modi has commented as below:-

It is clarified on the submission made by Shri. M.K Modi that the Hon'ble BIFR vide its order dated 12.12.2011 had directed IDBI (OA) to invite the secured creditors including SBEC Bioenergy Ltd. and SBEC Sugar Ltd. for discussions before finalizing any DRS. By a subsequent order dated 19.04.2012, the Hon'ble BIFR has also directed that SBEC Bioenergy Ltd. and SBEC Sugar Ltd. be heard and consulted by IDBI (OA) while preparing the DRS. Therefore it is absolutely clear that SBEC Sugar Ltd. and SBEC Bioenergy Ltd. are secured creditors of MIL. This order of 12.12.2011 has not been challenged by any party till date and therefore the issue stands settled by the BIFR. In so far as the remand of the MAs is concerned, it is clarified that the matter has been remanded by Hon'ble AAIFR only on the ground that Shri D K Modi be heard on the application. The setting aside of the orders dated 22.06.2012 and 17.07.2012 are on a technical ground and not on merits therefore the allegations that SBEC Sugar Ltd. and SBEC Bioenergy Ltd. do not have any locus standi in the BIFR proceedings or that they are not secured creditors are absolutely incorrect and baseless.

Thus as per Shri U.K. Modi, these liabilities will now be quantified with the assignees of PNB, IDBI and IFCI debts.

Shri M.K. Modi disagrees with the above statements and submissions made by Shri U.K. Modi as the same are not correct. As the matter stands today, orders dated 22.06.2012 and 17.07.2012 stand set aside by Hon'ble AAIFR and fresh order is required to be passed by Hon'ble BIFR. Hence, these orders do not give rise to any right/obligation to any party.

Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct. Though it is correct to say that the orders dated 22.06.2012 and 17.07.2012 have been set aside by Hon'ble AAIFR but it is incorrect to say that SBEC Sugar and SBEC Bioenergy are not the secured creditors of MIL as the order dated 12.12.2011 clearly recognizes SBEC Sugar and SBEC Bioenergy as a Secured Creditor. Hon'ble AAIFR has directed BIFR to conduct a rehearing on the M.A's 224 and 226 of 2012 allowing the substitution of SBEC Sugar and SBEC Bioenergy in place of PNB and IFCI.

As per Shri M.K.Modi the above contention of Shri U.K. Modi is incorrect.

6. With respect to the rehabilitation scheme of the company, the views

of both the Managing Directors are as below:-

Shri M.K.Modi stated that:-

As reported last year, Shri M.K. Modi had filed a Special Leave Petition before the Supreme Court of India on 27th July, 2010 challenging the order dated 19th May, 2010 of Hon'ble Delhi High Court. The Hon'ble Supreme Court vide its order dated 27th August, 2010 held that "the parties are directed to maintain status quo with regard to the management of the Company, but we make it clear that this will not in any way affect the proceedings pending before the Board for Industrial and Financial Reconstruction and also the Appellate Authority (AAIFR)."

Pursuant to the order dated 22nd June, 2011 passed by Hon'ble AAIFR, Shri M.K.Modi and Shri U.K.Modi have submitted their separate Draft Rehabilitation proposals to IDBI (OA).

Subsequently, BIFR has heard the matter on various dates and passed directions from time to time. The Operating Agency (IDBI) has submitted a DRS to BIFR in July, 2013 which is under consideration of BIFR.

As per Shri M.K.Modi the said DRS had been gone through by BIFR Consultant, who wanted some technical corrections to be carried out therein, which were duly carried out by IDBI (OA) and the revised DRS was submitted to BIFR by the O.A.

Shri U.K. Modi disagrees with the above statement made by Shri M.K Modi. It is hereby clarified that the DRS received in June, 2013 was returned by Hon'ble BIFR with a direction to the IDBI (OA) to revise the said DRS after updating the financials from MIL. Subsequently a revised DRS was circulated by OA which was not acceptable. Thereafter the OA had filed two reports on 06.09.2013 and 04.10.2013 pursuant to the meeting held with all the promoters of MIL on 12.08.2013. In the said report OA informed the BIFR that only workable solution for revival of MIL is through sale of all unproductive assets (including Modi Bhawan) and the company's net worth would become positive thereafter. Accordingly a fresh DRS needs to be prepared by IDBI based on its above recommendations, which is yet to be done.

Shri. U.K. Modi further submits that:-

Shri U K Modi vide letter dated 25th June 2013, had informed the Operating Agency – IDBI (OA), that the continued disputes among family members has not only led to the delay in rehabilitation of the company, but have also adversely affected the growth of the Company.

The basic objective of the OA is to formulate a scheme for the rehabilitation of the Company and not to settle family disputes, and as such it is humbly requested that the OA should rather concentrate on the rehabilitation of the Company, leaving the family settlement to courts.

Shri U. K Modi reiterated that rehabilitation scheme be formulated for the company as a whole without any split, and with the conditions that the proceeds from sale of surplus corporate assets are utilized for paying all the liabilities of the Company i.e. Secured and Unsecured Loans, pressing and Statutory Liabilities of the Company be fully discharged and no amount shall be distributed among any Units.

Shri U K Modi further clarifies that in the hearing held before the BIFR on 18th July 2013, the Board informed all the parties that it had directed IDBI to circulate the DRS to all stakeholders and conduct joint meeting of stakeholders vide their letter dated 16th July, 2013. Pursuant to this direction, a meeting of the Managing Directors and Shri D K Modi was called by IDBI on 12th August 2013 at IDBI Towers, Mumbai.

In the joint meeting held at IDBI Towers in Mumbai on 12th August 2013, Shri U K Modi submitted another letter of even date and reiterated his proposal that the distribution of proceeds without payment of liabilities would be unethical and can be construed as siphoning of funds out of the company and the issue regarding division of assets of the company should be left to civil Courts.

Shri. M.K Modi submits that:-

The contents of Shri U.K. Modi's letters dated 25.06.2013 and 12.08.2013 travel beyond BIFR's orders and as being against the

1989 Modi Family MOU, 2006, Agreement of Shri U.K. Modi with Shri M.K. Modi, Shri U.K. Modi's own earlier stand before various Forums including his own case filed before Hon'ble Delhi High Court in 1998 which is still pending and the orders of Hon'ble Supreme Court of India in the matter.

Shri M.K. Modi agrees that basic objective of Operating Agency is to formulate a Scheme for rehabilitation of the company. The OA has in fact prepared such a scheme and submitted the same to BIFR. Shri M.K. Modi disagrees with Shri U.K. Modi's proposal to formulate a rehabilitation scheme without split as being a self serving and mala-fide suggestion of Shri U.K. Modi.

Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct.

Shri M.K. Modi disagrees with the above statements and submission made by Shri U.K. Modi as IDBI (OA) has already submitted the minutes of meeting to BIFR as well as to the three Modi's and final DRS has also been submitted by IDBI (OA) to BIFR.

Shri U.K. Modi further submits:

Subsequent to the said meeting held in Mumbai on 12.08.2013, Shri U K Modi submitted an email to IDBI on 23.08.2013 acknowledging receipt of DRS which has been filed by IDBI on 09.07.2013 as was mentioned during the meeting of the stakeholders in order to enable him to share comments on the same. By this email, it was further reiterated that Shri U K Modi will be supporting a scheme as a whole without any split with the condition that the proceeds from sale of surplus assets would be utilized for payment all liabilities of the company and no amount is distributed to any member of any group.

By a letter dated 06.09.2013, IDBI informed the BIFR about the outcome of the joint meeting held on 12.08.2013 in Mumbai. IDBI (OA) informed the BIFR that due to extreme polarized situation between the 2 fractions, there was no consensus on the DRS. However, IDBI in its letter took note of the fact that an acceptable DRS would be possible if the disputes and differences between the various promoter groups are resolved. Therefore, IDBI was well aware of the fact that a DRS is possible to revive MIL by sale of assets which did not involve any adjudication of disputes inter-se the promoter groups.

By another letter dated 04.10.2013, IDBI (OA) had categorically informed the BIFR that the only workable solution for revival of MIL is sale of all unproductive assets (including Modi Bhawan) and the company's net worth would become positive. Upon the net worth becoming positive, the company would be de-registered from BIFR and the civil disputes can be settled outside the purview of BIFR.

In the hearing held before the Hon'ble BIFR on 22.10.2013, representative of IDBI (OA) reiterated its recommendation on DRS vide their letter dated 04.10.2013 and submitted that the only viable solution to revive the company would be by sale of all unproductive assets including Modi Bhawan. Since the letter of 04.10.2013 was not circulated by IDBI (OA) to all the parties including Shri U K Modi, the counsel for Shri U K Modi as well as MKM and DKM requested the Bench to direct IDBI to circulate the report / letter dated 06.09.2013 and 04.10.2013 so as to enable them to comment on the same and requested for a short date to file their respective reply. The Bench agreed to issue the necessary directions in that regard and expressed its views that a final opportunity would be given to comment on the recommendations of IDBI (OA) and finally argue the matter.

The order of BIFR dated 22.10.2013 did not correctly reflect the minutes of proceedings that actually transpired during the hearing held on 22.10.2013. During the said hearing, on the basis of submissions of all parties, the BIFR had agreed to give time to the counsels for all the promoter groups to finally argue the matter on the next date of hearing. The Board had also agreed to give time to the parties to file their respective replies to the report / letter dated 04.10.2013. However, the same did not find any mention in the order dated 22.10.2013, rather the order records that the Bench decided to reserve the order.

On 28.10.2013, the BIFR passed an order, inter-alia, holding that the company is not likely to make its net worth exceed its accumulated losses within a reasonable time while meeting all its financial obligations as a result whereof it is not likely to become viable on a long term basis.

Hence, it would be just, equitable and in public interest that the company be wound up u/s 20(1) of SICA. The Board therefore issued a show cause notice to the company in this regard and also gave final opportunity to the company, the present promoters or a registered Workers Industrial Co-operative Society (WICS) or an outsider to submit a fully tied up proposal with or without OTS and with or without co-promoters, to the OA, within 30 days from the date of this order.

Pursuant to the order dated 28.10.2013, the Bench Officer of BIFR has published an advertisement on 09.11.2013 in Times of India in relation to the notice under Section 20 (1) of the SICA and BIFR Regulations for proposed winding up of MIL, thereby inviting shareholder, creditors and others to file their respective objections or suggestions with the Registrar.

Shri U K Modi has preferred an Appeal before the AAIFR challenging the order dated 28.10.2013 passed by the BIFR. The said Appeal has been registered as Appeal No. 142 of 2013. By an order dated 27.11.2013, the AAIFR has been pleased to pass an unconditional stay of operation of order dated 28.10.2013. By subsequent orders dated 18.12.2013, 09.01.2014, 10.02.2014, 05.03.2014 and 21.05.2014, the interim order has been directed to continue. The next date of hearing of the Appeal is 11.07.2014. It may be pertinent to note that Shri M K Modi has also filed two separate Appeals being Appeal No. 11/2014 and 22/2014 challenging the orders dated 22.10.2013 and 28.10.2013 respectively which are also listed for hearing on the same date. On the Appeals filed by Shri M.K. Modi also, AAIFR has granted an unconditional stay upto the next date of hearing.

7. With respect to the Contempt Application (M.A No. 412/2013) filed before Hon'ble BIFR by Shri M.K.Modi , the views of both the Managing Directors are stated as below:-

Shri M.K.Modi stated that:-

Shri U.K. Modi has violated BIFR's injunction order dated 11.04.2013 for which Shri M.K. Modi has filed M.A.No.402/2013 before the BIFR. The BIFR has issued notice on the application on 12.08.2013 and also directed status quo with regard to the property in question, viz. Land belonging to MIL(Steel Division) leased out to G.S.Pharmbutor Pvt. Ltd. vide lease deed dated 31.05.2013.

Shri U.K. Modi disagrees with the above allegations and statements made by Shri M.K. Modi as the same are not correct. Mr. U.K Modi has commented as below:-

There has been no violation of any order of BIFR as there has been no transfer of any asset. It is relevant to state that the same portions of the land have been leased out since 1995 to various group companies of Shri U.K.Modi. This was much prior to the BIFR order dated 11.04.2013 when direction were issued by the BIFR under Section 22A directing parties not dispose of, alienate or part with possession of the property. The lease rental recovered has been utilised to pay the statutory liabilities of the Steel Division of MIL and also to repay loans taken for payment of the statutory liabilities and various other dues including electricity charges, water charges, maintenance of roads, etc. that arose owing to workers and labourers of the Steel Division residing in the quarters of the Steel Division. The lease deed was initially executed pursuant to an understanding between the Steel Division and the various labour Unions relating to the settlement of their dues in order to avoid a law and order situation and to maintain peace in the area. In this context, Shri U.K Modi refers to the various agreements entered into with the labour unions of the Steel Division where under the company has agreed to employ the children of the workers/ labourers of the closed steel division in any new venture that is set up, depending on their skill, ability and talent. The labour unions have entered into these agreements to secure the future interest of their children who would be offered employment. Shri M.K Modi has filed M.A.No.402/2013 before the Hon'ble BIFR making these allegations only to pressurize the management in particular, Mr. U.K Modi to accept his terms relating to the draft scheme to be submitted to BIFR. The matter is still pending before the Hon'ble BIFR. Shri U.K Modi has sought time to file a reply to the application filed by Shri M.K Modi. Shri U K Modi will file a detailed response to the said MA. In any event, the statements and contentions made in these Notes on Accounts are not exhaustive and detailed objection will be read in the reply to the MA. It is important to note that

Shri M.K Modi had himself entered into a perpetual lease agreement for certain portion of closed Soap Factory (1584 sq. mtrs.) with his group company M/s Weld Excel India Limited.

Shri M.K. Modi disagrees with the above statements and submissions made by Shri U.K. Modi as the same are not correct as various parts (not the same portions) of the land have been leased out by Shri U.K. Modi to his private companies. Area leased to TC Healthcare Pvt. Ltd. was 8,231.56 Sq. Mtrs. and the area leased to G.S. Pharambutor Pvt. Ltd. is 12,531 Sq. Mtrs. The space of closed soap factory had been leased out to Weld Excel India Limited much after the perpetual lease agreements executed by Shri U.K. Modi with his group companies namely; TC Healthcare Pvt. Ltd. on 05.12.2002 and Modi Revlon Pvt. Ltd. on 01.10.2005 and there was no restraint order operative at that time.

Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct.

As per Shri M.K. Modi, the above contentions of Shri U.K. Modi are factually incorrect.

8. In view of clear cut delineation of responsibilities of the two Managing Directors of the Company, the accounts of two divisions of six units and three units of the company are being prepared and finalized independently and accordingly Shri M.K.Modi and Shri U.K.Modi are certifying the accounts as relate to the two divisions of the company i.e six units and three units respectively, the management whereof is looked after by them.

9. The Company has entered into an agreement with U.P. Power Corporation Limited for its Residential Feeder SC No. 2005 on 29th March, 2000. In pursuance of that agreement, the Company has paid for the existing authorised occupants only after 1st July, 1998 computed prorata based on covered area of quarters occupied by the employees. In view of the above, no provision has been made for electricity charges of ₹ 131.46 Lac upto the period of permanent disconnection of residential feeder SC No. 2005 i.e. 31st May, 2001 (Previous year ₹ 131.46 Lac) for the unauthorized occupants and late payment surcharge/recovery charges amounting to ₹ 302.66 Lac upto 31st May, 2001 (Previous year ₹ 302.66 Lac). In accordance with the agreement, matter regarding waiver of late payment surcharge and recovery charges after 1st July, 1998 will be referred to the Government.

10. ESI authorities had raised a demand on the company for ₹ 62.35 Lac (upto previous year ₹ 61.19 Lac) (inclusive of interest) towards company's liability for ESI for the years 1968 to 1986 and no provision has been made against this liability.

11. Modinagar Municipal Committee had determined the basis/liability of house tax payable by the Company for the years 1982-83 to 2006-07 at ₹ 213.98 Lac. The said liability/demand/basis is disputed by the company at various levels and has deposited ₹ 16.51 Lac on account upto 31st March, 2014. Pending final decision of the Court/settlement and after taking into account the provision/ payment already made by the Company, there is a net liability of ₹ 188.63 Lac (upto the previous year ₹ 188.63 Lac), which has not been provided for in the accounts.

12. Excise duty on uncleared manufactured finished goods and custom duty in respect of imported goods lying in bond in respect of Steel Unit amounting to ₹ 43.09 Lac and ₹ 24.35 Lac respectively is accounted for as and when such goods are cleared. However, this has no impact on the loss of the Company.

13. (a) In respect of Steel Unit, gratuity liability upto 30th September, 1987 amounting to ₹ 84.82 Lac has not been provided in the books on accrual basis. However, this said liability has subsequently been paid/ deposited.
- (b) The Gratuity Liability of continuing employees in Steel Unit was being accounted for on cash basis from 1993-94 to 2001-02. During 2002-03, past Gratuity Liability of continuing employees amounting to ₹ 14.96 Lac was provided on accrual basis computed on actual basis and w.e.f. 2003-04, Gratuity liability is computed on actuarial basis and provided for in the books of account.
- (c) The Company has adopted Accounting Standard 15 (Revised) on employees benefits with effect from 1st April, 2007 in respect of provision for Gratuity liability.
Details in respect of Gratuity are as under:

(₹ in Lac)

Liability to be recognised in	As at	As at
Balance sheet	31.03.2014	31.3.2013
Present value of Obligations	1,227.94	1,264.53
Fair Value of Plan Assets	-	-
Net Liability	(1,227.94)	(1,264.53)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	1,264.53	1,140.93
Current Service Cost	66.86	73.61
Interest Cost	101.16	91.27
Actuarial Losses/(Gain)	(88.56)	70.42
Benefits paid	(116.05)	(111.70)
Obligations as at the end of the year	1,227.94	1,264.53
Expenditure to be recognized during the year		
Current Service Cost	66.86	73.61
Interest Cost	101.16	91.27
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) Recognized during the year	(88.56)	70.42
Total expenditure included in "Employees' Emoluments"	79.46	235.30
Assumptions		
Discount Rate (per annum)	8.50%	8.00%
Expected rate of Return on Assets (per annum)	0%	0%
Salary Escalation Rate	9.00%	9.00%

The Company has unfunded scheme for payment of gratuity to all eligible employees calculated at specified number of days of last drawn salary depending upon tenure of service for each year of completed service subject to minimum five years of service payable at the time of separation upon superannuation or on exit otherwise.

- (d) (i) The Company has adopted Accounting Standard 15 (Revised) on employees benefits with effect from 1st April, 2008 in respect of Earned Leave.
- (ii) Details in respect of Earned Leave are as under:

(₹ in Lac)

Liability to be recognised in	As at	As at
Balance sheet	31.03.2014	31.3.2013
Present value of Obligations	114.85	133.55
Fair Value of Plan Assets	-	-
Net Liability	(114.85)	(133.55)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	133.55	132.50
Current Service Cost	12.27	14.59
Interest Cost	10.68	10.60
Actuarial Losses/(Gain)	(7.46)	15.37
Benefits paid	(34.19)	(39.51)
Obligations as at the end of the year	114.85	133.55
Expenditure to be recognized during the year		
Current Service Cost	12.27	14.59
Interest Cost	10.68	10.60
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) Recognized during the year	(7.46)	15.37
Total expenditure included in "Employees' Emoluments"	15.49	40.56
Assumptions		
Discount Rate (per annum)	8.50%	8.00%
Expected rate of Return on Assets (per annum)	0%	0%
Salary Escalation Rate	9.00%	9.00%

14. The company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this act has not been given.
15. Government of India has issued guidelines dated 15th January, 1987 which requires companies raising resources through issue of Debentures to create a Debenture Redemption Reserve. The Company has not created such a reserve in view of the accumulated losses.
16. (a) During the financial year 2010-11, the distillery unit of the company (Bottler) has entered into an agreement i.e. a "Bottling Agreement (including addendum to bottling agreement dated 26th April, 2012)" with MI Spirit India Private Ltd (MISIP) whereby the parties i.e. bottler and MISIP have agreed to the blending, manufacturing and bottling of the products by the bottler. Bottling agreement inter-alia includes: (i) the bottler shall manufacture the products in accordance with the quality standards, standard manufacturing procedures, the process and other specifications laid down by MISIP from time to time and in such quantities as may be specified by MISIP from time to time (ii) the bottler shall procure the materials i.e. concentrates, spirit, flavouring agents, de-mineralised water, packages and levels from MISIP or from the suppliers suggested or recommended by MISIP (iii) products manufacturing by the bottler shall be supplied, dispatched or sold by the bottler as per the purchase orders procured by MISIP and bad-debts from direct indenters supplied on credit upon request by MISIP are to MISIP's Account (iv) MISIP will be responsible for working capital financing. Bottler shall open a bank account ("Account") which is to be operated jointly by the bottler and MISIP and all funds in the account shall belong to MISIP notwithstanding that the account may be in the name of the bottler (v) MISIP will reimburse the manufacturing expenses and pay manufacturing margin (i.e. 10% of the aggregate of the manufacturing expenses as reduced by statutory charges, taxes and duties and selling and distribution expenses) from the above account (vi) all payments received by the bottler for sale of products shall be credited to the account and manufacturing expenses incurred by the bottler, manufacturing margin shall be reimbursed by MISIP to bottler. Any surplus remaining in the account shall therefore be paid to the company as fee.
- (b) In the opinion of the management, since the products are being manufactured and sold in the name of the bottler, the purchase invoices in respect of raw material, packing material and consumables and sales invoices for the finished goods are being issued in the name of the bottler, necessary compliances under various tax laws are also being done by the bottler and special bank account is also in the name of the bottler, the transactions of the above business of manufacture and sale of "Vodka and Whisky" have been treated as part of books of account of the bottler and these have been included in sales, expenses, assets and liabilities of

the bottler as stated in paragraph (c) below.

- (c) Balance Sheet and Statement of Profit and Loss of the bottler for the financial year ended 31st March, 2014 and 31st March, 2013 includes the following items relating to the above activities of manufacture and sale of "Vodka and Whisky":

Balance Sheet

Particulars	As at		(₹ in lac)	
	31st March, 2014		31st March 2013	
Sundry Debtors	1382.49		888.56	
Bank Balances	38.88		72.40	
Security Deposits	82.86		62.37	
Closing Stock	408.44		606.97	
Advance Recoverable	77.66		74.83	
Total Current Assets	1,990.33		1,705.13	
Less: Current Liabilities	337.40		223.46	
Credit Balance of MISIP	1587.82	1,925.22	1422.34	1,645.80
Net Current Assets		65.11		59.33
Recognized as net profit for the year				
Instead of manufacturing margin		65.11		59.33
IMPACT OF NET PROFIT		NIL		NIL

Statement of Profit & Loss

Particulars	2013-14		2012-13		(₹ in lac)	
Turnover (Net of discount)	1986.81		1312.21			
Other Income	0.82	1987.63	3.86	1316.07		
Excise duty paid	261.60		250.06			
Cost of materials consumed	244.78		164.07			
Change in Inventories	(22.75)		(76.94)			
Employees Benefits Expenses	261.29		183.47			
Finance Costs	0.80		1.35			
Other Expenses	1176.80		734.73			
Total Expenses		1922.52		1256.74		
Net Profit for the year		65.11		59.33		
Recognized as net profit for the year						
Instead of manufacturing margin		65.11		59.33		
IMPACT OF NET PROFIT		NIL		NIL		

- (d) The Expert Advisory Committee of Institute of Chartered Accountants of India in an almost similar case do not agree with the above mentioned accounting treatment. The opinion is governed by the substance of the transaction and not by the legal form i.e. sales, purchases, assets and liabilities relating to such business controlled by the brand owners should not be recorded in the books of account of the company even though supporting vouchers are in the name of the company and the correct accounting treatment of the transactions in the books of account of the company would be to recognize only the fixed margin/charge received by it rather than to recognize sales and purchases of the business of manufacturing IMFL and also should not recognize any current asset or liabilities of the said business in its books of account. Further, the brand owners entitlement paid by the company should be booked as a mere cash outflow. Further the Expert Advisory Committee had clarified that the opinion expressed by

the committee is purely from the accounting point of view without consideration of any implication thereof, from the point of view of the provisions of TDS/ TCS in the Income Tax Act 1961 or any other legal/ statutory requirement.

17. Consequent to the losses, the Company had been declared a Sick Industrial Company on 14th March, 1991 in terms of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. Further proceedings before the BIFR are pending. Pending final orders of BIFR, the accounts of the company have been prepared on a going concern basis.

18. (a) No provision has been made for penal/delayed/simple/ compound interest amounting to ₹ 27802.02 Lac upto 31st March, 2014 (for the year ₹ 4276.55 Lac) on term borrowings of Financial Institutions and debentures pending final order of BIFR.

(b) Interest payable by Vanaspati Unit of the Company to Financial Institutions since the date of disbursement of the loan on simple rate of interest basis amounts to ₹ 1346.55 Lac upto 31st March, 2014 and the unit holds total interest provision of ₹ 732.41 Lac as on 31st March, 2014 resulting in the short provision of ₹ 614.14 Lac on simple interest basis.

(c) The Sugar & Distillery Units of the Company have given a proposal for settlement of their dues with Allahabad Bank of ₹ 227 Lac against which an upfront payment of ₹ 50 Lac has already been made under 'No Lien Account' and included under "Other Bank Balances" and to pay the balance amount of ₹ 177.00 Lac in two equal monthly instalments after the receipt of sanction from the Bank. The shortfall in interest provision amounting to ₹ 168.84 Lac will be provided in the books of account in the year of approval of OTS proposal by the Bank which is pending.

(d) The Sugar Unit of the Company has not made provision for interest/bank charges amounting to ₹ 2725.97 Lac (for the year ₹ 389.24 Lac) on cash credit loan taken from Allahabad Bank in view of para (c) above.

(e) No provision has been made for interest on Cash Credit from Allahabad Bank amounting to ₹ 291.92 Lac (for the year ₹ 48.34 Lac). Further, response to the proposal submitted to the Bank for One Time Settlement (OTS) dues is awaited in Distillery Unit in view of para (c) above.

(f) Till 31st March, 2000, simple interest on matured fixed deposits and interest upto date of maturity was provided in the books of account. With effect from 1st April, 2000, no provision has been made for interest of ₹ 301.22 Lac upto 31st March, 2014 (for the year ₹ 12.44 Lac), computed as per past practice, on these fixed deposits in view of a legal opinion received by the Company to the effect that as per terms and conditions of Fixed Deposit Scheme, deposits do not carry any interest beyond due dates unless these are renewed. Since these deposits were never renewed after their due dates as such, the question of payment of interest after due dates does not arise at all. However, as a prudent measure, the provision made of ₹ 281.13 Lac in the past (net of payments) has been retained in the books of account as on 31st March, 2014.

19. (a) The Vanaspati Unit had applied for Sales Tax Relief Exemption to U.P. Government in terms of Section 4A of U.P.

Sales Tax Act. Consequent to rejection, the company has filed a writ petition in Lucknow Bench of Allahabad High Court and Court had passed an order dated 21st February, 2013 that "the writ petition is allowed and impugned order dated 22nd April, 1992 is quashed. The opposite parties are directed to reconsider the case of the petitioner afresh, after giving personal opportunity of hearing and pass appropriate orders, in accordance with law." In Compliance of high court order, we had filed an application before the Secretary Level Committee (Constituted under Section 4A of the U.P. Trade Tax Act). As the matter is still pending before the authority, no provision has been made for sales tax liability of Rs.2,455.78 Lac relating to the period May, 1991 to July, 1994 (previous year Rs.2,455.78 Lac).

(b) The Vanaspati Unit had preferred an application for deferment of Sales-tax with effect from July, 1994 under Section 38 of the U.P. Sales Tax Act and the same has been rejected by the State Government. The company has also filed Writ Petition against the rejection and consequent to the orders of the Court, the recovery of Sales-tax has been kept in abeyance. Accordingly, Sales-tax amounting to ₹ 440.46 Lac (previous year ₹ 440.46 Lac) relating to the period August, 1994 to March, 1996 has not been deposited with the authorities.

The above writ petition filed by the company was listed for hearing on 2nd May, 2008 at High court, Lucknow Bench. The company had filed an affidavit with the Court that BIFR had passed an order dated 26th March, 2008 by virtue of which the Bench permitted the Commercial Tax Department, Government of U.P. to recover its outstanding dues, due after 30th June, 2007. The company had also stated in the said affidavit that the Hon'ble Supreme Court of India had affirmed the order of the BIFR and therefore in view of the said orders of BIFR as affirmed by the Hon'ble Supreme Court, the said Writ Petition may be dismissed as infructuous. Accordingly the High Court, Lucknow Bench has dismissed the said writ petition as infructuous.

(c) In accordance with the scheme announced by U.P. Government regarding Waiver of Interest & Penalty on Sales Tax, the Distillery Unit of the Company has paid and provided interest during 2005-06 of ₹ 54.77 Lac i.e. 10% of the total interest as per the scheme. No Dues Certificate of Sales Tax authorities is awaited.

20. Operating Leases:

The Company has taken following premises and Plant & Machinery on operating lease basis. Disclosure requirement as per AS-19 are as under:

Period	(₹ in lac)	
	Year ended 31.03.2014	Year ended 30.03.2013
Not later than one year	78.93	90.98
Later than one year but not later than five years	57.33	114.66
Later than five years	Nil	Nil

The above includes :

(i) During the financial year 2011-12, Gas Unit of the company has entered into lease agreement, as

- amended, with Weld Excel India Ltd. (WEIL), a related party, taking Oxygen filling plant under operating lease for 2 years non cancelable lease period at monthly rent of ₹ 1.00 Lac upto 31st December, 2013. During the current financial year, the Company has renewed this agreement for one year upto 31st December, 2014 at the same rent.
- (ii) During the financial year 2010-11, Electrodes unit of the company has taken office premises in Delhi on sublease basis from WEIL, a related party, under operating lease for an initial period of three years as non cancelable period at monthly rent of ₹ 4.15 and the lease was further renewed for a period of three years at an increase of 15% over the current lease rent is ₹ 4.78 lac pm to WEIL. The Sub lease agreement has now been extended for another 3 years w.e.f. 1st April, 2013.
- (iii) During the financial year 2011-12 Electrodes Unit of the company has taken office cum Guest house premises in Chatarpur, New Delhi on operating lease basis and having sharing arrangement with WEIL and Mr. M.K. Modi, Managing Director for a period of two years w.e.f. 1st November, 2011 at a monthly rent of Rs. 1.25 Lac (Our Share). During the current financial year, this lease has been renewed w.e.f. 1st November, 2013 i.e. till 31st December, 2014 at an increase at 12% i.e. Rs. 1.40 Lac (Our Share).
21. The Distillery Unit declared cessation and lock-out of the Unit with effect from 19th December, 1991 and 5th January, 1992 respectively. The lockout has since been lifted. The U.P. Government, suo moto, has referred the matter to the Industrial Tribunal to decide the legality of the lockout. Pending final decision, no provision has been made for wages ₹ 27.46 Lac for the lockout period.
22. Provision/payments (including value of perquisites) has been made to Managing Directors for the remuneration of ₹ 80.68 Lac in terms of shareholders resolution, which is subject to approval of the Financial Institutions.
23. No provision has been made for Earned Leave for Steel Unit- upto 1991-92, amount unascertained.
24. The Sugar Unit of the Company has discounted sales bills raised on SBEC Sugar Limited amounting to ₹ 719.00 Lac (Previous year ₹ 3098.43 Lac) from certain persons/limited companies etc. and the same (net of discounting charges borne by drawee) has been credited to the account of SBEC Sugar Limited. The above includes ₹ 620.95 Lac (Previous year ₹ 2722.12 Lac) being bills discounted from individual persons/HUF/Firms. Balance outstanding of bills discounted as on 31st March, 2014 amounts to ' Nil (Previous Year ₹ 499.61 Lac) and has been shown in Note {1(e)} of note No. 27 of Annual Accounts as Bills Discounting.
25. Allahabad Bank had filed a recovery suit for recovery of ₹ 21.41 Crores against Modi Industries Limited and others before the Debt Recovery Tribunal (DRT), Lucknow in April, 2005. The Company challenged the recovery suit on the grounds that bank required prior permission under section 22 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 for filing recovery suit. Debt Recovery Tribunal, Lucknow, allowed continuation of recovery suit against which company filed appeal with Debt Recovery Appellate Tribunal, (DRAT) Allahabad. The DRAT had stayed further proceedings by DRT in the matter. A writ petition was filed by the Company before the Lucknow Bench of Allahabad High Court challenging the orders of the DRT, Lucknow and DRAT, Allahabad. The Lucknow Bench of Allahabad High Court noting the contention of the Company has disposed off the Writ Petition by its order dated 18th July, 2008. The Company has filed review petition against the said order seeking the quashing of the Allahabad Bank's suit before the DRT, which is still pending..
26. Previous year's figures have been regrouped wherever necessary.
27. No confirmation letters were sent to debtors/creditors and to parties who have discounted sale bills. In the absence of such confirmations, the balances in respect of Sundry Debtors/Creditors/Bills discounted (Contingent Liability), Loans taken/given and Advances and other accounts are taken as shown by the books of accounts and are subject to adjustments and reconciliation, if any.
28. In view of non-viability of the Vanaspati Unit, which was a separate business segment as per AS-17, Segment Reporting, the company declared closure of the Unit with effect from 3rd February, 2003 and prior information, as required under law, was given to the State Government on 4th December, 2002. The closure is consistent with the company's strategy to focus on its other viable manufacturing activities.
29. Delhi Excise Authorities issued Show Cause Notices and raised demand for ₹ 167.43 Lac towards Risk-Purchase of Country Liquor in view of non-supply of the same by Distillery Unit of the Company. Company has disputed the above demand and a Writ Petition was filed before the Hon'ble Delhi High Court who ordered case to be referred back to Collector of Excise for taking final decision. The Collector of Excise vide its order dated 27th June, 2003 has confirmed the above demand against which the company has filed a writ petition before the Hon'ble Delhi High Court. On the basis of orders of Hon'ble Delhi High Court, the company has deposited ₹ 50.00 Lac till date against the above demand. No provision is considered necessary at this stage since the matter is sub-judice.
30. As on 31st March, 2014, there were 160 Public Deposits amounting to ₹ 7.32 Lac which have remained unclaimed and unpaid for a period of more than seven years and interest accrued but not paid on these unclaimed deposits till the date of maturity amounts to ₹ 2.41 Lac. Details of unclaimed and unpaid debentures for a period of more than seven years are presently not available.
- The Company has filed a return dated 14th June, 2002 with the Registrar of Companies duly certified by practicing Company Secretary stating that the Company is a Sick Industrial Company as per orders of BIFR dated 14th March, 1991 and rehabilitation proposal for payment in respect of debentures and fixed deposits etc. is pending before the IDBI (as the Operating Agency)/BIFR for consideration. The Company will pay/credit the amount as per final orders of BIFR. Accordingly, no amount was credited/paid to Investor's Education and Protection Fund till date.
31. There has been temporary diminution of ₹ 154.80 Lac as on 31st March, 2014 (Previous Year ₹ 133.80 Lac) in the market value of one of its investments in the Group

Companies. However, being long-term investment, this is valued at cost with no provision made for fall in the market value. These investments are considered strategic investments and also having long-term involvement with the above companies, no provision is considered necessary since the decline is also not permanent in nature as the modified rehabilitation scheme of this group company is still under consideration of the BIFR.

32. Deferred Tax Assets are ₹ 4943.94 Lac as on 31st March, 2014 (Previous year ₹ 3704.99 Lac) constituting mainly of unabsorbed depreciation, unabsorbed losses, provision for doubtful debts, provisions disallowed and interest on term loans disallowed in Income Tax. Deferred Tax Liabilities is ₹ 416.59 Lac as on 31st March, 2014 (Previous year ₹ 482.63 Lac) on account of higher depreciation claimed in Income Tax. On conservative basis as required by the Accounting Standard 22, the net Deferred Tax Assets have not been recognized and position will be re-assessed at next balance sheet date. However, the estimated Deferred Tax Assets and Liabilities details are given as under:

Description	(₹ in lac)	
	As at 31st March, 2014	As at 31st March 2013
(a) Deferred Tax Assets :		
(i) Disallowances under the Income Tax Act.	1452.36	1445.48
(ii) Provision for Doubtful Debts	189.40	174.27
(iii) Unabsorbed Depreciation	450.60	379.87
(iv) Unabsorbed Loss	2851.58	1705.37
Total	4943.94	3704.99
(b) Deferred Tax Liabilities:		
Related to Fixed Assets	416.59	482.63
(c) Deferred Tax Assets (Net) (a-b)	4527.35	3222.36

33. Till 31st March, 2014, Certain Quarters of the Company are occupied unauthorisedly by ex-employees/outsideers. The company has entered into "Agreement to Sell" for 215 (Previous year 215), such residential quarters with such parties. Sale consideration amounting to ₹ 504.50 Lac (Previous year ₹ 504.50 Lac) has been received as interest free advance. These "agreements" clearly stipulates that final sale of such quarters are subject to approval of Financial Institutions to whom these quarters have been mortgaged and the company proposes to seek the same before affecting final sale of such quarters. Accordingly the sale of such quarters will be accounted for only on receipt of approval of Financial Institutions. Further the company has been legally advised that it can enter into such "Agreements to Sell".
34. (a) The Steel Unit of the company has entered into few leases, including perpetual leases, agreements for certain portions of the factory land and building 27954.86 Sq. Mtrs (Previous year 22346.27 Sq. Mtr.) for which approval of financial institutions, to whom the factory land and buildings are mortgaged, is yet to be obtained. However, the company has been legally advised that it can enter into such lease agreements. Further, the lease money was mainly utilized for payment of workers and statutory dues.
(b) The company has entered into a perpetual lease agreement for certain portion of closed Soap factory, land & building (1584 sq. mtrs.) to a related party. As the said land and building is mortgaged with the financial institutions

therefore the company had sought the approval of IDBI Limited (the lead financial institution) to the said transaction vide its letter dated 6th September, 2006. Since IDBI Limited did not respond, therefore the company again wrote a letter to IDBI Limited on 5th April, 2007 requesting for its approval to the said transaction. The company in the letter under reference also mentioned that if IDBI Limited does not respond to the company's request, it will be deemed that the company's request has been approved by IDBI Limited and the company will go ahead with the said leasing agreement. The IDBI has so far not responded to the company's letter.

35. (a) Recovery Certificate (RC) was issued on 1st May, 2004 on account of non payment of cane price/commission/ interest due to Co-operative Societies. The Hon'ble High Court has stayed the recovery proceedings against the company subject to payment of dues upto 31st July, 2004. The Company has complied with the conditions regarding payment of cane price and commission on basic SMP upto 31st July, 2004. However, the company has disputed the payment of interest of ₹ 142.00 Lac and recovery charges of ₹ 236.00 Lac in the Hon'ble Allahabad High Court which is still pending. On consideration of prudence, the company has made provision for interest of Rs.142.00 Lac during the year 2004-05.
(b) Recovery Certificate (RC) was issued on 18th March, 2008 on account of non payment of cane price/commission/ interest due to Co-operative Societies for the sugar season 2007-08. The above RC also includes recovery charges of ₹ 413.50 Lac which has not been provided for in the books of account.
(c) Recovery Certificate (RC) was issued on 20th April, 2011 on account of non-payment of cane price/commission/ interest due to Co-operative Societies for the sugar season 2010-11. The above RC also includes recovery charges of ₹ 268.25 Lac which has not been provided for in the books of account as stay granted by Hon'ble Allahabad High Court.
(d) Recovery Certificate (RC) was issued on 10th August, 2007 on account of non payment of cane price/commission/ Interest due to Co-operative Societies for the sugar season 2006-07. The above RC also includes interest of ₹ 340.66 Lac upto 7th August, 2007 on cane price/ commission payable to societies and recovery charges of ₹ 426.95 Lac which has not been provided for in the books of account. As per the Interim Order dated 27th February, 2008 of Hon'ble Supreme Court, there shall not be any recovery charges or interest for delayed payment at this stage
(e) Recovery Certificate (RC) was issued on 21st February, 2014 on account of non payment of cane price/ commission/interest due to Co-operative Societies for the sugar season 2012-13. The above RC also includes interest of ₹ 1246.58 Lac and recovery charges of ₹ 450.79 Lac. No provision has been made for recovery charges in the books of account. Hon'ble Allahabad High Court vide its order dated 16th April, 2014 has stayed the recovery charges of ₹ 278.99 Lac. Further the Company has provided interest of ₹ 835.22 Lac on cane arrears as per the agreement dated 24th May, 2013 and has also disputed the difference amount in a writ filed with Hon'ble Allahabad High Court. Further proceedings are pending.
36. In the recent past, the Arc Electrode Industry in the country has been facing stiff competition from international players who entered Indian market and started aggressive publicity to capture it. This resulted in adverse impact on domestic companies. To cope with the treat, the electrode unit of the company has also undertaken publicity campaign through advertisement in Newspapers/ Banners, Calendars etc. Further, we give below figures on advertisement during last four years:

2010-11	₹	37.29 Lac
2011-12	₹	391.77 Lac
2012-13	₹	381.34 Lac
2013-14	₹	281.64 Lac

37. The following are the particulars of dues on account of sales tax, excise duty, income tax and others as at 31st March, 2014 that have been disputed by the Company in appeals pending before appellate authorities.

Name of statute	Nature of the dues	Amount of dues (₹ Lac)	Amount deposited under protest (₹Lac)	Period to which the amount relates	Forum where disputes is pending
U.P.VAT Act	VAT Tax, Penalty, Interest, Exemption to New Units.	2584.59	5.98	1987-88, 1990-91 & 1991-92, May 91 to March 96	Allahabad High Court.
	VAT Tax and Penalty	@ 732.80	377.08	1982-83 to 1986-87, 1988-89, 1992-93, 1994-95 to 1997-98, 1999-2000 to 2001-02	Commercial Tax Tribunal, Ghaziabad
	VAT Tax and Penalty	68.24	0.24	1986-87 + Interest and 2007-08	Jt. Commr. (A), Ghaziabad.
	VAT Tax	0.12	-	2005-06	Dy. Commr. (Assessment), Modinagar.
	Penalty under Vat Tax	0.44	0.44	2009-10	Additional Commr. (Appeals), Gaziabad.
Central Sales Tax Act	Central Sales Tax	213.14	36.40	1985-86, 1988-89, 1992-93, 1994-95 to 1997-98, 1999-2000 to 2000-01	Commercial Tax Tribunal, Ghaziabad.
	Central Sales Tax	1.01	-	2005-06	Dy. Commr. (A), Modinagar.
	Sales Tax	14.40	14.40	2013-14	Deputy Commissioner (Assessment), Modinagar
State Sales Tax Act	State Tax	10.56	0.20	1992-93	Addl. Commr. Sales Tax, Delhi.
	Sales Tax	5.97	2.00	1985-86, 1997-98, 2002-03, 2004-05 & 2005-06	State Tax
	Penalty (HGST)	0.30	-	1991-92	Tribunal Sales Tax, Chandigarh.
	State Tax	15.79	1.79	1989-90 to 1993-94, 1998-99 and 2006-07	Dy. Commr. (A), States
Central Sales Tax Act (States)	Central Sales Tax	1.92	0.29	1988-89 to 1992-93.	Appellate Authority/DC (Appeals) Delhi
Wealth Tax Act	Wealth Tax	1.16	0.59	2007-08	I.T.A.T., New Delhi
	Wealth Tax	0.65	0.65	2008-09	I.T.A.T., New Delhi
	Wealth Tax	2.66	2.66	2009-10	CIT (Appeals) New Delhi
	Wealth Tax #	3.48	3.48	2010-11	CIT (Appeals) New Delhi
Central Excise & Custom Act	Custom Duty	*43.91	-	1.3.2001 to 25.4.2001	Civil Court Ghaziabad
	Excise Duty	0.70	-	2002-03 and 2003-04	Supreme Court of India
	Excise Duty	0.81	-	2011-12, 2012-13	Dy. commissioner of Central Excise, Ghaziabad
	Excise Penalty	0.07	-	2010-11	Commissioner of Central Excise, Ghaziabad.
	Excise Duty	167.43	50.00	1985-86	Delhi High court
		0.49	0.25	2004-05	Allahabad High Court
		0.74	0.20	1996-97	Commissioner of Central Excise, Ghaziabad.
		**113.47	-	February 1981 to February, 1987, 2002-03 to 2010-11	CESTAT
		5.00	-	Information not available.	Information not available.
		6.34	6.34	2009 onwards	Supreme Court of India
Income Tax	Penalty	209.59	-	2007-08 and 2008-09	CIT (appeal) New Delhi

@ Provided for ₹82.60 Lac in the Accounts *Provided for in the Accounts. **Provided for ₹32.20 Lac in the Accounts # Excludes ₹10.44 Lac for 2011-12 to 2013-14 for which assessments are pending

38. **RELATED PARTIES DISCLOSURE**

01 **Entities under the Control of the Company :**

Subsidiaries :

Own Investment (India) Limited
Your Investment (India) Limited

02 **Key Management Personnel :**

Shri Mahendra Kumar Modi Managing Director
Shri Umesh Kumar Modi Managing Director

03 **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:

Modipon Limited
Bihar Sponge Iron Limited
SBEC Sugar Limited
Moderate Leasing & Capital Services Limited
Modi Hitech India Limited
Technicast Engineers Limited
SBEC System India Limited
Modi Mundipharma Pvt. Limited
Win-Medicare Pvt. Limited
Modi Motors Private Limited
Modi Illva India Pvt. Ltd.
Modi Line Travel Services Pvt. Ltd.
Modi Revlon Private Limited
Modi Senator (I) Pvt. Limited
Jayesh Tradex Pvt. Limited
A to Z Holding Pvt. Limited
Ashoka Mercantile Limited
Weld Excel India Limited

04 **Disclosure of transactions between the Company and related parties and the status of outstanding balances as at 31st March, 2014:**

(A) Transactions with the enterprises over which the Key Management Personnel and their relatives are able to exercise significant influence:

(₹ in Lac)

Particulars	Year	
	2013-14	2012-13
Sale of Goods		
SBEC Sugar Limited	2932.34	4112.42
Weld Excel India Limited	43.36	96.64
Others	0.02	-
	2975.72	4209.06
Purchase of Goods/Raw Materials		
Weld Excel India Limited	1363.31	32.45
SBEC Sugar Limited	1800.78	4.18
Jayesh Tradex Pvt. Limited	15.42	181.60
Modi Hitech India Ltd.	9.78	11.57
Others	2.88	3.87
	3192.17	233.67
Purchase of Assets	0.33	-
Rental Income		
Win Medicare Private Limited	49.80	74.72
Weld Excel India Limited	5.08	4.62
Modi Motors Pvt. Ltd.	12.00	13.48
Modi Mundipharma Pvt. Ltd.	9.24	10.40
SBEC Sugar Limited	4.37	4.60
Shri Mahendra Kumar Modi	4.72	4.50
Others	0.95	0.69
	86.16	113.01

(₹ in Lac)

Particulars	Year	
	2013-14	2012-13
Payment of Lease Rent		
Weld Excel India Limited (Foot note No. 5 & 6)	22.12	23.84
Expenses reimbursed		
Weld Excel India Limited (Foot note No. 2)	81.32	67.61
Modipon Limited	23.00	22.80
Others	0.07	1.87
	104.39	92.28
Job Work Charges Paid		
Weld Excel India Limited	2.48	18.41
Interest paid on Loan taken		
Modern Leasing & Capital Services Pvt. Ltd. (Not a related party as on 31 st March, 2013)	683.40	-
Expenses realized		
Weld Excel India Limited (Foot Note No. 3)	41.25	52.21
Ashoka Mercantile Ltd.	4.01	4.53
SBEC Sugar Limited.	0.69	2.81
Shri Mahendra Kumar Modi	1.23	-
Others	0.20	2.97
	47.38	62.52
Job Charges received		
Weld Excel India Limited	-	11.71
Royalty Fee received		
Weld Excel India Limited	9.54	8.50
Commission paid for sale promotion		
Ashoka Mercantile Ltd.	10.55	22.42
Receiving of Services		
Modi Line Travel Services Pvt. Ltd.	20.47	17.82
Refund received against Loans & Advances		
Weld Excel India Limited (Foot Note No. 4)	320.39	52.28
Refund of Security deposits given		
Ashoka Mercantile Ltd. (Foot Note No.7)	102.00	145.00
Weld Excel India Limited	5.38	0.96
	107.38	145.96
Loans and Advances given		
Modipon Limited	13.24	-
(B) Balances outstanding at the year end:		
Amount recoverable		
Good	23.95	18.15
Doubtful	3.78	3.78
Loans and advance recoverable		
Weld Excel India Limited (Foot Note No. 4)	-	320.39
Security deposit to Weld Excel India Limited		
Against Cylinders (Foot Note No. 5)	32.66	38.04
Against Oxygen Filling Plant (Foot Note No. 6)	4.00	4.00
Security deposit recoverable for quarters		
Ashoka Mercantile Limited (Foot Note No. 7)	998.00	1100.00
Modipon Limited	147.63	147.63
Sundry Debtors		
SBEC Sugar Limited	972.35	265.17
Weld Excel India Limited	-	27.83

			(₹ in Lac)	
			Year	
			2013-14	2012-13
Amount payable				
	Weld Excel India Limited		135.54	-
	Others		6.41	10.43
Unsecured Loan taken Outstanding				
	A to Z Holding Pvt. Ltd.		24.88	24.88
	Moderate Leasing & Capital Services Ltd.		4305.75	-
(C) Disclosure of transactions with subsidiaries:			(₹ in Lac)	
			Year	
			2013-14	2012-13
Dividend Income				
	Own Investment (India) Ltd.		-	21.78
	Your Investment (India) Ltd.		-	21.45
(D) Payment to the Key Management Personnel:			(₹ in Lac)	
			Year	
			2013-14	2012-13
i)	Managerial Remuneration			
	Shri Mahendra Kumar Modi		18.00	18.00
ii)	Amount payable to Managing Director			
	Shri Mahendra Kumar Modi		-	0.46
iii)	Amount payable (for Gratuity)		3.35	3.35

Foot Notes :

- The above excludes amount payable/receivable to/from related parties in the books of Steel Unit in view of non-incorporation of Balance Sheets for these years on account of non-availability of opening audited balances as on 01.04.1993.
- During the financial year 2010-11, Electrodes unit of the company has taken office premises in Delhi on sublease basis from Weld Excel India Limited (WEIL), a related party, under operating lease for three years non cancelable period at monthly rent of ₹ 4.15 Lac plus electricity, maintenance and car parking charges to WEIL. Sub Lease agreement extended for another three years at monthly rent of ₹ 4.78 Lac with effect from 1st April, 2013.
- Electrode unit of the company has taken office cum guest house premises in Chatarpur and Aman, New Delhi on operating lease basis and having sharing agreement with WEIL in case of Aman upto 31st December, 2013 and with WEIL and Shri Mahendra Kumar Modi, Managing Director in case of Chatarpur Guest House with effect from 1st November, 2011 (for a period of two years and further extended till 31st December, 2014) at monthly rent of ₹1.40 Lac with effect from 1st November, 2013 (our share) (upto 31st October, 2013 ₹ 1.25 Lac) and per day rent of ₹ 0.08 Lac (our share) (previous year ₹ 0.08 Lac) plus taxes respectively.
- Pursuant to an agreement for commitment to supply electrodes, an unsecured interest free advance of ₹ 500 Lac was given during 2009-10 which is being adjusted from supply of goods @ 20% of invoice value. Accordingly, ₹ 179.61 Lac was adjusted from supply of goods @ 20% invoice value till 31st March, 2013 and balance amount of ₹ 320.39 Lac was refunded by Weld Excel India Limited during the year ending 31st March, 2014.
- 1633 Cylinders (Previous year 1902 cylinders) taken on operating lease at monthly rent of ₹ 45.00 per cylinder.
- Oxygen Filling Plant taken on operating lease for 2 years (non-cancelable) at monthly rent of ₹ 1.00 Lac for a period of two years with an option to renew for another two years. Lease period subsequently extended for one more year in 2013-14 at monthly rent of ₹ 1.00 Lac.
- Security deposits (unsecured interest free) amounting to ₹ 998.00 Lac (Previous year ₹ 1100.00 Lac) given during May, 2011 against temporary possession of 53 (Previous year 59) houses in Modinagar.

39. Undertakings given to Financial Institutions on behalf of Lords Chloro Alkali Limited, Modi Rubber Limited and Bihar Sponge Iron Limited:

(a) To procure funds jointly/severally with other promoters to meet any shortfall in the resources of the Company for completing their projects and/or for working capital. The funds made available/to be made available can only be withdrawn with the prior approval of Financial Institutions and shall not involve any charge or lien on the assets of the said Companies.

(b) That the company shall not transfer, assign, pledge, hypothecate or otherwise dispose of in any manner its holding in their capital without Institutions' prior approval in writing.

40. Deferred credit including liability for interest payable for unexpired period have been guaranteed by the Bankers of the Company against hypothecation of Gas Cylinders and Machinery purchased under the Scheme in Steel Unit.

41. Lay off declared in UPCL (Bottling Section) in Distillery unit from 1-5-2013.

42. Additional information as required by Revised Schedule VI of Companies Act, 1956:

(i) **Prior period items:**

(₹ in Lac)

Sl.No.	Particulars	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
(A) Income			
(i)	Revenue from operation	(2.64)	(19.88)
(ii)	Other Income	24.60	13.38
(iii)	Reversal of finance costs	-	-
(iv)	Reversal of other expenses	-	0.11
Total		21.96	(6.39)
(B) Expenditure			
(i)	Finance costs	126.27	6.61
(ii)	Employee benefits expenses	(2.34)	6.90
(iii)	Reversal of other income	-	0.11
(iii)	Other expenses	12.29	49.78
Total		136.22	63.40

(ii) **Cost of materials consumed:**

(₹ in Lac)

Sl.No.	Particulars	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
(a)	Sugar cane	18,137.40	20,451.19
(b)	Sugar Purchased (Reprocess)	1,747.33	-
(c)	Molasses	4.86	7.70
(d)	Extra neutral alcohol (ENA)	99.36	71.57
(e)	Vatted Malt Scotch Whisky	131.33	82.01
(f)	Oils	76.91	66.78
(g)	Chemicals	1,889.55	2,167.76
(h)	Wire	1,753.67	2,079.93
(i)	Carbide	184.60	192.94
(j)	Carbondioxide (CO ₂)	45.54	30.25
(k)	Argon Gas	22.34	35.07
(l)	Oxygen Gas	31.29	25.84
(m)	Others	26.23	17.89
Total		24,150.41	25,228.93

(iii) Manufactured goods:

(₹ in Lac)

Sl.No.	Particulars	Sales @		Opening Inventory		Closing Inventory	
		For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
		31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
(a)	Sugar	18,865.93	21,237.47	4,265.87	4,151.93	5,386.99	4,265.87
(b)	Molasses (By product)	539.30	739.55	256.13	124.07	501.58	256.13
(c)	Bagasse (By product)	753.45	693.68	16.48	27.50	6.15	16.48
(d)	Spirit	-	41.51	2.64	57.13	44.79	2.64
(e)	Extra neutral alcohol (ENA)	-	32.00	19.11	26.18	0.41	19.11
(f)	Indian made foreign liquor (IMFL)	1,986.81	1,312.20	164.77	99.07	184.99	164.77
(g)	Country liquor	1,031.90	10,839.15	116.38	162.03	-	116.38
(h)	Bio-organic manure	17.63	29.84	6.65	-	2.78	6.65
(i)	Special denatured spirit	1,406.82	570.92	-	-	-	-
(j)	Paints & varnish	1,983.91	1,825.00	138.42	72.11	115.75	138.42
(k)	Disolved Acetylene	315.20	322.87	4.61	5.91	4.31	4.61
(l)	Carbon di oxide	80.18	55.65	0.27	0.61	0.46	0.27
(m)	Argon	46.80	67.55	1.10	0.74	0.55	1.10
(n)	Oxygen	60.65	51.38	0.28	0.65	0.28	0.28
(o)	Welding Electrodes	5,336.39	6,754.71	571.28	549.35	401.38	571.28
(p)	Flux	40.51	63.93	-	-	-	-
(q)	Wires*	-	-	442.63	442.63	442.63	442.63
(r)	Rods, Flats, Sections*	-	-	398.25	398.25	398.25	398.25
(s)	Oxygen Gas*	-	-	0.05	0.05	0.05	0.05
(t)	Scrap & Others*	-	-	54.81	54.81	54.81	54.81
(u)	Others	-	-	-	8.97	-	-
	TOTAL	32,465.48	44,637.41	6,459.73	6,181.99	7,546.16	6,459.73

* This represents figures of steel unit as at 31st March, 1992. { Refer note 27(4) }.

@ Inclusive of Excise-duty but excludes rebates and discounts.

(iv) Traded goods:-

(₹ in Lac)

Sl.No.	Particulars	Sales		Purchases		Opening Inventory		Closing Inventory	
		For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
		31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
(a)	Satina Uni. Stainer	0.01	0.34	-	-	0.15	0.47	0.14	0.15
(b)	Glowlite putty	0.05	0.64	-	0.33	0.31	0.27	0.28	0.31
(c)	Oxygen Gas	36.89	36.61	22.45	20.47	0.01	0.02	0.02	0.01
(d)	Nitrogen Gas	18.18	19.36	8.72	10.86	0.27	0.19	0.18	0.27
(e)	Hydrogen Gas	29.48	41.02	19.54	27.25	0.98	0.71	0.85	0.98
(f)	N2H2 Mixure	11.69	10.58	3.35	2.95	0.03	0.06	0.02	0.03
(g)	Carbon di oxide Gas	15.77	14.50	9.18	7.59	0.01	0.06	0.06	0.01
(h)	Argon Gas	18.31	26.99	8.17	11.50	-	-	0.09	-
(i)	Zero Air Gas	1.66	1.83	0.52	0.60	0.02	0.03	0.01	0.02
	TOTAL	132.04	151.87	71.93	81.55	1.78	1.81	1.65	1.78

(v) Services rendered:-

(₹ in Lac)

Sl.No.	Particulars	For the year ended	For the year ended
		31 March 2014	31 March 2013
(a)	Product Development Charges	14.48	8.29
(b)	Conditioning charges of cylinders	10.02	10.91
(c)	Job work charges	-	52.31
	TOTAL	24.50	71.51

(vi) **Work-in-progress:-**

(₹ in Lac)

SI.No.Particulars	Opening Inventory		Closing Inventory	
	For the year ended 31 March 2014	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2013
(a) Sugar	250.43	168.88	237.87	250.43
(b) Indian made foreign liquor (IMFL)	15.61	4.37	18.14	15.61
(c) Country liquor	3.77	4.78	0.60	3.77
(d) Paints & varnish	33.21	30.11	39.63	33.21
(e) Welding Electrodes	106.08	174.87	92.83	106.08
(f) Flux	9.98	31.99	10.26	9.98
(g) steel	40.32	40.32	40.32	40.32
TOTAL	459.40	455.32	439.65	459.40

(vii) **Other Information:-**

(₹ in Lac)

SI.No.Particulars	For the year ended 31 March 2014	% age	For the year ended 31 March 2013	% age
(A) Value of imports on CIF basis:				
(i) Raw materials(cost of material acquired)	-		77.56	
(ii) Components & spare parts	-		0.37	
(iii) Capital goods (moulds)	-		-	
(B) Expenditure in foreign currency:				
(i) Travelling	8.84		6.17	
(ii) Stores purchased	47.29		61.80	
(iii) Other matters	-		-	
(C) Value of imported/indigenous:				
(a) Raw materials consumed:				
(i) Imported	131.96	0.55	107.79	0.43
(ii) Indigenous	24,018.45	99.45	25,121.14	99.57
TOTAL	24,150.41	100.00	25,228.93	100.00
(b) Spare parts and components consumed:				
(i) Imported	0.29	0.09	0.37	0.10
(ii) Indigenous	332.22	99.91	352.71	99.90
TOTAL	332.51	100.00	353.08	100.00

Foot Note :-

As segregation between spare parts and components is not possible, the value of consumption of spare parts and components has been aggregated. The figures given in (vii)(C)(b) above are as certified by the Officials of the Company.

As per our report of even date attached for **P.R. Mehra & Co.** Chartered Accountants, Regn No. 000051N
Ramesh Chand Goyal
Partner
Membership No. 012628

V.P. Gupta
Manager
Company Secretarial

Mahendra Kumar Modi
(DIN 00014594)
Umesh Kumar Modi
(DIN 00002757)
Managing Directors

Vinay Kumar Modi
(DIN 00274605)
Rakesh Kumar Modi
(DIN 00022386)
Manish Kumar Modi
(DIN 00030036)
Abhishek Modi
(DIN 00002798)
Santosh Kumar Aggarwal
(DIN 00064755)
Directors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MODI INDUSTRIES LIMITED

(1) We have audited the accompanying Consolidated Financial Statements of MODI INDUSTRIES LIMITED ("the company") and its two subsidiaries which comprise the Consolidated Balance Sheet as at 31st March, 2014 and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and significant accounting policies and other explanatory information. *The attached Consolidated Balance Sheet does not include Assets and Liabilities including Contingent Liabilities and other additional information of Steel Unit as at 31st March, 2014 but includes balances as on 31st March, 1992, except for reduction of: (i) unsecured loan by ₹323.95Lac in view of write-back of ₹278.95Lac during the financial year 2004-05 and payment of ₹45Lac during the financial year 2005-06 on account of one-time settlement of dues of a bank and (ii) net fixed assets by ₹682.56 Lac (Previous year ₹676.05Lac) on account of provision for depreciation for the period 1st April, 1993 to 31st March, 2014 on fixed assets as stated in Note 27(4)(c) of Annual Accounts. The Statement of Profit and Loss does not include: (i) certain provisions as stated in Note 27(4)(f) and (ii) loss, amount unascertained, of the Steel Unit for the year 1992-93 in view of non-incorporation of Annual Accounts of the Steel Unit for the above year. The Consolidated Cash Flow Statement, except for certain adjustments made as stated in foot-note 2 of cash flow statement, does not include adjustments for Cash Flows from investing/financing activities and changes in assets and liabilities of Steel Unit in view of non-availability of audited Balance Sheets of the Unit as on 31st March, 2013 and 31st March, 2014 (Refer Note 27(4)).*

(2) **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(3) **Auditor's Responsibility**

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. *Subject to paragraphs 1 & 4 of this report, we conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

(4) **Basis for Adverse Opinion**

(A) *The books of accounts, vouchers and other documents of the Steel Unit for 1992-93 were not made available to us and consequently audit could not be conducted in respect of the same. (Note 27(4)). Therefore, as stated in Paragraph 1 above, the attached Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement does not include: (a) the financial data/impact of working results and of declaration of closure/post-closure transactions, which includes realization of depot sales/dues from debtors, provision/payment of final dues of employees and payments to various parties and manufacturing/personnel/administration expenses etc., of the Steel Unit for the year 1992-93 during which the Unit had operated for ten months the exclusion of which, in our opinion, substantially impairs the presentation of above financial statements of the Company especially in view of the fact that (i) the assets and liabilities of Steel Unit constituted 28% and 43% respectively of the total Assets & Liabilities of the Company as at 31st March, 1992 and the Income & Expenditure of the Steel Unit constituted 30% and 32% respectively of the total Income & Expenditure of the Company for the said year which resulted in a loss of ₹787.22Lac for the Unit and (b) impact on assets, liabilities and cash flows on account of non-incorporation of transactions/balance sheets for the years 1993-94 to 2013-14 as stated in note 27(4)(c).*

(B) *Further to our comments in paragraphs 1 and 4(A) above, we report that:*

- i. *Understatement of accumulated loss on account of non-incorporation of impact of operational/working results/declaration of closure and post closure transactions of Steel Unit for the year 1992-93, amount/impact unascertained. (Refer Note 27(4) and Paragraph 4(A) above).*
- ii. *Though the Company has been incurring huge losses continuously (losses for the three years i.e. 2011-12, 2012-13 and 2013-14 are ₹4,276.10Lac, ₹3,489.48Lac and ₹4,289.92Lac respectively which aggregates to loss of ₹12,055.50Lac for 3 years), accumulated losses of ₹18,826.90Lac as on 31st March, 2014 are far in excess of paid-up capital & reserves (excluding revaluation reserve) of ₹996.72Lac as on that date and the company has been declared a sick company on 14th March, 1991 and was also issued a show cause notice for winding up by the Board for Industrial & Financial Restructuring on 28th October, 2013 (presently the winding up order has been stayed by the Appellate Authority for Industrial & Financial Restructuring), the accounts have been prepared by the management on a going concern basis for the reasons stated in Note 27(17). In our opinion, these events / conditions cast significant doubt on the ability of the company to continue as a going concern and the appropriateness of the said basis is inter-alia mainly dependent on the vacation of the winding-up order, sanction and implementation of the rehabilitation scheme and the company's ability to infuse requisite funds by sale of unproductive assets or otherwise for meeting substantial financial obligations.*
- iii. *Understatement of loss on account of non-provision of interest on loans, obsolete inventories, doubtful debtors/loan and advances and impairment loss, and non-physical verification of inventories and fixed assets etc. in Steel Unit as stated in Notes 27(4)(f)(i) to (vii) and 27(5) of Annual Accounts. Amount of non-provision not ascertained.*
- iv. *Understatement of loss on account of non-provision for diminution in market value (book value ₹8.74Lac) of quoted investment and in the book value (amount unascertained) of unquoted investments held by both the subsidiaries as required by AS-13 i.e. Accounting for Investments as issued by the Institute of Chartered Accountants of India. (Note 27(37))*
- v.
 - (1) *Non-provision of late payment surcharge/recovery charges ₹302.66Lac (Previous year ₹302.66Lac) (Note 27(9)) and Non-provision of demands of U.P. Power Corporation Ltd ₹1311.49Lac (Previous year ₹1311.49Lac) (Note 27(4)(f) (viii)(c));*
 - (2) *Non-provision of ESI demand ₹62.35Lac (previous year ₹61.19Lac) (Note 27(10));*
 - (3) *Non-provision of House-tax demand ₹188.63Lac (Previous year ₹188.63Lac) (Note 27(11)).*
 - (4) *Non-provision of simple, penal and compound interest of ₹28103.24Lac (for the year ₹4288.99Lac) on term loans/debentures and public deposits (Note 27(18)(a) and (f)) and interest/bank charges ₹3017.89Lac (for the year ₹437.58Lac) on cash credit from banks (Note 27(18)(d) & (e));*
 - (5) *Non-provision of Wages ₹27.46Lac (Previous year ₹27.46Lac) for the lock-out period. (Note 27(21)) and*
 - (6) *Non-provision of recovery charges of ₹413.50Lac (Previous Year ₹413.50Lac). (Note 27(35)(b)).*

(C) *Accounting treatment given to the manufacture and sale of Vodka and whisky by the Distillery unit (Unit) of company as stated in note 27(16) whereas it has no impact on the net profit of the Unit for the year.*

(D) *Confirmation of Debit/Credit balances of debtors/creditors/certain banks and of parties who have discounted sale bills of Sugar Unit were not obtained. Impact on annual accounts not ascertainable. (Note 27(27)).*

(E) *Our audit observations under sections 227(1A) & 372A of the Companies Act, 1956 are as under:*

As stated by the management in Foot-note 7 of Note 27(41), the company has given unsecured interest free security deposit amounting to ₹1,100Lac during May 2011 against temporary possession of 59 houses to Ashoka Mercantile Limited, a related party, and the outstanding as on 31st March, 2014 in the books of account of the company is ₹998Lac (53 houses). We were informed by the company that few of these houses have been allotted to employees of the company but the same have not been occupied by any of them

tilt date. In our opinion, the above interest free unsecured loans given by the company (i.e. a sick company as mentioned in Note 27(17)) to a related party amounting to ₹998Lac (As on 31st March, 2013 ₹1,100Lac) have been shown as deposits by the company as on 31st March, 2014.

- (F) As stated by the management in note 27(36), the Electrode Unit of the company has incurred expenditure for advertisement of products amounting to ₹281.64Lac (previous year ₹381.34Lac) including ₹251.09Lac by way of advertisement in newspapers / magazine. In the absence of sufficient appropriate audit evidence regarding prevailing market rates/charges paid to newspaper/magazine publishers by agents, we are unable to verify and express our opinion on these rates/charges paid to agents.
- (G) (i) As per the bottling contract mentioned in note 27(16), the Distillery Unit of the company (bottler) has agreed for blending, manufacturing and bottling of the products for MI Spirit India Private Limited (MI Spirit) and MI Spirit will, either itself or through "Modi Illva India Private Limited (Modi Illva), a company in which a director of the company is also a director, market the products and in case MI Spirit requests the bottler to directly undertake any promotion of the products, then expenses incurred by the bottler in connection with the promotion of the products shall be reimbursed by MI Spirit, against the debit notes raised by the bottler.
- (ii) We note that the Distillery Unit (Unit) has accounted for sale promotion expenses (cost of gift items purchased by Modi Illva) amounting to ₹222.20Lac in its books of account as on 31st March, 2014 for which credit has been given to MI Spirit based on its debit note dated 31st March, 2014. In view of the facts stated in paragraph 2(i) above, in our opinion, the accounting for such expense in the books of account of the Unit is not proper. Further, we have also not verified / audited these expenses and are also not expressing opinion on these expenses as the purchases as well as distribution of these gifts have not been dealt with by the Unit.
- (iii) However, the accounting of these sale promotion expenses in the books of account of the Unit had no impact on the net profit of the Unit as the Unit is entitled to only fixed manufacturing margin as stated in note 27(16) i.e. instead of sale promotion expenses, the 'Trade mark license & marketing fee' expenses would have been accounted for in the books of account of the Unit resulting in no impact on net profit of the Unit.
- (H) We further report that, without considering items mentioned at 4 (B) (i) to (iv), 4(D) to 4(F) above, the possible effects of which could not be determined, had the observations made by us in paragraphs 4(B) (v), and 4(C & G) above been considered, the loss for the year would have been ₹37,716.35Lac (as against the reported loss of ₹4,289.13 Lac), negative balance of Reserves and Surplus in Note 2 would have been ₹49,589.96Lac (as against the reported negative figure of ₹16,162.74Lac), current assets would have been ₹17,236.68Lac (as against the reported figure of ₹19,162.90 Lac), current liabilities would have been ₹67,217.72Lac (as against the reported figure of ₹34,127.90Lac), long-term borrowings would have been ₹4,411.38 Lac (as against the reported figure of ₹5,999.20 Lac), gross revenue would have been ₹31,829.02 Lac (as against the reported figure of ₹33,753.63 Lac), trade mark license and marketing fees expense would have been ₹222.20 Lac (as against the reported figure of 'Nil'), discount and sales promotion expense would have been ₹114.32 Lac (as against the reported figure of ₹336.52 Lac) and total expenses (including excise-duty) for the year would have been ₹69,547.41Lac (as against the reported figure of ₹38,042.76Lac).
- (I) In view of the significance of our audit observations in paragraphs 1 and 4(A) to (G) above and especially in view of the fact that the state of affairs would change substantially in case the Statement of Profit and Loss for the financial year 1992-93 and Balance Sheet as on 31st March, 2014 of Steel Unit were included, which we are unable to quantify, we are of the opinion, the said accounts DO NOT give a true and fair view: (a) In the case of the Consolidated Balance Sheet, of the state of affairs as at 31st March, 2014, (b) in the case of Consolidated Statement of Profit and Loss, of the loss for the year ended 31st March, 2014 and (c) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

5. Emphasis of Matter

- (i) The Company has not deposited unpaid unclaimed public deposits and interest accrued thereon amounting to ₹9.73Lac with Investor Education & Protection Fund. Further, unpaid amount of such unclaimed debentures, if any, as on 31st March, 2014 has not been identified. (Note 27(30)).
- (ii) Cars costing ₹93.52Lac (Previous Year ₹93.52Lac) purchased in the name of employees/Corporate Advisor are yet to be transferred to the name of the company. However, these persons have given disclaimer in favour of the company. (Refer Foot-Note D of Note 10).
- (iii) We invite attention to Note 27(33) regarding entering into agreements to sell 215 (previous year 215) residential quarters, Note 27(34)(a) regarding entering into lease, including perpetual lease. agreements for 27954.86 Sq. Meters of factory land & buildings and Note 27(34)(b) regarding entering into perpetual lease agreement for 1584 Sq. Meters. of factory land for which the approvals of financial institutions, to whom these quarters and factory land & buildings are mortgaged, were not obtained.
- (iv) We invite attention to Note 27(19)(a) regarding reasons for not making provision for disputed Sales-tax demand of ₹2,455.78Lac excluding interest (Previous year ₹2,455.78Lac) of Vanaspati Unit.
- (v) We invite attention to Note 27(35)(a) and (c & d) regarding demands of recovery charges of ₹955.04Lac (Previous Year ₹504.25Lac) on account of non-payment of cane price/commission/interest as the same are disputed by the company/ obtained stay order as stated therein.
- (vi) We invite attention to Note 27(31) regarding non-provision of diminution of ₹154.80Lac as on 31st March, 2014 (Previous Year ₹133.80Lac) in market value of one of its long-term investment in a group company in view of the reasons stated in the Note i.e. the Modified Rehabilitation Scheme of the group company is still under consideration of the BIFR.

Our opinion is not qualified in respect of the matters mentioned in paragraph 5 above.

6. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit of the Company except in respect of Steel Unit as mentioned above and matter referred in paragraph 4(F) above.

In case of Steel Unit, no details, information and explanations are available for the opening and closing assets and liabilities as on 1st April, 2013 and 31st March, 2014 respectively and for contingent liabilities and additional information etc. as on 1st April, 2013 and 31st March, 2014 in view of non-incorporation of: (i) Annual Accounts of Steel Unit for 1992-93 and (ii) Balance Sheets for the years 1993-94 to 2013-14 as stated in note 27(4)(c). (See paragraphs 1 and 4(A) above);

7. Other Matters

We did not audit the financial statements of both the subsidiaries, whose financial statements reflect total assets of ₹62.05Lac (Previous year ₹60.88Lac) as at 31st March, 2014, the total revenue of ₹2.09Lac (Previous year ₹58.37Lac) and cash inflows (net) amounting ₹1.10Lac (Previous year inflows of ₹6.67Lac) for the year then ended. These financial statements and other financial information have been audited by other auditor whose reports have been furnished to us and our opinion is based solely on the report of other auditor.

for P.R. MEHRA & CO.,
CHARTERED ACCOUNTANTS
(Regn. No. 000051N)

RAMESH CHAND GOYAL
PARTNER
Membership No. 012628

PLACE: NEW DELHI
DATED: 30th June, 2014

Consolidated Balance Sheet as at 31st March, 2014

(₹ in Lac)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
1	2	3	4
I EQUITY AND LIABILITIES :			
(1) Shareholders' funds:			
(a) Share Capital	1	371.42	371.42
(b) Reserves & Surplus	2	(16,162.74)	(11,873.61)
		<u>(15,791.32)</u>	<u>(11,502.19)</u>
(2) Minority interests		0.08	0.08
(3) Non-current liabilities :			
(a) Long term borrowings	3	5,999.20	6,217.33
(b) Other long term liabilities	4	1,392.64	1,399.49
(c) Long term provisions	5	1,142.04	1,217.35
		<u>8,533.88</u>	<u>8,834.17</u>
(4) Current liabilities :			
(a) Short term borrowings	6	1,664.64	1,673.67
(b) Trade payables	7	19,703.37	16,208.45
(c) Other current liabilities	8	12,071.49	11,973.03
(d) Short term provisions	9	688.40	639.70
		<u>34,127.90</u>	<u>30,494.85</u>
TOTAL		26,870.54	27,826.91
II ASSETS			
(1) Non-current assets			
(a) Fixed assets :			
i) Tangible assets	10	6,625.68	7,063.93
ii) Intangible assets	11	13.59	18.36
iii) Capital work-in progress		44.38	42.56
(b) Non-current investments	12	801.58	801.58
(c) Long term loan and advances	13	222.41	526.55
		<u>7,707.64</u>	<u>8,452.98</u>
(2) Current assets			
(a) Inventories	14	9,299.64	8,478.74
(b) Trade receivables	15	5,081.50	5,691.63
(c) Cash and bank balances:-			
(i) Cash and Cash equivalents	16(i)	403.74	516.91
(ii) Other bank balances	16(ii)	1,148.85	1,170.37
(d) Short term loans and advances	17	3,099.62	3,377.07
(e) Other current assets	18	129.55	139.21
		<u>19,162.90</u>	<u>19,373.93</u>
Accounting policies and other notes to financial statements	25 to 27		
TOTAL		26,870.54	27,826.91

As per our report of even date attached for **P.R. Mehra & Co.** Chartered Accountants, Regn No. 000051N
Ramesh Chand Goyal
 Partner
 Membership No. 012628
 Date : 30th June, 2014
 New Delhi

V.P. Gupta
 Manager
 Company Secretarial

Mahendra Kumar Modi
 (DIN 00014594)
Umesh Kumar Modi
 (DIN 00002757)
 Managing Directors

Vinay Kumar Modi
 (DIN 00274605)
Rakesh Kumar Modi
 (DIN 00022386)
Manish Kumar Modi
 (DIN 00030036)
Abhishek Modi
 (DIN 00002798)
Santosh Kumar Aggarwal
 (DIN 00064755)
 Directors

Consolidated Statement of Profit and Loss for the year ended 31st March, 2014

(₹ in Lac)

S.No.	Particulars	Note No.	For the year ended 31.03.2014	For the year ended 31.03.2013
I	Revenue from operations	19	33,029.24	44,974.21
	Less:- Excise duty		2,897.38	11,504.08
			30,131.86	33,470.13
II	Other income	20	724.39	566.75
III	Total Revenue (I + II)		30,856.25	34,036.88
IV	Expenses:-			
	Cost of materials consumed	27(47)(ii)	24,150.41	25,228.93
	Purchases of stock-in-trade	27(47)(iv)	71.93	81.55
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(1,066.55)	(281.79)
	Employee benefits expense	22	3,355.86	3,489.65
	Finance costs	23	1,767.84	1,243.77
	Depreciation and amortization expense	10 & 11	527.27	599.40
	Other expenses	24	6,338.31	7,150.60
	Total expenses		35,145.07	37,512.11
V	Loss before exceptional and extra-ordinary items and tax (IV-III)		4,288.82	3,475.23
VI	Exceptional item:-		-	-
VII	Loss before extra-ordinary items and tax (V+VI)		4,288.82	3,475.23
VIII	Extra-ordinary items		-	-
IX	Loss before tax (VII + VIII)		4,288.82	3,475.23
X	Tax expenses:-			
	(1) Current tax		0.34	0.27
	(2) Deferred tax		-	-
	(3) Earlier year tax		(0.03)	0.01
XI	Loss after tax but before minority interest		4,289.13	3,475.51
	Minority interest		-	0.05
			4,289.13	3,475.56
XII	Loss from continuing operations		4,383.10	3,307.70
XIII	Loss from discontinuing operations	27(44)(e)	(93.97)	167.86
XIV	Tax expense of discontinuing operations		-	-
XV	Loss from discontinuing operations (after Tax) (XIII + XIV)		(93.97)	167.86
XVI	Loss for the period (XII+XV)		4,289.13	3,475.56
XVII	Basic /Diluted Earnings per equity share of ₹ 10 each (in Rupees)	27(44)	(129.80)	(105.21)
	Accounting policies and other notes to financial statements	25 to 27		

As per our report of even date attached

for **P.R. Mehra & Co.**
Chartered Accountants,
Regn No. 000051N

Ramesh Chand Goyal
Partner
Membership No. 012628

Date : 30th June, 2014
New Delhi

V.P. Gupta
Manager
Company Secretarial

Mahendra Kumar Modi
(DIN 00014594)
Umesh Kumar Modi
(DIN 00002757)
Managing Directors

Vinay Kumar Modi
(DIN 00274605)
Rakesh Kumar Modi
(DIN 00022386)
Manish Kumar Modi
(DIN 00030036)
Abhishek Modi
(DIN 00002798)
Santosh Kumar Aggarwal
(DIN 00064755)
Directors

Consolidated Cash Flow Statement for the year ended 31st March, 2014.

Particulars	₹ in Lac	2013-14 ₹ in Lac	2012-13 ₹ in Lac
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Profit/(Loss) before Tax		(4,288.82)	(3,475.23)
Less: Adjustment for :			
i) Interest Income	108.79		119.20
ii) Profit on Sale of Fixed Assets	236.63		28.95
iii) Excess Provision written back	20.61		36.43
iv) Unclaimed credit balances W/back	24.19		44.96
v) Amount written back	16.18		13.63
vi) Depreciation add back	0.78		10.62
vii) Dividend Income	36.75		36.75
		<u>443.93</u>	<u>290.54</u>
Add: Adjustments for :		(4,732.75)	(3,765.77)
i) Depreciation	527.27		599.40
ii) Assets/Investment written off/ Loss on Sale of Fixed Assets/Stores	62.64		4.55
iii) Interest Expenses	1,767.84		1,243.77
iv) Provision for Doubtful Debts & Advances	73.28		94.19
v) Amounts/Claims/Bad Debts written off (Net of provisions)	8.92		32.00
vi) Provision for obsolete spare-parts & stores	7.16		4.75
		<u>2,447.11</u>	<u>1,978.66</u>
Operating Profit/(Loss) before Working Capital Changes		(2,285.64)	(1,787.11)
<u>Adjustments for :</u>			
Trade Receivables		534.24	54.74
Inventories		(838.17)	(193.99)
Trade Payable		3,109.69	2,514.88
Loans/Advances and other assets		621.56	40.87
Other bank balances		21.52	(281.28)
Cash Generated from Operations		<u>1163.20</u>	<u>348.11</u>
Interest Paid (Foot-note 1 below)		(534.40)	(81.86)
Income Tax Paid		(0.31)	(0.26)
Interest received on tax refund		3.74	3.98
Income tax refund (Net)		<u>13.32</u>	<u>3.87</u>
Net Cash from Operating Activities (A)		645.55	273.84

Particulars	2013-14 ₹ in Lac	2012-13 ₹ in Lac
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(177.22)	(104.54)
Sale of Fixed Assets	275.99	30.92
Interest Received	101.60	114.63
Dividend Received	36.75	36.75
Net Cash Flow from Investing Activities (B)	237.12	77.76
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Secured term borrowings from bank	(22.68)	(20.54)
Secured borrowings from banks (over draft)	(9.03)	144.98
Unsecured Fixed Deposits paid	(0.18)	(4.06)
Dividend Paid (including Dividend Distribution Tax)	-	(7.06)
Unsecured borrowings from others (net)	(201.51)	(3.59)
Interest paid on borrowings	(715.81)	(834.80)
Net Cash from Financing Activities (C)	(949.21)	(725.07)
*Inter Unit Balances (Net) (D) (Foot-note 2 below)	(46.63)	11.38
Net Increase/(decrease) in cash and Cash Equivalents (A+B+C+D)	(113.17)	(362.09)
Opening Cash and Cash Equivalents	516.91	879.00
Closing Cash and Cash Equivalents	403.74	516.91

FOOT NOTES :

- Interest credited to accounts of suppliers, C & F agents and dealers etc. is treated as paid.
- In view of non availability of audited balance sheet as on 31.03.2013 and 31.03.2014 of Steel Unit, cash flow from investing/ financing activities and changes in current assets & liabilities of steel unit are not included in the Cash Flow Statement except for inclusion of net outflow of ₹ 46.63 Lac on account of net increase in inter unit balances appearing in Note 17 i.e. Short term loans & advances {Refer Note 27(4)}.
- Figures in brackets represents outflows.
- Previous Year figures have been rearranged/regrouped wherever considered necessary.

As per our report of even date attached for **P.R. Mehra & Co.** Chartered Accountants, Regn No. 000051N
Ramesh Chand Goyal
Partner
Membership No. 012628
Date : 30th June, 2014
New Delhi

V.P. Gupta
Manager
Company Secretarial

Mahendra Kumar Modi
(DIN 00014594)
Umesh Kumar Modi
(DIN 00002757)
Managing Directors

Vinay Kumar Modi
(DIN 00274605)
Rakesh Kumar Modi
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(DIN 00030036)
Abhishek Modi
(DIN 00002798)
Santosh Kumar Aggarwal
(DIN 00064755)
Directors

Notes Forming part of the Consolidated Financial Statements for the year ended 31st March, 2014

Note no.1 SHARE CAPITAL

₹ in Lac

Particulars	As at 31.03.2014	As at 31.03.2013
Authorised:-		
40,00,000 Equity shares of ₹ 10/- each	400.00	400.00
1,00,000 15% Redeemable cumulative Preference shares of ₹ 100/- each	100.00 500.00	100.00 500.00
Issued, subscribed and paid up:-		
33,09,214 Equity shares of ₹ 10/- each fully paid-up	330.92	330.92
Less: Calls unpaid (Directors and Officers)	-	-
Less: Calls unpaid (others)	0.24	0.24
	330.68	330.68
40,741 15% Redeemable cumulative Preference shares of ₹ 100/- each fully paid-up	40.74	40.74
TOTAL	371.42	371.42

Foot notes:

- (1) (a) Details of equity shares held by each shareholder holding more than 5 percent shares as at the end of financial year are as under:

Name of share holder	As at 31.03.2014		As at 31.03.2013	
	No.of shares held	Percentage	No.of shares held	Percentage
(i) Status Mark Finvest Limited	227844	6.885	227844	6.885

- (b) Details of preference shares held by each shareholder holding more than 5 percent shares as at the end of financial year are as under:

Name of share holder	As at 31.03.2014		As at 31.03.2013	
	No.of shares held	Percentage	No.of shares held	Percentage
(i) ICICI Bank	7794	19.13	7794	19.13
(ii) The Oriental Insurance Company Limited	6550	16.08	6550	16.08
(iii) The New India Assurance Company Limited	13624	33.44	13624	33.44
(iv) The United India Insurance Company Limited	4093	10.05	4093	10.05
(v) General Insurance Corporation of India	3560	8.74	3560	8.74
(vi) National Insurance Company Limited	4912	12.06	4912	12.06

- (2) (a) Cumulative Preference Shares were due for redemption on 31st December, 2010. The company moved Misc. Application (MA) u/s 22(3) of the SICA before Hon'ble BIFR, whereby it had sought extension and suspension of obligation in relation to the 15% Preference Shares concerning Preference Shareholders for two years. The Hon'ble BIFR vide its order dated 18th January, 2011 dismissed the application of the Company. Consequent to the order, the company had written letters to the Institutional Preference Shareholders for settlement and redemption of Preference Shares. Further, negotiations are pending and preference shares are overdue for redemption as on 31st March, 2014.
- (b) Arrears of dividend on Cumulative Preference Shares amounts to ₹ 142.06 Lac (upto 31st March, 2013 ₹ 135.95 Lac).

Note no. 2 RESERVES & SURPLUS

(₹ in Lac)					
Sl.No.	Particulars	Opening Balance	Addition	Deduction	Closing Balance
(1)	Capital Reserve	459.34	-	-	459.34
(2)	Capital Redemption Reserve	25.11	-	-	25.11
(3)	Shares Premium Account	22.57	-	-	22.57
(4)	Debenture Redemption Reserve	113.00	-	-	113.00
(5)	Revaluation Reserve	2,012.51	-	-	2,012.51
(6)	Share options outstanding accounts	-	-	-	-
(7)	General Reserve	22.91	-	-	22.91
(8)	Other Reserves/Funds:-				
	-Storage fund for Molasses Account (see-foot note below)	81.25	4.34	80.31	5.28
	-Statutory Reserves	1.09	-	-	1.09
(9)	Surplus i.e. balance in Consolidated Statement of Profit & Loss*	(14,611.39)	(4,289.13)	(75.97)	(18,824.55)
	TOTAL	(11,873.61)	(4,284.79)	4.34	(16,162.74)
	Previous year	(8,391.00)	(3,464.45)	18.16	(11,873.61)

- Storage fund for Molasses is created @ ₹ 1.50 per Qtl. of Molasses sold as per the provision of "The Molasses Control (Regulation of Fund for erection of storage facilities) Order, 1976" and is to be utilised for construction or erection of storage facilities for Molasses.
- ₹ 80.31 Lac has been utilised for construction /storage facilities during the current year. Accordingly ₹ 75.97 Lac (Net of ₹ 4.34 Lac created for 2013-14) has been transferred to surplus i.e., balance in Statement of Profit and Loss as per details given below:

(₹ in Lac)	
Utilisation of molasses fund for storage	80.31
Less: Transfer to molasses storage fund during the current year	4.34
Transfer to surplus i.e., balance in Statement of Profit and Loss as on 31.03.2014	75.97

(₹ in Lac)		
*Consolidated Statement of Profit and Loss :-	2013-14	2012-13
Opening Balance	(14,611.39)	(11,117.67)
Transferred from Profit / (Loss) for the period	(4,289.13)	(3,475.56)
Transferred to General Reserve	-	5.74
Transferred to Storage fund for Molasses	4.34	5.37
Transferred from Storage fund for Molasses	80.31	-
Share of Minority interest	-	0.03
Dividend distribution tax	-	7.02
Closing Balance	(18,824.55)	(14,611.39)

Note no. 3 LONG TERM BORROWINGS

(₹ in Lac)		
Particulars	As at 31.03.2014	As at 31.03.2013
Secured:-		
Bonds/debentures	-	-
Term loan from banks (see-foot-note below)	5.63	22.25
Term loans from others	-	-
Loan and advance from related parties	-	-
Unsecured:-		
Bonds/debentures	-	-
Term loan from banks	-	-
Term loans from others	1,687.82	1,522.35
Deferred payment liabilities	-	-
Deposits	-	-
Loan and advance from related parties		
- Moderate Leasing & Capital Finance Services Ltd. @	4,305.75	4,672.73
Long term maturities of finance lease obligations	-	-
{Note 27 (20) (a)}		
TOTAL	5,999.20	6,217.33

@ Not a related party as at 31.03.2013

Foot-note:-

Secured by hypothecation of vehicles and is repayable in monthly installments. There are no defaults as on 31st March,2014.

Note no. 4 : OTHER LONG TERM LIABILITIES

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Trade payable	-	-
Others:		
Security received against houses	647.31	623.09
Security received from others	236.29	262.22
Advance received against houses {Note 27(33)}	504.50	504.50
Lease rent Adjustable Account	-	-
Interest payable on term loan	-	-
Other liabilities	4.54	9.68
TOTAL	1,392.64	1,399.49

Note no. 5 : LONG-TERM PROVISIONS

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	1098.83	980.18
Add: Provided during the year	(16.54)	148.06
Less: Paid during the year	43.38	29.41
Sub total (A)	1,038.91	1,098.83
Provision for leave encashment:-		
As per last balance sheet	118.52	114.42
Add: Provided during the year	1.25	22.20
Less: Paid during the year	16.64	18.10
Sub total (B)	103.13	118.52
TOTAL (A+B)	1,142.04	1,217.35

Note no. 6 : SHORT TERM BORROWINGS

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Secured:-		
Loans repayable on demand:-		
-from banks	-	-
-Cash credit (including interest accrued)(see-foot note below)	1,498.19	1,498.19
-overdraft from bank against pledge of FDR's	166.45	175.48
-from others	-	-
Loan and advance from related parties	-	-
Other loans and advances	-	-

Note no. 6 : (Contd.)

Particulars	As at	
	31.03.2014	31.03.2013
Unsecured:-		
Loans repayable on demand:-		
-from banks	-	-
-from others	-	-
Loan and advance from related parties:-		
-Weld Excel India Limited	-	-
Deposits	-	-
Other loans and advances	-	-
TOTAL	1,664.64	1,673.67

Foot-note:-

- Cash credit of ₹ 1498.19 Lac (including interest accrued and due of ₹ 17.61 Lac) is secured by hypothecation of Raw Materials, Stock in Progress, Finished Goods, Stores and Spares and Book Debts and guaranteed by a Managing Director. { Refer note 27(5)(i)(a)}.
- Cash credit of ₹ 58.16 Lac from Allahabad Bank is in default since 1996 and ₹ 1440.03 Lac from PNB is in default since 1992. Interest payable on cash credit has not been paid since then. {Refer note 27(18)(c to e) and note 27(5) (i) (a)}

Note no. 7: TRADE PAYABLES

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Purchase of raw material and store {Note 27(14)}	19,005.66	14,978.04
Customers/ Agents for purchase of goods	697.71	1,230.41
TOTAL	19,703.37	16,208.45

Note no.8 : OTHER CURRENT LIABILITIES

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Current maturities of long-term debts (unsecured)		
-From related parties:-		
- A to Z Holding Pvt. Ltd.	24.89	24.89
-From others	-	-
Current maturities of long -term debts (secured)		
-From banks	16.62	22.68
-From other parties (see foot-note 1)	1,506.85	1,506.85
Current maturities of finance lease obligations.	310.99	296.92
{see foot-note 2}		

Note no.8 : (Contd.)

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Deferred credits {Note 27 (40)}	35.11	35.11
Interest accrued but not due on borrowings (unsecured)	64.44	61.45
Interest accrued but not due on borrowings (secured)	0.08	0.14
Interest accrued and due on borrowings (secured)	1,707.46	1,707.46
Interest accrued and due on borrowings (unsecured)		
-from banks	-	-
-from others	60.72	54.71
Income received in advance	0.27	0.12
Unpaid matured deposits and interest accrued thereon(unsecured):- (see foot-note 3)		
-Fixed deposits	64.98	65.16
-Interest accrued thereon	281.13	281.20
Unpaid matured debentures and interest accrued thereon (secured):- (see foot-note 4)		
-Debentures (Net calls in arrears)	537.32	537.32
-Interest accrued thereon	3,052.50	3,052.50
Other Payable:-		
Employees dues	738.15	730.81
Statutory liabilities	2,296.97	2,203.61
Security received from others	74.50	71.70
Other liabilities	1,298.51	1,320.40
Total	12,071.49	11,973.03

Foot Notes:-**(1) Others:-**

- (a) Loans aggregating to ₹ 1377.87 Lac (IDBI ₹ 627.74 Lac, ICICI ₹ 235.00 Lac, IFCI ₹ 287.66 Lac, LIC ₹ 138.97 Lac, GIC and its subsidiaries ₹ 88.50 Lac) are secured against securities as mentioned in 3(b) below. {Refer Note 27(5)(i)(b) and 27(5)(ii)}.
- (b) Loan of ₹ 8.08 Lac from Government of Uttar Pradesh under the Industrial Subsidised Housing Scheme is secured by 1st Mortgage of Land and tenements constructed under the Scheme. Details of default not available.
- (c) Loan from IDBI under Technical Development Fund Scheme amounting to ₹ 74.70 Lac is secured against Electrolyser and Copper Electrodes Machine. {Refer Note 27(5)(i)(b)(i)}.
- (d) Loan taken under Equipment Finance Scheme amounting to ₹ 46.20 Lac is secured against Effluent treatment plant. {Refer Note 27(5) (i)(b)(ii)} and loan repayment is in default prior to year 1996 and interest payable has not been paid since then.
- (2) Finance lease rent of ₹ 127.63 Lac & ₹ 130.61 Lac due on 1st October 2012 & 1st October 2013, respectively and ₹ 52.75 Lac due during the period 1st February 2010 to 1st October 2011 are over due.

(3) Fixed deposits:-

(a) Fixed deposits guaranteed by managing directors ₹ 22.98 Lac (Previous year ₹ 22.98 Lac)

(b) Fixed deposits and interest payable on fixed deposits has not been paid since 1989-90.

(4) Debentures:-

(a) (i) 2,27,660 12.5% Mortgage Debentures (Non-Convertible part of ₹ 200/- each) redeemable in three yearly instalments of ₹ 65.00, ₹ 65.00 and ₹ 70.00 respectively commencing from the expiry of seventh year from the date of allotment i.e. 29th February, 1988 and due for payment. Interest not paid since 29th February, 1988.

(ii) 30,000-15% Mortgage Debentures of ₹ 100/- each redeemable at 5% premium on the expiry of seventh year from the date of allotment i.e. 18th December 1987 and due for payment. Interest not paid since 1987- 88.

(iii) 5,300-15% Mortgage Debentures of ₹ 1000/- each redeemable upto 20th August, 1990 and due for payment. 1,000 Debentures redeemed during the year 1998-99 for which discharged debenture certificates not yet received. Interest not paid since 1987- 88.

(b) The above debentures are secured by Joint Mortgage of all fixed assets present and future by hypothecation of the said assets and by deposit of title deeds relating to company's immovable properties, floating charges on all movable/ current assets, other than assets referred in foot notes 1 (b,c,d) and foot note 1 of Note 6.

Note no. 9 SHORT-TERM PROVISIONS

Particulars	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	245.37	242.79
Add: Provided during the year	117.81	84.18
Less: Paid during the year	85.66	81.60
Sub total (A)	277.52	245.37
Provision for leave encashment:-		
As per last balance sheet	12.39	15.38
Add: Provided during the year	14.51	18.39
Less: Paid during the year	17.30	21.38
Sub total (B)	9.60	12.39
Others:-		
Provision for Incentive:		
As per last balance sheet	20.24	21.64
Add: Provided during the year	7.54	11.69
Less: Paid / (Recovered) during the year	0.85	6.58
Excess provision w/back	0.84	6.51
Sub total	26.09	20.24
Provision for excise duty	374.58	361.35
Provision for income tax	0.61	0.35
Sub total (C)	401.28	381.94
TOTAL (A+B+C)	688.40	639.70

Note no. 10 TANGIBLE ASSETS

Particulars	Gross					Depreciation			Net carrying amount 31.03.2014			
	Opening balance	Additions	Disposals/ Written off.	Other adjustment	Impairment loss/reversal	Closing balance	Opening balance	For the year		Other adjustment		
											Sold/Adj.	Addback
Land (A)	2,023.50	-	-	-	-	2,023.50	-	-	-	2,023.50		
Buildings (B & C)	1,356.27	-	-	-	-	1,356.27	909.84	31.36	-	941.20	415.07	
Plant & Equipment	11,519.30	150.06	215.63	402.53	-	11,856.26	7,656.12	400.11	124.15	92.82	8,024.90	3,831.36
Plant & Equipment (Lease) (G)	402.53	-	-	(402.53)	-	-	92.82	-	-	(92.82)	-	-
Furniture & Fixtures	337.50	2.71	0.49	-	-	339.72	262.97	13.40	0.21	-	276.16	63.56
Vehicles (D)	477.26	7.96	-	-	-	485.22	253.08	54.41	(0.78)	-	306.71	178.51
Office equipment	330.26	13.51	0.33	-	-	343.44	222.39	21.48	0.13	-	243.74	99.70
Water supply & drainage	59.85	-	-	-	-	59.85	46.15	0.55	-	-	46.70	13.15
Others	15.62	-	-	-	-	15.62	14.79	-	-	-	14.79	0.83
TOTAL	16,522.09	174.24	216.45	-	-	16,479.88	9,458.16	521.31	123.71	-	9,854.20	6,625.68
Previous year	16,461.80	92.78	28.28	4.21	-	16,522.09	8,908.82	588.31	28.35	10.62	9,458.16	7,063.93

Foot-notes:-

- (A) Company's Land at Modinagar & Meerut was revalued as at 31st March, 1992 at Current Replacement Cost on the basis of valuation report. The appreciation on revaluation ₹924.66 Lac was credited to the Revaluation Reserve. The Land was previously revalued as on 31st March 1985 and the appreciation of ₹ 1087.85 Lac on such revaluation also stands credited to the Revaluation Reserve.
- (B) Buildings include Land, Furniture, Fixture & Fittings acquired for a lumpsum consideration of ₹ 2.25 Lac in the year 1947.
- (C) Includes a sum of ₹ 96.58 Lac (Previous year ₹ 96.58 Lac) towards permanent improvement to the rented properties.
- (D) Includes Thirteen (Previous year Thirteen) cars costing ₹ 93.52 Lac (Previous year ₹ 93.52 Lac) WDV ₹ 44.21 Lac (Previous year ₹ 52.55 Lac) purchased in the name of Employees/Corporate Adviser who have given disclaimer in favour of the Company.
- (E) Excludes depreciation on loose tools ₹ 0.07 Lac (Previous year ₹ 0.07 Lac) and ₹ 0.40 Lac (Previous year ₹ 0.47 Lac) on additions to assets of Steel Unit.
- (F) Details of Land & Building given on operating lease has not been disclosed separately.
- (G) Other adjustments represents assets taken on finance lease transferred to own assets on expiry of finance lease.

Note no. 11 INTANGIBLE ASSETS

Particulars	Gross				Amortisation			Net carrying amount 31.03.2014			
	Opening balance	Additions	Disposals/ Written off.	Other adjustment	Impairment loss/reversal	Closing balance	For the year		Other adjustment		
										Opening balance	For the year
Computer software	101.81	0.71	-	-	-	102.52	83.45	5.48	-	88.93	13.59
Total	101.81	0.71	-	-	-	102.52	83.45	5.48	-	88.93	13.59
Previous year	100.81	1.00	-	-	-	101.81	72.90	10.55	-	83.45	18.36

Note no. 12 : NON CURRENT INVESTMENT

(₹ in Lac)

Particulars	As at	As at
	31.03.2014	31.03.2013
Trade investments	-	-
Other investments		
(a) Investment in Equity Instruments:-		
Others :-		
Unquoted:-		
10,50,000 fully paid-up shares of ₹ 10/-each in Indofil Industries Limited	437.43	437.43
1,200 partly paid-up shares of ₹ 10/- each in Vital Chemicals Private Limited.(Transfer refused by the Board-matter in dispute before the Court).	0.07	0.07
86,750 Fully paid-up shares of ₹ 10/-each in Modi Spining & weaving Mills Co.Ltd.	8.68	8.68
95,000 Fully paid-up shares of ₹ 10/-each in Xerox India Limited	9.50	9.50
40,000 Fully paid-up shares of ₹ 10/-each in Morgard shammer India Limited	4.00	4.00
48,000 Fully paid-up shares of ₹ 10/- each in Win Medicare Private Limited	4.80	4.80
10,000 Fully paid-up shares of ₹ 10/- each in Modi Garh Chemicals Pvt. Ltd.	1.00	1.00
20,000 Fully paid-up shares of ₹ 10/- each in Modi Santa Fe India Pvt. Ltd.	2.00	2.00
4,000 Fully paid-up shares of ₹ 10/- each in Bekaert Engg. (India) Pvt. Ltd.	0.40	0.40
17,350 Fully paid-up shares of ₹ 10/- each in Rajputana Fertilizers Ltd.	-	-
17,350 Fully paid-up shares of ₹ 10/- each in Haryana Distillery Ltd. #	-	-
1500 Fully paid-up shares of ₹ 100/-each in Associated Tube Wells (India) Limited	1.50	1.50
Quoted:-		
7,00,000 fully paid-up shares of ₹ 10/- each in Modipon Limited.	20.00	20.00
19,99,960 fully paid-up shares of ₹ 10/- each in Bihar Sponge Iron Limited.	200.00	200.00
8,00,000 fully paid-up shares of ₹ 10/- each in Modi Rubber Limited.	80.00	80.00
62,755 fully paid-up shares of ₹ 10/- each in Lord Chloro Alkali Limited	6.28	6.28
4 fully paid-up shares of ₹ 10/-each in Mukund Limited.	0.01	0.01
(b) Investment in preference shares:-		
Quoted:-		
1 fully-paid preference Share in Mukund Limited	-	-
Unquoted:-		
67 Fully paid-up shares of ₹ 100/- each in Modi Spg. & Wvg. Mills Co. Ltd.	0.07	0.07
(c) Investment in Government or trust securities:- (quoted)		
*75551.226 fully-paid Units in UTI Infrastructure Fund-Growth Plan	25.84	25.84
Total	801.58	801.58

* Corporate lien marked on these infrastructure fund units

The relevent Share certificate for above shares not yet received and the company has applied for duplicate share script.

Foot Notes:

(1) Carrying amount of quoted investments	306.29	306.29
(2) Market value of quoted investments	315.95	375.24
(3) Carrying amount of unquoted investments	495.29	495.29
(4) Aggregate provision for diminution in value of investments { Note 27(31) & 27 (37)}	-	-

Note no. 13 : LONG TERM LOANS AND ADVANCES

(₹ in Lac)

Particulars	As at	As at
	31.03.2014	31.03.2013
Capital advances (unsecured)	1.90	1.90
Security Deposits:-		
- Secured, considered good	-	-
- Unsecured, considered good	-	-
- Related parties:		
- Weld Excel India Limited	36.66	42.04
- Others	163.44	140.93
- Doubtful	-	-
Loans and advances to related parties:-		
- Secured, considered good	-	-
- Unsecured considered good	-	-
- Weld Excel India Limited {Foot Note 5 of Note 27 (41)}	-	320.39
- Doubtful	-	-
Other Loans and Advances:- (Unsecured, considered good)		
(a) Prepaid expenses	0.90	1.30
(b) Amount recoverable	11.46	11.46
(c) Loans to employees	0.05	0.53
(d) Loans to others	8.00	8.00
TOTAL	222.41	526.55

Note no. 14 : INVENTORIES

(₹ in Lac)

Particulars	As at	As at
	31.03.2014	31.03.2013
(a) Raw materials	232.27	417.50
(b) Raw materials (in transit)	81.85	38.70
(c) Work-in-progress	439.65	459.40
(d) Finished goods	7,546.16	6,459.73
(e) Stock-in-trade	1.65	1.78
(f) Stores and spare parts	973.76	1,077.25
(g) Loose tools	24.30	24.38
TOTAL	9,299.64	8,478.74

Note no. 15 : TRADE RECEIVABLES

Particulars	₹ in Lacs	
	As at 31.03.2014	As at 31.03.2013
Trade receivables outstanding for a period exceeding 6 months:-		
-Secured, considered good	4.78	5.69
-Unsecured, considered good	525.73	637.21
-Doubtful	612.94	563.97
Less:-		
Allowance for bad and doubtful debts	(612.94)	(563.97)
Other Debts:-		
-Secured, considered good	94.34	95.45
-Unsecured, considered good	4,456.65	4,953.28
-Doubtful	-	7.17
Less:-		
Allowance for bad and doubtful debts	-	(7.17)
TOTAL	5,081.50	5,691.63

Note no. 16 : CASH AND BANK BALANCES

Particulars	₹ in Lac	
	As at 31.03.2014	As at 31.03.2013
(i) Cash and cash equivalents:-		
(a) Balances with banks:		
-In Current Accounts	338.29	401.84
-In FDR's	10.34	12.20
(b) Cheques, drafts on hand	43.10	81.07
(c) Cash on hand	11.98	21.76
(d) Others:-		
-Postage imprest & stamps in hand	0.03	0.04
TOTAL	403.74	516.91
(ii) Other bank balances:-		
(a) Earmarked balance with banks/post office:-		
-Saving account (molasses storage fund)	0.34	0.32
-Fixed deposits (molasses storage fund)*	37.21	83.96
(b) Fixed deposits with banks (Pledged with Excise/Sale Tax / P.F. Authorities)	19.23	53.10
(c) Fixed deposits with banks (Pledged with tender)	55.33	49.34
(d) Fixed Deposits with Banks (Pledged against overdraft)	268.61	243.20
(e) Balance with banks held as margin money against guarantees	195.22	187.45
(f) Bank deposits with upto 12 months maturity	36.00	61.00
(g) Bank deposits with more than 12 months maturity	486.91	442.00
(h) Deposits with Allahabad bank in-no lien account {Note 27(18) (c) }	50.00	50.00
TOTAL	1,148.85	1,170.37

* These FDR's are in the joint name of Modi Sugar Mills and Sub Inspector, Molasses Excise.

Note No. 17 : SHORT-TERM LOANS AND ADVANCES

Particulars	₹ in Lac	
	As at 31.03.2014	As at 31.03.2013
(a) Loans and advances to related parties:-		
(i) -Secured considered good	-	-
(ii) -Unsecured considered good		
-Bihar Sponge Iron Ltd.	1.36	1.36
-Win Medicare Pvt. Ltd.	1.60	1.66
-Weld Excel India Limited	-	5.29
-Modipon Limited	13.44	-
-Ashoka Mercantile Ltd.	0.36	4.53
-Managing Director	-	-
(iii) -Doubtful		
-Modi Senator Pvt. Ltd.	0.85	0.85
-Technicast Engineering Ltd.	0.51	-
Less: Allowance for doubtful	(1.36)	(0.85)
(b) Others (unsecured considered good):-		
(i) Unutilized balances of CENVAT/ VAT	91.81	73.62
(ii) Loans & Advances to employees	13.26	18.00
(iii) Prepaid expenses	68.64	100.83
(iv) Amount recoverable	435.07	270.61
(v) Deposits with excise / sales tax authorities	7.05	359.12
(vi) Others	186.55	183.18
(vii) Unreconciled Inter-unit balances { Note 27 (4) }	954.97	908.74
(c) Others (doubtful):-		
(i) Loans & Advances to employees	3.06	3.06
(ii) Amount recoverable	24.71	24.71
(iii) Others	106.83	112.84
Less: Allowance for doubtful	(134.60)	(140.61)
(d) Security Deposits:-		
-Secured considered good	-	-
-Unsecured considered good	-	-
-Related parties:		
-Ashoka Mercantile Ltd. {Foot Note 8 of Note 27 (41)}	998.00	1,100.00
-Modipon Limited	147.63	147.63
-Others	179.88	202.50
-Doubtful	6.99	7.95
Less: Allowance for doubtful	(6.99)	(7.95)
Total	3,099.62	3,377.07

Note no. 18 : OTHER CURRENT ASSETS

Particulars	₹ in Lac	
	As at 31.03.2014	As at 31.03.2013
Income Tax refund receivable	47.85	64.37
Wealth tax receivable	7.37	3.90
Interest accrued on fixed deposits with banks	51.40	47.95
Rent receivable:-		
-Unsecured, considered good	1.19	1.25
-Doubtful	22.78	22.78
Less:-		
Allowance for bad and doubtful debts	(22.78)	(22.78)
Deferred revenue expenditure	11.07	11.07
Stores and spare parts	10.67	10.67
TOTAL	129.55	139.21

Note No. 19 : REVENUE FROM OPERATIONS

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Sale of products	32,597.52	44,789.28
Sale of services	24.50	71.51
Dividend received (gross)	-	56.64
Other operating revenue	74.66	56.78
Subsidy on Cane Commission	332.56	-
TOTAL	33,029.24	44,974.21

Note no. 20 : OTHER INCOME

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Interest income	108.79	119.20
Dividend received (gross)	36.75	36.75
Rental income	195.47	209.62
Profit on sale of fixed assets	236.63	28.95
Excess provision written back	20.61	36.43
Unclaimed Credit Balances W/Back	24.19	44.96
Amounts written back	16.18	13.63
Depreciation Written Back	0.78	10.62
Foreign Currency fluctuation gain (Net)	-	1.69
Other non-operating income	84.99	64.90
TOTAL	724.39	566.75

Note no. 21 : CHANGE IN INVENTORIES OF FINISHED GOODS , WORK-IN-PROGRESS AND STOCK-IN-TRADE

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
(A) Finished goods		
Opening stock	6,180.47	6,021.45
Less: Closing stock	7,035.65	6,180.47
Sub Total (A)	(855.18)	(159.02)
(B) Stock in trade		
Opening stock	1.78	1.81
Less: Closing stock	1.65	1.78
Sub Total (B)	0.13	0.03
(C) Goods in process		
Opening stock	459.40	455.32
Less: Closing stock	439.65	459.40
Sub Total (C)	19.75	(4.08)
(D) By Product		
Opening stock	279.26	160.54
Less: Closing stock	510.51	279.26
Sub Total (D)	(231.25)	(118.72)
Net (Increase) / Decrease in Stock (A+B+C+D)	(1,066.55)	(281.79)

Note no. 22 : EMPLOYEE BENEFITS EXPENSES

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Salary, wages, gratuity & other allowances	2,840.18	2,997.77
Contribution to provident and other funds	204.05	209.50
Staff welfare expenses	311.63	282.38
TOTAL	3,355.86	3,489.65

Note no. 23 : FINANCE COSTS

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
(a) Interest expenses:- {Note 27(4)(f)(i) & (ii), 27 (5) and 27(18)}		
(i) On borrowings	719.63	814.87
(ii) On statutory dues	64.49	24.56
(iii) On trade payable	841.97	357.18
(iv) On security	9.43	11.14
(v) On Finance Lease	5.05	27.50
(vi) On car loans taken by employees / corporate adviser	2.08	7.61
(vii) On Account of refund of refixation of sugar Price to FCI	124.28	-
(viii) On others (specify nature)	0.91	0.91
(b) Other borrowing costs	-	-
(c) Net gain/loss on foreign currency transactions and translation	-	-
TOTAL	1,767.84	1,243.77

Note no. 24 : OTHER EXPENSES

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Consumption of stores & spare parts	330.90	365.97
Consumption of packing materials	1,080.98	1,797.45
Power & fuel	461.72	473.51
Repairs to machinery	783.96	828.91
Repairs to building	121.12	115.41
Lease rent	165.78	165.09
Rates & taxes	199.52	219.43
Excise duty on stock	(80.27)	(4.24)
Insurance	39.00	38.30
Auditor's remuneration (see foot-note below)	22.52	20.82
Loss on sale of fixed assets	52.54	1.95
Loss on sale of stores	21.54	2.38
Less: Adjustment of provision for obsolete stores	(11.50)	-
Donations	3.22	3.79
Bad debts written-off	23.94	23.47
Less : Adjustment of provision for doubtful debts	(20.95)	(18.83)
Claims / amounts written-off	12.78	56.40

Note no. 24 : (Contd.)

Particulars	(₹ in Lac)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Less : Adjustment of provision for doubtful	(6.85)	(29.04)
Fixed assets written-off	0.06	0.22
Provision for obsolete spare-parts & stores	7.16	4.75
Provision for doubtful debts and advances	73.28	94.19
Freight/ transport & forwarding	540.40	609.91
Commission to selling agents	225.87	220.01
Discount & sale promotion	336.52	178.72
Advertisement expenses	304.17	387.28
Travelling expenses	373.83	383.52
Legal & professional charges	300.23	373.77
Trade mark licence & marketing fees	-	-
Job work charges	2.56	53.93
Retainership Expenses	220.00	160.90
Net Gain/Loss on foreign currency transactions & translation	12.25	-
Other general expenses	742.03	622.63
TOTAL	6,338.31	7,150.60

Note**Auditor's remuneration:-**

(a) As auditors	7.30	7.30
(b) For taxation matter (Tax Audit fee)	6.12	4.82
(c) For Company Law matters	2.25	1.69
(d) For management services	-	0.90
(e) For other services including certification work	4.67	4.43
(f) For reimbursement of expenses	2.18	1.68
TOTAL	22.52	20.82

Note No.**25 BASIS OF PREPARATION**

- (i) The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended). The Consolidated Financial Statements comprise the financial statements of Modi Industries Limited (the Company), and its subsidiaries. The Company, and its subsidiaries constitute the Group. Reference in these notes to the 'Company' or 'Group' shall mean to include Modi Industries Limited and/or any of its subsidiaries, consolidated in these financial statements unless otherwise stated.
- (ii) The list of Companies which are included in consolidation and the Parent Company's holdings therein are as under:

Name of the Company	Percentage holding	
	2014	2013
Own Investment (India) Limited	99.89%	99.89%
Your Investment (India) Limited	99.93%	99.93%

Each of the above Companies is incorporated in India and financials statements are drawn up to the same reporting

- date as that of the parent company i.e. 31st March, 2014.
- (iii) The Consolidated Financial Statements have been prepared to comply in all material respect with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956.
- (iv) The Consolidated Financial Statements have been prepared under the historical cost convention on an accrual basis, except where revaluation/ impairment is made.
- (v) The Accounting Policies have been consistently applied by the Company and are consistent with those used in the previous year.
- (vi) The Consolidated Financial Statements of the Company and its Subsidiary Companies have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized Profits/Losses.
- (vii) The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements except as stated in notes on accounts.
- (viii) Minority Interest in the net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet separately from liabilities and equity of the Company's shareholders. Minority interest in the net assets of consolidated subsidiaries consists of:
- (a) The amount of equity attributable to minority at the date on which investment in a subsidiary is made; and
- (b) The minority share of movements in equity since the date parent subsidiary relationship came into existence.
- (ix) Minority Interest's share of Net Profit/(Loss) for the year of consolidated subsidiaries is identified and adjusted against the profit/loss after tax of the group.

26 ACCOUNTING POLICIES:**(1) INVENTORY VALUATION**

- (a) Stocks of raw materials and stores and spares are valued at weighted/moving average cost. (Net of Cenvat benefits/input tax credit of U.P.VAT) or net realizable value whichever is less.
- (b) Loose tools are valued at depreciated cost.
- (c) Cost of machinery spares, which can be used only in connection with an item of fixed asset and whose use is expected to be irregular, are charged to revenue over useful life of the principal item.
- (d) Goods-in-transit are valued at cost.
- (e) Finished goods/Goods-in-Process are valued at lower of cost and net realisable value except by-product i.e. molasses which is valued at net realizable value. Cost inter-alia, includes direct cost, depreciation, excise duty, lease rentals and factory overheads but excludes general administration and selling expenses, Corporate Office administration expenses and Interest. The closing stocks out of inter divisional transfer of goods, is being treated as finished goods instead

of raw materials/stores and valued accordingly.

(2) FIXED ASSETS

- (i) Major improvements to fixed assets that increases the future benefits from the existing assets beyond its previously assessed standard of performance is included in the gross block and is depreciated over the remaining life of the original assets.
- (ii) Financing cost (upto the date the assets are ready to be put to use for commercial production) relating to borrowed funds attributable to acquisition of construction of fixed assets are included in the gross book value of fixed assets to which they relate.

(3) DEPRECIATION

- (a) Depreciation on Plant & Machinery is provided on Straight Line Method except in Corporate Office. In respect of other assets including Office Equipments, depreciation is provided on Written Down Value Method in all units except Sugar and Steel Units where it is provided on Straight Line Method.
- (b) Assets for which Straight Line Method basis is adopted and acquired prior to 2nd April, 1987, are depreciated at rates prevailing in the year of acquisition.
- (c) Depreciation on additions/deletions is charged on prorata basis and in accordance with Schedule XIV of the Companies Act, 1956.

(4) INTANGIBLE ASSETS:

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer Software is amortized over a period of five years.

(5) REVENUE RECOGNITION:

- (i) Export incentives under the duty entitlement pass book scheme is recognized on accrual basis.
- (ii) Revenue arising by use of company's properties by others yielding rent is recognized when no significant uncertainty as to measurability or collectability exists.
- (iii) Sale of goods is recognized at the point of dispatch of goods to customers.

(6) INVESTMENTS:

Long-term investments are valued at cost less provision for diminution, other than temporary, in the value of investments.

(7) RETIREMENT BENEFITS:

- (a) Contribution to Provident Fund is made at a predetermined rate to the Provident Fund Trust and charged to the Statement of Profit and Loss on accrual basis.
- (b) Gratuity Liability is accounted for on accrual basis, computed actuarially, except for Steel Unit upto 31st March, 2002 which is accounted for on cash basis.
- (c) Leave encashment is accounted for accrual basis, computed actuarially.

(8) OPERATING LEASE:

Lease payments under an operating lease are recognized as an expense in Statement of Profit and Loss on a straight line basis over the lease term.

27. CONTINGENT LIABILITIES AND OTHER NOTES:

	(₹ in Lac)	
	As at 31.03.2014	As at 31.03.2013
1. (a) Claims against the Company not acknowledged as debts :		
(i) Workmen (excluding unascertainable amounts)	289.78	231.22
(ii) Others	234.42	234.42
(b) Partly paid-up Equity Shares of Vital Chemicals Private Limited	0.08	0.08
(c) Disputed Liability for Excise-duty, Sales-tax, Entry-tax matters and liquidated damages on Provident Fund dues (excluding interest unascertainable and undisputed Sales Tax/ penalty demands (net of provision made of ₹ 62.21 Lac) of ₹ 175.24 Lac).	1293.46	1273.53
(d) (i) Income Tax	209.59	-
(ii) Wealth Tax	18.39	12.46
(e) Bills discounted	239.14	648.20
2. Estimated amount of contracts remaining to be executed on Capital Account ₹ 66.12 Lac (Previous Year ₹ 70.62 Lac).		
3. Guarantees given to Sales-tax/Excise Departments on behalf of Companies in the same group amounts to ₹ 139.42 Lac (Previous year ₹ 139.42 Lac). Information regarding outstanding position is not available. This excludes guarantees of ₹ 109.63 Lac (Previous year ₹ 109.63 Lac) vacated by Sales Tax Department for which guarantee bonds not yet received back.		
4. (a) The Steel Unit is lying closed since 24th January, 1993 due to strike/lock-out and thereafter closure was declared with effect from 24th November, 1993, as the Unit was found to be unviable. The Company has not been able to obtain access to the accounting, financial and production records of the unit necessary for updating the said books of accounts/compiling the data to prepare the annual accounts as well as for finalizing the audit for the year ended 31 st March, 1993. Transactions subsequent to the closure of the unit could not be incorporated in the annual accounts of 1992-93 and onwards in view of pending access to the earlier accounts viz., 1st April, 1992 to 24th January, 1993, the absence of which would leave the books still incomplete. However, the Statement of Profit and Loss for the current financial year 2013-14 and from 1993-94 to 2012-13 have been incorporated in current financial year and in various previous financial years respectively. As an interim measure ₹ 954.97 Lac (Previous year ₹ 908.74 Lac) which represents: (i) ₹ 1,301.40 Lac (Previous year ₹ 1,355.65 Lac) being net cumulative inter-unit debit balance on account of transactions of other units of the company with Steel Unit during 1 st April, 1992 to 31 st March, 2014, (ii) payment of unsecured loan of ₹ 45.00 Lac [Refer Note (c) below] and (iii) net loss of ₹ 301.43 Lac for the years 1993-94 to 2013-14 (before inter unit rental income, write-back of ₹ 278.95 Lac and provision for depreciation of ₹ 682.56 Lac) have been clubbed with Current Assets of the company as on 31 st March, 2014 and 31 st March, 2013 respectively as "Inter- Unit Balances" pending incorporation of (i) Annual Accounts		

for the period 1st April, 1992 to 31st March, 1993 and (ii) assets and liabilities including inter unit balances arising on account of transactions for the period 1st April, 1993 to 31st March, 2014.

- (b) The financial results for the year 1992-93 would be incorporated as soon as the company is able to obtain access to/reconstruct the financial, accounting and production records.
- (c) In view of above, as per past practice, the audited opening balances of Assets and Liabilities, quantitative details, contingent liabilities [excluding old electricity dues – Refer Note 4f(viii)] and notes of the Steel Unit as on 1st April, 1992, subject to (i) reduction of unsecured loans taken by ₹ 278.95 Lac in view of write back on account of one-time settlement (O.T.S.) of dues with Hong Kong and Shanghai Banking Corporation Limited (HSBC) during the year 2004-05, and further reduction of ₹ 45.00 Lac on account of payment during 2005-06 of O.T.S. to H.S.B.C.; (ii) reduction of fixed assets (net) by ₹ 682.56 Lac being depreciation provided during 1993-94 to 2013-14 on fixed assets and (iii) decrease in Inter-Unit balance by ₹ 346.43 Lac which represents; the sum of net loss of ₹ 301.43 Lac for the years 1993-94 to 2013-14 (before inter-unit rental income, write-back of above amount of ₹ 278.95 Lac and provision for depreciation of ₹ 682.56 Lac) and repayment of unsecured loan of ₹ 45.00 Lac. The above inter-unit balance will actually represent either net increase in assets or net decrease in liabilities as on 31st March, 2014 over balances as on 31st March, 1993 of the Steel Unit.
- (d) Assets and Liabilities of the Steel Unit incorporated in the Balance Sheet of the company as on 31.03.2013 and 31.03.2014 are as under:

(₹ in Lac)					
Liabilities	As at 31.3.2014	As at 31.3.2013	Assets	As at 31.3.2014	As at 31.3.2013
Secured Loans	3421.08	3421.08	Fixed Assets (Net)	443.53	450.04
Current Liabilities & Provisions	2838.28	2838.28	Investments	0.11	0.11
Accumulated Profits / (Losses) (net):	(705.04)	(799.01)	<u>Current Assets & Advances:</u>		
			Inventories	1340.14	1340.14
1993-94 to 1995-96 (687.81)			Sundry Debtors	1199.25	1199.25
1996-97 and 1997-98 (58.56)			Cash & Bank Balance	150.78	150.78
1998-99 to 2000-01 (29.83)					
2001-02 to 2003-04 56.53			Loans and Advances	249.70	249.70
2004-05 300.90					
2005-06 (36.67)			Miscellaneous Expenditure (to the extent not written off or adjusted)	11.07	11.07
2006-07 (18.94)					
2007-08 (10.86)					
2008-09 (24.40)					
2009-10 172.48					
2010-11 (152.17)					
2011-12 (141.82)			Inter-unit Balances	1372.52	1272.04
2012-13 (167.86)					
2013-14 93.97			Loss for the year 1991-92	787.22	787.22
Total	5554.32	5460.35	Total	5554.32	5460.35

- (e) Statement of Profit and Loss of the Steel Unit for the year ended 31st March, 2014 and 31st March, 2013 (excluding inter-unit rental income of ₹ 46.12 Lac) (Previous year ₹ 46.12 Lac) is as under:

(₹ in Lac)		
Particulars	2013-14	2012-13
INCOME :		
Rental Income	172.40	187.17
Profit on sale of fixed assets	*235.31	28.50
Other Income	19.55	-
	427.26	215.67
EXPENDITURE :		
Employees Benefit Expenses	83.33	81.39
Finance Cost	197.29	182.25
Depreciation	6.51	6.68
Legal and Professional Expenses	1.32	77.09
Other Expenses	44.84	333.29
Profit/(Loss) for the year	93.97	(167.86)

*This represents sale of scrap/malwa on dismantling of part of discarded and damaged factory shed/building on land given on lease during the year.

- (f) The Profit and Loss Account/Statement of Profit and Loss of Steel Unit for the years 1993-94 to 2013-14 are subject to the following notes on accounts:-
- (i) In view of non-availability of book balance of liabilities towards PNB, IDBI and IFCI in the books of Steel Unit of the Company on account of non-incorporation of annual accounts and balance sheets of Steel Unit [Refer Note 27 (4) (a to c) of Annual Accounts], the difference between OTS amounts and book balances could not be ascertained.
- (ii) No-provision of interest, amount unascertained, is required to be made, on loans from other Financial Institutions as the existing amounts appearing in the books of accounts of the company will be more than sufficient in view of in-principle approval/discussions being held for one time settlement of dues with the Financial Institutions.
- (iii) The impact, if any, on account of non-availability and consequently non incorporation of audited opening balances of assets and liabilities of the Steel Unit as on 1st April, 2013;
- (iv) Non-provision of obsolete/damaged stocks and fixed assets, if any, in view of non-incorporation of earlier year's accounts and non-physical verification of inventories and fixed assets as on 31st March, 2014;
- (v) Non-confirmation/reconciliation of balances of debtors, creditors, banks, financial institutions etc. and impact, if any, on the Statement of Profit and Loss;
- (vi) Non-provision of doubtful debts and loans & advances, amount unascertained;
- (vii) Non-provision of Impairment of Assets, if any, of the fixed assets as per Accounting Standard (AS 28) i.e. Impairment of Assets, amount unascertained.
- (viii) (a) Uttar Pradesh Electricity Board (now U.P. Power Corporation Ltd.) raised various demand notices against electricity dues and late payment surcharge amounting to ₹ 2435.48 Lac on the Steel unit of the Company.
- (b) In terms of One Time Settlement with U.P. Power Corporation Limited regarding arrears of electricity dues, the Steel unit paid during the year 2009-10 ₹ 563.90 Lac against the demand of ₹ 1123.99 Lac included in (viii)(a) above. Accordingly shortfall in provision of ₹ 243.37 Lac has been charged to revenue during the year 2009-10
- (c) The company filed writ petition in Allahabad High Court

challenging the said demand notices. The Hon'ble Allahabad High Court dismissed the writ petition filed by the Company. The company filed Special Leave Petition (SLP) with the Hon'ble Supreme Court of India, who has granted interim stay on 14th March, 2005 for stay of recovery by way of sale of property which is still continuing.

In view of the above and pending incorporation of annual accounts of Steel Unit for 1992-93, no provision is considered necessary against the balance demand of ₹ 1311.49 Lac at this stage.

5. With respect to the assignment of debt, the views of both the Managing Directors are stated herein below:-

(i) Shri U.K. Modi submits that:-

“(a) During the year 2006-07, an agreement dated 22nd January, 2007 for One Time Settlement (OTS) of dues of Punjab National Bank (PNB) was entered into between the Company, PNB, Shri U.K. Modi (as Guarantor) and SBEC Sugar Limited (SSL), on the terms as contained in the PNB's Letter dated 28th September, 2006. Under the said agreement, PNB has agreed to assign all its claims against Steel Unit of the company together with all securities and charges created by the company to SSL on payment of full settlement amount of ₹ 2810.60 Lac together with interest. SSL made full payment to PNB of the settlement amount together with interest. PNB thereafter executed a Deed of Assignment on 15th May, 2012 in favour of SSL by which PNB assigned all its claims together with all securities and charges created by the Company in its favour to SSL. The Registrar of Companies has registered the modification to the charges in favour of SSL. The debts of MIL which was assigned to SSL has been further assigned to SBEC Bioenergy Limited (SBEL) on 31st December, 2012. In view of the above, the secured debt is now payable by the Company to SBEL. The company proposes to enter into revised terms of payment of this secured debt with SBEL.

(b) (i) With reference to the company's liabilities to IDBI Limited, a settlement agreement was concluded between the Company, IDBI Limited and SBEC Bio Energy Limited (SBEL) on 6th October, 2007. This settlement agreement was in terms of IDBI's letter dated 9th February, 2007. Under the said agreement IDBI agreed to assign its entire debt due and payable by the Company to SBEL subject to SBEL paying to IDBI its OTS claim amount of ₹ 1232.20 Lac. Acting on the said agreement, SBEL made a payment of ₹ 1232.20 Lac to IDBI together with interest. The said payment to IDBI of ₹ 1232.20 Lac along with interest was completed on 6th October 2007. IDBI's claim against this company stood assigned to SBEL together with the securities and charges and the said debt is now payable by this company to SBEL.

The Hon'ble BIFR vide its orders dated 12th December, 2011 and 19th April, 2012 recognized SBEL as this company's creditor in place of IDBI and by an order dated 17th July, 2012 directed IDBI (OA) to execute the Deed of Assignment in favour of SBEL. The company proposes to enter into fresh terms of payment of the IDBI's assigned debt with SBEL.

(ii) With reference to this company's liabilities to IFCI Limited, a settlement agreement dated 30th December, 2009 was concluded between this company, IFCI Limited and SBEC Bio-Energy Limited, (SBEL). This settlement agreement was in terms of IFCI's letter dated 30th December, 2009. Under the said settlement agreement, IFCI agreed to assign to SBEL its entire debt as due and payable by this company to it subject to SBEL paying to IFCI its OTS claim of ₹ 775.00 Lac. Acting on the said settlement agreement, SBEL made a payment of

₹ 775.00 Lact to IFCI on 30th December, 2009 and in consideration thereof IFCI Limited executed a Deed of Assignment dated 19th April, 2012, and assigned its all claims against this company together with the securities and charges in favour of SBEL. The Registrar of Companies has registered the modification to the charges in favour of SBEL. The said secured debt is payable by this Company to SBEL. The company proposes to enter into fresh terms of payment of this debt with SBEL.

(iii) At the hearings before the Hon'ble BIFR and with the consent of Advocates for Shri U.K. Modi and Shri M.K. Modi, the Hon'ble BIFR passed orders and issued directions in M.A. No. 754/BC/2011 (filed on behalf of Shri U.K. Modi) and clarified that the OA shall consider the representations from Shri U.K. Modi, Shri M.K. Modi, Shri D.K. Modi and also from SBEC Bioenergy Ltd. and SBEC Sugar Ltd.

(iv) The Bench directed that, SBEC Bioenergy and SBEC Sugar be heard and consulted by IDBI (OA) in connection with the preparation of the DRS.

(v) In the order dated 22nd June, 2012 the Hon'ble BIFR observed and noted that IFCI and PNB have executed deeds of assignments in favour of SBEC Bioenergy Ltd. and SBEC Sugar Ltd. respectively after receiving entire OTS amount along with interest, whereas the IDBI has received the entire OTS amount along with interest and had only entered into an agreement to transfer all the rights, title and interest in the Financial Assistance/ Financial Instruments and the underlying securities in respect thereof to the Applicant (SBEC Bioenergy) of MA No. 224/BC/2012 but has not executed the deed of assignment. The Bench also observed that the IDBI, vide their letter dated 7th May, 2012 has approached BIFR regarding the execution of the assignment deed in respect of assignment of debt to the applicant (SBEC Bioenergy Ltd.).

(vi) The BIFR by its order dated 22nd June, 2012 allowed MA No. 224/BC/2012 and directed that the name of Applicant (SBEC Sugar Ltd.) be substituted for PNB and the name of the Applicant (SBEC Bioenergy Ltd.) be substituted, in place of IFCI, as the deed of assignment has since been executed.

(vii) In the proceedings held on 17th July, 2012, the Hon'ble BIFR directed IDBI to execute the deed of assignment in favour of the Applicant (SBEC Bioenergy Ltd.), with respect to the assignment of its claims against this company together with securities and charges in favour of SBEC Bioenergy Ltd. subject to the various other directions stated therein.

(viii) Pursuant to the order passed by AAIFR, Shri U.K. Modi and Shri M.K. Modi have now submitted their separate Draft Rehabilitation proposals to the IDBI.”

(ix) Shri D K Modi had filed 2 Appeals before the AAIFR being Appeal No. 206/2012 and 207/2012 challenging the orders dated 22nd June 2012 and 17th July 2012 passed by the BIFR. By two orders both dated 15th April 2013, the AAIFR has set aside the orders dated 22nd June 2012 and 17th July 2012 and remanded the matter back to the BIFR with directions to consider the MA No.s 224/BC/2012 and 226/BC/2012 afresh after hearing Shri D K Modi and proceed further in accordance with law.

(x) Shri U K Modi had also filed an Appeal before the AAIFR, being Appeal No. 178/12 challenging the order dated 17th July 2012 passed by the BIFR.

(xi) The aforesaid Appeal No. 178/2012 was heard on 20 November 2013 and the Hon'ble AAIFR, after hearing the submissions of the parties, has been pleased to allow the Appeal, set aside the order and remanded the matter back to BIFR with the following directions:

“Since the order has already been set aside as above, we make it clear that all the matters before BIFR, including MA 224 of 2012 will be considered by the Board on remand afresh giving a reasonable opportunity of hearing to all concerned. It is also made clear that all the issues raised before us in the appeals by the respective parties are kept open and will be considered and

adjudicated by the Board afresh. In deciding matters afresh, the Board, needless to mention, will not be influenced by its said earlier order which, as aforesaid was set aside."

The Appeal preferred by SBEC Bioenergy Ltd. before the AAIFR was challenging the wrongful and arbitrary imposition of conditions on the execution of Deed of Assignment by IDBI in favour of SBEC Bioenergy Ltd., which has since been set aside by the AAIFR. In fact, the AAIFR has clearly stated that all issues raised by SBEC Bioenergy Ltd. in Appeal No. 178/12 are kept open and would be agitated before the BIFR. Therefore, in view of the above, it is clear that SBEC Bioenergy Ltd. and SBEC Sugar Ltd. are the secured creditors of MIL and continue to be so as assignees of the respective debts of IDBI, IFCI and PNB.

Shri M.K. Modi submits that AAIFR Order dated 20th November, 2013 in Appeal No. 178/2012, nowhere recognizes SBEC Bio-energy Ltd. and SBEC Sugar Ltd. as being Secured Creditors of MIL or the assignments in their favour to be valid and/or legal.

As per Shri U.K. Modi, the above contention of Shri M.K. Modi is incorrect. It is a matter of record that the Hon'ble BIFR vide its orders dated 12th December, 2011 and 19th April, 2012 has already recognized SBEC Bioenergy Ltd. and SBEC Sugar Ltd. as MIL's secured creditor and it is in this capacity, the applications for substitution were moved before the BIFR. By virtue of the order dated 20th November 2013, the AAIFR has remanded the matter back to BIFR for fresh consideration.

- (ii) Shri M.K. Modi disagrees with the above statements and submissions made by Shri U.K. Modi as the same are not correct.

Shri M.K. Modi submits that –

- (a) That the said settlements based on assignment in favour of one of the Managing Directors of the Company are neither legal nor binding and are without approval of the Board. The same are also contrary to the 1989 Modi Family MOU, the agreement between the two Managing Directors, the Board Resolution and the "Status Quo" order of Hon'ble Supreme Court of India.
- (b) Without prejudice to what is stated in para (i) above, assignments and the terms of payment etc. shall be governed by the directions to be passed by Hon'ble BIFR.
- (c) Hon'ble BIFR has, in the proceedings of the hearing held on 19th April, 2012, already directed IDBI (OA) to assess the liabilities of each unit of the company (Group wise) and while making an assignment to UKM Group Companies, to see that the security charged to Banks/FIs belonging to his own units are assigned and the security belonging to MKM Group is to be freed. It is thus abundantly clear that the security pertaining to his own units only is to be charged to SBEC Bioenergy Ltd and SBEC Sugar Ltd.
- (d) By virtue of AAIFR's orders dated 15.04.2013 :
- (i) BIFR's order dated 22.06.2012, whereby SBEC Bioenergy Ltd. and SBEC Sugar Ltd. were substituted in place of IFCI and PNB respectively, has been set aside; and
- (ii) BIFR's order dated 17.07.2012, whereby IDBI was permitted to execute assignment deed in favour of SBEC Bioenergy Ltd., has been set aside.
- SBEC Bioenergy Ltd. and SBEC Sugar Ltd., thus, have no locus standi in the BIFR proceedings and are not recognized as creditors of MIL by BIFR.
- (e) MKM Group has, without prejudice to their legal contentions in the matter, already approached both IDBI and IFCI for making payment of the dues pertaining to the six units under management and control of Shri M.K. Modi on assignment basis subject to certain conditions.

Shri U.K. Modi disagrees with the above statements

and submissions made by Shri M.K. Modi as the same are not correct. Mr. U.K. Modi has commented as below:-

It is clarified on the submission made by Shri. M.K. Modi that the Hon'ble BIFR vide its order dated 12.12.2011 had directed IDBI (OA) to invite the secured creditors including SBEC Bioenergy Ltd. and SBEC Sugar Ltd. for discussions before finalizing any DRS. By a subsequent order dated 19.04.2012, the Hon'ble BIFR has also directed that SBEC Bioenergy Ltd. and SBEC Sugar Ltd. be heard and consulted by IDBI (OA) while preparing the DRS. Therefore it is absolutely clear that SBEC Sugar Ltd. and SBEC Bioenergy Ltd. are secured creditors of MIL. This order of 12.12.2011 has not been challenged by any party till date and therefore the issue stands settled by the BIFR. In so far as the remand of the MAs is concerned, it is clarified that the matter has been remanded by Hon'ble AAIFR only on the ground that Shri D.K. Modi be heard on the application. The setting aside of the orders dated 22.06.2012 and 17.07.2012 are on a technical ground and not on merits therefore the allegations that SBEC Sugar Ltd. and SBEC Bioenergy Ltd. do not have any locus standi in the BIFR proceedings or that they are not secured creditors are absolutely incorrect and baseless.

Thus as per Shri U.K. Modi, these liabilities will now be quantified with the assignees of PNB, IDBI and IFCI debts.

Shri M.K. Modi disagrees with the above statements and submissions made by Shri U.K. Modi as the same are not correct. As the matter stands today, orders dated 22.06.2012 and 17.07.2012 stand set aside by Hon'ble AAIFR and fresh order is required to be passed by Hon'ble BIFR. Hence, these orders do not give rise to any right/obligation to any party.

Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct. Though it is correct to say that the orders dated 22.06.2012 and 17.07.2012 has been set aside by Hon'ble AAIFR but it is incorrect to say that SBEC Sugar and SBEC Bioenergy are not the secured creditors of MIL as the order dated 12.12.2011 clearly recognizes SBEC Sugar and SBEC Bioenergy as a Secured Creditor. Hon'ble AAIFR has directed BIFR to conduct a rehearing on the M.A's 224 and 226 of 2012 allowing the substitution of SBEC Sugar and SBEC Bioenergy in place of PNB and IFCI.

As per Shri M.K. Modi the above contention of Shri U.K. Modi is incorrect.

6 With respect to the rehabilitation scheme of the company, the views of both the Managing Directors are as below:-

Shri M.K. Modi stated that:-

As reported last year, Shri M.K. Modi had filed a Special Leave Petition before the Supreme Court of India on 27th July, 2010 challenging the order dated 19th May, 2010 of Hon'ble Delhi High Court. The Hon'ble Supreme Court vide its order dated 27th August, 2010 held that "the parties are directed to maintain status quo with regard to the management of the Company, but we make it clear that this will not in any way affect the proceedings pending before the Board for Industrial and Financial Reconstruction and also the Appellate Authority (AAIFR)."

Pursuant to the order dated 22nd June, 2011 passed by Hon'ble AAIFR, Shri M.K. Modi and Shri U.K. Modi have submitted their separate Draft Rehabilitation proposals to IDBI (OA).

Subsequently, BIFR has heard the matter on various dates and passed directions from time to time. The Operating Agency (IDBI) has submitted a DRS to BIFR in July, 2013, which is under consideration of BIFR.

As per Shri M.K. Modi the said DRS had been gone through by BIFR Consultant, who wanted some technical corrections to be carried out therein, which were duly carried out by IDBI (OA) and the revised DRS was submitted to BIFR by the O.A.

Shri U.K. Modi disagrees with the above statement made by Shri M.K. Modi. It is hereby clarified that the DRS received in June, 2013 was returned by Hon'ble BIFR with a direction to the IDBI (OA) to revise the said DRS after updating the financials from MIL. Subsequently a revised DRS was circulated by OA which was not acceptable. Thereafter the OA had filed two reports on 06.09.2013 and 04.10.2013 pursuant to the meeting held with all

the promoters of MIL on 12.08.2013. In the said report OA informed the BIFR that only workable solution for revival of MIL is through sale of all unproductive assets (including Modi Bhawan) and the company's net worth would become positive thereafter. Accordingly a fresh DRS needs to be prepared by IDBI based on its above recommendations, which is yet to be done.

Shri U.K. Modi further submits that:-

Shri U.K. Modi vide letter dated 25th June 2013, had informed the Operating Agency – IDBI (OA), that the continued disputes among family members has not only led to the delay in rehabilitation of the company, but have also adversely affected the growth of the Company.

The basic objective of the OA is to formulate a scheme for the rehabilitation of the Company and not to settle family disputes, and as such it is humbly requested that the OA should rather concentrate on the rehabilitation of the Company, leaving the family settlement to courts.

Shri U. K Modi reiterated that rehabilitation scheme be formulated for the company as a whole without any split, and with the conditions that the proceeds from sale of surplus corporate assets are utilized for paying all the liabilities of the Company i.e. Secured and Unsecured Loans, pressing and Statutory Liabilities of the Company be fully discharged and no amount shall be distributed among any Units.

Shri U K Modi further clarifies that in the hearing held before the BIFR on 18th July 2013, the Board informed all the parties that it had directed IDBI to circulate the DRS to all stakeholders and conduct joint meeting of stakeholders vide their letter dated 16th July, 2013. Pursuant to this direction, a meeting of the Managing Directors and Shri D K Modi was called by IDBI on 12th August 2013 at IDBI Towers, Mumbai.

In the joint meeting held at IDBI Towers in Mumbai on 12th August 2013, Shri U K Modi submitted another letter of even date and reiterated his proposal that the distribution of proceeds without payment of liabilities would be unethical and can be construed as siphoning of funds out of the company and the issue regarding division of assets of the company should be left to civil Courts.

Shri. M.K Modi submits that:-

The contents of Shri U.K. Modi's letters dated 25.06.2013 and 12.08.2013 travel beyond BIFR's orders and as being against the 1989 Modi Family MoU, 2006 Agreement of Shri U.K. Modi with Shri M.K. Modi, Shri U.K. Modi's own earlier stand before various Forums including his own case filed before Hon'ble Delhi High Court in 1998 which is still pending and the orders of Hon'ble Supreme Court of India in the matter.

Shri M.K. Modi agrees that basic objective of Operating Agency is to formulate a Scheme for rehabilitation of the company. The OA has in fact prepared such a scheme and submitted the same to BIFR. Shri M.K. Modi disagrees with Shri U.K. Modi's proposal to formulate a rehabilitation scheme without split as being a self serving and mala-fide suggestion of Shri U.K. Modi.

Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct.

Shri M.K Modi disagrees with the above statements and submission made by Shri U.K. Modi as IDBI (OA) has already submitted the minutes of meeting to BIFR as well as to the three Modi's and final DRS has also been submitted by IDBI (OA) to BIFR.

Shri U.K Modi further submits:

Subsequent to the said meeting held in Mumbai on 12.08.2013, Shri U K Modi submitted an email to IDBI on 23.08.2013 acknowledging receipt of DRS which has been filed by IDBI on 09.07.2013 as was mentioned during the meeting of the stakeholders in order to enable him to share comments on the same. By this email, it was further reiterated that Shri U K Modi will be supporting a scheme as a whole without any split with the condition that the proceeds from sale of surplus assets would be utilized for payment all liabilities of the company and no amount is distributed to any member of any group.

By a letter dated 06.09.2013, IDBI informed the BIFR about the outcome of the joint meeting held on 12.08.2013 in Mumbai. IDBI (OA) informed the BIFR that due to extreme polarized situation between the 2 fractions, there was no consensus on the DRS. However, IDBI in its letter took note of the fact that an acceptable DRS would be possible if the disputes and differences between the various promoter groups are resolved. Therefore,

IDBI was well aware of the fact that a DRS is possible to revive MIL by sale of assets which did not involve any adjudication of disputes inter-se the promoter groups.

By another letter dated 04.10.2013, IDBI (OA) had categorically informed the BIFR that the only workable solution for revival of MIL is sale of all unproductive assets (including Modi Bhawan) and the company's net worth would become positive. Upon the net worth becoming positive, the company would be de-registered from BIFR and the civil disputes can be settled outside the purview of BIFR.

In the hearing held before the Hon'ble BIFR on 22.10.2013, representative of IDBI (OA) reiterated its recommendation on DRS vide their letter dated 04.10.2013 and submitted that the only viable solution to revive the company would be by sale of all unproductive assets including Modi Bhawan. Since the letter of 04.10.2013 was not circulated by IDBI (OA) to all the parties including Shri U K Modi, the counsel for Shri U K Modi as well as MKM and DKM requested the Bench to direct IDBI to circulate the report / letter dated 06.09.2013 and 04.10.2013 so as to enable them to comment on the same and requested for a short date to file their respective reply. The Bench agreed to issue the necessary directions in that regard and expressed its views that a final opportunity would be given to comment on the recommendations of IDBI (OA) and finally argue the matter.

The order of BIFR dated 22.10.2013 did not correctly reflect the minutes of proceedings that actually transpired during the hearing held on 22.10.2013. During the said hearing, on the basis of submissions of all parties, the BIFR had agreed to give time to the counsels for all the promoter groups to finally argue the matter on the next date of hearing. The Board had also agreed to give time to the parties to file their respective replies to the report / letter dated 04.10.2013. However, the same did not find any mention in the order dated 22.10.2013, rather the order records that the Bench decided to reserve the order.

On 28.10.2013, the BIFR passed an order, inter-alia, holding that the company is not likely to make its net worth exceed its accumulated losses within a reasonable time while meeting all its financial obligations as a result whereof it is not likely to become viable on a long term basis. Hence, it would be just, equitable and in public interest that the company be wound up u/s 20(1) of SICA. The Board therefore issued a show cause notice to the company in this regard and also gave final opportunity to the company, the present promoters or a registered Workers Industrial Co-operative Society (WICS) or an outsider to submit a fully tied up proposal with or without OTS and with or without co-promoters, to the OA, within 30 days from the date of this order.

Pursuant to the order dated 28.10.2013, the Bench Officer of BIFR has published an advertisement on 09.11.2013 in Times of India in relation to the notice under Section 20 (1) of the SICA and BIFR Regulations for proposed winding up of MIL, thereby inviting shareholder, creditors and others to file their respective objections or suggestions with the Registrar.

Shri U K Modi has preferred an Appeal before the AAIFR challenging the order dated 28.10.2013 passed by the BIFR. The said Appeal has been registered as Appeal No. 142 of 2013. By an order dated 27.11.2013, the AAIFR has been pleased to pass an unconditional stay of operation of order dated 28.10.2013. By subsequent orders dated 18.12.2013, 09.01.2014, 10.02.2014, 05.03.2014 and 21.05.2014, the interim order has been directed to continue. The next date of hearing of the Appeal is 11.07.2014. It may be pertinent to note that Shri M K Modi has also filed two separate Appeals being Appeal No. 11/2014 and 22/2014 challenging the orders dated 22.10.2013 and 28.10.2013 respectively which are also listed for hearing on the same date. On the Appeals filed by Shri M.K. Modi also, AAIFR has granted an unconditional stay upto the next date of hearing.

7. With respect to the Contempt Application (M.A.No. 412/2013) filed before Hon'ble BIFR by Shri M.K.Modi , the views of both the Managing Directors are stated as below:-

Shri M.K.Modi stated that:-

Shri U.K. Modi has violated BIFR's injunction order dated 11.04.2013 for which Shri M.K. Modi has filed M.A.No.402/2013 before the BIFR. The BIFR has issued notice on the application on 12.08.2013 and also directed status quo with regard to the property in question, viz. Land belonging to MIL(Steel Division) leased out to G.S.Pharmbutor Pvt. Ltd. vide lease deed dated 31.05.2013.

Shri U.K. Modi disagrees with the above allegations and statements

made by Shri M.K. Modi as the same are not correct. Mr. U.K Modi has commented as below:-

There has been no violation of any order of BIFR as there has been no transfer of any asset. It is relevant to state that the same portions of the land have been leased out since 1995 to various group companies of Shri U.K Modi. This was much prior to the BIFR order dated 11.04.2013 when direction were issued by the BIFR under Section 22A directing parties not dispose of, alienate or part with possession of the property. The lease rental recovered has been utilised to pay the statutory liabilities of the Steel Division of MIL and also to repay loans taken for payment of the statutory liabilities and various other dues including electricity charges, water charges, maintenance of roads, etc. that arose owing to workers and labourers of the Steel Division residing in the quarters of the Steel Division. The lease deed was initially executed pursuant to an understanding between the Steel Division and the various labour Unions relating to the settlement of their dues in order to avoid a law and order situation and to maintain peace in the area. In this context, Shri U.K Modi refers to the various agreements entered into with the labour unions of the Steel Division where under the company has agreed to employ the children of the workers/ labourers of the closed steel division in any new venture that is set up, depending on their skill, ability and talent. The labour unions have entered into these agreements to secure the future interest of their children who would be offered employment. Shri M.K Modi has filed M.A.No.402/2013 before the Hon'ble BIFR making these allegations only to pressurize the management in particular, Mr. U.K Modi to accept his terms relating to the draft scheme to be submitted to BIFR. The matter is still pending before the Hon'ble BIFR. Shri U.K Modi has sought time to file a reply to the application filed by Shri M.K Modi. Shri U K Modi will file a detailed response to the said MA. In any event, the statements and contentions made in these Notes on Accounts are not exhaustive and detailed objection will be read in the reply to the MA. It is important to note that Shri M.K Modi had himself entered into a perpetual lease agreement for certain portion of closed Soap Factory (1584 sq. mtrs.) with his group company M/s Weld Excel India Limited.

Shri M.K. Modi disagrees with the above statements and submissions made by Shri U.K. Modi as the same are not correct as various parts (not the same portions) of the land have been leased out by Shri U.K. Modi to his private companies. Area leased to TC Healthcare Pvt. Ltd. was 8,231.56 Sq. Mtrs. and the area leased to G.S. Pharmbutor Pvt. Ltd. is 12,531 Sq. Mtrs. The space of closed soap factory had been leased out to Weld Excel India Limited much after the perpetual lease agreements executed by Shri U.K. Modi with his group companies namely; TC Healthcare Pvt. Ltd. on 05.12.2002 and Modi Revlon Pvt. Ltd. on 01.10.2005 and there was no restraint order operative at that time. Shri U.K. Modi disagrees with the above statements and submissions made by Shri M.K. Modi as the same are not correct.

As per Shri M.K. Modi, the above contentions of Shri U.K. Modi are factually incorrect.

8. In view of clear cut delineation of responsibilities of the two Managing Directors of the Company, the accounts of two divisions of six units and three units of the company are being prepared and finalized independently and accordingly Shri M.K.Modi and Shri U.K.Modi are certifying the accounts as relate to the two divisions of the company i.e six units and three units respectively, the management whereof is looked after by them.
9. The Company has entered into an agreement with U.P. Power Corporation Limited for its Residential Feeder SC No. 2005 on 29th March, 2000. In pursuance of that agreement, the Company has paid for the existing authorised occupants only after 1st July, 1998 computed prorata based on covered area of quarters occupied by the employees. In view of the above, no provision has been made for electricity charges of ₹ 131.46 Lac upto the period of permanent disconnection of residential feeder SC No. 2005 i.e. 31st May, 2001 (Previous year ₹ 131.46 Lac) for the unauthorized occupants and late payment surcharge/recovery charges amounting to ₹ 302.66 Lac upto 31st May, 2001 (Previous year ₹ 302.66 Lac). In accordance with the agreement, matter regarding waiver of late payment surcharge and recovery charges after 1st July, 1998 will be referred to the Government.
10. ESI authorities had raised a demand on the company for ₹ 62.35

Lac (upto previous year ₹ 61.19 Lac) (inclusive of interest) towards company's liability for ESI for the years 1968 to 1986 and no provision has been made against this liability.

11. Modinagar Municipal Committee had determined the basis/liability of house tax payable by the Company for the years 1982-83 to 2006-07 at ₹ 213.98 Lac. The said liability/demand/basis is disputed by the company at various levels and has deposited ₹ 16.51 Lac on account upto 31st March, 2014. Pending final decision of the Court/ settlement and after taking into account the provision/ payment already made by the Company, there is a net liability of ₹ 188.63 Lac (upto the previous year ₹ 188.63 Lac), which has not been provided for in the accounts.
12. Excise duty on uncleared manufactured finished goods and custom duty in respect of imported goods lying in bond in respect of Steel Unit amounting to ₹ 43.09 Lac and ₹ 24.35 Lac respectively is accounted for as and when such goods are cleared. However, this has no impact on the loss of the Company.
13.
 - (a) In respect of Steel Unit, gratuity liability upto 30th September, 1987 amounting to ₹ 84.82 Lac has not been provided in the books on accrual basis. However, this said liability has subsequently been paid/ deposited.
 - (b) The Gratuity Liability of continuing employees in Steel Unit was being accounted for on cash basis from 1993-94 to 2001-02. During 2002-03, past Gratuity Liability of continuing employees amounting to ₹ 14.96 Lac was provided on accrual basis computed on actual basis and w.e.f. 2003-04, Gratuity liability is computed on actuarial basis and provided for in the books of account.
 - (c)
 - (i) The Company has adopted Accounting Standard 15 (Revised) on employees benefits with effect from 1st April, 2007 in respect of provision for Gratuity liability.
 - (ii) Details in respect of gratuity are as under.

(₹ in Lac)

Liability to be recognized in Balance Sheet	As at 31.03.2014	As at 31.3.2013
Present value of Obligations	1,227.94	1,264.53
Fair Value of Plan Assets	-	-
Net Liability	(1,227.94)	(1,264.53)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	1,264.53	1,140.93
Current Service Cost	66.86	73.61
Interest Cost	101.16	91.27
Actuarial Losses/(Gain)	(88.56)	70.42
Benefits paid	(116.05)	(111.70)
Obligations as at the end of the year	1,227.94	1,264.53
Expenditure to be recognized during the year		
Current Service Cost	66.86	73.61
Interest Cost	101.16	91.27
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) Recognized during the year	(88.56)	70.42
Total expenditure included in "Employees' Emoluments"	79.46	235.30
Assumptions		
Discount Rate (per annum)	8.50%	8.00%
Expected rate of Return on Assets (per annum)	0%	0%
Salary Escalation Rate	9.00%	9.00%

The Company has unfunded scheme for payment of gratuity to all eligible employees calculated at specified number of days of last drawn salary depending upon tenure of service for each year of completed service subject to minimum five years of service payable at the time of separation upon superannuation or on exit otherwise.

(d) (i) The Company has adopted Accounting Standard 15 (Revised) on employees benefits with effect from 1st April, 2008 in respect of Earned Leave.

(ii) Details in respect of Earned Leave are as under:

	(₹ in Lac)	
Liability to be recognized in Balance Sheet	As at 31.03.2014	As at 31.3.2013
Present value of Obligations	114.85	133.55
Fair Value of Plan Assets	-	-
Net Liability	(114.85)	(133.55)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	133.55	132.50
Current Service Cost	12.27	14.59
Interest Cost	10.68	10.60
Actuarial Losses/(Gain)	(7.46)	15.37
Benefits paid	(34.19)	(39.51)
Obligations as at the end of the year	114.85	133.55
Expenditure to be recognized during the year		
Current Service Cost	12.27	14.59
Interest Cost	10.68	10.60
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) Recognized during the year	(7.46)	15.37
Total expenditure included in "Employees' Emoluments"	15.49	40.56
Assumptions		
Discount Rate (per annum)	8.50%	8.00%
Expected rate of Return on Assets (per annum)	0%	0%
Salary Escalation Rate	9.00%	9.00%

14. The company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this act has not been given.
15. Government of India has issued guidelines dated 15th January, 1987 which requires companies raising resources through issue of Debentures to create a Debenture Redemption Reserve. The Company has not created such a reserve in view of the accumulated losses.

16. (a) During the previous year, the distillery unit of the company (Bottler) has entered into an agreement i.e. a "Bottling Agreement (including addendum to bottling agreement dated 26th April, 2012") with MI Spirit India Private Ltd (MISIP) whereby the parties i.e. bottler and MISIP have agreed to the blending, manufacturing and bottling of the products by the bottler. Bottling agreement inter-alia includes: (i) the bottler shall manufacture the products in accordance with the quality standards, standard manufacturing procedures, the process and other specifications laid down by MISIP from time to time and in such quantities as may be specified by MISIP from time to time (ii) the bottler shall procure the materials i.e. concentrates, spirit,

flavouring agents, de-mineralised water, packages and levels from MISIP or from the suppliers suggested or recommended by MISIP (iii) products manufacturing by the bottler shall be supplied, dispatched or sold by the bottler as per the purchase orders procured by MISIP and bad-debts from direct indenters supplied on credit upon request by MISIP are to MISIP's Account (iv) MISIP will be responsible for working capital financing. Bottler shall open a bank account ("Account") which is to be operated jointly by the bottler and MISIP and all funds in the account shall belong to MISIP notwithstanding that the account may be in the name of the bottler (v) MISIP will reimburse the manufacturing expenses and pay manufacturing margin (i.e. 10% of the aggregate of the manufacturing expenses as reduced by statutory charges, taxes and duties and selling and distribution expenses) from the above account (vi) all payments received by the bottler for sale of products shall be credited to the account and manufacturing expenses incurred by the bottler, manufacturing margin shall be reimbursed by MISIP to bottler. Any surplus remaining in the account shall therefore be paid to the company as fee.

- (b) In the opinion of the management, since the products are being manufactured and sold in the name of the bottler, the purchase invoices in respect of raw material, packing material and consumables and sales invoices for the finished goods are being issued in the name of the bottler, necessary compliances under various tax laws are also being done by the bottler and special bank account is also in the name of the bottler, the transactions of the above business of manufacture and sale of "Vodka and Whisky" have been treated as part of books of account of the bottler and these have been included in sales, expenses, assets and liabilities of the bottler as stated in paragraph (c) below.
- (c) Balance Sheet and Statement of Profit and Loss of the bottler for the financial year ended 31st March, 2014 and 31st March, 2013 includes the following items relating to the above activities of manufacture and sale of "Vodka and Whisky":

Balance Sheet		(₹ in Lac)	
Particulars	As at 31st March, 2014	As at 31st March 2013	
Sundry Debtors	1382.49	888.56	
Bank Balances	38.88	72.40	
Security Deposits	82.86	62.37	
Closing Stock	408.44	606.97	
Advance Recoverable	77.66	74.83	
Total Current Assets	1,990.33	1,705.13	
Less: Current Liabilities	337.40	223.46	
Credit Balance of MISIP	1587.82	1,422.34	1,645.80
Net Current Assets	65.11	59.33	
Recognized as net profit for the year			
Instead of manufacturing margin	65.11	59.33	
IMPACT OF NET PROFIT	NIL	NIL	

Statement of Profit & Loss		(₹ in Lac)	
Particulars	2013-14	2012-13	
Turnover (Net of discount)	1986.81	1312.21	
Other Income	0.82	1987.63	3.86
Excise duty paid	261.60	250.06	
Cost of materials consumed	244.78	164.07	
Change in Inventories	(22.75)	(76.94)	
Employees Benefits Expenses	261.29	183.47	
Finance Costs	0.80	1.35	
Other Expenses	1,176.80	734.73	
Total Expenses	1,922.52	1256.74	
Net Profit for the year	65.11	59.33	
Recognized as net profit for the year			
Instead of manufacturing margin	65.11	59.33	
IMPACT OF NET PROFIT	NIL	NIL	

- (d) The Expert Advisory Committee of Institute of Chartered Accountants of India in an almost similar case do not agree with the above mentioned accounting treatment. The opinion is governed by the substance of the transaction and not by the legal form i.e. sales, purchases, assets and liabilities relating to such business controlled by the brand owners should not be recorded in the books of account of the company even though supporting vouchers are in the name of the company and the correct accounting treatment of the transactions in the books of account of the company would be to recognize only the fixed margin/charge received by it rather than to recognize sales and purchases of the business of manufacturing IMFL and also should not recognize any current asset or liabilities of the said business in its books of account. Further, the brand owners entitlement paid by the company should be booked as a mere cash outflow. Further the Expert Advisory Committee had clarified that the opinion expressed by the committee is purely from the accounting point of view without consideration of any implication thereof, from the point of view of the provisions of TDS/TCS in the Income Tax Act, 1961 or any other legal/ statutory requirement.
17. Consequent to the losses, the Company had been declared a Sick Industrial Company on 14th March, 1991 in terms of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. Further proceedings before the BIFR are pending. Pending final orders of BIFR, the accounts of the company have been prepared on a going concern basis.
18. (a) No provision has been made for penal/delayed/simple/compound interest amounting to ₹ 27802.02 Lac upto 31st March, 2014 (for the year ₹ 4276.55 Lac) on term borrowings of Financial Institutions and debentures pending final order of BIFR.
- (b) Interest payable by Vanaspati Unit of the Company to Financial Institutions since the date of disbursement of the loan on simple rate of interest basis amounts to ₹ 1346.55 Lac upto 31st March, 2014 and the unit holds total interest provision of ₹ 732.41 Lac as on 31st March, 2014 resulting in the short provision of ₹ 614.14 Lac on simple interest basis.
- (c) The Sugar & Distillery Units of the Company have given a proposal for settlement of their dues with

Allahabad Bank of ₹ 227 Lac against which an upfront payment of ₹ 50 Lac has already been made under 'No Lien Account' and included under "Other Bank Balances" and to pay the balance amount of ₹ 177.00 Lac in two equal monthly instalments after the receipt of sanction from the Bank. The shortfall in interest provision amounting to ₹ 168.84 Lac will be provided in the books of account in the year of approval of OTS proposal by the Bank which is pending.

- (d) The Sugar Unit of the Company has not made provision for interest/bank charges amounting to ₹ 2725.97 Lac (for the year ₹ 389.24 Lac) on cash credit loan taken from Allahabad Bank in view of para (c) above.
- (e) No provision has been made for interest on Cash Credit from Allahabad Bank amounting to ₹ 291.92 Lac (for the year ₹ 48.34 Lac). Further, response to the proposal submitted to the Bank for One Time Settlement (OTS) dues is awaited in Distillery Unit in view of para (c) above.
- (f) Till 31st March, 2000, simple interest on matured fixed deposits and interest upto date of maturity was provided in the books of account. With effect from 1st April, 2000, no provision has been made for interest of ₹ 301.22 Lac upto 31st March, 2014 (for the year ₹ 12.44 Lac), computed as per past practice, on these fixed deposits in view of a legal opinion received by the Company to the effect that as per terms and conditions of Fixed Deposit Scheme, deposits do not carry any interest beyond due dates unless these are renewed. Since these deposits were never renewed after their due dates as such, the question of payment of interest after due dates does not arise at all. However, as a prudent measure, the provision made of ₹ 281.13 Lac in the past (net of payments) has been retained in the books of account as on 31st March, 2014.
19. (a) The Vanaspati Unit had applied for Sales Tax Relief Exemption to U.P. Government in terms of Section 4A of U.P. Sales Tax Act. Consequent to rejection, the company has filed a writ petition in Lucknow Bench of Allahabad High Court and Court had passed an order dated 21st February, 2013 that "the writ petition is allowed and impugned order dated 22nd April, 1992 is quashed. The opposite parties are directed to reconsider the case of the petitioner afresh, after giving personal opportunity of hearing and pass appropriate orders, in accordance with law." In compliance of High Court order, we had filed an application before the Secretary Level Committee (Constituted under Section 4A of the U.P. Trade Tax Act). As the matter is still pending before the authority, no provision has been made for sales tax liability of Rs.2,455.78 Lac relating to the period May, 1991 to July, 1994 (previous year Rs.2,455.78 Lac).
- (b) The Vanaspati Unit had preferred an application for deferment of Sales-tax with effect from July, 1994 under Section 38 of the U.P. Sales Tax Act and the same has been rejected by the State Government. The company has also filed Writ Petition against the rejection and consequent to the orders of the Court, the recovery of Sales-tax has been kept in abeyance. Accordingly, Sales-tax amounting to ₹ 440.46 Lac (previous year ₹ 440.46 Lac) relating to the period

August, 1994 to March, 1996 has not been deposited with the authorities.

The above writ petition filed by the company was listed for hearing on 2nd May, 2008 at High court, Lucknow Bench. The company had filed an affidavit with the Court that BIFR had passed an order dated 26th March, 2008 by virtue of which the Bench permitted the Commercial Tax Department, Government of U.P. to recover its outstanding dues, due after 30th June, 2007. The company had also stated in the said affidavit that the Hon'ble Supreme Court of India had affirmed the order of the BIFR and therefore in view of the said orders of BIFR as affirmed by the Hon'ble Supreme Court, the said Writ Petition may be dismissed as infructuous. Accordingly the High Court, Lucknow Bench has dismissed the said writ petition as infructuous.

- (c) In accordance with the scheme announced by U.P. Government regarding Waiver of Interest & Penalty on Sales Tax, the Distillery Unit of the Company has paid and provided interest during 2005-06 of ₹ 54.77 Lac i.e. 10% of the total interest as per the scheme. No Dues Certificate of Sales Tax authorities is awaited.

20. Operating Leases:

The Company has taken following premises and Plant & Machinery on operating lease basis. Disclosure requirement as per AS-19 are as under:

Period	₹ in Lac	
	Year ended 31.03.2014	Year ended 31.03.2013
Not later than one year	78.93	90.98
Later than one year but not later than five years	57.33	114.66
Later than five years.	Nil	Nil

The above includes :

- (i) During the financial year 2011-12, Gas Unit of the company has entered into lease agreement, as amended, with Weld Excel India Ltd. (WEIL), a related party, taking Oxygen filling plant under operating lease for 2 years non cancelable lease period at monthly rent of ₹ 1.00 Lac up to 31st December, 13. During the current financial year, the company has renewed this agreement for one year up to 31st December, 2014 at the same rent.
- (ii) During the financial year 2010-11, Electrodes unit of the company has taken office premises in Delhi on sublease basis from WEIL, a related party, under operating lease for an initial period of three years as non-cancelable period at monthly rent of ₹ 4.15 Lac and the lease was further renewed for a period of three years at an increase of 15% over the current lease rent i.e. ₹ 4.78 Lac pm. The sub-lease agreement has been extended for another 3 years w.e.f. 1st April, 2013.
- (iii) During the financial year 2011-12 Electrodes Unit of the company has taken office cum Guest house premises in Chatarpur, New Delhi on operating lease basis and having sharing arrangement with WEIL and Mr. M.K. Modi, Managing Director for a period of two years w.e.f. 1st November, 2011 at a monthly rent of ₹ 1.25 Lac (Our Share). During

the current financial year, this lease has been renewed w.e.f. 1st November, 2013 i.e. till 31st December, 2014 at an increase at 12% i.e. ₹ 1.40 Lac (Our Share).

21. The Distillery Unit declared cessation and lock-out of the Unit with effect from 19th December, 1991 and 5th January, 1992 respectively. The lockout has since been lifted. The U.P. Government, suo moto, has referred the matter to the Industrial Tribunal to decide the legality of the lockout. Pending final decision, no provision has been made for wages ₹ 27.46 Lac for the lockout period.
22. Provision/payments (including value of perquisites) has been made to Managing Directors for the remuneration of ₹ 80.68 Lac in terms of shareholders resolution, which is subject to approval of the Financial Institutions.
23. No provision has been made for Earned Leave for Steel Unit- upto 1991-92, amount unascertained.
24. The Sugar Unit of the Company has discounted sales bills raised on SBEC Sugar Limited amounting to ₹ 719.00 Lac (Previous year ₹ 3098.43 Lac) from certain persons/limited companies etc. and the same (net of discounting charges borne by drawee) has been credited to the account of SBEC Sugar Limited. The above includes ₹ 620.95 Lac (Previous year ₹ 2722.12 Lac) being bills discounted from individual persons/HUF/Firms. Balance outstanding of bills discounted as on 31st March, 2014 amounts to ' Nil (Previous Year ₹ 499.61 Lac) and has been shown in Note {1(e)} of Note No. 27 of Annual Accounts as Bills Discounting.
25. Allahabad Bank had filed a recovery suit for recovery of ₹ 21.41 Crores against Modi Industries Limited and others before the Debt Recovery Tribunal (DRT), Lucknow in April, 2005. The Company challenged the recovery suit on the grounds that bank required prior permission under section 22 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 for filing recovery suit. Debt Recovery Tribunal, Lucknow, allowed continuation of recovery suit against which company filed appeal with Debt Recovery Appellate Tribunal, (DRAT) Allahabad. The DRAT had stayed further proceedings by DRT in the matter. A writ petition was filed by the Company before the Lucknow Bench of Allahabad High Court challenging the orders of the DRT, Lucknow and DRAT, Allahabad. The Lucknow Bench of Allahabad High Court noting the contention of the Company has disposed off the Writ Petition by its order dated 18th July, 2008. The Company has filed review petition against the said order seeking the quashing of the Allahabad Bank's suit before the DRT, which is still pending.
26. Previous year's figures have been regrouped wherever necessary.
27. No confirmation letters were sent to debtors/creditors and to parties who have discounted sale bills. In the absence of such confirmations, the balances in respect of Sundry Debtors/Creditors/Bills discounted (Contingent Liability), Loans taken/given and Advances and other accounts are taken as shown by the books of accounts and are subject to adjustments and reconciliation, if any.
28. In view of non-viability of the Vanaspati Unit, which was a separate business segment as per AS-17, Segment Reporting, the company declared closure of the Unit with

effect from 3rd February, 2003 and prior information, as required under law, was given to the State Government on 4th December, 2002. The closure is consistent with the company's strategy to focus on its other viable manufacturing activities.

29. Delhi Excise Authorities issued Show Cause Notices and raised demand for ₹ 167.43 Lac towards Risk-Purchase of Country Liquor in view of non-supply of the same by Distillery Unit of the Company. Company has disputed the above demand and a Writ Petition was filed before the Hon'ble Delhi High Court who ordered case to be referred back to Collector of Excise for taking final decision. The Collector of Excise vide its order dated 27th June, 2003 has confirmed the above demand against which the company has filed a writ petition before the Hon'ble Delhi High Court. On the basis of orders of Hon'ble Delhi High Court, the company has deposited ₹ 50.00 Lac till date against the above demand. No provision is considered necessary at this stage since the matter is sub-judice.
30. As on 31st March, 2014, there were 160 Public Deposits amounting to ₹ 7.32 Lac which have remained unclaimed and unpaid for a period of more than seven years and interest accrued but not paid on these unclaimed deposits till the date of maturity amounts to ₹ 2.41 Lac. Details of unclaimed and unpaid debentures for a period of more than seven years are presently not available. The Company has filed a return dated 14th June, 2002 with the Registrar of Companies duly certified by practicing Company Secretary stating that the Company is a Sick Industrial Company as per orders of BIFR dated 14th March, 1991 and rehabilitation proposal for payment in respect of debentures and fixed deposits etc. is pending before the IDBI (as the Operating Agency)/BIFR for consideration. The Company will pay/credit the amount as per final orders of BIFR. Accordingly, no amount was credited/paid to Investor's Education and Protection Fund till date.
31. There has been temporary diminution of ₹ 154.80 Lac as on 31st March, 2014 (Previous Year ₹ 133.80 Lac) in the market value of one of its investments in the Group Companies. However, being long-term investment, this is valued at cost with no provision made for fall in the market value. These investments are considered strategic investments and also having long-term involvement with the above companies, no provision is considered necessary since the decline is also not permanent in nature as the modified rehabilitation scheme of this group company is still under consideration of the BIFR.
32. Deferred Tax Assets are ₹ 4943.94 Lac as on 31st March, 2014 (Previous year ₹ 3704.99 Lac) constituting mainly of unabsorbed depreciation, unabsorbed losses, provision for doubtful debts, provisions disallowed and interest on term loans disallowed in Income Tax. Deferred Tax Liabilities is ₹ 416.59 Lac as on 31st March, 2014 (Previous year ₹ 482.63 Lac) on account of higher depreciation claimed in Income Tax. On conservative basis as required by the Accounting Standard 22, the net Deferred Tax Assets have not been recognized by the company and position will be re-assessed at next balance sheet date. However, the estimated Deferred Tax Assets and Liabilities details are given as under:

Particulars	(₹ in Lac)	
	As at 31st March, 2014	As at 31st March 2013
(a) Deferred Tax Assets :		
(i) Disallowances under the Income Tax Act.	1452.36	1445.48
(ii) Provision for Doubtful Debts	189.40	174.27
(iii) Unabsorbed Depreciation	450.60	379.87
(iv) Unabsorbed Loss	2851.58	1705.37
Total	4943.94	3704.99
(b) Deferred Tax Liabilities:		
Related to Fixed Assets	416.59	482.63
(c) Deferred Tax Assets (Net) (a-b)	4527.35	3222.36

33. Till 31st March, 2014, certain Quarters of the Company are occupied unauthorisedly by ex-employees/outside. The company has entered into "Agreement to Sell" for 215 (Previous year 215), such residential quarters with such parties. Sale consideration amounting to ₹ 504.50 Lac (Previous year ₹ 504.50 Lac) has been received as interest free advance. These "agreements" clearly stipulates that final sale of such quarters are subject to approval of Financial Institutions to whom these quarters have been mortgaged and the company proposes to seek the same before affecting final sale of such quarters. Accordingly the sale of such quarters will be accounted for only on receipt of approval of Financial Institutions. Further the company has been legally advised that it can enter into such "Agreements to Sell".
34. (a) The Steel Unit of the company has entered into few leases, including perpetual leases, agreements for certain portions of the factory land and building 27954.86 Sq. Mtrs (Previous year 22346.27 Sq. Mtr.) for which approval of financial institutions, to whom the factory land and buildings are mortgaged, is yet to be obtained. However, the company has been legally advised that it can enter into such lease agreements. Further, the lease money was mainly utilized for payment of workers and statutory dues.
- (b) The company has entered into a perpetual lease agreement for certain portion of closed Soap factory, land & building (1584 sq. mtrs.) to a related party. As the said land and building is mortgaged with the financial institutions therefore the company had sought the approval of IDBI Limited (the lead financial institution) to the said transaction vide its letter dated 6th September, 2006. Since IDBI Limited did not respond, therefore the company again wrote a letter to IDBI Limited on 5th April, 2007 requesting for its approval to the said transaction. The company in the letter under reference also mentioned that if IDBI Limited does not respond to the company's request, it will be deemed that the company's request has been approved by IDBI Limited and the company will go ahead with the said leasing agreement. The IDBI has so far not responded to the company's letter.
35. (a) Recovery Certificate (RC) was issued on 1st May, 2004 on account of non payment of cane price/commission/interest due to Co-operative Societies. The Hon'ble High Court has stayed the recovery proceedings against the company subject to payment of dues upto 31st July, 2004. The Company has complied with the conditions regarding payment of cane price and commission on basic SMP upto 31st July, 2004. However, the company has disputed the payment of interest of ₹ 142.00 Lac and recovery charges of ₹ 236.00 Lac in the Hon'ble Allahabad High Court which is still pending. On consideration of prudence, the company has made provision for interest of ₹ 142.00 Lac during the year 2004-05.
- (b) Recovery Certificate (RC) was issued on 18th March, 2008

- on account of non payment of cane price/commission/ interest due to Co-operative Societies for the sugar season 2007-08. The above RC also includes recovery charges of ₹ 413.50 Lac which has not been provided for in the books of account.
- (c) Recovery Certificate (RC) was issued on 20th April, 2011 on account of non-payment of cane price/commission/interest due to Co-operative Societies for the sugar season 2010-11. The above RC also includes recovery charges of ₹ 268.25 Lac which has not been provided for in the books of account as stay granted by Hon'ble Allahabad High Court
- (d) Recovery Certificate (RC) was issued on 10th August, 2007 on account of non payment of cane price/commission/ Interest due to Co-operative Societies for the sugar season 2006-07. The above RC also includes interest of ₹ 340.66 Lac upto 7th August, 2007 on cane price/ commission payable to societies and recovery charges of ₹ 426.95 Lac which has not been provided for in the books of account. As per the Interim Order dated 27th February, 2008 of Hon'ble Supreme Court, there shall not be any recovery charges or interest for delayed payment at this stage
- (e) Recovery Certificate (RC) was issued on 21st February, 2014 on account of non payment of cane price/commission/ interest due to Co-operative Societies for the sugar season 2012-13. The above RC also includes interest of ₹ 1246.58 Lac and recovery charges of ₹ 450.79 Lac. No provision has been made for recovery charges in the books of account. Hon'ble Allahabad High Court vide its order dated 16th April, 2014 has stayed the recovery charges of ₹ 278.99 Lac. Further the Company has provided interest of ₹ 835.22 Lac on cane arrears as per the agreement dated 24th May, 2013 and has also disputed the difference amount in a writ filed with Hon'ble Allahabad High Court. Further proceedings are pending.
36. In the recent past, the Arc Electrode Industry in the country has
40. Investments in two associates i.e. Bekaert Engineering (India) Pvt. Ltd. and Modi Santa Fe India Pvt. Ltd. have not been accounted for in Consolidated Financial Statements under the Equity method as prescribed in Accounting Standard -23 i.e. Accounting for investment in associates as these associates are operating under severe long term restrictions that significantly impair its ability to transfer funds to the investor. Accordingly these investments are accounted for at cost.

been facing stiff competition from international players who entered Indian market and started aggressive publicity to capture it. This resulted in adverse impact on domestic companies. To cope with the treat, the electrode unit of the company has also undertaken publicity campaign through advertisement in News papers/ Banners, Calendars etc.

Further, we give below figures on advertisement during last four years:

2010-11	₹ 37.29 Lac
2011-12	₹ 391.77 Lac
2012-13	₹ 381.34 Lac
2013-14	₹ 281.64 Lac

37. No provision has been made for fall in the market/book value of the investments in the books of subsidiary companies.\
38. Pursuant to directions received from Reserve Bank of India, Main object clauses of both the subsidiary companies were amended as on 16th September, 2000 that the Company would not carry on the business of Non-Banking Financial Institution within the meaning of Section 45 I A of the Reserve Bank of India Act, 1934. Accordingly the company has not acquired any fresh investments.
39. Modi Spinning & Weaving Mills Company Limited, one of investee companies, in compliance of BIFR sanctioned scheme has allotted following shares during the year 2011-12 free of cost (one share against 5 (five) Equity Shares held by the Shareholders of MSWM as on record date i.e. 12th November, 2009) to both the subsidiaries as under :

Subsidiaries of the Company	Shares received of	
	Haryana Distillery Ltd.	Rajputana Fertilizers Ltd.
Own Investment (India) Ltd.	8233	8233
Your investment (India) Ltd.	9117	9117

41. **RELATED PARTIES DISCLOSURE**

01 **Key Management Personnel :**

Shri Mahendra Kumar Modi Managing Director
Shri Umesh Kumar Modi Managing Director

02 **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:

Modipon Limited
Bihar Sponge Iron Limited
SBEC Sugar Limited
Moderate Leasing & Capital Services Ltd.
Modi Hitech India Ltd.
Technicast Engineers Ltd.
SBEC System India Ltd.
Modi Mundipharma Pvt. Limited
Win-Medicare Pvt. Limited
Modi Motors Private Limited
Modi Ilva India Pvt. Ltd.
Modi Line Travel Services Pvt. Ltd.
Modi Revlon Private Limited
Modi Senator Pvt. Ltd.
Jayesh Tradex Pvt. Limited
A to Z Holding Pvt. Limited
Ashoka Mercantile Limited
Weld Excel India Limited

03 **Disclosure of transactions between the Company and related parties and the status of outstanding balances as at 31st March, 2014:**

(A) Transactions with the enterprises over which the Key Management Personnel and their relatives are able to exercise significant influence:

	(₹ in Lac)	
	Year	
	2013-14	2012-13
Sale of Goods		
SBEC Sugar Limited	2932.34	4112.42
Weld Excel India Limited	43.36	96.64
Others	0.02	-
	2975.72	4209.06
Purchase of Goods/Raw Materials		
Weld Excel India Limited	1363.31	32.45
SBEC Sugar Limited	1800.78	4.18
Jayesh Tradex Pvt. Limited	15.42	181.60
Modi Hitech India Ltd.	9.78	11.57
Others	2.88	3.87
	3192.17	233.67
Purchase of Assets	0.33	-
Rental Income		
Win Medicare Private Limited	49.80	74.72
Weld Excel India Limited	5.08	4.62
Modi Motors Pvt. Ltd.	12.00	13.48
Modi Mundipharma Pvt. Ltd.	9.24	10.40
SBEC Sugar Limited	4.37	4.60
Shri Mahandra Kumar Modi	4.72	4.50
Others	0.95	0.69
	86.16	113.01
Payment of Lease Rent		
Weld Excel India Limited (Foot Note No. 5 & 6)	22.12	23.84
Expenses reimbursed		
Weld Excel India Limited (Foot Note No. 2)	81.32	67.61
Modipon Limited	23.00	22.80
Others	0.07	1.87
	104.39	92.28
Job Work Charges Paid		
Weld Excel India Limited	2.48	18.41
Interest paid on Loan taken		
Modern Leasing & Capital Services Pvt. Ltd. (Not a related party at on 31 st March, 2013)	683.40	-
Expenses realized		
Weld Excel India Limited (Foot Note No. 3)	41.25	52.21
Ashoka Mercantile Ltd.	4.01	4.53
SBEC Sugar Limited	0.69	2.81
Shri Mahendra Kumar Modi	1.23	-
Others	0.20	2.97
	47.38	62.52
Job Charges received		
Weld Excel India Limited	-	11.71
Royalty Fee received		
Weld Excel India Limited	9.54	8.50
Commission paid for sale promotion		
Ashoka Mercantile Ltd.	10.55	22.42
Receiving of Services		
Modi Line Travel Service Pvt. Ltd.	20.47	17.82
Refund received against loan & advance		
Weld Excel India Limited (Foot Note No. 4)	320.39	52.28
Refund of Security deposits given		
Ashoka Mercantile Ltd. (Foot Note No. 7)	102.00	145.00
Weld Excel India Limited	5.38	0.96
	107.38	145.96
Loans and Advances given		
Modipon Ltd.	13.24	-

		(₹ in Lac)	
		Year	
		2013-14	2012-13
(B)	Balances outstanding at the year end:		
	Amount recoverable		
	Good	23.95	18.15
	Doubtful	3.78	3.78
	Loans and advance recoverable		
	Weld Excel India Limited (Foot Note No. 4)	-	320.39
	Security deposit to Weld Excel India Limited		
	Against Cylinders (Foot Note No. 5)	32.66	38.04
	Against Oxygen Filling Plant (Foot Note No. 6)	4.00	4.00
	Security deposit recoverable for quarters		
	Ashoka Mercantile Limited (Foot Note No. 7)	998.00	1100.00
	Modipon Limited	147.63	147.63
	Sundry Debtors		
	SBEC Sugar Limited	972.35	265.17
	Weld Excel India Limited	-	27.83
	Amount payable		
	Weld Excel India Limited	135.54	-
	Others	6.41	10.43
	Unsecured Loan taken Outstanding		
	A to Z Holding Pvt. Ltd.	24.88	24.88
	Moderate Leasing & Capital Services Ltd.	4305.75	-
(C)	Payment to the Key Management Personnel:		

		(₹ in Lac)	
		Year	
		2013-14	2012-13
i)	Managerial Remuneration		
	Shri Mahendra Kumar Modi	18.00	18.00
ii)	Amount payable to Managing Director		
	Shri Mahendra Kumar Modi	-	0.46
iii)	Amount payable (for gratuity)	3.35	3.35

Foot Notes :

- The above excludes amount payable/receivable to/from related parties in the books of Steel Unit in view of non-incorporation of Balance Sheets for these years on account of non-availability of opening audited balances as on 01.04.1993.
- During the financial year 2010-11, Electrode unit of the company has taken office premises in Delhi on sublease basis from Weld Excel India Limited (WEIL), a related party, under operating lease for three years non cancelable period at monthly rent of ₹ 4.15 Lac plus electricity, maintenance and car parking charges to WEIL. Sub Lease agreement extended for another three years at monthly rent of ₹ 4.78 Lac with effect from 1st April, 2013.
- Electrode unit of the company has taken office cum guest house premises in Chatarpur and Aman, New Delhi on operating lease basis and having sharing agreement with WEIL in case of Aman upto 31st December, 2013 and with WEIL and Shri Mahendra Kumar Modi, Managing Director in case of Chatarpur Guest House with effect from 1st November, 2011 (for a period of two years and further extended till 31st December, 2014) at monthly rent of ₹1.40 Lac with effect from 1st November, 2013 (our share) (upto 31st October, 2013 ₹1.25 Lac) and per day rent of ₹ 0.08 Lac (our share) (previous year ₹ 0.08 Lac) plus taxes respectively.
- Pursuant to an agreement for commitment to supply electrodes, an unsecured interest free advance of ₹ 500 Lac was given during 2009-10 which is being adjusted from supply of goods @ 20% of invoice value. Accordingly, ₹ 179.61 Lac was adjusted from supply of goods @ 20% invoice value till 31st March, 2013 and balance amount of ₹ 320.39 Lac was refunded by Weld Excel India Limited during the year ending 31st March, 2014.
- 1633 Cylinders (Previous year 1902 cylinders) taken on operating lease at monthly rent of ₹ 45.00 per cylinder.

6. Oxygen Filling Plant taken on operating lease for 2 years (non-cancelable) at monthly rent of ₹ 1.00 Lac for a period of two years with an option to renew for another two years. Lease period subsequently extended for one more year in 2013-14 at monthly rent of ₹ 1.00 Lac.
7. Security deposits (unsecured interest free) amounting to ₹ 998.00 Lac (Previous year ₹ 1100.00 Lac) given during May, 2011 against temporary possession of 53 (Previous year 59) houses in Modinagar.

42. **SEGMENT REPORTING :**

- (i) The Management has identified six reportable Business Segments for the current year namely :
 Sugar comprising of Cane Sugar.
 Gas comprising of gases.
 Distillery comprising of liquors and spirit.
 Paint comprising of Paints & Varnish.
 Electrodes comprising of Welding Electrodes
 Investment Operations
- (ii) The Vanaspati Unit of the Company, which is lying closed since 2003, has not been treated as business segment.
- (iii) The Steel Unit is lying closed since 24th January, 1993 due to strike/lock-out. In the meanwhile, opening balances (Assets and Liabilities) of the unit as on 1st April, 1992 subject to certain modifications as per Note 27 {4(c)} have been incorporated as Assets & Liabilities of Steel Unit. (Refer Note 27(4)).
- (iv) Segmentwise information (Primary Segments) for the current year:

Particulars	(₹ in Lac)						Total
	Sugar	Gas	Distillery	Paint	Electrode	Investment operations	
REVENUE :							
Total External Sales/Services	19502.53	611.05	3101.92	1748.07	4783.27	-	29746.84
Inter Segment Sales	701.61	3.44	-	9.25	0.39	-	714.69
Total Sales	20204.14	614.49	3101.92	1757.32	4783.66	-	30461.53
Less: Inter Segment Sales	701.61	3.44	-	9.25	0.39	-	714.69
Total Sales	19502.53	611.05	3101.92	1748.07	4783.27	-	29746.84
							29746.84
RESULT :							
Segment Result	(2864.92)	61.56	140.78	(84.53)	(615.76)	1.10	(3361.77)
Add: .							
i) Profit of Steel Unit #							337.22
ii) Interest Income							51.48
							(2973.07)
Less:							
Interest Expenses							719.63
Unallocable Expenses (Net)**							596.12
Profit/(Loss) before Tax							(4288.82)
Less: Provision for Tax							0.31
Profit/(Loss) after Tax							(4289.13)

Including inter-unit rental income of ₹ 46.12 Lac.

** Includes Administrative Offices i.e. MD Office and Corporate Office of the Company.

OTHER INFORMATION

(₹ in Lac)

Particulars	Sugar	Gas	Distillery	Paint	Electrode	Investment operations	Total
Segment Assets	11472.10	219.98	2756.41	669.21	2068.89	7.89	17194.48
Steel Unit*							3396.29
Investments							801.58
FD with Banks & Interest Accrued	10.64	2.53	51.28	5.74	367.39	22.21	459.79
Other unallocable assets**							5018.40
Total Assets							#26870.54
Segment Liabilities	18924.07	187.06	2737.00	441.95	1485.83	0.97	23776.88
Steel Unit*							2778.14
Other unallocable liabilities**							2678.62
Total Liabilities							29233.63
Secured/Unsecured Loan/DPG (Including interest accrued)							13428.13
Capital Expenditure : (Including Under Erection and acquired under finance lease)							
on Segment Assets	135.71	-	8.94	16.45	1.39	-	162.49
Depreciation	317.05	2.10	53.24	8.79	86.25	-	467.43

NOTES :

* Refer Note 27(42)(iii) above. ** Includes Administrative Offices i.e. MD Office and Corporate Office of the Company.
01 The Business operations are concentrated in India only. 02 External Revenue is exclusive of Excise Duty realized.
03 Inter segment revenues between operating segments are accounted for at market price.
@ Includes revaluation of Fixed Assets also. # This includes ₹ 954.97 Lac being unreconciled debit balance of Steel Unit included in Short Term Loan and Advances i.e. Note 17.

Segmentwise information (Primary Segments) for the previous year:

(₹ in Lac)

Particulars	Sugar	Gas	Distillery	Paint	Electrode	Investment operations	Total
REVENUE :							
Total External Sales/Services	21832.28	603.66	3187.52	1604.87	6128.38	56.64	33413.35
Inter Segment Sales	377.55	2.85	-	8.73	0.36	-	389.49
Total Sales	22209.83	606.51	3187.52	1613.60	6128.74	56.64	33802.84
Less: Inter Segment Sales	377.55	2.85	-	8.73	0.36	-	389.49
Total Sales	21832.28	603.66	3187.52	1604.87	6128.38	56.64	33413.35
							33413.35
RESULT :							
Segment Result	(2059.07)	68.60	70.56	(74.18)	(222.78)	14.25	(2202.62)
Add: .							
i) Profit of Steel Unit #							60.51
ii) Interest Income							68.28
							(2073.83)
Less:							
Interest Expenses							814.87
Unallocable Expenses (Net)**							586.53
Profit/(loss) before Tax							(3475.23)
Less: Provision for Tax							0.28
Profit/(Loss) after Tax							(3475.51)

Including inter-unit rental income of ₹ 46.12 Lac.

** Includes Administrative Offices i.e. MD Office and Corporate Office of the Company.

OTHER INFORMATION

(₹ in Lac)

Particulars	Sugar	Gas	Distillery	Paint	Electrode	Investment operations	Total
Segment Assets	11041.90	237.48	2922.98	674.36	3122.68	5.54	18004.94
Steel Unit*							3402.40
Investments							801.58
FD with Banks & Interest Accrued	102.04	1.46	51.28	6.24	331.25	23.39	515.66
Other unallocable assets**							5102.33
Total Assets							#27826.91
Segment Liabilities	14742.55	182.25	1563.73	450.97	1395.70	0.59	18335.79
Steel Unit*							2778.14
Other unallocable liabilities**							2677.70
Total Liabilities							23791.63
Secured/Unsecured Loan/DPG (Including interest accrued)							15537.39
Capital Expenditure : (Including Under Erection and acquired under finance lease)							
on Segment Assets	38.78	-	13.02	21.34	11.66	-	84.80
Depreciation	331.73	12.70	53.06	24.83	165.68	-	588.00

NOTES :

* Refer Note 27(42)(iii) above. ** Includes Administrative Offices i.e. MD Office and Corporate Office of the Company.

01 The Business operations are concentrated in India only. 02 External Revenue is exclusive of Excise Duty realized.

03 Inter segment revenues between operating segments are accounted for at market price.

@ Includes revaluation of Fixed Assets also. # This includes ₹ 908.54 Lac being unreconciled debit balance of Steel Unit included in Short Term Loan and Advances i.e. Note 17

43. Undertakings given to Financial Institutions on behalf of Lords Chloro Alkali Limited, Modi Rubber Limited and Bihar Sponge Iron Limited:
- (a) To procure funds jointly/severally with other promoters to meet any shortfall in the resources of the Company for completing their projects and/or for working capital. The funds made available/to be made available can only be withdrawn with the prior approval of Financial Institutions and shall not involve any charge or lien on the assets of the said Companies.
- (b) That the company shall not transfer, assign, pledge, hypothecate or otherwise dispose of in any manner its holding in their capital without Institutions' prior approval in writing.
44. Deferred credit including liability for interest payable for unexpired period have been guaranteed by the Bankers of the Company against hypothecation of Gas Cylinders and Machinery purchased under the Scheme in Steel Unit.
45. Lay off declared in UPCL (Bottling Section) in Distillery unit from 1-5-2013.
46. Additional information as required by Revised Schedule VI of Companies Act, 1956:

(i) Prior period items:		(₹ in Lac)	
Sl.No.	Particulars	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
(A)	Income		
(i)	Revenue from operation	(2.64)	(19.88)
(ii)	Other Income	24.60	13.38
(iii)	Reversal of finance costs	-	-
(iv)	Reversal of other expenses	-	0.11
	Total	21.96	(6.39)
(B)	Expenditure		
(i)	Finance costs	126.27	6.61
(ii)	Employee benefits expenses	(2.34)	6.90
(iii)	Reversal of other income	-	0.11
(iv)	Other expenses	12.29	49.78
	Total	136.22	63.40

(ii) Cost of materials consumed:		(₹ in Lac)	
Sl.No.	Particulars	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
(a)	Sugar cane	18,137.40	20,451.19
(b)	Sugar Purchased (Reprocess)	1,747.33	-
(c)	Molasses	4.86	7.70
(d)	Extra neutral alcohol (ENA)	99.36	71.57
(e)	Vatted Malt Scotch Whisky	131.33	82.01
(f)	Oil	76.91	66.78
(g)	Chemical	1,889.55	2,167.76
(h)	Wire	1,753.67	2,079.93
(i)	Carbide	184.60	192.94
(j)	Carbondioxide (CO ₂)	45.54	30.25
(k)	Orgon Gas	22.34	35.07
(l)	Oxygen Gas	31.29	25.84
(m)	Others	26.23	17.89
Total		24,150.41	25,228.93

iii) Manufactured goods:

		(₹ in Lac)					
Sl.No.	Particulars	Sales @		Opening Inventory		Closing Inventory	
		For the year ended 31 March 2014	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2013
(a)	Sugar	18,865.93	21,237.47	4,265.87	4,151.93	5,386.99	4,265.87
(b)	Molasses (By product)	539.30	739.55	256.13	124.07	501.58	256.13
(c)	Bagasse (By product)	753.45	693.68	16.48	27.50	6.15	16.48
(d)	Spirit	-	41.51	2.64	57.13	44.79	2.64
(e)	Extra neutral alcohol (ENA)	-	32.00	19.11	26.18	0.41	19.11
(f)	Indian made foreign liquor (IMFL)	1,986.81	1,312.20	164.77	99.07	184.99	164.77
(g)	Country liquor	1,031.90	10,839.15	116.38	162.03	-	116.38
(h)	Bio-organic manure	17.63	29.84	6.65	-	2.78	6.65
(i)	Special denatured spirit	1,406.82	570.92	-	-	-	-
(j)	Paints & varnish	1,983.91	1,825.00	138.42	72.11	115.75	138.42
(k)	Disolved Acetylene	315.20	322.87	4.61	5.91	4.31	4.61
(l)	Carbon di oxide	80.18	55.65	0.27	0.61	0.46	0.27
(m)	Argon	46.80	67.55	1.10	0.74	0.55	1.10
(n)	Oxygen	60.65	51.38	0.28	0.65	0.28	0.28
(o)	Welding Electrodes	5,336.39	6,754.71	571.28	549.35	401.38	571.28
(p)	Flux	40.51	63.93	-	-	-	-
(q)	Wires*	-	-	442.63	442.63	442.63	442.63
(r)	Rods, Flats, Sections*	-	-	398.25	398.25	398.25	398.25
(s)	Oxygen Gas*	-	-	0.05	0.05	0.05	0.05
(t)	Scrap and others*	-	-	54.81	54.81	54.81	54.81
(u)	Others	-	-	-	8.97	-	-
TOTAL		32,465.48	44,637.41	6,459.73	6,181.99	7,546.16	6,459.73

* This represents figures of steel unit as at 31st March, 1992. { Refer note 27(4) }.

@ Inclusive of Excise-duty but excludes rebates and discounts.

(iv) **Traded goods:-**

(₹ in Lac)

Particulars	Sales		Purchases		Opening Inventory		Closing Inventory	
	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Satina Uni. Stainer	0.01	0.34	-	-	0.15	0.47	0.14	0.15
Glowlite putty	0.05	0.64	-	0.33	0.31	0.27	0.28	0.31
Oxygen Gas	36.89	36.61	22.45	20.47	0.01	0.02	0.02	0.01
Nitrogen Gas	18.18	19.36	8.72	10.86	0.27	0.19	0.18	0.27
Hydrogen Gas	29.48	41.02	19.54	27.25	0.98	0.71	0.85	0.98
N2H2 Mixure	11.69	10.58	3.35	2.95	0.03	0.06	0.02	0.03
Carbon di oxide Gas	15.77	14.50	9.18	7.59	0.01	0.06	0.06	0.01
Argon Gas	18.31	26.99	8.17	11.50	-	-	0.09	-
Zero Air Gas	1.66	1.83	0.52	0.60	0.02	0.03	0.01	0.02
	132.04	151.87	71.93	81.55	1.78	1.81	1.65	1.78

(v) **Services rendered:-**

(₹ in Lac)

SI. No.	Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
(a)	Product Development Chagres	14.48	8.29
(b)	Conditioning Charges of cylinders	10.02	10.91
(c)	Job Work Charges	-	52.31
	TOTAL	24.50	71.51

(vi) **Work-in-progress:-**

(₹ in Lac)

S.I.No.	Particulars	Opening Inventory		Closing Inventory	
		For the year ended 31 March 2014	For the year ended 31 March 2013	For the year ended 31 March 2014	For the year ended 31 March 2013
(a)	Sugar	250.43	168.88	237.87	250.43
(b)	Indian made foreign liquor (IMFL)	15.61	4.37	18.14	15.61
(c)	Country liquor	3.77	4.78	0.60	3.77
(d)	Paints & varnish	33.21	30.11	39.63	33.21
(e)	Welding Electrodes	106.08	174.87	92.83	106.08
(f)	Flux	9.98	31.99	10.26	9.98
(g)	Steel	40.32	40.32	40.32	40.32
	TOTAL	459.40	455.32	439.65	459.40

(vii) **Other Information :-**

(₹ in Lac)

SI.No.	Particulars	For the year ended 31 st March, 2014	For the year ended 31 st March, 2013
(A)	Value of imports on CIF basis :		
(i)	Raw materials (cost of material acquired)	-	77.56
(ii)	Components & space parts	-	0.37
(iii)	Capital goods (moulds)	-	-
(B)	Expenditure in foreign currency :		
(i)	Travelling	8.84	6.17
(ii)	Stores purchased	47.29	61.80
(iii)	Other matters	-	-

SI.No.	Particulars	For the year ended 31 March 2014		For the year ended 31 March 2013	
		(₹ in Lac)	%age	(₹ in Lac)	%age
(C)	Value of imported/indigenous :				
(a)	Raw materials consumed :				
	(i) Imported	131.96	0.55	107.79	0.43
	(ii) Indigenous	24,018.45	99.45	25,121.14	99.57
	Total	24,150.41	100.00	25,228.93	100.00
(b)	Spare parts and components consumed :				
	(i) Imported	0.29	0.09	0.37	0.10
	(ii) Indigenous	332.22	99.91	352.71	99.90
	Total	332.51	100.00	353.08	100.00

Foot-note:-

As segregation between spare parts and components is not possible, the value of consumption of spare parts and components has been aggregated. The figures given in (vii)(C)(b) above are as certified by the Officials of the Company.

48. Earnings per Share (EPS) basic and diluted, computed in accordance with Accounting Standard-20:

(₹ in Lac)

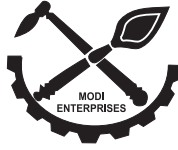
Particulars	2013-14	2012-13
Loss for the year as per annual accounts	4289.13	3475.56
Add: Dividend on Preference Shares	6.11	6.11
Total (A)	4295.24	3481.67
Number of Equity Shares issued (B)	33,09,214	33,09,214
Earning per share (in ₹) (A)/(B)	(129.80)	(105.21)
Face Value of Equity Share in Rupees	10	10

As per our report of even date
attached
for **P.R. Mehra & Co.**
Chartered Accountants,
Regn No. 000051N
Ramesh Chand Goyal
Partner
Membership No. 012628
Date : 30th June, 2014
New Delhi

V.P. Gupta
Manager
Company Secretarial

Mahendra Kumar Modi
(DIN 00014594)
Umesh Kumar Modi
(DIN 00002757)
Managing Directors

Vinay Kumar Modi
(DIN 00274605)
Rakesh Kumar Modi
(DIN 00022386)
Manish Kumar Modi
(DIN 00030036)
Abhishek Modi
(DIN 00002798)
Santosh Kumar Aggarwal
(DIN 00064755)
Directors



PROXY FORM (FORM NO. MGT-11)

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the company : **MODI INDUSTRIES LIMITED** Tel: 01232-231755, 243115, Fax: 01232-242322
 CIN : L15429UP1932PLC000469 Email : modiindustrieslimited@gmail.com
 Registered Office : MODINAGAR-201204. (U.P.) Website : www.modiindustries.net

Name of the member(s)	
Registered address	
E-mail ID	
Folio No.	

I/We being the member(s) of shares of the above named company, hereby appoint:

	(1)	(2)	(3)
Name			
Address			
E-mail ID			
Signature			
	or failing him	or failing him	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **80th Annual General Meeting of the company, to be held on Monday, the 29th September, 2014 at 12.30 P.M. at Modi Industries Transit House (Modi Industries Complex), Modinagar-201204, Distt. Ghaziabad (U.P.)** and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

- 1.....
- 2.....
- 3.....

Signature of shareholder

Signature of Proxy holder(s)

Affix revenue stamp of ₹ 1.00
--

NOTE :

This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

.....TEAR HERE.....

MODI INDUSTRIES LIMITED

CIN: L15429UP1932PLC000469 Tel: 01232-231755, 243115, Fax: 01232-242322
 Regd. Office: Modinagar 201204 (U.P.) Email : modiindustrieslimited@gmail.com
 Website : www.modiindustries.net

ATTENDANCE SLIP

I hereby record my presence at the 80th Annual General Meeting held at Modi Industries Transit House (Modi Industries Complex), Modinagar 201204, Distt. Ghaziabad (U.P.) on Monday, the 29th, September, 2014, at 12.30 P.M.

1. Full name of the Shareholder (in Block Letters)
2. L.F. No.....
3. No. of Equity shares held
4. Signatures of the Shareholder or proxy attending.....

To be used only when First named shareholder is not attending.

Please give full name of the 1st Joint Holder.

Mr./Mrs./Miss.....

NOTE: Please fill-in this attendance slip and hand it over at the **ENTRANCE OF THE TRANSIT HOUSE.**





REGISTERED BOOK-POST

80TH ANNUAL REPORT 2013-14

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MODI INDUSTRIES LIMITED

CIN - L15429UP1932PLC000469

Regd. Office : Modinagar - 201204. (U.P.)

Tel: 01232-231755, 243115, Fax: 01232-242322

Email : modiindustrieslimited@gmail.com

Website : www.modiindustries.net

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