



MODI INDUSTRIES LIMITED

79th Annual Report and Accounts 2012-13

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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 Modi
Shri Abhishek Modi
Shri Santosh Kumar Aggarwal
Shri Krishna Kumar Jain (upto 24.07.2013)

DEPUTY COMPANY SECRETARY

Shri Ramesh Kumar

BANKERS

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

AUDITORS

M/s. P.R. Mehra & Co.,
Chartered Accountants,
56, Darya Ganj,
New Delhi-110002

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

NOTICE

NOTICE is hereby given that the 79th Annual General Meeting of Modi Industries Limited will be held on **Wednesday, the 13th November, 2013, 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, 2013 and Profit & Loss Account for the year ended on that date and the reports of the Directors' and Auditors' thereon and compliance certificate obtained in terms of provision of Section 383A(1) of the Companies Act, 1956.
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 Vinay Kumar Modi, 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 Rakesh Kumar Modi, who retires by rotation and is eligible for re-appointment be and is hereby re-appointed as Director of the Company."
3. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"**RESOLVED** as a Special Resolution that pursuant to the provisions of Section 224-A and other applicable provisions, if any, of the Companies Act, 1956, M/s. P.R. Mehra & Co., Chartered Accountants, New Delhi, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, 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."

BY ORDER OF THE BOARD
for **MODI INDUSTRIES LIMITED**

RAMESH KUMAR
DY. COMPANY SECRETARY

MODINAGAR
DATED : 28th September, 2013

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. Brief resume of Directors seeking re-appointment at the Annual General Meeting are annexed hereto.
3. The Register of Members of the Company will remain closed from 8th November, 2013 to 13th November, 2013 (both days inclusive).
4. 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.
5. Shareholders are requested to intimate change in their address, if any, to the company.
6. 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.

MODI INDUSTRIES LIMITED

(3)

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.

BRIEF RESUME, EXPERIENCE AND OTHER DIRECTORSHIP

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

SHRI VINAY KUMAR MODI :

Shri Vinay Kumar Modi has been a director of the Company since 29th April, 1967. He is a first class Bachelor of Technology (Chemical Engineering) from the Indian Institute of Technology, Kanpur. He is a leading industrialist and has vast experience in various industries. He holds directorship/membership of Committees of the Board in the following other Public Limited Companies:

1. Gujarat Guardian Ltd.
2. Modi Rubber Limited

He holds 25,477 Equity Shares and 8 Redeemable Cumulative Preference Shares of the Company in his name.

SHRI RAKESH KUMAR MODI

Shri Rakesh Kumar Modi has been a Director of the Company since 30th January, 1996. He is a Commerce Graduate and has extensive industry experience. He is not a Director/ Committee Member of any other listed company. He holds 48,901 equity shares and 10 Redeemable Cumulative Preference Shares of the company in his name.

BY ORDER OF THE BOARD
for **MODI INDUSTRIES LIMITED**

RAMESH KUMAR
DY. COMPANY SECRETARY

MODINAGAR
DATED : 28th September, 2013

DIRECTOR'S REPORT

To,
The Shareholders,

The Directors of your Company hereby present the 79th Annual Report together with the Audited Statement of Account of the Company and the Auditors' Report thereon for the year ended on 31st March, 2013. The working results of the year are summarized as under:

DESCRIPTION	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
	₹ in Lac	₹ in Lac
REVENUE FROM OPERATIONS (NET OF EXCISE DUTY)	33,413.49	30,615.71
OTHER INCOME	608.25	562.06
TOTAL REVENUE	34,021.74	31,177.77
LOSS BEFORE DEPRECIATION, FINANCE COSTS AND EXCEPTIONAL ITEM	1,646.31	1,767.03
<u>Add:</u>		
Finance Costs	1,243.77	1,038.94
Depreciation	599.40	622.36
	1,843.17	1,661.30
LOSS BEFORE EXCEPTIONAL ITEM	3,489.48	3,428.33
<u>ADD EXCEPTIONAL ITEM</u>		
Cane Price differential for 2007-08	-	847.77
LOSS BEFORE TAX	3,489.48	4,276.10
Tax Expenses	-	-
LOSS FOR THE PERIOD	3,489.48	4,276.10

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 69.96 lac qtls as against 71.08 lac qtls in last year. Sugar recovery in the year under review increased from 8.812% to 8.894%. 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 ₹2682.30 Lac.
- (b) **DISTILLERY UNIT:** During the year under review, the production of Spirit (RS/ENA) was 4111 Kl. as compared to last year 4548 Kl. The sale of country liquor was 655970 cases during the year 2012-13 as against 609880 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 ₹72.87 lac during the current year as against net loss of ₹15.78 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 decline both in water based and solvent based products. Overall the company had a decline of 33.92% over last year.

FIXED DEPOSITS:

The deposits of 1198 depositors amounting to ₹79.36 Lac including interest thereon till the date of maturity was claimed, but remained unpaid as on 31st March, 2013. During the year under review company has paid ₹5.59 Lac to 77 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. The company has written letters to all the depositors whose fixed deposits have not yet been repaid requesting them to confirm their address so that their fixed deposit can be repaid to them.

The deposits of 160 depositors amounting to ₹ 9.73 Lac including interest thereon till the date of maturity remained unclaimed as on 31st March, 2013.

DEBENTURES:

Debentures worth ₹537.32 Lac are due for payment as on 31st March, 2013. The Company will repay to debenture-holders as per final orders of 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 profit or loss 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 Krishna Kumar Jain, Director of the Company, expired on 24th July, 2013. He had been associated with the affairs of the company since 27th January, 2007. He had contributed greatly to the progress of the company and has provided valuable advice to the company. Your Directors wish to place on record their high appreciation of his contribution during his tenure as director of the company.

Shri Vinay Kumar Modi and Shri Rakesh Kumar 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 R. K. Gupta practicing Company Secretary is attached 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 224A of the Companies Act, 1956.

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 and Mining & Metallurgy of ferrous & non-ferrous metals.

The Cost Audit Report for the last audited accounts for the financial year ended 31st March, 2012 was filed by the Cost Auditors with respect to the sugar, industrial alcohol and Paint & Varnishes units of the company on 22nd February, 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 this 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
MANAGING DIRECTOR

U.K. MODI
MANAGING DIRECTOR

NEW DELHI
DATED : 28th September, 2013

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 31.3.2013	YEAR ENDED ON 31.3.2012
(A) POWER & FUEL CONSUMPTION:		
1) ELECTRICITY:		
a) Purchased Units :		
Total Amount ₹	-	-
Rate/Unit ₹	-	-
b) Own Generation through Diesel Generator :		
Unit	915992	804886
Unit per Ltr.of Diesel Oil		
Cost/Unit ₹	14.18	13.56
Through Steam Turbine/ Generator		
Unit	16931653	18033433
Unit per Ltr.of Fuel Oil/Gas		
Cost/Unit (₹)	0.95	0.87
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	281.15	293.24
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.	Development of new welding electrodes products, improvement in existing products, cost reduction through improvement in production system.	Interior Emulsion Master Blaster, Modi ACR Distemper T-20. Fast drying Paints, Heat Resisting Aluminium Paint.
2. Benefits derived as a result of the above R&D.	Increase of product sale with newly developed products. Provide import substitute in the country through indigenously development high tech products which are being imported presently.	Percentage contribution has increased.
3. Future Plan of Action	New development/upgradation of products as per market requirements and cost control of products.	Coil Coating Back Coat.Quick Drying Black Primer for 1000 Hrs SST.

DESCRIPTION	ELECTRODE	PAINT
EXPENDITURE ON R&D :		
a. Capital (₹)	-	-
b. Recurring (₹)	43,03,390.00	21,94,781.29
TOTAL (₹)	43,03,390.00	21,94,781.29
c. R&D Expenditure percentage of total turnover	0.62%	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 Outgo	Raw Material	Nil
		Components & Spare Parts	25.78
		Travelling	0.37
			1.26
Distillery	Earnings Outgo	Raw Material	Nil
		Stores Purchased	51.78
		Travelling	61.80
			1.33
M.D. Office	Earnings Outgo	Travelling	Nil
			3.58

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, 2013	31st March, 2013
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, 2013: For the year ended For the previous years	₹ 3.10 Lac ₹ 7.30 Lac	₹3.81 Lac ₹11.39 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 2013. For the year ended For the previous years	Nil Nil	Nil Nil

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES:

₹ in Lacs

Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Invest-ments	Turnover/ TotalIncome	Profit/(Loss) Before Taxation	Provision For Taxation	Profit/(Loss) After Taxation	Dividend paid
Own Investment (India) Limited	₹	13.22	10.40	23.89	23.89	11.72	28.97	28.57	0.07	28.44	21.80
Your Investment (India) Limited	₹	21.46	15.21	37.00	37.00	20.23	29.40	28.96	0.20	28.76	21.47

**ANNEXURE TO DIRECTORS' REPORT
MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

(a) **INDUSTRY SCENARIO :**

SUGAR UNIT: The sugarcane area is expected to decrease by 1.52% in crushing season 2013-14. The sugar production in the country is expected to be 23.7 million tons in the season 2013-14 against the production of estimated 25 million tons in 2012-13.

The consumption of sugar is likely to be 26 million tons during 2013-14.

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

ELECTRODE UNIT: During the financial year (FY) 2012-13, the Indian Economy experienced GDP growth slip to below 5%, mainly on account of slowdown in performance within manufacturing, agriculture and service sectors. In addition to a slowing GDP growth, the economy also experienced an average inflation in excess of 9% for FY 2012-13, with a peak inflation rate close to double digits in the third quarter of the year. Compounded to this was the liquidity crunch which was experienced industry-wide during the entire year. A major slowdown was observed in the power projects, construction/infra projects and auto sector, which are traditionally the growth engines for the Welding Industry. Data published by Ministry of Statistics demonstrates that the production of Welding Consumables and Equipments for the period April, 2012 to December, 2012 was lower by 20% and 7% respectively. Given the higher level of inflation, demand of any Geographic Segments and more pertinently, to meet any demand upswings in the shortest possible time. Our broad field force deployment enables us to be the fastest welding solution provider to all parts of the country.

PAINT UNIT: The Indian Paint Industry, estimated to be a ₹21,000 crores industry, has been growing at a rate of above 15% for the past few years. The organized players of the industry cater to about 65% of the overall demand, whereas the unorganized players take care of the remaining 35%, in value terms. The unorganized players mainly dominate the distemper segment.

Paint industry has been growing at a rate of 1.5 to 2 times of Indian GDP growth. The Decorative segment shows a seasonal trend with sales peaking during the festive seasons in the months of September to November, whereas the demand is low in the monsoons.

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: The slowing down of the market, thereby creating a large surplus of supply over demand is a key threat. The liquidity crunch in the market increases risk of credit extensions. The Money supply cycle to Distributors is lengthened causing depletion in ROI and may result in lower focus for this business large number of the expected CAPEX investments within relevant industries were postponed. This resulted in significant price pressure across most product lines within the welding industry in India and impacted a large number of industry participants by lowering profits.

PAINT UNIT: WORLD'S PAINT MARKET:

World demand to rise 5.4% annually through 2015.

Global demand for paint and coatings is expected to rise 5.4 per cent per year to 45.6 million metric tons in 2015. The international paints market will be driven by a strong acceleration in world building construction spending, particularly residential construction, which is expected to rebound in North America and Western Europe. Substantial growth in global manufacturing activities shall increase the demand for coatings being used in the production of motor vehicles and other durable goods, as well as the industrial maintenance applications.

Asia/Pacific region to offer best growth prospects

The Asia/Pacific region will remain the leading consumer of paint and coatings through 2015. An improved outlook for coatings demand in Japan will form the basis for paint business and exports in the Asia/Pacific region. Above average advances are also forecast for North America, rebounding strongly from the declining demand of the 2005-2010 period. The best opportunities are expected in the Africa/Mideast region, where paint demand per capita is the lowest in the world. However, on an average, raw materials constitute 56% of the total expenditure in paint companies. Titanium dioxide is one of the major raw materials and price fluctuations in its cost have direct and substantial impact on the cost of production. Crude oil derivatives are the other major raw materials and have similar impact. Apart from these a large number of other raw materials are used for adding/giving specific properties to the wide product range offered by the industry.

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 per cent 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, 2013, 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 69.96 lac qtls as against 71.08 lac qtls in last year. Sugar recovery in the year under review increased from 8.812% to 8.894%. 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 ₹2682.30 Lac.

DISTILLERY UNIT: During the year under review, the production of Spirit (RS/ENA) was 4111 Kl. as compared to last year 4548 Kl. The sale of country liquor was 655970 cases during the year 2012-13 as against 609880 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 ₹72.87 lac during the current year as against net loss of ₹15.78 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 a decline both in water based and solvent based products. Overall the company had a decline of 33.92% 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 6.5 million tons as on 1st October, 2012 and estimated sugar production of 25 million tons in the country during this year and as expected consumption of 22 million tones, the closing stock of sugar as on 30th September, 2013 is expected to be over 8.5 million tons. In addition to this, large quantities of sugar have been imported from Brazil and Pakistan due to nominal rate of customs duty of 10%, which has now been raised to 15%. Thus, there will be huge sugar inventory not only during this year, but in the next year also, which will certainly keep the sugar prices depressed in 2013-14.

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 has started producing scotch blended whiskey

during last year, and will further expand the supplies in the whole country. The unit is also planning to launch 2nd version of scotch blended whiskey in regular segment.

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: The immediate outlook continues to be challenging as there is no visible change in business sentiment. Order intakes by Industry are reportedly at low levels. Any change in outlook would hinge a lot on policy shifts and fiscal announcements to encourage savings and investments. Prices of Steel and other metals have been displaying erratic trends with upward bias driven by power shortages and rising input costs. The Company has continued to focus on productivity improvements, resourcing, quality including improvements in packaging, costs, indigenization of raw materials and components, range rationalization and enrichment of product mix to enhance our market shares and margins.

PAINT UNIT: The market for paints in India is expected to grow at 1.5 times to 2 times GDP in next 5 year. Decorative paints segment is expected to witness higher growth going forward. The fiscal incentives given by the government to housing sector have benefited this sector immensely. This will benefit the players in the paint trade-in the long term.

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, 2013 the total number of employees on the payrolls of the company were 1076.

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 Lacs to him for the period from 1st April, 2012 to 31st March, 2013.

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

Name	Sitting Fees (₹ in thousands)	Shares held	
		Equity	Preference
Shri Krishan Kumar Modi	-	9664	8
Shri Vinay Kumar Modi	-	25477	8
Shri Rakesh Kumar Modi	14.5	48901	10
Shri Manish Modi	8.0	22050	-
Shri Abhishek Modi	4.0	100	-
Shri Santosh Kumar Aggarwal	10.0	100	-
Shri Krishna Kumar Jain	10.5	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/Debt 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 Debentures were effected within the stipulated period by the Company.

All 28 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.

6. **GENERAL BODY MEETINGS :**

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

Financial year	Date	Time
2011-12	19.12.2012	12.30 P.M.
2010-11	29.09.2011	12.30 P.M.
2009-10	27.09.2010	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.

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 : 13th November, 2013
 Time : 12.30 P.M.
 Venue : Modi Industries Transit House
 (Modi Industries Complex) Modi Nagar.

(b) **Financial Calendar :**

(i) Financial year : April to March
 (ii) First quarter results : Within 45 days from the end of the quarter
 (iii) Second quarter results : - do -
 (iv) Third quarter results : - do -
 (v) Fourth quarter results : - do -

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

8th November, 2013 to 13th November, 2013 (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:
 Uttar Pradesh Stock Exchange Ltd., Kanpur (U.P.)
 Delhi Stock Exchange Ltd., New Delhi.

(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 2012-13:**

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 31.03.2013:**

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	682559	248	8942	20	20.63	0.61
501 - 1000	93988	-	125	-	2.84	-
1001 - 2000	100655	-	67	-	3.04	-
2001 - 3000	44945	-	18	-	1.36	-
3001 - 4000	26260	3520	8	1	0.79	8.64
4001 - 5000	32388	9005	7	2	0.98	22.10
5001 - 10000	115798	14344	16	2	3.50	35.21
10000 and above	2212621	13624	54	1	66.86	33.44
Total	3309214	40741	9237	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.

CERTIFICATE

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, 2013, 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.

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, 2013 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 and on behalf of
P.R. MEHRA & CO.,
Chartered Accountants,
(Regn. No. 000051N)

PLACE: New Delhi
DATED: 28th September, 2013

RAMESH CHAND GOYAL
PARTNER
Membership No. 012628

COMPLIANCE CERTIFICATE

CIN: L15429UP1932PLC000469
AUTHORISED CAPITAL : Rs.5,00,00,000.00
PAID UP CAPITAL : Rs.3,71,42,240.00

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, 2013. 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 four times on 2nd May, 2012, 11th August, 2012, 12th November, 2012 and 5th February, 2013, 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 14th December, 2012 to 19th December, 2012 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, 2012 was held on 19th December, 2012, 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 approved the issue of duplicate share certificates and debenture certificates.
- 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
Mob.No. 9336861680
e-mail: sanjayknp102@gmail.com

Place: New Delhi

Dated: 28th September, 2013

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, 2013.

Sl.No.	Form No./ Return	Under Section	Date of Filing	Whether Filed in time	If delay, Additional Fee paid/Yes/ No
1	Form No. 32 Resignation of Company Secretary	303	05/04/2012 vide MCA SRN No. B36257210	Yes	No
2	Form 23C Appointment of Cost Auditors (Distillery Unit)	233B(2)	18/06/2012 vide MCA SRN No. S08815482	Yes	No
3	Form 23C Appointment of Cost Auditors (Sugar Unit)	233B(2)	18/06/2012 vide MCA SRN No. S08816274	Yes	No
4	Form 23C Appointment of Cost Auditors (Paint Unit)	233B(2)	18/06/2012 vide MCA SRN No. S08816209	Yes	No
5	Form 23C Appointment of Cost Auditors (Electrode Unit)	233B(2)	18/06/2012 vide MCA SRN No. S08815573	Yes	No
6	Form No. 62 Return of Deposit	58A	22/06/2012 vide MCA SRN No. B41719428	Yes	No
7	Form 23 To fix remuneration of Managing Director u/s 309(1)	192	27/08/2012 vide MCA SRN No. B56230899	Yes	No
8	Form No. 61 Extension of period for holding Annual General Meeting	166(1)	03/09/2012 vide MCA SRN No. B56689599	Yes	No
9	Form 66 Submission of Compliance Certificate.	383A	20/12/2012 vide MCA SRN No. Q04651998	Yes	No
10	Form 23 - Appointment of Statutory Auditors u/s 224A and fixation of remuneration of Managing Director u/s 309(1)	192	21/12/2012 vide MCA SRN No. B64346257	Yes	No
11	Form No. 23ACXBRL & Form No. 23ACAXBRL Balance Sheet & Statement of Profit & Loss (31.3.2012)	220	17/1/2013 vide MCA SRN No. Q06009856	Yes	No
12	Form No. A-XBRL Cost Compliance Report (Gas Unit)	209 (1)(d)	07/02/2013 vide MCA SRN No. S20186169	Yes	No
13	Form No. 20B Annual Return (31.3.2012)	159	14/2/2013 vide MCA SRN No. Q06629729	Yes	No
14	Form No. 25A Remuneration payable to Managing Director	269	18/02/2013 vide MCA SRN No. B68190263	-	Yes
15	Form No. 65 Condonation of delay in filing Form 25A	637B	18/02/2013 vide MCA SRN No. B68182237	-	Yes
16	Form No. A-XBRL Cost Compliance Report (Electrode Unit)	209 (1)(d)	20/02/2013 vide MCA SRN No. S20310223	Yes	-
17	Form No. I-XBRL Cost Audit Report (Sugar, Industrial Alcohol and Paint & Varnish)	233B(4)	22/02/2013 vide MCA SRN No. S20344800	Yes	-

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, 2013 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, 2013 but includes balances as on 31st March, 1992, except for reduction of: (i) unsecured loan by ₹ 323.95Lac in view of write-back of ₹ 278.95 Lac during the financial year 2004-05 and payment of ₹ 45 Lac during the financial year 2005-06 on account of one-time settlement of dues of a bank and (ii) net fixed assets by ₹ 676.05 Lac (Previous year ₹ 669.37Lac) on account of provision for depreciation for the period 1st April, 1993 to 31st March, 2013 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, 2012 and 31st March, 2013 {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 referred to in sub-section(3C) of section 211 of the Companies Act, 1956 ("the Act"). 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. 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 ₹ 787.22 Lac 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 2012-13 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 incurred losses far in excess of paid-up capital/reserves and has been declared a sick company, the accounts have been prepared on a going concern basis for reasons stated in Note 27(17).*
- iii. *Understatement of losses on account of non-provision of interest on loans, obsolete inventories, doubtful debtors/loan and advances and impairment loss, etc. in Steel Unit as stated in Note 27(4)(f)(i) to (vii) and 27(5) of Annual Accounts. Amount of non-provision not ascertained.*
- iv.
 - (1) *Non-provision of interest ₹ 124.28 Lac up to 31st March, 2013 on excess price realized of levy sugar {Note 27(41)};*
 - (2) *(a) Non-provision of late payment surcharge/recovery charges ₹ 302.66Lac (Previous year ₹ 302.66Lac) {Note 27(9)} and (b) Non-provision of demands of U.P. Power Corporation Ltd. ₹ 1311.49Lac (Previous year ₹ 1311.49Lac) {Note 27(4)(f)(viii)(c)};*
 - (3) *Non-provision of ESI demand ₹ 61.19Lac (for the year ₹ 1.16Lac) {Note 27(10)};*

- (4) Non-provision of House-tax demand ₹ 188.63Lac (Previous year ₹ 188.63Lac) {Note 27(11)}.
- (5) Non-provision of simple, penal and compound interest of ₹ 23,814.25 Lac (for the year ₹ 3,630.17 Lac) on term loans/debentures and public deposits {Note 27(18)(a) and (f)} and interest/ bank charges ₹ 2,580.31Lac (for the year ₹ 374.49 Lac) on cash credit from banks {Note 27(18)(d) & (e)};
- (6) Non-provision of Wages ₹ 27.46Lac (Previous year ₹ 27.46Lac) for the lock-out period. {Note 27(21)} and
- (7) 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 of company as stated in note 27(16) whereas it has no impact on the net loss of the company 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 8 of Note 27(38), the company has given unsecured interest free security deposit amounting to ₹ 1,100Lac during the month of May 2011 against temporary possession of 59 houses to Ashoka Mercantile Limited, a related party, and the same is still outstanding in the books of account of the company. We are informed by the company that few of these houses were allotted to employees of the company and the same are yet to be occupied by them. 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 ₹ 1,100Lac have been shown as deposits by the company as on 31st March, 2013.
- (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 ₹ 381.34Lac (previous year ₹ 391.77Lac) including ₹ 368.25Lac by way of slide shows in media like film theatres through three parties. In the absence of sufficient appropriate audit evidence i.e. prevailing market rates/charges paid to theatre owners / list of theatres where slide shows have been exhibited and non-confirmation of the authorized signatories of those theatres for the agreed exhibitions of slide shows having actually taken place during that contracted period and also on account of nature of services i.e. slide shows in theatres, which could not be verified / vouched from any other supporting evidences except invoices of parties, we do not express an opinion on these expenses included in Statement of Profit and Loss of the company.
- (G) 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) above been considered, the loss for the year would have been ₹ 32,313.25Lac (as against the reported loss of ₹ 3,489.48Lac), negative balance of Reserves and Surplus in Note 2 would have been ₹ 40,722.94Lac (as against the reported negative figure of ₹ 11899.17Lac), current assets would have been ₹ 17,699.20Lac (as against the reported figure of ₹ 19,345Lac), current liabilities would have been ₹ 59,194.57Lac (as against reported figure of ₹ 30,594.26Lac), long-term borrowings would have been ₹ 4,694.99Lac (as against reported figure of ₹ 6,117.33Lac), gross revenue would have been ₹ 44,269.08Lac (as against the reported figure of ₹ 45,525.82Lac) and total expenses (including excise-duty) for the year would have been ₹ 76,582.33 Lac (as against the reported figure of ₹ 49,015.30Lac).
- (H) In view of the significance of our audit observations in paragraphs 1 and 4(A) to (G) above including paragraph 4(F) above regarding inability to express an opinion on certain expenses 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, 2013 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, 2013, (b) in the case of Statement of Profit and Loss, of the loss for the year ended 31st March, 2013 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 31.03.2013 has not been identified. {Note 27(30)}.
- (ii) Cars costing ₹ 93.52Lac (Previous Year ₹ 92.82Lac) 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 18,428.46 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 29(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) regarding demands of recovery charges of ₹ 504.25Lac (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 ₹ 133.80Lac as on 31st March, 2013 (Previous Year ₹ 68Lac) 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 2012-13 as stated in note 27(4)(c) . {See Paragraph 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 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, 2012 and 31st March, 2013 respectively and for contingent liabilities and additional information etc. as on 1st April, 2012 and 31st March, 2013 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 2012-13 as stated in note 27(4)(c). {See paragraphs 1 and 4(A) above};
 - 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, 2012 and 31st March, 2013 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, 2013 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, 2012 & 31st March, 2013, 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, 2012 and 31st March, 2013 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 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, 2013, 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, 2013 and 31st March, 2012 on account of non-availability and consequently non-incorporation of audited opening balances as on 1st April, 2012 and 1st April, 2011 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: 28th September, 2013

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) 2, 6, 9(ii & iii), 11, 12, 15 and 16 do not cover Steel Unit 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 2012-13 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) 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 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 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(4)(a)} 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 are generally adequate internal control procedures 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, some of the key areas including advertisement expenses mentioned in paragraph 4(F) of our main audit report, recovery from customers and balance confirmation of customers /suppliers/parties who have discounted sale bills of Sugar Unit of the company needs to be strengthened.* During the course of our audit, *except as stated above,* we have not observed any continuing failure to correct major weaknesses in internal controls.
 - (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, have 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, 2013 are in excess of the limit and matured/claimed and unclaimed deposits amounting to ₹65.16Lac and interest accrued are outstanding as on 31st March, 2013. (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 have broadly reviewed the cost records maintained by the Company in respect of manufacture of Sugar, Gas 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 and we are of the opinion that prima facie, the prescribed cost records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. 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 and Distillery units of the company were not regular in deposit of Provident Fund (PF) and interest on overdue PF/FPS dues through the year and there were minor delays in certain months in deposit of FPS dues in all Units
- (b) In respect of excise-duty dues, there have been delays generally in Sugar 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 Sugar and Distillery Units. 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 Paint & Electrode Units. In respect of service-tax, there have been minor delays in deposit in certain months by Steel Unit.
- (c) Investor Education and Protection Fund:
- As on 31st March, 2013, 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, 2013 as per books of account are as under :

Nature of dues	(₹ in Lac)
EPS	0.06
Interest on Provident Fund/FPS	105.08
Tax deducted at source/Tax collection at source	11.76
Interest on TCS/water cess	1.58
Excise duty including interest	4.28
U.P. Trade Tax/CST	1109.03
Commission on Cane purchases	39.30
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) were not deposited on account of disputes pending at various forums:

(₹ in Lac)

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	15.66	15.66	2011-12, 2012-13	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	CIT(Appeals) New Delhi	
	Wealth Tax #	2.66	2.66	2009-10	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
		**107.13	-	February 1981 to February, 1987, 2002-03 to 2009-10	CESTAT	
		5.00	-	Information not available.	Information not available.	
		78.69	-	2009 onwards	Supreme Court of India	
	6.34	6.34	2009 onwards	Supreme Court of India		

@ Provided for ₹ 82.60 Lac in the Accounts

** Provided for ₹ 32.20 Lac in the Accounts

* Provided for in the Accounts.

Excludes ₹ 7.99 Lac for 2010-11 to 2012-13 for which assessments are pending.

(10) In our opinion, after considering the effect of the qualifications on the figures of cash/accumulated losses as per Statement of Profit and Loss, 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	15,188.71	15,611.84	Loan amounts due for 20 years i.e. since 1991-92.
Loan from banks (Cash credit/ overdraft)	40.55	2,597.92	2,638.47	Entire amount due. Refer note 27(18) (c).
Debentures	537.32	13,096.72	13,634.04	₹ 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	30,883.35	31,884.35	

*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 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 : 28th September, 2013

Balance Sheet as at 31st March, 2013

(₹ in Lac)

Particulars	Note No.	As at 31.03.2013	As at 31.03.2012
1	2	3	4
I EQUITY AND LIABILITIES :			
(1) Shareholders' funds:			
(a) Share Capital	1	371.42	371.42
(b) Reserves & Surplus	2	(11,899.17)	(8,409.69)
		(11,527.75)	(8,038.27)
(2) Non-current liabilities :			
(a) Long term borrowings	3	6,117.33	5,892.76
(b) Other long term liabilities	4	1,399.49	1,411.79
(c) Long term provisions	5	1,217.35	1,094.60
		8,734.17	8,399.15
(3) Current liabilities :			
(a) Short term borrowings	6	1,673.67	1,878.69
(b) Trade payables	7	16,208.45	13,714.26
(c) Other current liabilities	8	12,072.79	11,721.31
(d) Short term provisions	9	639.35	757.60
		30,594.26	28,071.86
TOTAL		27,800.68	28,432.74
II ASSETS			
(1) Non-current assets			
(a) Fixed assets :			
i) Tangible assets	10	7,063.93	7,552.98
ii) Intangible assets	11	18.36	27.91
iii) Capital work-in-progress		42.56	38.84
(b) Non-current investments	12	804.28	804.28
(c) Long term loan and advances	13	526.55	595.99
		8,455.68	9,020.00
(2) Current assets			
(a) Inventories	14	8,478.74	8,291.95
(b) Trade receivables	15	5,691.63	5,829.93
(c) Cash and bank balances:-			
(i) Cash and cash equivalents	16(i)	511.69	871.44
(ii) Other bank balances	16(ii)	1,147.37	875.09
(d) Short term loans and advances	17	3,377.00	3,402.55
(e) Other current assets	18	138.57	141.78
		19,345.00	19,412.74
Accounting policies and other notes to financial statements	26 & 27		
TOTAL		27,800.68	28,432.74

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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

MODI INDUSTRIES LIMITED

(25)

Statement of Profit and Loss for the year ended 31st March, 2013

(₹ in Lac)

S.No.	Particulars	Note No.	For the year ended 31.03.2013	For the year ended 31.03.2012
I	Revenue from operations	19	44,917.57	41,424.44
	Less:- Excise duty		11,504.08	10,808.73
			33,413.49	30,615.71
II	Other income	20	608.25	562.06
III	Total Revenue (I + II)		34,021.74	31,177.77
IV	Expenses:-			
	Cost of materials consumed	27(43)(ii)	25,228.93	24,916.85
	Purchases of stock-in-trade	27(43)(iv)	81.55	113.07
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(281.79)	(3,373.91)
	Employee benefits expense	22	3,489.48	3,250.02
	Finance costs	23	1,243.77	1,038.94
	Depreciation and amortization expense	10 & 11	599.40	622.36
	Other expenses	24	7,149.88	8,038.77
	Total expenses		37,511.22	34,606.10
V	Loss before exceptional and extra-ordinary items and tax (IV-III)		3,489.48	3,428.33
VI	Exceptional items:-	27(42)		
	Cane price differential for 2007-08		-	847.77
VII	Loss before extra-ordinary items and tax (V+VI)		3,489.48	4,276.10
VIII	Extra-ordinary items		-	-
IX	Loss before tax (VII+VIII)		3,489.48	4,276.10
X	Tax expenses:-			
	(1) Current tax		-	-
	(2) Deferred tax		-	-
XI	Loss for the period		3,489.48	4,276.10
XII	Loss from continuing operations		3,321.62	4,134.28
XIII	Loss from discontinuing operations	27(4)(e)	167.86	141.82
XIV	Tax expense of discontinuing operations		-	-
XV	Loss from discontinuing operations (after Tax) (XIII+XIV)		167.86	141.82
XVI	Loss for the period (XII+XV)		3,489.48	4,276.10
XVII	Basic /Diluted Earnings per equity share of ₹ 10 each (in Rupees)	25	(105.63)	(129.40)
	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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

Cash Flow Statement for the year ended 31st March, 2013.

Particulars	₹ in Lac	2012-13 ₹ in Lac	2011-12 ₹ in Lac
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Profit/(Loss) before Tax		(3,489.48)	(4,276.10)
Adjustment for :			
i) Interest Income	(117.47)		(106.55)
ii) Profit on Sale of Fixed Assets	(28.95)		(3.82)
iii) Excess Provision written back	(36.43)		(30.19)
iv) Unclaimed credit balances W/back	(44.96)		(47.75)
v) Amount written back	(11.45)		(5.63)
vi) Depreciation add back	(10.62)		(0.09)
vii) Dividend Income	(79.98)		(80.59)
		<u>(329.86)</u>	<u>(274.62)</u>
Adjustments for :		(3,819.34)	(4,550.72)
i) Depreciation	599.40		622.36
ii) Assets/Investment written off/ Loss on Sale of Fixed Assets/Stores	4.55		5.71
iii) Interest Expenses	1,243.77		1,038.94
iv) Provision for Doubtful Debts & Advances	94.19		40.55
v) Amounts/Claims/Bad Debts written off (Net of provisions)	31.95		0.52
vi) Provision for obsolete spare-parts & stores	4.75		2.00
		<u>1,978.61</u>	<u>1,710.08</u>
Operating Profit (Loss) before Working Capital Changes		(1,840.73)	(2,840.64)
<u>Adjustments for :</u>			
Trade Receivables		54.74	(501.47)
Inventories		(193.99)	(3,785.19)
Trade Payable		2,837.02	7,138.90
Loans/Advances and other assets		40.92	(1,511.13)
Other bank balances		(272.28)	(65.25)
Cash Generated from Operations		<u>625.68</u>	<u>(1,564.78)</u>
Interest Paid (Foot-note 1 below)		(410.84)	(158.62)
Interest received on tax refund		3.98	827.73
Income tax refund		3.87	229.93
Net Cash from Operating Activities (A)		<u>222.69</u>	<u>(665.74)</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of Fixed Assets		(104.54)	(435.70)
Sale of Fixed Assets		30.92	14.26
Interest Received		113.21	81.00
Dividend Received		79.98	80.59
Net Cash Flow from Investing Activities (B)		<u>119.57</u>	<u>(259.85)</u>

Particulars	2012-13 ₹ in Lac	2011-12 ₹ in Lac
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Secured term borrowings from bank	(20.54)	1.43
Secured borrowings from banks (over draft)	144.98	30.50
Unsecured Fixed Deposits paid	(4.06)	(25.92)
Unsecured borrowings from others (net)	(3.59)	1,445.29
Interest paid on borrowings (Foot-note 1 below)	(830.18)	(1,641.46)
Net Cash from Financing Activities (C)	(713.39)	(190.16)

*Inter Unit Balances (Net) (D) (Foot-note 2 below)	11.38	39.70
Net Increase/(decrease) in cash and Cash Equivalents (A+B+C+D)	(359.75)	(1,076.05)
Opening Cash and Cash Equivalents	871.44	1,947.49
Closing Cash and Cash Equivalents	511.69	871.44

FOOT-NOTES :

- Interest credited to accounts of suppliers, C & F agents and dealers etc. is treated as paid.
 - Interest paid & increase in Unsecured borrowing from others during the Previous Year includes ₹ 759.51 Lac each being Interest accrued & due on 31.03.2011 converted into Loan.
- In view of non availability of audited balance sheet as on 31.03.2012 and 31.03.2013 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 inflow of ₹ 11.38 Lac on account of net decrease 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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

Notes forming part of the financial statements for the year ended 31st March, 2013

Note no.1 : SHARE CAPITAL

₹ in Lac

Particulars	As at 31.03.2013	As at 31.03.2012
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
	500.00	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 31.03.2013		As at 31.03.2012	
	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 31.03.2013		As at 31.03.2012	
	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, 2013.
- (b) Arrears of dividend on Cumulative Preference Shares amounts to ₹ 135.95 Lac (upto 31st March, 2012 ₹ 129.84 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)	Other Reserves/Funds:-				
	-Storage fund for Molasses Account (see-foot note below)	75.88	5.37	-	81.25
(8)	Surplus i.e. balance in Statement of Profit and Loss	(11,118.10)	(3,489.48)	5.37	(14,612.95)
	TOTAL	(8,409.69)	(3,484.11)	5.37	(11,899.17)
	Previous year	(4,133.59)	(4,270.79)	5.31	(8,409.69)

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 erection of storage facilities) order, 1976" and is to be utilised for construction or erection of storage facilities for Molasses.

Note no. 3 : LONG TERM BORROWINGS

(₹ in lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Secured:-		
Bonds/debentures	-	-
Term loan from banks (see-foot note below)	22.25	44.09
Term loans from others	-	-
Loan and advance from related parties	-	-
Unsecured:-		
Bonds/debentures	-	-
Term loan from banks	-	-
Term loans from others	6,095.08	5,739.81
Deferred payment liabilities	-	-
Deposits	-	-
Loan and advance from related parties	-	-
Long term maturities of finance lease obligations {Note 27(20)(a)}	-	108.86
TOTAL	6,117.33	5,892.76

Foot-note:-

Secured by hypothecation of vehicles and is repayable in monthly installments. There are no defaults as on 31st March,2013.

Note no. 4 : OTHER LONG TERM LIABILITIES

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
Trade payable	-	-
Others:		
Security received against houses	623.09	597.92
Security received from others	262.22	256.88
Advance received against houses {Note 27 (33)}	504.50	504.50
Interest payable on term loan	-	42.73
Other liabilities	9.68	9.76
TOTAL	1,399.49	1,411.79

Note no. 5 : LONG-TERM PROVISIONS

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	980.18	955.86
Add: Provided during the year	148.06	61.59
Less: Paid during the year	29.41	37.27
Sub total (A)	1,098.83	980.18
Provision for leave encashment:-		
As per last balance sheet	114.42	117.18
Add: Provided during the year	22.20	15.42
Less: Paid during the year	18.10	18.18
Sub total (B)	118.52	114.42
TOTAL (A+B)	1,217.35	1,094.60

Note no. 6 : SHORT TERM BORROWINGS

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
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	175.48	30.50
-from others	-	-
Loan and advance from related parties	-	-
Other loans and advances	-	-

Note no. 6 : (Contd.)

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
Unsecured:-		
Loans repayable on demand:-		
-from banks	-	-
-from others	-	-
Loan and advance from related parties:-		
-Weld Excel India Limited	-	350.00
Deposits	-	-
Other loans and advances	-	-
TOTAL	1,673.67	1,878.69

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 31.03.2013	As at 31.03.2012
Purchase of raw material and store {Note 27 (14)}	14,978.04	12,722.83
Customers/Agents for purchase of goods	1,230.41	991.43
TOTAL	16,208.45	13,714.26

Note no.8 : OTHER CURRENT LIABILITIES

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
Current maturities of long-term debts (unsecured)		
-From related parties:-		
- A to Z Holding Pvt. Ltd.	24.89	24.89
-From others	100.00	-
Current maturities of long -term debts (secured)		
-From banks	22.68	21.38
-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)}	296.92	155.88
Deferred credits {Note 27 (40)}	35.11	35.11
Interest accrued but not due on borrowings (unsecured)	61.45	61.45

Note no.8 : (Contd.)

(₹ in lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Interest accrued but not due on borrowings (secured)	0.14	0.20
Interest accrued and due on borrowings (secured)	1,707.46	1,707.46
Interest accrued and due on borrowings (unsecured)		
-from banks	-	-
-from others	54.71	2.99
Income received in advance	0.12	0.11
Unpaid matured deposits and interest accrued thereon(unsecured):- (see foot-note 3)		
-Fixed deposits	65.16	69.22
-Interest accrued thereon	281.20	282.56
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	730.81	775.98
Statutory liabilities	2,203.61	2,097.73
Security received from others	71.70	69.90
Other liabilities	1,320.16	1,319.78
Total	12,072.79	11,721.31

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 due on 1st October 2012 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 ₹ 23.83 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) above and foot note 1 of Note no. 6.

Note no. 9 : SHORT-TERM PROVISIONS

(₹ in lacs)

Particulars	As at 31.03.2013	As at 31.03.2012
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	242.79	214.58
Add: Provided during the year	84.18	87.04
Less: Paid during the year	81.60	58.83
Sub total (A)	245.37	242.79
Provision for leave encashment:-		
As per last balance sheet	15.38	15.30
Add: Provided during the year	18.39	21.29
Less: Paid during the year	21.38	21.21
Sub total (B)	12.39	15.38
Others:-		
Provision for Incentive:		
As per last balance sheet	21.64	37.33
Add: Provided during the year	11.69	11.63
Less: Paid / (Recoverd) during the year	6.58	15.60
Excess provision w/back	6.51	11.72
Sub total	20.24	21.64
Provision for excise duty	361.35	477.79
Sub total (C)	381.59	499.43
TOTAL (A+B+C)	639.35	757.60

Note no. 10 TANGIBLE ASSETS

Particulars	Gross						Depreciation		Net carrying amount 31.03.2013
	Opening balance	Additions	Disposals/ Written off.	Other adjustment	Impairment loss/ reversal	Closing balance	For the year	Other adjustment	
Land (A)	2,023.50	-	-	-	-	2,023.50	-	-	2,023.50
Buildings (B & C)	1,356.27	-	-	-	-	1,356.27	69.35	-	909.84
Plant & Equipment	11,474.37	50.03	-	5.10	-	11,519.30	392.98	4.58	7,656.12
Plant & Equipment (Lease) (Refer note 27(20)(a))	402.53	-	-	-	-	402.53	21.26	-	92.82
Furniture & Fixtures	330.23	9.50	2.23	-	-	337.50	14.50	2.12	262.97
Vehicles (D)	476.58	11.13	7.00	3.45	-	477.26	68.53	7.88	253.08
Office equipment	322.85	22.12	19.05	(4.34)	-	330.26	21.11	13.77	222.39
Water supply & drainage	59.85	-	-	-	-	59.85	45.57	-	46.15
Others	15.62	-	-	-	-	15.62	-	-	14.79
TOTAL	16,461.80	92.78	28.28	4.21	-	16,522.09	588.31	28.35	9,458.16
Previous year	16,065.24	446.10	49.54	-	-	16,461.80	8,342.25	38.30	8,908.82

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 ₹ 924.86 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 Fourteen) cars costing ₹ 93.52 Lac (Previous year ₹ 92.82 Lac) WDV ₹ 52.55 Lac (Previous year ₹ 52.97 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 ₹ 0.08 Lac) and ₹ 0.47 Lac (Previous year ₹ 0.46 Lac) on additions to assets of Steel Unit.
- (F) Details of Land & Building given on operating lease has not been disclosed separately.

Note no. 11 INTANGIBLE ASSETS

Particulars	Gross				Amortisation			Net carrying amount 31.03.2013	
	Opening balance	Additions	Disposals/ Written off.	Other adjustment	Impairment loss/ reversal	Closing balance	For the year		
									Other adjustment
Computer software	100.81	1.00	-	-	-	101.81	72.90	10.55	83.45
TOTAL	100.81	1.00	-	-	-	101.81	72.90	10.55	83.45
Previous year	80.57	20.24	-	-	-	100.81	56.04	16.86	72.90

Note no. 12 : NON CURRENT INVESTMENTS

(₹ in lac)

Particulars	As at 31.03.2013	As at 31.03.2012
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	375.24	412.83
(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 31.03.2013	As at 31.03.2012
Capital advances (unsecured)	1.90	1.90
Security Deposits:-		
- Secured, considered good	-	-
- Unsecured, considered good	-	-
- Related parties:		
- Weld Excel India Limited	42.04	43.00
- Others	140.93	154.28
- 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	371.22
- Doubtful	-	-
Other Loans and Advances:- (Unsecured, considered good)		
(a) Prepaid expenses	1.30	4.49
(b) Amount recoverable	11.46	11.46
(c) Loans to employees	0.53	1.64
(d) Loans to others	8.00	8.00
TOTAL	526.55	595.99

Note no. 14 : INVENTORIES

(₹ in lac)

Particulars	As at 31.03.2013	As at 31.03.2012
(a) Raw materials	417.50	456.76
(b) Raw materials (in transit)	38.70	98.17
(c) Work-in-progress	459.40	455.32
(d) Finished goods	6,459.73	6,181.99
(e) Stock-in-trade	1.78	1.81
(f) Stores and spare parts	1,077.25	1,073.45
(g) Loose tools	24.38	24.45
TOTAL	8,478.74	8,291.95

Note no. 15 : TRADE RECEIVABLES

(₹ in lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Trade receivables outstanding for a period exceeding 6 months:-		
-Secured, considered good	5.69	4.85
-Unsecured, considered good	637.21	457.61
-Doubtful	563.97	511.00
Less:-		
Allowance for bad and doubtful debts	(563.97)	(511.00)

Note no. 15 : (Contd.)

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
Other Debts:-		
-Secured, considered good	95.45	99.04
-Unsecured, considered good	4,953.28	5,268.43
-Doubtful	7.17	0.05
Less:-		
Allowance for bad and doubtful debts	(7.17)	(0.05)
TOTAL	5,691.63	5,829.93

Note no. 16 : CASH AND BANK BALANCES

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
(i) Cash and cash equivalents:-		
(a) Balances with banks:		
-In Current Accounts	369.62	566.25
-In FDR's	12.20	208.95
(b) Cheques, drafts on hand	81.07	82.96
(c) Cash on hand	21.76	13.20
(d) Others:-		
-Postage imprest & stamps in hand	0.04	0.08
TOTAL	511.69	871.44
(ii) Other bank balances:-		
(a) Earmarked balance with banks/post office:-		
-Saving account (molasses storage fund)	0.32	0.31
-Fixed deposits (molasses storage fund)*	83.96	83.30
(b) Fixed deposits with banks (Pledged with Excise/Sales Tax Authorities)	53.10	52.49
(c) Fixed deposits with banks (Pledged with tender)	49.34	47.08
(d) Fixed Deposits with Banks (Pledged against overdraft)	243.20	39.93
(e) Balance with banks held as margin money against guarantees	187.45	176.98
(f) Bank deposits with upto 12 months maturity	38.00	44.00
(g) Bank Deposits with more than 12 months maturity	442.00	381.00
(h) Deposits with Allahabad Bank in-no lien account {Note 27 (18) (c)}	50.00	50.00
TOTAL	1,147.37	875.09

* 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 31.03.2013	As at 31.03.2012
(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.	1.66	0.28
-Weld Excel India limited	5.29	11.19
-Modipon Limited	-	7.30
-Ashoka Mercantile Ltd.	4.53	0.40
-Managing Director	-	-
(iii) -Doubtful		
-Modi Senator Pvt. Ltd.	0.85	0.85
Less: Allowance for doubtful	(0.85)	(0.85)
(b) Others (unsecured Considered good):-		
(i) Unutilized balances of CENVAT/ VAT	73.62	103.87
(ii) Tax deducted at source	-	1.00
(iii) Loans & Advances to employees	17.93	20.07
(iv) Prepaid expenses	100.83	82.18
(v) Amount recoverable	270.61	263.28
(vi) Deposits with excise / sales tax authorities	359.12	191.94
(vii) Others	183.18	223.28
(viii) Unreconciled Inter-unit balances { Note 27 (4) }	908.74	920.59
(c) Others (doubtful):-		
(i) Loans & Advances to employees	3.06	2.29
(ii) Amount recoverable	24.71	11.79
(iii) Others	112.84	139.44
Less: Allowance for doubtful	(140.61)	(153.52)
(d) Security Deposits:-		
-Secured considered good	-	-
-Unsecured considered good		
-Related parties:		
-Ashoka Mercantile Ltd.	1,100.00	1,245.00
{ Foot-Note 8 of Note 27 (38) }		
-Modi Pon Limited	147.63	147.63
-Others	202.50	183.18
-Doubtful	7.95	9.55
Less: Allowance for doubtful	(7.95)	(9.55)
Total	3,377.00	3,402.55

Note no. 18 : OTHER CURRENT ASSETS

Particulars	(₹ in lac)	
	As at 31.03.2013	As at 31.03.2012
Income Tax refund receivable	68.02	71.89
Interest accrued on fixed deposits with banks	47.56	47.28
Rent receivable:-		
-Unsecured, considered good	1.25	0.87
-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	138.57	141.78

Note No. 19 : REVENUE FROM OPERATIONS

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Sale of products	44,789.28	40,975.67
Sale of services	71.51	73.19
Other operating revenue	56.78	88.50
Sale of Export Entitlement	-	287.08
TOTAL	44,917.57	41,424.44

Note no. 20 : OTHER INCOME

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Interest income	117.47	106.55
Dividend received (gross)*	79.98	80.59
Rental income	209.62	211.36
Profit on sale of fixed assets	28.95	3.82
Excess provision written back	36.43	30.19
Unclaimed Credit Balances W/Back	44.96	47.75
Amounts written back	11.45	5.63
Depreciation written back	10.62	0.09
Foreign Currency fluctuation gain (Net)	1.69	-
Other non-operating income	67.08	76.08
Total	608.25	562.06

*Received from subsidiary companies. 43.23 49.09

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

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
(A) Finished goods		
Opening stock	6,021.45	2,662.07
Less: Closing stock	6,180.47	6,021.45
Sub Total (A)	(159.02)	(3,359.38)
(B) Stock in trade		
Opening stock	1.81	3.65
Less: Closing stock	1.78	1.81
Sub Total (B)	0.03	1.84
(C) Goods in process		
Opening stock	455.32	406.61
Less: Closing stock	459.40	455.32
Sub Total (C)	(4.08)	(48.71)
(D) By Product		
Opening stock	160.54	192.88
Less: Closing stock	279.26	160.54
Sub Total (D)	(118.72)	32.34
Net (Increase) / Decrease in Stock (A+B+C+D)	(281.79)	(3,373.91)

Note no. 22 : EMPLOYEE BENEFITS EXPENSES

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Salary, wages, gratuity & other allowances	2,997.60	2,789.72
Contribution to provident and other funds	209.50	205.00
Staff welfare expenses	282.38	255.30
TOTAL	3,489.48	3,250.02

Note no. 23 : FINANCE COSTS

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
(a) Interest expenses:- {Note 27(4) (f) (i) & (ii), 27 (5) and 27 (18)}		
(i) On borrowings	810.25	847.58
(ii) On statutory dues	24.56	17.61
(iii) On trade payables	357.18	105.51
(iv) On security	11.14	31.32
(v) On Finance Lease	27.50	33.68
(vi) On car loans taken by employees / corporate adviser	7.61	2.33
(vii) On others (specify nature)	5.53	0.91
(b) Other borrowing costs	-	-
(c) Net gain/loss on foreign currency transactions and translation	-	-
TOTAL	1,243.77	1,038.94

Note no. 24 : OTHER EXPENSES

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Consumption of stores & spare parts	365.97	414.42
Consumption of packing materials	1,797.45	1,814.63
Power & fuel	473.51	614.00
Repairs to machinery	828.91	921.82
Repairs to building	115.41	126.40
Lease rent	165.09	162.56
Rates & taxes	219.43	160.82
Excise duty on stock	(4.24)	273.18
Insurance	38.30	35.75
Auditor's remuneration (see foot-note below)	20.82	17.02
Loss on sale of fixed assets	1.95	0.72
Loss on sale of stores	2.38	6.41
Less: Adjustment of provision for obsolete stores	-	(1.50)
Donations	3.79	3.25
Bad debts written-off	23.47	2.41
Less : Adjustment of provision for doubtful debts	(18.83)	(2.03)
Claims / amounts written-off	56.35	8.64

Note no. 24 : (Contd.)

Particulars	(₹ in lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Less : Adjustment of provision for doubtful	(29.04)	(8.50)
Fixed assets written-off	0.22	0.08
Provision for obsolete spare-parts & stores	4.75	2.00
Provision for doubtful debts and advances	94.19	40.55
Freight/ transport & forwarding	609.91	752.39
Commission to selling agents	220.01	310.77
Discount & sale promotion	178.72	262.95
Advertisement expenses	387.28	401.02
Travelling expenses	383.52	375.22
Legal & professional charges	373.17	305.83
Trade mark licence & marketing fees	-	168.73
Job work charges	53.93	80.31
Retainership Expenses	160.90	143.42
Other general expenses	622.56	645.50
TOTAL	7,149.88	8,038.77

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

(a) As auditor	7.30	6.18
(b) For taxation matter (Tax Audit fee)	4.82	2.54
(c) For company law matter	1.69	0.83
(d) For management services	0.90	0.63
(e) For other services including certification work	4.43	5.34
(f) For reimbursement of expenses	1.68	1.50
TOTAL	20.82	17.02

Note No.

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

Particulars	(₹ in lac)	
	2012-13	2011-12
Loss for the year as per accounts	3489.48	4276.10
Add: Dividend on Preference Shares	6.11	6.11
Total (A)	3495.59	4282.21
Number of Equity Shares issued (B)	33,09,214	33,09,214
Earning per share (in ₹) (A)/(B)	(105.63)	(129.40)
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. (Also refer Accounting Policy No. 2(i) above).
- (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

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	As at
		31.03.2013	31.03.2012
1.	(a) Claims against the Company not acknowledged as debts :		
	(i) Workmen (excluding unascertainable amounts)	231.22	168.22
	(ii) Others	234.42	238.29
	(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).	1273.53	1190.85
	(d) Wealth Tax	12.46	1.81
	(e) Bills discounted	648.20	1041.06
2.	Estimated amount of contracts remaining to be executed on Capital Account ₹ 70.62 Lac (Previous Year ₹ 66.12 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 2012-13 and from 1993-94 to 2011-12 have been incorporated in current financial year and in various previous financial years respectively. As an interim measure ₹ 908.74 Lac (Previous year ₹ 919.59 Lac) which represents: (i) ₹ 1,355.65 Lac (Previous year ₹ 1,205.32 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, 2013, (ii) payment of unsecured loan of ₹ 45.00 Lac [Refer Note (c) below] and (iii) net loss of ₹ 401.91 Lac for the years 1993-94 to 2012-13 (before inter unit rental income, write-back of ₹ 278.95 Lac and provision for depreciation of ₹ 676.05 Lac) have been clubbed with Current Assets of the company as on 31st March, 2013 and 31st March, 2012 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, 2013.

(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 ₹ 676.05 Lac being depreciation provided during 1993-94 to 2012-13 on fixed assets and (iii) decrease in Inter-Unit balance by ₹ 446.91 Lac which represents; the sum of net loss of ₹ 401.91 Lac for the years 1993-94 to 2012-13 (before inter-unit rental income, write-back of above amount of ₹ 278.95 Lac and provision for depreciation of ₹ 676.05 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, 2013 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 31.03.2012 and 31.03.2013 are as under:

(₹ in Lac)					
Liabilities	As at 31.3.2013	As at 31.3.2012	Assets	As at 31.3.2013	As at 31.3.2012
Secured Loans	3421.08	3421.08	Fixed Assets (Net)	450.04	456.72
Current Liabilities & Provisions	2838.28	2838.28	Investments	0.11	0.11
Accumulated Profits/ (Losses) (net):	(799.01)	(631.15)	<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	11.07	11.07
2006-07 (18.94)			Expenditure (to the extent not written off or adjusted)		
2007-08 (10.86)					
2008-09 (24.40)					
2009-10 172.48					
2010-11 (152.17)					
2011-12 (141.82)			Inter-unit Balances	1272.04	1433.22
2012-13 (167.86)					
			Loss for the year 1991-92	787.22	787.22
Total	5460.35	5628.21	Total	5460.35	5628.21

- (e) Statement of Profit and Loss of the Steel Unit for the year ended 31st March, 2013 and 31st March, 2012 (excluding inter-unit rental income of ₹ 46.12 Lac) (Previous year ₹ 46.73 Lac) is as under:

(₹ in Lac)		
Particulars	2012-13	2011-12
INCOME :		
Rental Income	215.67	184.41
	215.67	184.41
EXPENDITURE :		
Employees Benefit Expenses	81.39	77.53
Finance Cost	182.25	166.24
Depreciation	6.68	6.85
Legal and Professional Expenses	77.09	31.40
Other Expenses	36.12	383.53
	383.53	44.21
Loss for the year	167.86	141.82

- (f) The Profit and Loss Account/Statement of Profit and Loss of Steel Unit for the years 1993-94 to 2012-13 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, 2012;
 - 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, 2013;
 - 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.

- (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 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. The said Appeal is now listed for hearing on 12th November, 2013.
- (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.
- Shri. U.K. Modi 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. IDBI is yet to give its comments on the outcome of the meeting. Therefore the statement of Shri M K Modi that a DRS is pending consideration before the BIFR is incorrect.

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.

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 ₹ 61.19 Lac (upto previous year ₹ 60.03 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, 2013. 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 recognised in	As at	As at
Balance sheet	31.03.2013	31.3.2012
Present value of Obligations	1,264.53	1,140.93
Fair Value of Plan Assets	-	-
Net Liability	(1,264.53)	(1,140.93)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	1,140.93	1,094.72
Current Service Cost	73.61	59.80
Interest Cost	91.27	93.05
Actuarial Losses/(Gain)	70.42	(4.21)
Benefits paid	(111.70)	(102.43)
Obligations as at the end of the year	1,264.53	1,140.93
Expenditure to be recognized during the year		
Current Service Cost	73.61	59.80
Interest Cost	91.27	93.05
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains)Recognized during the year	70.42	(4.21)
Total expenditure included in "Employees' Emoluments"	235.30	148.64
Assumptions		
Discount Rate (per annum)	8.00%	8.50%
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	31.03.2013	31.3.2012
Present value of Obligations	133.55	132.50
Fair Value of Plan Assets	-	-
Net Liability	(133.55)	(132.50)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	132.50	135.15
Current Service Cost	14.59	14.10
Interest Cost	10.60	11.49
Actuarial Losses/(Gain)	15.37	11.24
Benefits paid	(39.51)	(39.48)
Obligations as at the end of the year	133.55	132.50
Expenditure to be recognized during the year		
Current Service Cost	14.59	14.10
Interest Cost	10.60	11.49
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains)Recognized during the year	15.37	11.24
Total expenditure included in "Employees' Emoluments"	40.56	36.83
Assumptions		
Discount Rate (per annum)	8.00%	8.50%
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, 2013 and 31st March, 2012 includes the following items relating to the above activities of manufacture and sale of "Vodka and Whisky":

Balance Sheet

Particulars	(₹ in lac)	
	As at 31st March, 2013	As at 31st March 2012
Sundry Debtors	888.56	556.98
Bank Balances	72.40	25.99
Security Deposits	62.37	48.80
Closing Stock	606.97	428.47
Advance Recoverable	74.83	51.37
Total Current Assets	1,705.13	1,111.61
Less: Current Liabilities	223.46	244.15
Credit Balance of MISIP	1422.34	840.80
Net Current Assets	59.33	26.66
Recognized as net profit for the year		
Instead of manufacturing margin	59.33	26.66
IMPACT OF NET PROFIT	NIL	NIL

Statement of Profit & Loss

Particulars	(₹ in lac)	
	2012-13	2011-12
Turnover (Net of discount)	1312.21	853.59
Other Income	3.86	0.37
Excise duty paid	250.06	157.61
Cost of materials consumed	164.07	57.16
Change in Inventories	(76.94)	(54.30)
Employees Benefits Expenses	183.47	29.35
Finance Costs	1.35	0.36
Other Expenses	734.73	637.12
Total Expenses	1256.74	827.30
Net Profit for the year	59.33	26.66
Recognized as net profit for the year		
Instead of manufacturing margin	59.33	26.66
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 ₹ 23525.47 Lac upto 31st March, 2013 (for the year ₹ 3617.51 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 ₹ 1294.50 Lac upto 31st March, 2013 and the unit holds total interest provision of ₹ 732.41 Lac as on 31st March, 2013 resulting in the short provision of ₹ 562.09 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 'Cash and 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 ₹ 2336.73 Lac (for the year ₹ 332.84 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 ₹ 243.58 Lac (for the year ₹ 41.65 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 ₹ 288.78 Lac upto 31st March, 2013 (for the year ₹ 12.66 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 ₹ 281.20 Lac in the past (net of payments) has been retained in the books of account as on 31st March, 2013.
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 ₹ 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. (a) **Finance Lease**
Fixed Assets of Modi Sugar Mills (MSM) as on 31st March, 2013 includes Turbine acquired under finance lease. Details are as under:

Particulars	Turbine	
		Present Value
Lease Period	5 Year	
Lease Amount	398.55	
Interest Amount	170.88	
Total Lease Rent Payable	569.43	
Payable as on 31st March, 2013	122.59	113.25
Payable during 2013-14 to not later than 5 years	122.59	113.25
Option of purchase at the end of Lease	Yes	

(b) Operating Leases :

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

(₹ in lac)

Particulars	Year ended	Year ended
	31.03.2013	31.03.2012
Not later than one year	90.98	107.88
Later than one year but not later than five years	114.66	41.13
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 from Weld Excel India Ltd. (WEIL), a related party. The company has option for further renewal of lease for two years at the expiry of lease period.
 - (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 three years as non cancelable period at monthly rent of ₹ 4.15 Lac (previous year ₹ 4.37 Lac) plus maintenance and car parking charges to WEIL. The Sub lease agreement has now been extended for another 3 years at monthly rent of ₹ 4.78 Lac (our share) w.e.f. 1st April, 2013.
 - (iii) 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 arrangement with WEIL in case of Aman and with WEIL and Shri Mahendra Kumar Modi, Managing Director in case of Chatarpur Guest House w.e.f. 1st November, 2011 (for a period of two years) and 15th September, 2010 (Renewed for 2 years w.e.f. 1st January, 2012) respectively at monthly rent of ₹ 1.25 Lac (our share) and per day rent of ₹ 0.08 Lac (our share) plus Taxes respectively.
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 ₹ 3,098.43 Lac (Previous year ₹ 3,883.70 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 ₹ 2,722.12 Lac (Previous year ₹ 3,304.56 Lac) being bills discounted from individual persons/HUF/Firms. Balance outstanding of bills discounted as on 31st March, 2013 amounts to ₹ 499.61 Lac (Previous Year ₹ 892.47 Lac) (which were paid fully subsequently by the drawees) and has been shown in Note 27{1(e)} 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 July, 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, 2013, 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 ₹ 133.80 Lac as on 31st March, 2013 (Previous Year ₹ 68.00 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 ₹ 3704.99 Lac as on 31st March, 2013 (Previous year ₹ 2844.92 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 ₹ 482.63 Lac as on 31st March, 2013 (Previous year ₹ 531.27 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:

(₹ in lac)

Particulars	As at 31st March, 2013	As at 31st March 2012
(a) Deferred Tax Assets :		
(i) Disallowances under the Income Tax Act.	1445.48	1377.22
(ii) Provision for Doubtful Debts	174.27	157.90
(iii) Unabsorbed Depreciation	379.87	263.52
(iv) Unabsorbed Loss	1705.37	1046.28
Total	3704.99	2844.92
(b) Deferred Tax Liabilities:		
Related to Fixed Assets	482.63	531.27
(c) Deferred Tax Assets (Net) (a-b)	3222.36	2313.65

33. Till 31st March, 2013, 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 18428.46 Sq. Mtrs (Previous year 18428.46 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 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. Further proceedings are pending.
- (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
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 theaters in different states, Banners, Wall Painting, Hoarding, News Bulletin, Calendars etc.

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

2010-11	37.29 Lac
2011-12	391.77 Lac
2012-13	381.34 Lac

37. The following are the particulars of dues on account of sales tax, excise duty, income tax and others as at 31st March, 2013 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.
	Penaliy 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	15.66	15.66	2011-12, 2012-13	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	CIT (Appeals) New Delhi
	Wealth Tax #	2.66	2.66	2009-10	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.
		**107.13	-	February 1981 to February, 1987, 2002-03 to 2009-10	CESTAT
		5.00	-	Information not available.	Information not available.
		78.69	-	2009 onwards	Supreme Court of India
		6.34	6.34	2009 onwards	Supreme Court of India

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

Excludes ₹ 7.99 Lac for 2010-11 to 2012-13 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
Morgardshammar India Limited
Modi Mundipharma Pvt. Limited
Win-Medicare Pvt. Limited
Modi Motors Private Limited
Modi Line Travel Services Pvt. Ltd.
Modi Revlon Private Limited
H.M. Tubes & Containers Pvt. Ltd.
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, 2013:**

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

(₹ in Lac)

Particulars	Year	
	2012-13	2011-12
Sale of Goods		
SBEC Sugar Limited	4112.42	4870.72
Weld Excel India Limited	96.64	202.07
	4209.06	5072.79
Sale of Assets		
Bihar Sponge Iron Limited	-	3.01
Purchase of Goods/Raw Materials		
Weld Excel India Limited	32.45	202.55
SBEC Sugar Limited	4.18	52.93
Jayesh Tradex Pvt. Limited	181.60	52.49
Others	15.44	15.04
	233.67	323.01
Purchase of Assets	-	2.00
Rental Income		
Win Medicare Private Limited	74.72	81.64
Weld Excel India Limited	4.62	4.62
Modi Motors Pvt. Ltd.	13.48	15.73
Modi Mundipharma Pvt. Ltd.	10.40	11.66
Modi Mahendra Kumar Modi	4.50	7.52
Others	5.29	6.84
	113.01	128.01

(₹ in Lac)

Particulars	Year	
	2012-13	2011-12
Payment of Lease Rent		
Weld Excel India Limited (Foot note No. 6 & 7)	23.84	14.42
Expenses reimbursed		
Weld Excel India Limited (Foot note No. 2)	67.61	75.57
Modipon Limited	22.80	0.03
Others	1.87	0.35
	92.28	75.95
Job Work Charges Paid		
Weld Excel India Limited	18.41	54.35
Expenses realized		
Weld Excel India Limited (Foot note No. 3)	52.21	38.87
SBEC Sugar Limited	2.81	1.18
Modipon Ltd.	-	0.38
Win Medicare Pvt. Ltd.	1.84	3.45
Ashoka Mercantile Ltd.	4.53	0.42
Others	1.13	1.20
	62.52	45.50
Job Charges received		
Weld Excel India Limited	11.71	34.14
Royalty Fee received		
Weld Excel India Limited	8.50	19.77
Commission paid for sale promotion		
Ashoka Mercantile Ltd.	22.42	22.34
Receiving of Services		
Modi Line Travel Services Pvt. Ltd.	17.82	2.79
Security deposits given/(refund received)		
Modipon Limited	-	1.43
Ashoka Mercantile Ltd. (Foot Note No. 8)	(145.00)	1245.00
Weld Excel India Limited	(0.96)	4.00
	(145.96)	1250.43
Loans and Advances taken/(repaid)		
Weld Excel India Limited (Foot Note No. 4)	(350.00)	350.00
(B) Balances outstanding at the year end:		
Amount recoverable		
Good	18.15	27.36
Doubtful	3.78	3.78
Loans and advance recoverable		
Weld Excel India Limited (Foot Note No. 5)	320.39	372.67
Security deposit to Weld Excel India Limited		
Against Cylinders (Foot Note No. 6)	38.04	39.00
Against Oxygen Filling Plant (Foot Note No. 7)	4.00	4.00
Security deposit recoverable for quarters		
Ashoka Mercantile Limited (Foot Note No. 8)	1100.00	1245.00
Modipon Limited	147.63	147.63
Sundry Debtors		
SBEC Sugar Limited	265.17	1888.77
Weld Excel India Limited	27.83	67.71

(₹ in Lac)

	Year	
	2012-13	2011-12
Amount payable	10.43	10.68
Unsecured Loan taken Outstanding		
Weld Excel India Limited (Foot Note No. 4)	-	350.00
A to Z Holding Pvt. Ltd.	24.88	24.88

(C) **Disclosure of transactions with subsidiaries:**

(₹ in Lac)

	Year	
	2012-13	2011-12
Dividend Income		
Own Investment (India) Ltd.	21.78	24.42
Your Investment (India) Ltd.	21.45	24.67

(D) **Payment to the Key Management Personnel:**

(₹ in Lacs)

	Year	
	2012-13	2011-12
i) Managerial Remuneration		
Shri Mahendra Kumar Modi	18.00	18.00
ii) Amount payable to Managing Director		
Shri Mahendra Kumar Modi	0.46	0.62
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 (Previous year ₹ 4.37 Lac) plus maintenance and car parking to WEIL. The Sub Lease agreement has now been extended for another three years at monthly rent of ₹ 4.78 Lac (our share) 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 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 15th September, 2010 (Renewed for two years with effect from 1st January, 2012) respectively at monthly rent of ₹ 1.25 Lac (our share) and per day rent of ₹ 0.08 Lac (our share) plus taxes respectively.
 - Loan taken on 31st March, 2012 and repaid fully on 3rd April, 2012.
 - 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, ₹ 0.83 Lac (Previous year ₹ 28.36 Lac) was recovered/adjusted against above advance and amount refunded by Weld Excel India Limited ₹ 50.00 Lac during March, 2013.
 - 1902 Cylinders (Previous year 1960 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 per month for a period of two years with an option to renew for another two years.
 - Security deposits (unsecured interest free) amounting to ₹ 1100.00 Lac given during May, 2011 against temporary possession of 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:
- 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. The Company has disputed the price of levy sugar fixed during the year 1970-71 to 1974-75 and recovered amount of ₹37.73 Lac in excess of control price which was paid subsequently in pursuance of Supreme Court Order dated 22nd September, 1993. However, the Company obtained Stay Order from Hon'ble Allahabad High Court against demand of interest made by the Food Corporation of India, which is still continuing.

During the previous year, the Food Corporation of India has adjusted a sum of ₹124.28 Lac towards interest dues from the differential amount recoverable by Sugar Unit of the Company on account of price increase in levy sugar supplied for season 2009-10. The above adjustment has been done without prejudice to the right and contention of the company.

In view of the above, interest on excess realizations for the year 1970-71 to 1974-75 amounting to ₹124.28 Lac, as adjusted by the FCI, will be accounted for as expenses in the year of disposal of the above writ petition.

42. Exceptional item in Statement of Profit and Loss for the year ended 31st March, 2012 represents the differential liability paid amounting to ₹847.77 Lac towards Sugarcane price for the sugar season 2007-08 as per order dated 17th January, 2012 of Hon'ble Supreme Court of India.

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

(i) **Prior period items:**

(₹ in Lacs)

SI.No.	Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
(A) Income			
(i)	Revenue from operation	(19.88)	(2.34)
(ii)	Other Income	13.38	0.14
(iii)	Reversal of finance costs	-	2.05
(iv)	Reversal of other expenses	0.11	0.40
Total		(6.39)	0.25
(B) Expenditure			
(i)	Finance costs	6.61	1.09
(ii)	Employee benefits expenses	6.90	1.94
(iii)	Reversal of other income	0.11	-
(iii)	Other expenses	49.78	28.21
Total		63.40	31.24

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

(₹ in Lacs)

SI.No.	Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
(a)	Sugar cane	20,451.19	17,959.05
(b)	Molasses	7.70	7.54
(c)	Extra neutral alcohol (ENA)	71.57	43.35
(d)	Vatted Malt Scotch Whisky	82.01	7.66
(e)	Oils	66.78	80.82
(f)	Chemicals	2,167.76	3,043.92
(g)	Wires	2,079.93	3,465.36
(h)	Carbide	192.94	199.44
(i)	Carbondioxide (CO ₂)	30.25	52.96
(j)	Argon Gas	35.07	38.75
(k)	Oxygen Gas	25.84	3.12
(l)	Others	17.89	14.88
Total		25,228.93	24,916.85

(iii) **Manufactured goods:**

(₹ in Lac)

Sl.No.	Particulars	Sales @		Opening Inventory		Closing Inventory	
		For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012
(a)	Sugar	21,237.47	15,744.67	4,151.93	1,014.71	4,265.87	4,151.93
(b)	Molasses (By product)	739.55	502.18	124.07	157.03	256.13	124.07
(c)	Bagasse (By product)	693.68	452.00	27.50	35.85	16.48	27.50
(d)	Spirit	41.51	7.39	57.13	6.59	2.64	57.13
(e)	Extra neutral alcohol (ENA)	32.00	-	26.18	7.62	19.11	26.18
(f)	Indian made foreign liquor (IMFL)	1,312.20	704.39	99.07	9.89	164.77	99.07
(g)	Country liquor	10,839.15	10,163.80	162.03	30.49	116.38	162.03
(h)	Bio-organic manure	29.84	19.47	-	9.72	6.65	-
(i)	Special denatured spirit	570.92	552.78	-	-	-	-
(j)	Paints & varnish	1,825.00	2,720.79	72.11	168.79	138.42	72.11
(k)	Disolved Acetylene	322.87	317.70	5.91	3.42	4.61	5.91
(l)	Carbon di oxide	55.65	101.95	0.61	0.38	0.27	0.61
(m)	Argon	67.55	84.53	0.74	-	1.10	0.74
(n)	Oxygen	51.38	4.18	0.65	-	0.28	0.65
(o)	Welding Electrodes	6,754.71	9,239.53	549.35	514.72	571.28	549.35
(p)	Flux	63.93	154.59	-	-	-	-
(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*	-	-	54.81	54.81	54.81	54.81
(u)	Others	-	-	8.97	-	-	8.97
	TOTAL	44,637.41	40,769.95	6,181.99	2,854.95	6,459.73	6,181.99

* 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 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012
(a)	Satina Uni. Stainer	0.34	18.96	-	10.14	0.47	1.70	0.15	0.47
(b)	Glowlite putty	0.64	1.94	0.33	0.94	0.27	0.23	0.31	0.27
(c)	Oxygen Gas	36.61	90.16	20.47	53.25	0.02	0.09	0.01	0.02
(d)	Nitrogen Gas	19.36	23.07	10.86	11.17	0.19	0.17	0.27	0.19
(e)	Hydrogen Gas	41.02	37.46	27.25	23.34	0.71	0.63	0.98	0.71
(f)	N2H2 Mixure	10.58	9.55	2.95	2.84	0.06	0.03	0.03	0.06
(g)	Carbon di oxide Gas	14.50	21.53	7.59	10.79	0.06	0.03	0.01	0.06
(h)	Argon Gas	26.99	1.41	11.50	0.02	-	0.72	-	-
(i)	Zero Air Gas	1.83	1.64	0.60	0.58	0.03	0.05	0.02	0.03
	TOTAL	151.87	205.72	81.55	113.07	1.81	3.65	1.78	1.81

(v) **Services rendered:-**

(₹ in Lac)

Sl.No.	Particulars	For the year ended 31 March 13	For the year ended 31 March 12
(a)	Product Development Charges	8.29	-
(b)	Conditioning charges of cylinders	10.91	9.57
(c)	Job work charges	52.31	63.62
	TOTAL	71.51	73.19

(vi) Work-in-progress:-

(₹ in Lac)

Sl.No.Particulars	Opening Inventory		Closing Inventory	
	For the year ended 31 March 13	For the year ended 31 March 12	For the year ended 31 March 13	For the year ended 31 March 12
(a) Sugar	168.88	124.98	250.43	168.88
(b) Indian made foreign liquor (IMFL)	4.37	2.17	15.61	4.37
(c) Country liquor	4.78	5.66	3.77	4.78
(d) Paints & varnish	30.11	57.90	33.21	30.11
(e) Welding Electrodes	174.87	143.58	106.08	174.87
(f) Flux	31.99	32.00	9.98	31.99
(g) steel	40.32	40.32	40.32	40.32
TOTAL	455.32	406.61	459.40	455.32

(vii) Other Information:-

(₹ in Lac)

Sl.No.Particulars	For the year ended 31 March 13	% age	For the year ended 31 March 12	% age
(A) Value of imports on CIF basis:				
(i) Raw materials(cost of material acquired)	77.56		197.82	
(ii) Components & spare parts	0.37		0.61	
(iii) Capital goods (moulds)	-		19.66	
(B) Expenditure in foreign currency:				
(i) Travelling	6.17		10.13	
(ii) Stores purchased	61.80		123.57	
(iii) Other matters	-		1.86	
(C) Value of imported/indigenous:				
(a) Raw materials consumed:				
(i) Imported	107.79	0.43	179.24	0.72
(ii) Indigenous	25,121.14	99.57	24,737.61	99.28
TOTAL	25,228.93	100.00	24,916.85	100.00
(b) Spare parts and components consumed:				
(i) Imported	0.37	0.10	0.69	0.18
(ii) Indigenous	352.71	99.90	387.77	99.82
TOTAL	353.08	100.00	388.46	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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

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, 2013 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, 2013 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 ₹ 676.05 Lac (Previous year ₹ 669.37Lac) on account of provision for depreciation for the period 1st April, 1993 to 31st March, 2013 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, 2012 and 31st March, 2013 {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 referred to in sub-section(3C) of section 211 of the Companies Act, 1956 ("the Act"). 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. 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 2012-13 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 incurred losses far in excess of paid-up capital/reserves and has been declared a sick company, the accounts have been prepared on a going concern basis for reasons stated in Note 27(17).*
iii. *Understatement of loss on account of non-provision of interest on loans, obsolete inventories, doubtful debtors/loan and advances and impairment loss, etc. in Steel Unit as stated in Note 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 value (book value ₹ 8.74Lac) of quoted & unquoted investments (amount unascertained) 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 interest ₹ 124.28 Lac up to 31st March, 2013 on excess price realized of levy sugar {Note 27(45)};*
(2) *(a) Non-provision of late payment surcharge/recovery charges ₹ 302.66Lac (Previous year ₹ 302.66Lac) {Note 27(9)} and (b) Non-provision of demands of U.P. Power Corporation Ltd ₹ 1311.49Lac (Previous year ₹ 1311.49Lac) {Note 27(4)(f) (viii)(c)};*
(3) *Non-provision of ESI demand ₹ 61.19Lac (for the year ₹ 1.16Lac) {Note 27(10)};*
(4) *Non-provision of House-tax demand ₹ 188.63Lac (Previous year ₹ 188.63Lac) {Note 27 (11)}*
(5) *Non-provision of simple, penal and compound interest of ₹ 23,814.25 Lac (for the year ₹ 3,630.17 Lac) on term loans/debentures and public deposits {Note 27(18)(a) and (f)} and interest/ bank charges ₹ 2,580.31Lac (for the year ₹ 374.49 Lac) on cash credit from banks {Note 27(18)(d) & (e)};*
(6) *Non-provision of Wages ₹ 27.46Lac (Previous year ₹ 27.46Lac) for the lock-out period. {Note 27(21)} and*
(7) *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 of company as stated in note 27(16) whereas it has no impact on the net loss of the company 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 8 of Note 27(41), the company has given unsecured interest free security deposit amounting to ₹ 1,100Lac during the month of May 2011 against temporary possession of 59 houses to Ashoka Mercantile Limited, a related party, and the same is still outstanding in the books of account of the company. We are informed by the company that few of these houses were allotted to employees of the company and the same are yet to be occupied by them. 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 ₹ 1,100Lac have been shown as deposits by the company as on 31st March, 2013.
- (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 ₹ 381.34Lac (previous year ₹ 391.77Lac) including ₹ 368.25Lac by way of slide shows in media like film theatres through three parties. In the absence of sufficient appropriate audit evidence i.e. prevailing market rates/charges paid to theatre owners / list of theatres where slide shows have been exhibited and non-confirmation of the authorized signatories of those theatres for the agreed exhibitions of slide shows having actually taken place during that contracted period and also on account of nature of services i.e. slide shows in theatres, which could not be verified / vouched from any other supporting evidences except invoices of parties, we do not express an opinion on these expenses included in Statement of Profit and Loss of the company.
- (G) 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) above been considered, the loss for the year would have been ₹ 32,299.36Lac (as against the reported loss of ₹ 3,475.59Lac), negative balance of Reserves and Surplus in Note 2 would have been ₹ 40,697.36Lac (as against the reported negative figure of ₹ 11,873.59Lac), current assets would have been ₹ 17,728.13Lac (as against the reported figure of ₹ 19,373.93Lac), current liabilities would have been ₹ 59,195.16Lac (as against reported figure of ₹ 30,594.85Lac), long-term borrowings would have been ₹ 4,694.99Lac (as against reported figure of ₹ 6,117.33Lac), gross revenue would have been ₹ 44,284.22Lac (as against the reported figure of ₹ 45,540.96Lac) and total expenses (including excise-duty) for the year would have been ₹ 76,583.22 Lac (as against the reported figure of ₹ 49,016.19Lac).
- (H) In view of the significance of our audit observations in paragraphs 1 and 4(A) to (G) above including paragraph 4(F) above regarding inability to express an opinion on certain expenses and especially in view of the fact that the state of affairs would change substantially in case the Consolidated Statement of Profit and Loss for the financial year 1992-93 and Consolidated Balance Sheet as on 31st March, 2013 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, 2013, (b) in the case of Consolidated Statement of Profit and Loss, of the loss for the year ended 31st March, 2013 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, 2013 has not been identified. (Note 27(30)).
- (ii) Cars costing ₹ 93.52Lac (Previous Year ₹ 92.82Lac) 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 18,428.46 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 29(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) regarding demands of recovery charges of ₹ 504.25Lac (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 ₹ 133.80Lac as on 31st March, 2013 (Previous Year ₹ 68Lac) 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, 2012 and 31st March, 2013 respectively and for contingent liabilities and additional information etc. as on 1st April, 2012 and 31st March, 2013 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 2012-13 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 ₹ 60.88Lac (Previous year ₹ 54.13Lac) as at 31st March, 2013, the total revenue of ₹ 58.37Lac (Previous year ₹ 63.60Lac) and cash outflows (net) amounting ₹ 2.34Lac (Previous year ₹ 5.55Lac) 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: 28th September, 2013

Consolidated Balance Sheet as at 31st March, 2013

(₹ in Lac)

Particulars	Note No.	As at 31.03.2013	As at 31.03.2012
1	2	3	4
I EQUITY AND LIABILITIES :			
(1) Shareholders' funds:			
(a) Share Capital	1	371.42	371.42
(b) Reserves & Surplus	2	(11,873.61)	(8,391.00)
		<u>(11,502.19)</u>	<u>(8,019.58)</u>
(2) Minority interests		0.08	0.06
(3) Non-current liabilities :			
(a) Long term borrowings	3	6,117.33	5,892.76
(b) Other long term liabilities	4	1,399.49	1,411.79
(c) Long term provisions	5	1,217.35	1,094.60
		<u>8,734.17</u>	<u>8,399.15</u>
(4) Current liabilities :			
(a) Short term borrowings	6	1,673.67	1,878.69
(b) Trade payables	7	16,208.45	13,714.26
(c) Other current liabilities	8	12,073.03	11,721.51
(d) Short term provisions	9	639.70	758.13
		<u>30,594.85</u>	<u>28,072.59</u>
TOTAL		27,826.91	28,452.22
II ASSETS			
(1) Non-current assets			
(a) Fixed assets :			
i) Tangible assets	10	7,063.93	7,552.98
ii) Intangible assets	11	18.36	27.91
iii) Capital work-in progress		42.56	38.84
(b) Non-current investments	12	801.58	801.58
(c) Long term loan and advances	13	526.55	595.99
		<u>8,452.98</u>	<u>9,017.30</u>
(2) Current assets			
(a) Inventories	14	8,478.74	8,291.95
(b) Trade receivables	15	5,691.63	5,829.93
(c) Cash and bank balances:-			
(i) Cash and Cash equivalents	16(i)	516.91	879.00
(ii) Other bank balances	16(ii)	1,170.37	889.09
(d) Short term loans and advances	17	3,377.07	3,402.57
(e) Other current assets	18	139.21	142.38
		<u>19,373.93</u>	<u>19,434.92</u>
Accounting policies and other notes to financial statements	25 to 27		
TOTAL		27,826.91	28,452.22

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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

MODI INDUSTRIES LIMITED

(57)

Consolidated Statement of Profit and Loss for the year ended 31st March, 2013

(₹ in Lac)

S.No.	Particulars	Note No.	For the year ended 31.03.2013	For the year ended 31.03.2012
I	Revenue from operations	19	44,974.21	41,486.36
	Less:- Excise duty		11,504.08	10,808.73
			<u>33,470.13</u>	<u>30,677.63</u>
II	Other income	20	566.75	514.65
III	Total Revenue (I + II)		<u>34,036.88</u>	<u>31,192.28</u>
IV	Expenses:-			
	Cost of materials consumed	27(47)(ii)	25,228.93	24,916.85
	Purchases of stock-in-trade	27(47)(iv)	81.55	113.07
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(281.79)	(3,373.91)
	Employee benefits expense	22	3,489.65	3,250.16
	Finance costs	23	1,243.77	1,038.94
	Depreciation and amortization expense	10 & 11	599.40	622.36
	Other expenses	24	7,150.60	8,039.45
	Total expenses		<u>37,512.11</u>	<u>34,606.92</u>
V	Loss before exceptional and extra-ordinary items and tax (IV-III)		3,475.23	3,414.64
VI	Exceptional item:-			
	Cane price differential for 2007-08	27(46)	-	847.77
VII	Loss before extra-ordinary items and tax (V+VI)		3,475.23	4,262.41
VIII	Extra-ordinary items		-	-
IX	Loss before tax (VII + VIII)		3,475.23	4,262.41
X	Tax expenses:-			
	(1) Current tax		0.28	0.27
	(2) Deferred tax		-	-
XI	Loss after tax but before minority interest		3,475.51	4,262.68
	Minority interest		0.05	0.06
			<u>3,475.56</u>	<u>4,262.74</u>
XII	Loss from continuing operations		3,307.70	4,120.92
XIII	Loss from discontinuing operations	27(4)(e)	167.86	141.82
XIV	Tax expense of discontinuing operations		-	-
XV	Loss from discontinuing operations (after Tax) (XIII + XIV)		167.86	141.82
XVI	Loss for the period (XII+XV)		<u>3,475.56</u>	<u>4,262.74</u>
XVII	Basic /Diluted Earnings per equity share of ₹ 10 each (in Rupees)	27(48)	(105.21)	(129.00)
	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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

Consolidated Cash Flow Statement for the year ended 31st March, 2013.

Particulars	₹ in Lac	2012-13 ₹ in Lac	2011-12 ₹ in Lac
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Profit/(Loss) before Tax		(3,475.23)	(4,262.41)
Adjustment for :			
i) Interest Income	(119.20)		(108.23)
ii) Profit on Sale of Fixed Assets	(28.95)		(3.82)
iii) Excess Provision written back	(36.43)		(30.19)
iv) Unclaimed credit balances W/back	(44.96)		(47.75)
v) Amount written back	(11.45)		(5.63)
vi) Depreciation add back	(10.62)		(0.09)
vii) Dividend Income	(36.75)		(31.50)
		<u>(288.36)</u>	<u>(227.21)</u>
Adjustments for :		(3,763.59)	(4,489.62)
i) Depreciation	599.40		622.36
ii) Assets/Investment written off/ Loss on Sale of Fixed Assets/Stores	4.55		5.71
iii) Interest Expenses	1,243.77		1,038.94
iv) Provision for Doubtful Debts & Advances	94.19		40.55
v) Amounts/Claims/Bad Debts written off (Net of provisions)	32.00		0.52
vi) Provision for obsolete spare-parts & stores	4.75		2.00
		<u>1,978.66</u>	<u>1,710.08</u>
Operating Profit/(Loss) before Working Capital Changes		(1,784.15)	(2,779.54)
<u>Adjustments for :</u>			
Trade Receivables		54.74	(501.47)
Inventories		(193.99)	(3,785.19)
Trade Payable		2,837.06	7,138.92
Loans/Advances and other assets		40.87	(1,511.13)
Other bank balances		(281.28)	(65.25)
Cash Generated from Operations		<u>672.47</u>	<u>(1,503.66)</u>
Interest Paid (Foot-note 1 below)		(410.84)	(158.62)
Income Tax Paid		(0.26)	(0.15)
Interest received on tax refund		3.98	827.73
income tax refund		3.87	229.93
Net Cash from Operating Activities (A)		<u>269.22</u>	<u>(604.77)</u>

Particulars	2012-13 ₹ in Lac	2011-12 ₹ in Lac
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(104.54)	(435.70)
Sale of Fixed Assets	30.92	14.26
Interest Received	114.63	82.68
Dividend Received	36.75	31.50
Net Cash Flow from Investing Activities (B)	77.76	(307.26)
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Secured term borrowings from bank	(20.54)	1.43
Secured borrowings from banks (over draft)	144.98	30.50
Unsecured Fixed Deposits paid	(4.06)	(25.92)
Dividend Paid (including Dividend Distribution Tax)	(7.06)	(8.01)
Unsecured borrowings from others (net)	(3.59)	1,445.29
Interest paid on borrowings (Foot-note 1 below)	(830.18)	(1,641.46)
Net Cash from Financing Activities (C)	(720.45)	(198.17)
*Inter Unit Balances (Net) (D) (Foot-note 2 below)	11.38	39.70
Net Increase/(decrease) in cash and Cash Equivalents (A+B+C+D)	(362.09)	(1,070.50)
Opening Cash and Cash Equivalents	879.00	1,949.50
Closing Cash and Cash Equivalents	516.91	879.00

FOOT NOTES :

- Interest credited to accounts of suppliers, C & F agents and dealers etc. is treated as paid.
 - Interest paid & increase in Unsecured borrowing from others during the Previous Year includes ₹ 759.51 Lac each being Interest accrued & due on 31.03.2011 converted into Loan.
- In view of non availability of audited balance sheet as on 31.03.2012 and 31.03.2013 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 inflow of ₹ 11.38 Lac on account of net decrease 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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi

Notes Forming part of the Consolidated Financial Statements for the year ended 31st March, 2013

Note no.1 SHARE CAPITAL

₹ in Lac

Particulars	As at 31.03.2013	As at 31.03.2012
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 31.03.2013		As at 31.03.2012	
	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 31.03.2013		As at 31.03.2012	
	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, 2013.
- (b) Arrears of dividend on Cumulative Preference Shares amounts to ₹ 135.95 Lac (upto 31st March, 2012 ₹ 129.84 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	17.17	5.74	-	22.91
(8)	Other Reserves/Funds:-				
	-Storage fund for Molasses Account (see-foot note below)	75.88	5.37	-	81.25
	-Statutory Reserves	1.09	-	-	1.09
(9)	Surplus i.e. balance in Consolidated Statement of Profit & Loss*	(11,117.67)	(3,475.56)	18.16	(14,611.39)
	TOTAL	(8,391.00)	(3,464.45)	18.16	(11,873.61)
	Previous year	(4,120.31)	(4,251.16)	19.53	(8,391.00)

Foot-note:-

Storage fund for Molasses is Created @ ₹ 1.50 perQtls. of Molasses sold as per the provision of “ The Molasses Control (Regulation of Fund Erection of Storage Facilities) order, 1976” and is to be utilised for construction or erection of storage facilities for Molasses.

(₹ in Lac)

*Consolidated Statement of Profit and Loss :-	2012-13	2011-12
Opening Balance	(11,117.67)	(6,835.40)
Transferred from Profit /(Loss) for the period	(3,475.56)	(4,262.74)
Transferred to General Reserve	5.74	6.27
Transferred to Storage fund for Molasses	5.37	5.31
Share of Minority interest	0.03	(0.02)
Dividend distribution tax	7.02	7.97
Closing Balance	(14,611.39)	(11,117.67)

Note no. 3 LONG TERM BORROWINGS

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Secured:-		
Bonds/debentures	-	-
Term loan from banks (see-foot-note below)	22.25	44.09
Term loans from others	-	-
Loan and advance from related parties	-	-
Unsecured:-		
Bonds/debentures	-	-
Term loan from banks	-	-
Term loans from others	6,095.08	5,739.81
Deferred payment liabilities	-	-
Deposits	-	-
Loan and advance from related parties	-	-
Long term maturities of finance lease obligations {Note 27 (20) (a)}	-	108.86
TOTAL	6,117.33	5,892.76

Foot-note:-

Secured by hypothecation of vehicles and is repayable in monthly installments. There are no defaults as on 31st March,2013.

Note no. 4 : OTHER LONG TERM LIABILITIES

Particulars	(₹ in Lac)	
	As at 31.03.2013	As at 31.03.2012
Trade payable	-	-
Others:		
Security received against houses	623.09	597.92
Security received from others	262.22	256.88
Advance received against houses {Note 27(33)}	504.50	504.50
Interest payable on term loan	-	42.73
Other liabilities	9.68	9.76
TOTAL	1,399.49	1,411.79

Note no. 5 : LONG-TERM PROVISIONS

Particulars	(₹ in Lac)	
	As at 31.03.2013	As at 31.03.2012
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	980.18	955.86
Add: Provided during the year	148.06	61.59
Less: Paid during the year	29.41	37.27
Sub total (A)	1,098.83	980.18
Provision for leave encashment:-		
As per last balance sheet	114.42	117.18
Add: Provided during the year	22.20	15.42
Less: Paid during the year	18.10	18.18
Sub total (B)	118.52	114.42
TOTAL (A+B)	1,217.35	1,094.60

Note no. 6 : SHORT TERM BORROWINGS

Particulars	(₹ in Lac)	
	As at 31.03.2013	As at 31.03.2012
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	175.48	30.50
-from others	-	-
Loan and advance from related parties	-	-
Other loans and advances	-	-

Note no. 6 : (Contd.)

Particulars	As at	
	31.03.2013	31.03.2012
Unsecured:-		
Loans repayable on demand:-		
-from banks	-	-
-from others	-	-
Loan and advance from related parties:-		
-Weld Excel India Limited	-	350.00
Deposits	-	-
Other loans and advances	-	-
TOTAL	1,673.67	1,878.69

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 31.03.2013	As at 31.03.2012
Purchase of raw material and store	14,978.04	12,722.83
Customers/ Agents for purchase of goods	1,230.41	991.43
TOTAL	16,208.45	13,714.26

Note no.8 : OTHER CURRENT LIABILITIES

Particulars	(₹ in Lac)	
	As at 31.03.2013	As at 31.03.2012
Current maturities of long-term debts (unsecured)		
-From related parties:-		
- A to Z Holding Pvt. Ltd.	24.89	24.89
-From others	100.00	-
Current maturities of long -term debts (secured)		
-From banks	22.68	21.38
-From other parties (see foot-note 1)	1,506.85	1,506.85
Current maturities of finance lease obligations.	296.92	155.88
{see foot-note 2}		

Note no.8 :(Contd.)

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Deferred credits {Note 27 (44)}	35.11	35.11
Interest accrued but not due on borrowings (unsecured)	61.45	61.45
Interest accrued but not due on borrowings (secured)	0.14	0.20
Interest accrued and due on borrowings (secured)	1,707.46	1,707.46
Interest accrued and due on borrowings (unsecured)		
-from banks	-	-
-from others	54.71	2.99
Income received in advance	0.12	0.11
Unpaid matured deposits and interest accrued thereon(unsecured):- (see foot-note 3)		
-Fixed deposits	65.16	69.22
-Interest accrued thereon	281.20	282.56
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	730.81	775.98
Statutory liabilities	2,203.61	2,097.73
Security received from others	71.70	69.90
Other liabilities	1,320.40	1,319.98
Total	12,073.03	11,721.51

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 due on 1st October 2012 and ₹ 52.75 Lac due during the period 1st February 2010 to 1st October 2011 are over due.

(3) Fixed deposits:-

- (a) Fixed deposits guaranted by managing directors ₹ 22.98 Lac (Previous year ₹ 23.83 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) above and foot note 1 of Note no. 6

Note no. 9 SHORT-TERM PROVISIONS

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Provision for employee benefits:-		
Provision for gratuity:-		
As per last balance sheet	242.79	214.58
Add: Provided during the year	84.18	87.04
Less: Paid during the year	81.60	58.83
Sub total (A)	245.37	242.79
Provision for leave encashment:-		
As per last balance sheet	15.38	15.30
Add: Provided during the year	18.39	21.29
Less: Paid during the year	21.38	21.21
Sub total (B)	12.39	15.38
Others:-		
Provision for Incentive:		
As per last balance sheet	21.64	37.33
Add: Provided during the year	11.69	11.63
Less: Paid / (Recovered) during the year	6.58	15.60
Excess provision w/back	6.51	11.72
Sub total	20.24	21.64
Provision for excise duty	361.35	477.79
Provision for income tax	0.35	0.53
Sub total (C)	381.94	499.96
TOTAL (A+B+C)	639.70	758.13

Noteno. 10 TANGIBLE ASSETS

Particulars	Gross					Depreciation		Net carrying amount 31.03.2013				
	Opening balance	Additions	Disposals/ Written off.	Other adjust- ment	Impair- ment loss/ reversal	Closing balance	Opening balance		For the year			
									Sold /Adj.	Addback		
Land (A)	2,023.50	-	-	-	-	2,023.50	-	-	-	-	2,023.50	
Buildings (B & C)	1,356.27	-	-	-	-	1,356.27	840.49	69.35	-	-	909.84	446.43
Plant & Equipment	11,474.37	50.03	-	5.10	-	11,519.30	7,276.13	392.98	4.58	8.41	7,656.12	3,863.18
Plant & Equipment (Lease)(Refer note 27(20)(a))	402.53	-	-	-	-	402.53	71.56	21.26	-	-	92.82	309.71
Furniture & Fixtures	330.23	9.50	2.23	-	-	337.50	251.27	14.50	2.12	0.68	262.97	74.53
Vehicles (D)	476.58	11.13	7.00	3.45	-	477.26	192.43	68.53	7.88	-	253.08	224.18
Office equipment	322.85	22.12	19.05	(4.34)	-	330.26	216.58	21.11	13.77	1.53	222.39	107.87
Water supply & drainage	59.85	-	-	-	-	59.85	45.57	0.58	-	-	46.15	13.70
Others	15.62	-	-	-	-	15.62	14.79	-	-	-	14.79	0.83
TOTAL	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
Previous year	16,065.24	446.10	49.54	-	-	16,461.80	8,342.25	604.96	38.30	0.09	8,908.82	7,552.98

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 Fourteen) cars costing ₹ 93.52 Lac (Previous year ₹ 92.82 Lac) WDV ₹ 52.55 Lac (Previous year ₹ 52.97 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 ₹ 0.08 Lac) and ₹ 0.47 Lac (Previous year ₹ 0.46 Lac) on additions to assets of Steel Unit.
- (F) Details of Land & Building given on operating lease has not been disclosed separately.

Note no. 11 INTANGIBLE ASSETS

Particulars	Gross				Amortisation			Net carrying amount 31.03.2013		
	Opening balance	Additions	Disposals/ Written off.	Other adjust- ment	Closing balance	Opening balance	For the year		Other adjust- ment	
										Impair- ment loss/ reversal
Computer software	100.81	1.00	-	-	101.81	72.90	10.55	-	83.45	18.36
TOTAL	100.81	1.00	-	-	101.81	72.90	10.55	-	83.45	18.36
Previous year	80.57	20.24	-	-	100.81	56.04	16.86	-	72.90	27.91

Note no. 12 : NON CURRENT INVESTMENT

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Trade investments	-	-
Other investments		
(a) Investment in Equity Instruments:-		
Others :-		
Unquoted:-		
10,50,000 fully paid-up shares of ₹ 10/-each in Indofil Organic 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 ₹ 100/- each in Modi Garh Chemicals Pvt. Ltd.	1.00	1.00
20,000 Fully paid-up shares of ₹ 100/- each in Modi Santa Fe India Pvt. Ltd.	2.00	2.00
4,000 Fully paid-up shares of ₹ 100/- each in Bekaert Engg. (India) Pvt. Ltd.	0.40	0.40
17,350 Fully paid-up shares of ₹ 100/- each in Rajputana Fertilizers Ltd.	-	-
17,350 Fully paid-up shares of ₹ 100/- 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	375.24	412.83
(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 31.03.2013	As at 31.03.2012
Capital advances (unsecured)	1.90	1.90
Security Deposits:-		
- Secured, considered good	-	-
- Unsecured, considered good	-	-
- Related parties:		
- Weld Excel India Limited	42.04	43.00
- Others	140.93	154.28
- 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	371.22
- Doubtful	-	-
Other Loans and Advances:- (Unsecured, considered good)		
(a) Prepaid expenses	1.30	4.49
(b) Amount recoverable	11.46	11.46
(c) Loans to employees	0.53	1.64
(d) Loans to others	8.00	8.00
TOTAL	526.55	595.99

Note no. 14 : INVENTORIES

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
(a) Raw materials	417.50	456.76
(b) Raw materials (in transit)	38.70	98.17
(c) Work-in-progress	459.40	455.32
(d) Finished goods	6,459.73	6,181.99
(e) Stock-in-trade	1.78	1.81
(f) Stores and spare parts	1,077.25	1,073.45
(g) Loose tools	24.38	24.45
TOTAL	8,478.74	8,291.95

Note no. 15 : TRADE RECEIVABLES

(₹ in Lacs)

Particulars	As at 31.03.2013	As at 31.03.2012
Trade receivables outstanding for a period exceeding 6 months:-		
-Secured, considered good	5.69	4.85
-Unsecured, considered good	637.21	457.61
-Doubtful	563.97	511.00
Less:-		
Allowance for bad and doubtful debts	(563.97)	(511.00)
Other Debts:-		
-Secured, considered good	95.45	99.04
-Unsecured, considered good	4,953.28	5,268.43
-Doubtful	7.17	0.05
Less:-		
Allowance for bad and doubtful debts	(7.17)	(0.05)
TOTAL	5,691.63	5,829.93

Note no. 16 : CASH AND BANK BALANCES

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
(i) Cash and cash equivalents:-		
(a) Balances with banks:		
-In Current Accounts	401.84	573.81
-In FDR's	12.20	208.95
(b) Cheques, drafts on hand	81.07	82.96
(c) Cash on hand	21.76	13.20
(d) Others:-		
-Postage imprest & stamps in hand	0.04	0.08
TOTAL	516.91	879.00
(ii) Other bank balances:-		
(a) Earmarked balance with banks/post office:-		
-Saving account (molasses storage fund)	0.32	0.31
-Fixed deposits (molasses storage fund)*	83.96	83.30
(b) Fixed deposits with banks (Pledged with Excise/Sale Tax Authorities)	53.10	52.49
(c) Fixed deposits with banks (Pledged with tender)	49.34	47.08
(d) Fixed Deposits with Banks (Pledged against overdraft)	243.20	39.93
(e) Balance with banks held as margin money against guarantees	187.45	176.98
(f) Bank deposits with upto 12 months maturity	61.00	58.00
(g) Bank deposits with more than 12 months maturity	442.00	381.00
(h) Deposits with Allahabad bank in-no lien account {Note 27(18) (c) }	50.00	50.00
TOTAL	1,170.37	889.09

* 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

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
(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.	1.66	0.28
-Weld Excel India limited	5.29	11.19
-Modipon Limited	-	7.30
-Ashoka Mercantile Ltd.	4.53	0.40
-Managing Director	-	-
(iii) -Doubtful		
-Modi Senator Pvt. Ltd.	0.85	0.85
Less: Allowance for doubtful	(0.85)	(0.85)
(b) Others (unsecured considered good):-		
(i) Unutilized balances of CENVAT/ VAT	73.62	103.87
(ii) Tax deducted at source	-	1.00
(iii) Loans & Advances to employees	18.00	20.09
(iv) Prepaid expenses	100.83	82.18
(v) Amount recoverable	270.61	263.28
(vi) Deposits with excise / sales tax authorities	359.12	191.94
(vii) Others	183.18	223.28
(viii) Unreconciled Inter-unit balances { Note 27 (4) }	908.74	920.59
(c) Others (doubtful):-		
(i) Loans & Advances to employees	3.06	2.29
(ii) Amount recoverable	24.71	11.79
(iii) Others	112.84	139.44
Less: Allowance for doubtful	(140.61)	(153.52)
(d) Security Deposits:-		
-Secured considered good	-	-
-Unsecured considered good	-	-
-Related parties:		
-Ashoka Mercantile Ltd. {Foot Note 8 of Note 27 (41)}	1,100.00	1,245.00
-Modipon Limited	147.63	147.63
-Others	202.50	183.18
-Doubtful	7.95	9.55
Less: Allowance for doubtful	(7.95)	(9.55)
Total	3,377.07	3,402.57

Note no. 18 : OTHER CURRENT ASSETS

(₹ in Lac)

Particulars	As at 31.03.2013	As at 31.03.2012
Income Tax refund receivable	68.27	72.41
Interest accrued on fixed deposits with banks	47.95	47.36
Rent receivable:-		
-Unsecured, considered good	1.25	0.87
-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	139.21	142.38

Note No. 19 : REVENUE FROM OPERATIONS

Particulars	(₹ in Lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Sale of products	44,789.28	40,975.67
Sale of services	71.51	73.19
Dividend received (gross)	56.64	61.92
Other operating revenue	56.78	88.50
Sale of Export Entitlement	-	287.08
TOTAL	44,974.21	41,486.36

Note no. 20 : OTHER INCOME

Particulars	(₹ in Lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Interest income	119.20	108.23
Dividend received (gross)	36.75	31.50
Rental income	209.62	211.36
Profit on sale of fixed assets	28.95	3.82
Excess provision written back	36.43	30.19
Unclaimed Credit Balances W/Back	44.96	47.75
Amounts written back	11.45	5.63
Depreciation Written Back	10.62	0.09
Foreign Currency fluctuation gain (Net)	1.69	-
Other non-operating income	67.08	76.08
TOTAL	566.75	514.65

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

Particulars	(₹ in Lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
(A) Finished goods		
Opening stock	6,021.45	2,662.07
Less: Closing stock	6,180.47	6,021.45
Sub Total (A)	(159.02)	(3,359.38)
(B) Stock in trade		
Opening stock	1.81	3.65
Less: Closing stock	1.78	1.81
Sub Total (B)	0.03	1.84
(C) Goods in process		
Opening stock	455.32	406.61
Less: Closing stock	459.40	455.32
Sub Total (C)	(4.08)	(48.71)
(D) By Product		
Opening stock	160.54	192.88
Less: Closing stock	279.26	160.54
Sub Total (D)	(118.72)	32.34
Net (Increase) / Decrease in Stock (A+B+C+D)	(281.79)	(3,373.91)

Note no. 22 : EMPLOYEE BENEFITS EXPENSES

Particulars	(₹ in Lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Salary, wages, gratuity & other allowances	2,997.77	2,789.86
Contribution to provident and other funds	209.50	205.00
Staff welfare expenses	282.38	255.30
TOTAL	3,489.65	3,250.16

Note no. 23 : FINANCE COSTS

Particulars	(₹ in Lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
(a) Interest expenses:- {Note 27(4)(f)(i) & (ii), 27 (5) and 27(18)}		
(i) On borrowings	810.25	847.58
(ii) On statutory dues	24.56	17.61
(iii) On trade payable	357.18	105.51
(iv) On security	11.14	31.32
(v) On Finance Lease	27.50	33.68
(vi) On car loans taken by employees / corporate adviser	7.61	2.33
(vii) On others (specify nature)	5.53	0.91
(b) Other borrowing costs	-	-
(c) Net gain/loss on foreign currency transactions and translation	-	-
TOTAL	1,243.77	1,038.94

Note no. 24 : OTHER EXPENSES

Particulars	(₹ in Lac)	
	For the year ended 31.03.2013	For the year ended 31.03.2012
Consumption of stores & spare parts	365.97	414.42
Consumption of packing materials	1,797.45	1,814.63
Power & fuel	473.51	614.00
Repairs to machinery	828.91	921.82
Repairs to building	115.41	126.40
Lease rent	165.09	162.56
Rates & taxes	219.43	160.82
Excise duty on stock	(4.24)	273.18
Insurance	38.30	35.75
Auditor's remuneration (see foot-note below)	20.82	17.02
Loss on sale of fixed assets	1.95	0.72
Loss on sale of stores	2.38	6.41
Less: Adjustment of provision for obsolete stores	-	(1.50)
Donations	3.79	3.25
Bad debts written-off	23.47	2.41
Less : Adjustment of provision for doubtful debts	(18.83)	(2.03)
Claims / amounts written-off	56.40	8.64

Note no. 24 : (Contd.)

Particulars	(₹ in Lac)	
	Forth year ended 31.03.2013	For the year ended 31.03.2012
Less : Adjustment of provision for doubtful	(29.04)	(8.50)
Fixed assets written-off	0.22	0.08
Provision for obsolete spare-parts & stores	4.75	2.00
Provision for doubtful debts and advances	94.19	40.55
Freight/ transport & forwarding	609.91	752.39
Commission to selling agents	220.01	310.77
Discount & sale promotion	178.72	262.95
Advertisement expenses	387.28	401.02
Travelling expenses	383.52	375.22
Legal & professional charges	373.77	306.45
Trade mark licensce & marketing fees	-	168.73
Job work charges	53.93	80.31
Retainership Expenses	160.90	143.42
Other general expenses	622.63	645.56
TOTAL	7,150.60	8,039.45

Note**Auditor's remuneration:-**

(a) As auditor	7.30	6.18
(b) For taxation matter (Tax Audit fee)	4.82	2.54
(c) For company law matter	1.69	0.83
(d) For management services	0.90	0.63
(e) For other services including certification work	4.43	5.34
(f) For reimbursement of expenses	1.68	1.50
TOTAL	20.82	17.02

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	
	2013	2012
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, 2013

- (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. (Also refer Accounting Policy No. 2(i) above).
- (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	As at
	31.03.2013	31.03.2012
1. (a) Claims against the Company not acknowledged as debts :		
(i) Workmen (excluding unascertainable amounts)	231.22	168.22
(ii) Others	234.42	238.29
(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).	1273.53	1190.85
(d) Wealth Tax	12.46	1.81
(e) Bills discounted	648.20	1041.06
2. Estimated amount of contracts remaining to be executed on Capital Account ₹ 70.62 Lac (Previous Year ₹ 66.12 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 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 2012-13 and from 1993-94 to 2011-12 have been incorporated in current financial year and in various previous financial years respectively. As an interim measure ₹ 908.74 Lac (Previous year ₹ 919.59 Lac) which represents: (i) ₹ 1,355.65 Lac (Previous year ₹ 1,205.32 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, 2013, (ii) payment of unsecured loan of ₹ 45.00 Lac [Refer Note (c) below] and (iii) net loss of ₹ 401.91 Lac for the years 1993-94 to 2012-13 (before inter unit rental income, write-back of ₹ 278.95 Lac and provision for depreciation of ₹ 676.05 Lac) have been clubbed with Current Assets of the company as on 31 st March, 2013 and 31 st March, 2012 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, 2013.

- (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 ₹ 676.05 Lac being depreciation provided during 1993-94 to 2012-13 on fixed assets and (iii) decrease in Inter-Unit balance by ₹ 446.91 Lac which represents; the sum of net loss of ₹ 401.91 Lac for the years 1993-94 to 2012-13 (before inter-unit rental income, write-back of above amount of ₹ 278.95 Lac and provision for depreciation of ₹ 676.05 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, 2013 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 31.03.2012 and 31.03.2013 are as under:

(₹ in Lac)					
Liabilities	As on 31.3.2013	As on 31.3.2012	Assets	As on 31.3.2013	As on 31.3.2012
Secured Loans	3421.08	3421.08	Fixed Assets (Net)	450.04	456.72
Current Liabilities & Provisions	2838.28	2838.28	Investments	0.11	0.11
Accumulated Profits/(Losses) (net):	(799.01)	(631.15)	<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	11.07	11.07
2006-07 (18.94)			(to the extent not written off or adjusted)		
2007-08 (10.86)					
2008-09 (24.40)			Inter-unit Balances	1272.04	1433.22
2009-10 172.48					
2010-11 (152.17)					
2011-12 (141.82)					
2012-13 (167.86)			Loss for the year 1991-92	787.22	787.22
Total	5460.35	5628.21	Total	5460.35	5628.21

- (e) Statement of Profit and Loss of the Steel Unit for the year ended 31st March, 2013 and 31st March, 2012 (excluding inter-unit rental income of ₹ 46.12 Lac) (Previous year ₹ 46.73 Lac) is as under:

(₹ in Lac)			
Particulars	2012-13	2011-12	
INCOME :			
Rental Income	215.67	184.41	
	215.67	184.41	
EXPENDITURE :			
Employees Benefit Expenses	81.39	77.53	
Finance Cost	182.25	166.24	
Depreciation	6.68	6.85	
Legal and Professional Expenses	77.09	31.40	
Other Expenses	36.12	383.53	44.21
Loss for the year	167.86	141.82	

- (f) The Profit and Loss Account/Statement of Profit and Loss of Steel Unit for the years 1993-94 to 2012-13 are subject to the following notes on accounts:-

- (i) In view of non-availability of book balance of liabilities towards PNB, IDBI and IFCL 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, 2012;
- (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, 2013;
- (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 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. The said Appeal is now listed for hearing on 12th November, 2013.
- (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.

Shri. U.K. Modi 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. IDBI is yet to give its comments on the outcome of the meeting. Therefore the statement of Shri M K Modi that a DRS is pending consideration before the BIFR is incorrect.

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.

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 ₹ 61.19 Lac (upto previous year ₹ 60.03 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, 2013. 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.

Liability to be recognized in Balance Sheet	₹ in Lac	
	As at 31.03.2013	As at 31.3.2012
Present value of Obligations	1,264.53	1,140.93
Fair Value of Plan Assets	-	-
Net Liability	(1,264.53)	(1,140.93)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	1,140.93	1,094.72
Current Service Cost	73.61	59.80
Interest Cost	91.27	93.05
Actuarial Losses/(Gain)	70.42	(4.21)
Benefits paid	(111.70)	(102.43)
Obligations as at the end of the year	1,264.53	1,140.93
Expenditure to be recognized during the year		
Current Service Cost	73.61	59.80
Interest Cost	91.27	93.05
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains)Recognized during the year	70.42	(4.21)
Total expenditure included in "Employees' Emoluments"	235.30	148.64
Assumptions		
Discount Rate (per annum)	8.00%	8.50%
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	As at
	31.03.2013	31.3.2012
Present value of Obligations	133.55	132.50
Fair Value of Plan Assets	-	-
Net Liability	(133.55)	(132.50)
Reconciliation of Opening and Closing Balances of Obligation		
Obligation as at beginning of the year	132.50	135.15
Current Service Cost	14.59	14.10
Interest Cost	10.60	11.49
Actuarial Losses/(Gain)	15.37	11.24
Benefits paid	(39.51)	(39.48)
Obligations as at the end of the year	133.55	132.50
Expenditure to be recognized during the year		
Current Service Cost	14.59	14.10
Interest Cost	10.60	11.49
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) Recognized during the year	15.37	11.24
Total expenditure included in "Employees' Emoluments"	40.56	36.83
Assumptions		
Discount Rate (per annum)	8.00%	8.50%
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, 2013 and 31st March, 2012 includes the following items relating to the above activities of manufacture and sale of "Vodka and Whisky":

(₹ in Lac)		
Balance Sheet	As at	As at
Particulars	31st March, 2013	31st March 2012
Sundry Debtors	888.56	556.98
Bank Balances	72.40	25.99
Security Deposits	62.37	48.80
Closing Stock	606.97	428.47
Advance Recoverable	74.83	51.37
Total Current Assets	1,705.13	1,111.61
Less: Current Liabilities	223.46	244.15
Credit Balance of MISIP	1422.34	840.80
Net Current Assets	59.33	26.66
Recognized as net profit for the year	59.33	26.66
Instead of manufacturing margin	59.33	26.66
IMPACT OF NET PROFIT	NIL	NIL

Statement of Profit & Loss		(₹ in Lac)	
Particulars	2012-13	2011-12	
Turnover (Net of discount)	1312.21	853.59	
Other Income	3.86	0.37	853.96
Excise duty paid	250.06	157.61	
Cost of materials consumed	164.07	57.16	
Change in Inventories	(76.94)	(54.30)	
Employees Benefits Expenses	183.47	29.35	
Finance Costs	1.35	0.36	
Other Expenses	734.73	637.12	
Total Expenses	1256.74	827.30	
Net Profit for the year	59.33	26.66	
Recognized as net profit for the year			
Instead of manufacturing margin	59.33	26.66	
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 ₹ 23525.47 Lac upto 31st March, 2013 (for the year ₹ 3617.51 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 ₹ 1294.50 Lac upto 31st March, 2013 and the unit holds total interest provision of ₹ 732.41 Lac as on 31st March, 2013 resulting in the short provision of ₹ 562.09 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 ₹ 227.00 Lac against which an upfront payment of ₹ 50.00 Lac has already been made under 'No Lien Account' and included under 'Cash and 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 ₹ 2336.73 Lac (for the year ₹ 332.84 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 ₹ 243.58 Lac (for the year ₹ 41.65 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 ₹ 288.78 Lac upto 31st March, 2013 (for the year ₹ 12.66 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 ₹ 281.20 Lac in the past (net of payments) has been retained in the books of account as on 31st March, 2013.
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. (a) **Finance Lease**

Fixed Assets of Modi Sugar Mills (MSM) as on 31st March, 2013 includes Turbine acquired under finance lease. Details are as under:

Particulars	Turbine		Present Value
	(₹ in Lac)		
Lease Period	5 yrs		
Lease Amount	398.55		
Interest Amount	170.88		
Total Lease Rent Payable	569.43		
Payable as on 31st March, 2013	122.59		113.25
Payable during 2013-14 to not later than 5 years	122.59		113.25
Option of purchase at the end of Lease	Yes		

(b) **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	Year ended	
	(₹ in Lac)	
	31.03.2013	31.03.2012
Not later than one year	90.98	107.88
Later than one year but not later than five years	114.66	41.13
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 from Weld Excel India Ltd. (WEIL), a related party. The company has option for further renewal of lease for two years at the expiry of lease period.
- (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 three years as non cancelable period at monthly rent of ₹ 4.15 Lac (previous year ₹ 4.37 Lac) plus maintenance and car parking charges to WEIL. The Sub lease agreement has now been extended for another 3 years at monthly rent of ₹ 4.78 Lac (our share) w.e.f. 1st April, 2013.

- (iii) Electrodes Unit of the company has taken office cum Guest house premises in Chatarpur and Aman, New Delhi on operating lease basis and having sharing arrangement with WEIL in case of Aman and with WEIL and Shri Mahendra Kumar Modi, Managing Director in case of Chatarpur Guest House w.e.f. 1st November, 2011 (for a period of two years) and 15th September, 2010 (Renewed for 2 years w.e.f. 1st January, 2012) respectively at monthly rent of ₹ 1.25 Lac (our share) and per day rent of ₹ 0.08 Lac (our share) plus Taxes respectively.
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 ₹ 3,098.43 Lac (Previous year ₹ 3,883.70 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 ₹ 2,722.12 Lac (Previous year ₹ 3,304.56 Lac) being bills discounted from individual persons/HUF/Firms. Balance outstanding of bills discounted as on 31st March, 2013 amounts to ₹ 499.61 Lac (Previous Year ₹ 892.47 Lac) (which were paid fully subsequently by the drawees) and has been shown in Note 27{1(e)} 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, 2013, 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 ₹ 133.80 Lac as on 31st March, 2013 (Previous Year ₹ 68.00 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 ₹ 3704.99 Lac as on 31st March, 2013 (Previous year ₹ 2844.92 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 ₹ 482.63 Lac as on 31st March, 2013 (Previous year ₹ 531.27 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:

Particulars	(₹ in Lac)	
	As at 31st March, 2013	As at 31st March 2012
(a) Deferred Tax Assets :		
(i) Disallowances under the Income Tax Act.	1445.48	1377.22
(ii) Provision for Doubtful Debts	174.27	157.90
(iii) Unabsorbed Depreciation	379.87	263.52
(iv) Unabsorbed Loss	1705.37	1046.28
Total	3704.99	2844.92
(b) Deferred Tax Liabilities:		
Related to Fixed Assets	482.63	531.27
(c) Deferred Tax Assets (Net) (a-b)	3222.36	2313.65

33. Till 31st March, 2013, 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 18428.46 Sq. Mtrs (Previous year 18428.46 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 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. Further proceedings are pending.
- (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
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
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.
41. **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
 Morgardshammar India Limited
 Modi Mundipharma Pvt. Limited
 Win-Medicare Pvt. Limited
 Modi Motors Private Limited
 Modi Line Travel Services Pvt. Ltd.
 Modi Revlon Private Limited
 H.M. Tubes & Containers Pvt. Ltd.
 Modi Senator (I) Pvt. Limited
 Jayesh Tradex Pvt. Limited
 A to Z Holding Pvt. Limited
 Ashoka Mercantile Limited
 Weld Excel India Limited

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 theaters in different states, Banners, Wall Painting, Hoarding, News Bulletin, Calendars etc.

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

2010-11	₹ 37.29 Lac
2011-12	₹ 391.77 Lac
2012-13	₹ 381.34 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 previous year free of cost to the company (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

04 **Disclosure of transactions between the Company and related parties and the status of outstanding balances as at 31st March, 2013:**

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

(₹ in Lac)

	Year	
	2011-13	2010-12
Sale of Goods		
SBEC Sugar Limited	4112.42	4870.72
Weld Excel India Limited	96.64	202.07
	4209.06	5072.79
Sale of Assets		
Bihar Sponge Iron Limited	-	3.01
Purchase of Goods/Raw Materials		
Weld Excel India Limited	32.45	202.55
SBEC Sugar Limited	4.18	52.93
Jayesh Tradex Pvt. Limited	181.60	52.49
Others	15.44	15.04
	233.67	323.01
Purchase of Assets	-	2.00
Rental Income		
Win Medicare Private Limited	74.72	81.64
Weld Excel India Limited	4.62	4.62
Modi Motors Pvt. Ltd.	13.48	15.73
Modi Mundipharma Pvt. Ltd.	10.40	11.66
Shri Mahandra Kumar Modi	4.50	7.52
Others	5.29	6.84
	113.01	128.01
Payment of Lease Rent		
Weld Excel India Limited (Foot Note No. 6 and 7)	23.84	14.42
Expenses reimbursed		
Weld Excel India Limited (Foot Note No. 2)	67.61	75.57
Modipon Limited	22.80	0.03
Others	1.87	0.35
	92.28	75.95
Job Work Charges Paid		
Weld Excel India Limited	18.41	54.35
Expenses realized		
Weld Excel India Limited (Foot Note No. 3)	52.21	38.87
SBEC Sugar Limited	2.81	1.18
Modipon Ltd.	-	0.38
Win Medicare Pvt. Ltd.	1.84	3.45
Ashoka Mercantile Ltd.	4.53	0.42
Others	1.13	1.20
	62.52	45.50
Job Charges received		
Weld Excel India Limited	11.71	34.14
Royalty Fee received		
Weld Excel India Limited	8.50	19.77
Commission paid for sale promotion		
Ashoka Mercantile Ltd.	22.42	22.34
Receiving of Services		
Modi LIne Travel Service Pvt. Ltd.	17.82	2.79
Security deposits given/(refund received)		
Modipon Limited	-	1.43
Ashoka Mercantile Ltd. (Foot Note No. 8)	(145.00)	1245.00
Weld Excel India Limited	(0.96)	4.00
	(145.96)	1250.43
Loans and Advances taken/(repaid)		
Weld Excel India Limited (Foot Note No4)	(350.00)	350.00

(₹ in Lac)

	Year	
	2012-13	2011-12
(B) Balances outstanding at the year end:		
Amount recoverable		
Good	18.15	27.36
Doubtful	3.78	3.78
Loans and advance recoverable		
Weld Excel India Limited (Foot Note No. 5)	320.39	372.67
Security deposit to Weld Excel India Limited		
Against Cylinders (Foot Note No. 6)	38.04	39.00
Against Oxygen Filling Plant (Foot Note No. 7)	4.00	4.00
Security deposit recoverable for quarters		
Ashoka Mercantile Limited (Foot Note No. 8)	1100.00	1245.00
Modipon Limited	147.63	147.63
Sundry Debtors		
SBEC Sugar Limited	265.17	1888.77
Weld Excel India Limited	27.83	67.71
Amount payable	10.43	10.68
Unsecured Loan taken Outstanding		
Weld Excel India Limited (Foot Note No 4)	-	350.00
A to Z Holding Pvt. Ltd.	24.88	24.88
(C) Disclosure of transaction with subsidiaries :		
Dividend Income		
Own Investment (India) Ltd.	21.78	24.42
Your Investment (India) Ltd.	21.45	24.67
(D) Payment to the Key Management Personnel:		

(₹ in Lac)

	Year	
	2012-13	2011-12
i) Managerial Remuneration		
Shri Mahendra Kumar Modi	18.00	18.00
ii) Amount payable to Managing Director		
Shri Mahendra Kumar Modi	0.46	0.62
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 (Previous year ₹ 4.37 Lac) plus maintenance and car parking to WEIL. The Sub Lease agreement has now been extended for another three years at monthly rent of ₹ 4.78 Lac (our share) 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 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 15th September, 2010 (Renewed for two years with effect from 1st January, 2012) respectively at monthly rent of ₹ 1.25 Lac (our share) and per day rent of ₹ 0.08 Lac (our share) plus taxes respectively.
- Loan taken on 31st March, 2012 and repaid fully on 3rd April, 2012.
- Pursuant to an agreement for commitment to supply electrodes, an unsecured interest free advance of ₹ 500.00 Lac was given during 2009-10 which is being adjusted from supply of goods @ 20% of invoice value. Accordingly, ₹ 0.83 Lac

(Previous year ₹ 28.36 Lac) was recovered/adjusted against above advance and amount refunded by Weld Excel India Limited ₹ 50.00 Lac during March, 2013.

6. 1902 Cylinders (Previous year 1960 cylinders) taken on operating lease at monthly rent of ₹ 45.00 per cylinder.
7. Oxygen Filling Plant taken on operating lease for 2 years (non-cancelable) at monthly rent of ₹ 1.00 Lac per month for a period of two years with an option to renew for another two years.
8. Security deposits (unsecured interest free) amounting to ₹ 1100.00 Lac given during May, 2011 against temporary possession of 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)						
	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)	(227.40)	14.25	(2207.24)
Add: .							
i) Profit of Steel Unit #							60.51
ii) Interest Income							68.28
							(2078.45)
Less:							
Interest Expenses							810.25
Unallocable Expenses (Net)**							586.53
Profit before Tax							(3475.23)
Less: Provision for Tax							0.28
Fringe Benefit Tax							-
Profit 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							751.58
FD with Banks & Interest Accrued	102.04	1.46	51.28	6.24	331.25	23.39	515.66
Other unallocable assets**							5152.33
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.

(iv) Segmentwise information (Primary Segments) for the previous year:

(₹ in Lac)

Particulars	Sugar	Gas	Distillery	Paint	Electrode	Investment operations	Total
REVENUE :							
Total External Sales/Services	15946.42	654.03	2582.33	2461.80	8595.55	61.92	30302.05
Inter Segment Sales	412.00	3.41	-	7.04	0.22	-	422.67
Total Sales	16358.42	657.44	2582.33	2468.84	8595.77	61.92	30724.72
Less: Inter Segment Sales	412.00	3.41	-	7.04	0.22	-	422.67
Total Sales	15946.42	654.03	2582.33	2461.80	8595.55	61.92	30302.05
							30302.05
RESULT :							
Segment Result	(2136.85)	100.65	(18.20)	(127.02)	105.91	13.69	(2061.82)
Add: :							
i) Profit of Steel Unit #							71.15
ii) Interest Income							52.53
iii) Exceptional Items \$							(847.77)
							(2785.91)
Less:							
Interest Expenses							847.58
Unallocable Expenses (Net)**							628.92
Profit before Tax							(4262.41)
Less: Provision for Tax							0.27
Fringe Benefit Tax							-
Profit after Tax							(4262.68)

Including inter-unit rental income of ₹ 46.73 Lac.

\$ Refer Note No. 27(46).

** 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	10720.30	242.66	2416.69	812.23	4295.81	8.09	18495.78
Steel Unit*							3408.62
Investments							751.58
FD with Banks & Interest Accrued	99.60	2.14	44.57	5.79	289.72	14.08	455.90
Other unallocable assets**							5340.34
Total Assets							#28452.22
Segment Liabilities	11759.69	178.44	1469.71	538.59	1824.63	0.42	15771.48
Steel Unit*							2778.14
Other unallocable liabilities**							2655.58
Total Liabilities							21205.20
Secured/Unsecured Loan/DPG (Including interest accrued)							15271.97
<u>Capital Expenditure :</u> (Including Under Erection and acquired under finance lease)							
on Segment Assets	41.01	2.37	83.12	9.39	124.16	-	260.05
Depreciation	349.08	12.36	49.42	23.14	175.56	-	609.56

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 ₹ 920.59 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. The Company has disputed the price of levy sugar fixed during the year 1970-71 to 1974-75 and recovered amount of ₹37.73 Lac in excess of control price which was paid subsequently in pursuance of Supreme Court Order dated 22nd September, 1993. However, the Company obtained Stay Order from Hon'ble Allahabad High Court against demand of interest made by the Food Corporation of India, which is still continuing.
- During the previous year, the Food Corporation of India has adjusted a sum of ₹124.28 Lac towards interest dues from the differential amount recoverable by Sugar Unit of the Company on account of price increase in levy sugar supplied for season 2009-10. The above adjustment has been done without prejudice to the right and contention of the company.
- In view of the above, interest on excess realizations for the year 1970-71 to 1974-75 amounting to ₹124.28 Lac, as adjusted by the FCI, will be accounted for as expenses in the year of disposal of the above writ petition.
46. Exceptional item in Statement of Profit and Loss for the year ended 31st March, 2012 represents the differential liability paid amounting to ₹ 847.77 Lac towards Sugarcane price for the sugar season 2007-08 as per order dated 17th January, 2012 of Hon'ble Supreme Court of India.
47. Additional information as required by Revised Schedule VI of Companies Act, 1956 :-

(i) **Prior period items:**

(₹ in Lacs)

Sl.No.	Particulars	2012-13	2011-12
(A)	Income		
(i)	Revenue from operation	(19.88)	(2.34)
(ii)	Other Income	13.38	0.14
(iii)	Reversal of finance costs	-	2.05
(iv)	Reversal of other expenses	0.11	0.40
	Total	(6.39)	0.25

Sl.No.	Particulars	2012-13	2011-12
(B)	Expenditure		
(i)	Finance costs	6.61	1.09
(ii)	Employee benefits expenses	6.90	1.94
(iii)	Reversal of other income	0.11	-
(iv)	Other expenses	49.78	28.21
	Total	63.40	31.24

(ii) Cost of raw materials consumed:

(₹ in Lac)

Sl.No.	Particulars	2012-13	2011-12
(a)	Sugar cane	20,451.19	17,959.05
(b)	Molasses	7.70	7.54
(c)	Extra neutral alcohol (ENA)	71.57	43.35
(d)	Vatted Malt Scotch Whisky	82.01	7.66
(e)	Oils	66.78	80.82
(f)	Chemical	2,167.76	3,043.92
(g)	Wire	2,079.93	3,465.36
(h)	Carbide	192.94	199.44
(i)	Carbondioxide (CO ₂)	30.25	52.96
(j)	Argon Gas	35.07	38.75
(k)	Oxygen Gas	25.84	3.12
(l)	Others	17.89	14.88
	Total	25,228.93	24,916.85

(iii) Manufactured goods:

(₹ in Lac)

Sl.No.	Particulars	Sales @		Opening Inventory		Closing Inventory	
		For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2012
(a)	Sugar	21,237.47	15,744.67	4,151.93	1,014.71	4,265.87	4,151.93
(b)	Molasses (By product)	739.55	502.18	124.07	157.03	256.13	124.07
(c)	Bagasse (By product)	693.68	452.00	27.50	35.85	16.48	27.50
(d)	Spirit	41.51	7.39	57.13	6.59	2.64	57.13
(e)	Extra neutral alcohol (ENA)	32.00	-	26.18	7.62	19.11	26.18
(f)	Indian made foreign liquor (IMFL)	1,312.20	704.39	99.07	9.89	164.77	99.07
(g)	Country liquor	10,839.15	10,163.80	162.03	30.49	116.38	162.03
(h)	Bio-organic manure	29.84	19.47	-	9.72	6.65	-
(i)	Special denatured spirit	570.92	552.78	-	-	-	-
(j)	Paints & varnish	1,825.00	2,720.79	72.11	168.79	138.42	72.11
(k)	Disolved Acetylene	322.87	317.70	5.91	3.42	4.61	5.91
(l)	Carbon di oxide	55.65	101.95	0.61	0.38	0.27	0.61
(m)	Argon	67.55	84.53	0.74	-	1.10	0.74
(n)	Oxygen	51.38	4.18	0.65	-	0.28	0.65
(o)	Welding Electrodes	6,754.71	9,239.53	549.35	514.72	571.28	549.35
(p)	Flux	63.93	154.59	-	-	-	-
(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*	-	-	54.81	54.81	54.81	54.81
(u)	Others	-	-	8.97	-	-	8.97
	TOTAL	44,637.41	40,769.95	6,181.99	2,854.95	6,459.73	6,181.99

* 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 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Satina Uni. Stainer	0.34	18.96	-	10.14	0.47	1.70	0.15	0.47
Glowlite putty	0.64	1.94	0.33	0.94	0.27	0.23	0.31	0.27
Oxygen Gas	36.61	90.16	20.47	53.25	0.02	0.09	0.01	0.02
Nitrogen Gas	19.36	23.07	10.86	11.17	0.19	0.17	0.27	0.19
Hydrogen Gas	41.02	37.46	27.25	23.34	0.71	0.63	0.98	0.71
N2H2 Mixure	10.58	9.55	2.95	2.84	0.06	0.03	0.03	0.06
Carbon di oxide Gas	14.50	21.53	7.59	10.79	0.06	0.03	0.01	0.06
Argon Gas	26.99	1.41	11.50	0.02	-	0.72	-	-
Zero Air Gas	1.83	1.64	0.60	0.58	0.03	0.05	0.02	0.03
	151.87	205.72	81.55	113.07	1.81	3.65	1.78	1.81

(v) **Services rendered:-**

(₹ in Lac)

SI. No.	Particulars	For the year ended	For the year ended
		31 March 13	31 March 12
(a)	Product Development Chagres	8.29	-
(b)	Conditioning Charges of cylinders	10.91	9.57
(c)	Job Work Charges	52.31	63.62
	TOTAL	71.51	73.19

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

(₹ in Lac)

S.I.No.	Particulars	Opening Inventory		Closing Inventory	
		For the year ended	For the year ended	For the year ended	For the year ended
		31 March 13	31 March 12	31 March 13	31 March 12
(a)	Sugar	168.88	124.98	250.43	168.88
(b)	Indian made foreign liquor (IMFL)	4.37	2.17	15.61	4.37
(c)	Country liquor	4.78	5.66	3.77	4.78
(d)	Paints & varnish	30.11	57.90	33.21	30.11
(e)	Welding Electrodes	174.87	143.58	106.08	174.87
(f)	Flux	31.99	32.00	9.98	31.99
(g)	Steel	40.32	40.32	40.32	40.32
	TOTAL	455.32	406.61	459.40	455.32

(vii) **Other Information :-**

(₹ in Lac)

SI.No.	Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
(A)	Value of imports on CIF basis :		
(i)	Raw materials (cost of material acquired)	77.56	197.82
(ii)	Components & space parts	0.37	0.61
(iii)	Capital goods (moulds)	-	19.66
(B)	Expenditure in foreign currency :		
(i)	Travelling	6.17	10.13
(ii)	Stores purchased	61.80	123.57
(iii)	Other matters	-	1.86

SI.No.	Particulars	For the year ended 31 March 13		For the year ended 31 March 12	
		(₹ in Lac)	%age	(₹ in Lac)	%age
(C)	Value of imported/indigenous :				
(a)	Raw materials consumed :				
(i)	Imported	107.79	0.43	179.24	0.72
(ii)	Indigenous	25,121.14	99.57	24,737.61	99.28
	Total	25,228.93	100.00	24,916.85	100.00
(b)	Spare parts and components consumed :				
(i)	Imported	0.37	0.10	0.69	0.18
(ii)	Indigenous	352.71	99.90	387.77	99.82
	Total	353.08	100.00	388.46	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:

Particulars	(₹ in Lac)	
	2012-13	2011-12
Loss for the year as per annual accounts	3475.59	4262.74
Add: Dividend on Preference Shares	6.11	6.11
Total (A)	3481.70	4268.85
Number of Equity Shares issued (B)	33,09,214	33,09,214
Earning per share (in ₹) (A)/(B)	(105.21)	(129.00)
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

Ramesh Kumar
Dy. Company Secretary

Mahendra Kumar Modi
Umesh Kumar Modi
Managing Directors

Krishan Kumar Modi
Rakesh Kumar Modi
Manish Modi
Abhishek Modi
Santosh Kumar Aggarwal
Directors

Date : 28th September, 2013
New Delhi



FORM OF PROXY
MODI INDUSTRIES LIMITED
REGD. OFFICE: MODINAGAR 201204 (U.P.)

I/We of
in the district of being a Member(s)
of **MODI INDUSTRIES LIMITED** hereby appoint
of in the district of
or failing him/her.....
of in the district of
as my/our proxy to attend and vote for me/us and on my/our behalf at the 79th Annual General Meeting of the Company
to be held on Wednesday, the 13th November, 2013, at 12.30 P.M. and at any adjournment thereof.

Signed atthisday of October/November, 2013

Signature

Ledger Folio No.

No. of Equity shares held

NOTE :

(i) The Proxy need not be a member.

(ii) The Proxy duly signed across ₹ 1.00 revenue stamp should reach at the Registered Office of the Company not less than 48
hours before the time fixed for the meeting.

Affix a
1.00 Rupee
Revenue
Stamp

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

MODI INDUSTRIES LIMITED
Regd. Office: Modinagar 201204 (U.P.)
ATTENDANCE SLIP

I hereby record my presnce at the 79th Annual General Meeting held at Modi Industries Transit House (Modi Industries Complex),
Modinagar 201204, Dist. Ghaziabad (U.P.) on Wednesday, the 13th, November, 2013, 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.**





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