



MORGAN INDUSTRIES LIMITED

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 21st Annual General Meeting of Morgan Industries Limited will be held on Friday, the 31st December 2010 at 12.00 Noon at the Registered Office of the Company at C-2, SIPCOT Industrial Complex, Cuddalore – 607 005, to transact the following business:

ORDINARY BUSINESS:

1. To consider, approve and adopt the Balance Sheet as at 31st March 2010, the Profit and Loss account for the year ended on that date, the notes thereon and schedules thereto and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. V.Balasubramanian, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. V.Rajamani, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration. The retiring auditors M/s.R.Subramanian And Company, Chartered Accountants, Chennai, are eligible for re-appointment.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modifications, the following resolutions as an ordinary resolution:-

RESOLVED THAT pursuant to Sections 198, 269 and 309 of the Companies Act 1956 read with Schedule XIII to the said Act, consent be and is hereby accorded to the re-appointment of Shri. Ashok Balasubramanian as Managing Director of the company for a period of five years from 1st April 2011 to 31st March 2016 on the following terms of remuneration:

1. Basic Salary: Rs.50,000/- per month in the grade of Rs.50,000 -5,000 - 75,000
2. Commission: 1% (one percent) of the Net Profit of the Company computed in the manner laid down in Sec.309(5) of the Companies Act, 1956.

PART – A

- a) Housing:
60% of the basic salary as house rent allowance.
- b) The expenditure by the Company on gas, electricity, water and furnishing shall be at actuals.
- c) Medical Reimbursement:
Actual expenditure incurred for self and family.
- d) Leave Travel Allowance:
For self and family once in a year incurred in accordance with any rules specified by the Company.
- e) Personal Accident Insurance:
Premium for Accident Insurance not to exceed Rs.4,000/- per annum. Premium for hospitalization policy for self and family as per Actual Bills subject to maximum sum insured of Rs.2,00,000/- per person.
- f) Bonus @ 8.33% of Basic salary.
- g) Club fees – Annual membership fee of two clubs. However, entrance fee and/or life subscription not to be borne by the Company.
- h) Soft furnishing – Actuals.
- i) Hospitalization Policy - For self & family.



PART – B

- a. Contribution to the Provident Fund, Superannuation fund or annuity fund as may be applicable will not be included in the computation of the ceiling on perquisites to the extent whether singly or put together are not taxable under the Income Tax Act, 1961.
- b. Gratuity not exceeding half a month's salary for each completed year of service as per Gratuity Act, or such other sum as may be notified by the Government in this regard from time to time.

PART – C

- a) Conveyance and Telephone:
Provision of car with Driver for use on Company's business and telephone at the residence will not be considered as perquisites. Personal long distance calls and use of car for private business shall be billed by the Company to Managing Director's account.



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- b) Earned / Privilege Leave:
On full pay and allowances, as per the Company's rules.
- c) Reimbursement of Entertainment Expenses:
The Managing Director shall be entitled for reimbursement of reasonable entertainment expenditure actually and properly incurred in the course of the legitimate business of the Company. In the event of inadequate profit or loss in any financial year, the Managing Director shall be paid the above remuneration (except commission) as the minimum remuneration subject to a ceiling of the actual cost to the Company of Rs.15,00,000/- per annum or Rs.1,25,000/- per month.

By Order of the Board

Chennai
08.12.2010

Ashok Balasubramanian
Managing Director

NOTES:

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
- 2) Proxy forms duly filled, stamped and signed should be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from 18.12.2010 to 31.12.2010 (both days inclusive).
- 4) Members attending the meeting are requested to bring their copy of the Annual Report as extra copies will not be supplied.
- 5) Only Members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting.
- 6) Members are advised to send all correspondences and documents pertaining to share transfers, etc. only to the Share Department at F-128-B/1, (1st Floor), Mohammadpur, Near MCD Park, New Delhi - 110 066.

- 7) Members seeking further information on the accounts or any other matter contained in the Notice are requested to write to the Corporate Office of the Company atleast seven days before the meeting so that relevant information can be kept ready at the meeting.
- 8) The management is confident of shareholders' co-operation for the smooth conduct of the meeting.
- 9) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING ABOUT THE DIRECTOR TO BE REAPPOINTED VIDE ITEM NO.5 TO THE NOTICE DATED 8TH DECEMBER, 2010.

Name of the Director	Shri.Ashok Balasubramanian
Date of birth	24.12.1966
Date of appointment on the Board of Directors	01.07.1992
Date of last appointment as Director	29.09.2007
Expertise in functional area	Project implementation
Qualification	B.E.
Number of Equity Shares held in the Company by the Director or for other persons on a beneficial basis.	655710
List of outside Directorships held in public companies	
Chairman/Member of the Committee of Board of Directors of other companies in which he is a Director	
Relationship with other Directors	Son of Shri.V.Balasubramanian, Chairman



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EXPLANATORY STATEMENT PURSUANT TO SEC. 173(2) OF THE COMPANIES ACT, 1956.

Item No.5

Shri. Ashok Balasubramanian was appointed at the Annual General meeting as Managing Director of the Company for a period of 5 years from 1st April, 2006 to 31st March, 2011. A resolution is being proposed at the forthcoming Annual General meeting for reappointing Shri. Ashok Balasubramanian as Managing Director of the Company for a further period of 5 years from 1st April, 2011 to 31st March, 2016.

Shri. Ashok Balasubramanian and Shri. V.Balasubramanian, Chairman, are interested in the passing of this resolution.

By Order of the Board

Chennai
08.12.2010

Ashok Balasubramanian
Managing Director

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 21st Annual Report and the Audited Statement of Accounts for the year ended 31st March 2010.

IN RETROSPECT

The Company achieved a turnover of Rs.3891.88 lakhs during the year ended 31st March 2010 as against Rs.6463.09 lakhs in the year ended 31st March 2009 and incurred a net loss of Rs.197.62 lakhs as against a profit after tax of Rs.2.77 lakhs in the previous year. After adjusting the deferred tax liability of Rs.35.81 lakhs as against Rs.139.75 lakhs in 2008-09, the net loss amounts to Rs.233.43 lakhs as against a loss of Rs.136.98 lakhs in the previous year.

The Company continued to respond to the demand of various end users by timely supplies. The cost cutting measures continued to be vigorously pursued in 2009-2010.

PERFORMANCE OF THE COMPANY

The Company's performance during the year 2009-2010 is summarized below:

	Rs. In lakhs	
	2009 - 10 12 months	2008 - 09 12 months
Gross Turnover	3892	6463
Cash Accruals	(77)	137
Profit/(Loss) Before Tax	(198)	19
Profit After Tax	(198)	2
P&L a/c balance c/f	(203)	30

DIVIDEND

Your Directors do not propose any dividend including on cumulative preference shares in order to meet the working capital requirements.

RESEARCH & DEVELOPMENT

The Company has successfully developed all weather vinyl tape for different temperatures for application in automobile and telecom industries in extreme conditions. Weather surface protective adhesive films for out door application and aisle marking tapes have been well received by the market.

ENVIRONMENT, SAFETY AND ENERGY CONSERVATION.

The Company continued its focus on safety and environment protection. The Company has adequate safety measures and that there has been no accident bears testimony to the strict and vigorous implementation of various safety measures.

DIRECTORS' RESPONSIBILITY STATEMENT.

The Directors affirm and declare:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- that they 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 and of the profit of the Company for that period.

- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that they have prepared the annual accounts on a going concern basis.

TRADE RELATIONS

The Board places on record its appreciation of the support and co-operation of the Suppliers / Processors / C&F Agents, redistribution stockists, retailers and all others associated with your Company. They are its partners in its progress and your Company shares with them the rewards of growth.

PERSONNEL

The industrial relations have continued to be cordial.

EMPLOYEES

There has been no employee, employed in the Company during the year 2009-2010, requiring disclosure u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DEPOSITS

The Company has not accepted any deposit from the public during the year.

CORPORATE GOVERNANCE

Your company has complied as far as feasible, with the requirements regarding Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, where the Company's shares are listed. A Report on the Corporate Governance in this regard is made as a part of this Annual Report and a Certificate from the Auditors of your Company regarding compliance of the conditions of the Corporate Governance is attached to this report. A report on the Management Discussion and Analysis is attached as a part of the report of the Board.

DIRECTORS

- I. Shri.V.Venkataraman, Executive Director, resigned from the Board on 31st March 2010. The Board places on record its appreciation of the guidance and help received from him during his tenure as a Director of the Company.
- IA. The term of Shri. Ashok Balasubramanian as Managing Director is due to end on 31st March 2011. A resolution to have him reappointed as Managing Director for a further period of 5 years from 1st April 2011 to 31st March 2016 is being proposed at the forthcoming annual general meeting.

AUDITORS' REPORT

With reference to paragraph No.6 of the Auditors' Report, it is clarified that

- 1. efforts are continuing to obtain the confirmation of balances from Creditors / Debtors / Unsecured Loans / Loans and advances and requests have been sent to all these parties. However, the response from many of them has not been encouraging.

AUDITORS

M/s R. Subramanian And Company, retire and offer themselves for re-appointment.

APPRECIATION

Your Directors take this opportunity to thank all employees for their loyalty and commitment.

ACKNOWLEDGEMENTS

Your Directors thank the Bankers for the excellent support rendered to the Company. The Directors wish to place on record their sincere and grateful thanks to Government of India and Governments of Tamilnadu and Puducherry for the co-operation extended to the Company.

STATUTORY PARTICULARS

Conservation of Energy:

Your Company is consistently monitoring energy use and taking necessary measures for conservation.



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Foreign Exchange

Earnings & Outgo	(Rs.in Lakhs)	
	2009-10 12 months	2008-09 12 months
Earnings	1.95	6.98
Outgo:		
1. Import of Rawmaterials	—	—
2. Foreign Trave	—	—
Total Outgo	—	—

For and on behalf of the Board

Chennai
08.12.2010

V. Balasubramanian
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT
REPORT ON CORPORATE GOVERNANCE
COMPANY'S PHILOSOPHY ON THE CODE OF
CORPORATE GOVERNANCE**

The Board of Directors supports the broad principles of corporate governance as contained in Clause 49 of the Listing Agreement of the Stock Exchanges. In addition to the basic governance issues, the Board lays strong emphasis on conducting business in accordance with the highest applicable legal and ethical standards, the highest product quality and services to the consumers. The Company believes that all its actions must serving underlining goal of creating shareholders value and that for the benefit of its customers and associates over a sustained period of time.

Code of Conduct

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (as amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" (Code) and authorized the Audit Committee to implement and monitor the various requirements as set out in the Code.

BOARD OF DIRECTORS

A. Composition

The existing Board of Directors consists of a Managing Director, and 4 non Whole time Directors. 2 Directors represent the Promoter group and 3 independent Directors bring in their wide knowledge and experience to the Board. The chairman's position is non-executive and non- managerial in character. The management of the affairs of the company is vested in Shri. Ashok Balasubramanian, Managing Director, subject to the supervision, control and direction of the Board. Shri. Ashok Balasubramanian heads the management team, holds operational responsibility for the day to day activities of the Company and has been entrusted with ensuring that all management functions are carried out professionally and is accountable to the Board for actions and results.

B. Attendance at Board and Annual

General Meetings:

The Board met 5 times during the year on 25/4/09, 25/7/09, 02/9/09, 31/10/09 and 23/01/10. The composition of the Board of Directors and their attendance at the Meetings held during the period and at the last Annual General Meeting held on 30th September 2009 are as follows:

Name of Directors	No. of Meetings Attended	Atten dance Last AGM
Shri V Balasubramanian	-	No
ShriAshok Balasubramanian	5	Yes
Shri V Venkataraman *	5	Yes
Shri V Rajamani	5	Yes
Shri Ashok Mehta	-	No
Shri Nirmalendu Biswas	-	No

* resigned from the Board on 31.03.2010.



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RESPONSIBILITIES

The Board has a formal schedule of matters reserved for its consideration and decision, which include reviewing corporate performance, ensuring adequate availability of financial resources and reporting to shareholders.

C. Board Material

Agenda and notes on Agenda are circulated to the Directors in advance in a defined format. All material information is incorporated in the agenda papers for helping meaningful and focused discussion at the meetings. In exceptional circumstances, additional or supplementary items on the agenda are permitted.

D. Post meeting follow up

The Company has evolved the system for Board and Committee meetings whereby an effective post meeting follow up to facilitate review and reporting process for which decisions are taken by the Board and Committee thereof is incorporated. Action taken on the decisions of the previous meeting is reviewed at the succeeding meeting of the Board or the Committee.

BOARD COMMITTEES

1. Audit Committee

To enable better and more focused attention on the affairs of the Company and as stipulated in Clause 49 of the Listing Agreements with stock exchanges, the Company has formed an Audit Committee consisting of 3 Directors, all of them are independent.

The Committee consists of Shri V.Rajamani, Shri Ashok Mehta and Shri Nirmalendu Biswas. Shri V.Rajamani is the Chairman of the Audit Committee.

Name	Other Directorships	Audit Committee
Shri.V.Rajamani	1)M/s. Bafna Pharmaceu-ticals Ltd.	1
Shri.Nirmalendu Biswas	—	—
Shri. Ashok Mehta	—	—

Terms of Reference

The Audit Committee has been assigned the task of overseeing the Company's financial reporting process and disclosure of financial information, to recommend the appointment of Whole time Directors, Statutory Auditors and fixation of their fees, to review and discuss with the auditors the internal control systems, the scope of audit including observations, if any, by the auditors, major accounting policies, practices and entries, compliance with accounting standards, Listing Agreements with stock exchanges and other legal requirements and to review the company's financial and risk management policies and discuss with auditors any significant findings for follow up thereon and to review the quarterly, half yearly and annual financial statements before submission to the Board.

The committee meets the operating management personnel and reviews the operations and performance of the Factory. Minutes of Audit Committee Meetings are circulated to the Board.

The Audit Committee met 4 times during the year on 24.04.2009, 24.07.2009, 30.10.2009 and 22.01.2010.

The attendance of members of the Committee at the meetings are as follows:-

Name of Member	No. of meetings attended
Shri V Rajamani	4
Shri V Venkataraman *	4
Shri Ashok Mehta	-
Shri Nirmalendu Biswas	-

* resigned as Director on 31.03.2010.

2. Remuneration Committee:

Consists of Shri. V.Balasubramanian, Shri. V.Rajamani and Shri. Nirmalendu Biswas. It met once during the year.

3. Investor Relations & Share Transfer Committee:

The Board has delegated the powers to approve Share transfers to a committee consisting of Shri V. Balasubramanian, Shri Ashok Balasubramanian. The Investor Relations & Share Transfer Committee met 31 times during the year and approved transfer of shares.



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Code of conduct:

The Board of Directors has adopted the Code of Ethics & Business Conduct for the Directors and senior management personnel. The Code is a comprehensive one applicable to all Directors, Executive as well as non-Executive and members of the senior management. The Code has been circulated to all the members of the Board and senior management personnel and they have affirmed compliance of the same. A declaration signed by the Managing Director & CEO in this regard is reproduced below:

"I hereby confirm that :

The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Ethics & Business Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2009 – 2010.

Ashok Balasubramanian
Managing Director & CEO

General Shareholders' information:

1. Plant location:

1) C-2, SIPCOT Indl. Complex,
Cuddalore - 607 005

2) A-2, Rural Industrial Estate
Kattukuppam,
Puducherry - 607 402.

2. Address for correspondence:

Share Department at
F-128-B/1, (1st Floor), Mohammedpur,
Near MCD Park,
New Delhi - 110 066.

3. The last three Annual General Meetings were held at the registered office on the following dates:

Year	Date	Time
2008-2009	30.09.2009	11.30 A.M.
2007-2008	20.09.2008	11.30 A.M.
2006-2007	29.09.2007	11.30 A.M.

No special resolutions were required to be passed through postal ballot in the period under review.

4. The 21st Annual general meeting will be held on 31.12.2010 at 12.00 Noon at the Registered office.

5. Financial Calendar

- a) Quarterly Results end June - end July
- b) Quarterly Results end Sept. - end Oct..
- c) Mailing of Annual Reports - end Aug./ early Sept.
- d) Annual General Meeting - end Sept.
- e) Quarterly Results end Dec. - end Jan.
- f) Quarterly Results end March - end April

The year 2009-2010 covers a period of 12 months till 31st March 2010.

6. Dates of Book Closure - from 18.12.2010 to 31.12.2010 both days inclusive.

7. The shares of the company are listed on the Stock Exchanges at Chennai, Mumbai and New Delhi.

In terms of the requirement of Securities and Exchange Board of India (SEBI) of compulsory dematerialisation of its shares, the company has been allotted ISIN registration as No. INE 701E01017 and has entered into necessary agreements with National Securities Depository of India Ltd., (NSDL) and Central Depository Services (CDSL). M/s. Skyline Financial Services Private Limited is the Share Transfer Agent of the company.

Scrip Code:

Bombay Stock Exchange : 523564

Madras Stock Exchange : MORGAN INDS.

Stock Market Data:

The Shares of the Company are not being frequently traded on the Stock Exchanges; hence the monthly data is not being furnished.

Compliance Officer:

Shri Y.S.Rawat is the Compliance Officer of the Company.

Investors complaints are redressed by the Investor Relations Committee.

DIRECTORS

Distribution of Shareholding as on 31st March 2010.

Names of Director	No of Shares held	% of share
Shri.V.Balasubramanian	550500	3.67
Shri.Ashok Balasubramanian	655710	4.37

Shareholding Pattern as on 31st March, 2010.

Description of Investor	No of shares	% of Shareholding
1) Promoters	10004710	66.700
2) Banks / Financial Institutions	300	0.002
3) Foreign Investors	Nil	Nil
4) Private Bodies Corporate	285107	1.900
5) NRIs / OCBs	5285	0.035
6) Indian Public	4704598	31.363
Total	15000000	100.00

Distribution of Shareholding as on 31st March 2010.

No. of Shares	For the period ended 31 st March, 2009			
	No. of Share holders	% of Share holders	No. of Shares held	% of Share holding
1- 500	20211	95.81	2548449	16.99
501-1000	525	2.49	464293	3.10
1001-2000	184	0.87	285086	1.90
2001-3000	57	0.27	147131	0.98
3001-4000	30	0.14	108304	0.72
4001-5000	32	0.15	150690	1.00
5001-10000	21	0.10	171557	1.14
10001 & above	35	0.17	11124490	74.17
Total	21095	100.00	15000000	100.00

Dematerialisation of Shares and liquidity:

83.52% of the Share Capital is held in dematerialised form with National Securities Depository Ltd. (NSDL) and Central Depositories Services (India) Ltd. (CDSL) as on 31st March 2010.

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

DIRECTORS RETIRING

Shri V.Balasubramanian and Shri V.Rajamani retire by rotation and being eligible offer themselves for re-appointment.

Shri.V.Balasubramanian is a graduate in Bachelor of Arts. He joined M/s. Reliance Industries Limited in the year 1974 and he has worked in different capacities. He is presently holding the position of Group President and he has contributed significantly to the growth of the Company.

Shri. V.Rajamani, basically a graduate in Mathematics is a Member of the institute of Cost & Works Accountants of India and also a Member of the Institute of Company Secretary of India. He has a rich industrial experience of more than 30 years and occupied the position of Director Finance with M/s. Neyveli Lignite Corporation Limited (NLC).

The Board avails itself of this opportunity to place on record the valuable contribution made by the Directors of the Company in furthering the business prospects of the Company.

Compliance Certificate

A certificate from Shri.S.Ananthanarayan, Company Secretary in Practice, Chennai, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement has been enclosed, forming a part of the Annual Report.

CEO Certification

The Managing Director as the CEO of the Company gives certification on financial reporting and internal controls of the Board in terms of Clause 49 of the Listing Agreement.



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Adoption of requirements of Clause 49 of the Listing Agreement.

The Company has complied with the mandatory and most of the non-mandatory requirement of Clause 49 of the Listing Agreement.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We herewith submit the Management Discussion & Analysis Report on the business of the Company for the year ended 31st March 2010. In this we have attempted to include discussion on all the specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's own competitive position.

COMPANY & INDUSTRY STRUCTURE

The Company manufactures self-adhesive tapes and has its factories at Cuddalore and Puducherry. It is putting up a PVC Film Plant at Puducherry, which is likely to be commissioned during the financial year 2011 - 2012. These units are self sufficient to perform its duties and functions with support being provided as required at the corporate level. The commitment of the Company towards quality and customer orientation reflects in its well-established brand "Magic" which is supported by national distribution channels.

The industry has improved its performance both on volume of sales and increased production. The impact of this however was not fully realised because of an appreciable increase in the cost of inputs particularly the raw materials and maintenance of selling price owing to keen competition.

REVIEW OF OPERATIONS

A summary of major performance indicators is given below, while the detailed and physical performance may be viewed from the Balance Sheet and Profit & Loss Account and the Annexures thereto.

(Rs. in lakhs)

	2009-10 12 months	2008-09 12 months
Sales	3889.93	6456.11
Exports	1.95	6.98
Total Sales	3891.88	6463.09

The company has adopted a time-bound policy in the short term, to balance production to a level, which could avoid build up of inventory and has taken special measures to bring down stocks to optimum levels.

The company faced constraints in many ways. The price of raw materials was widely fluctuating throughout the year under review, with the result that the company ended up paying a high cost for the raw materials.

The financial results could have been better during the year but for the following reasons:

- 1) Increase in major input costs and employee costs:
- 2) Corresponding increased realisation has not been feasible because of intense competition.

OUTLOOK

The outlook of the industry appears to be challenging due to strong price competition in the domestic as well as international markets, the large rise in input costs. Though initiatives taken by the company last year towards cost reduction have shown results this year, the full effect will be felt in future. There are signs of a modest improvement in demand, which may go up depending on the economy, which is witnessing an up trend.

QUALITY CONTROL

The Company lays emphasis on the quality of its products and has continued to stay committed to high quality and focused on exacting quality control systems and procedures.



MORGAN INDUSTRIES LIMITED

ENVIRONMENT & SAFETY

The Company is conscious of the need for environmentally clean and safe operations. Our industry is not a polluting one. The company's policy requires that all operations be conducted in such a way as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources.

HUMAN RESOURCES

The management recognizes that employees represent our greatest assets and it is only through motivated, creative and committed employees that we can achieve our aims. Hence the company endeavours to take care of the welfare and betterment of the employees. The Company has designed an induction, orientation and regular on going internal and external training programme for its employees.

OTHER MATTERS

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems have been found to be adequate and are continuously reviewed for further improvement. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence including compliances of all relevant laws and regulations. Our appreciation is due to all employees, gratefulness to our Board, shareholders, Banks and other stakeholders, concerned government and other authorities for their continued support and guidance and to customers for their reposing faith and confidence in us.

CAUTIONARY STATEMENT

Statements in this "Management Discussion & Analysis" which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" within the meaning of applicable securities laws or regulations.

Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, stock availability and prices, cyclical demand and pricing in the company's markets, changes in the government regulations, tax regimes, economic developments within India and countries with which the company conducts business besides other factors, such as litigation and other labour negotiations.

For and on behalf of the Management Team

Chennai
08.12.2010

Ashok Balasubramanian
Team Head



MORGAN INDUSTRIES LIMITED

AUDITORS' REPORT

To
The Members of Morgan Industries Limited

1. We have audited the attached Balance Sheet of M/s. Morgan Industries Limited (the Company) as at March 31, 2010 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent they are applicable to the Company.
 4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; except the non-compliance of AS 15 in so far as it relates to making provision for Leave Encashment benefit to employees.
 - v) On the basis of the written representations received from the Directors as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2010 from being appointed as a Director in terms of Clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956.
5. Attention is invited to the following:
- a) Note No:6 Regarding non-receipt of confirmation from parties of the closing balances reflected in the books of accounts in respect of Sundry Creditors, Sundry Debtors, Loans and Advances, Deposits and other liabilities.
 - b) Note No:10 regarding non-provision of liability towards Leaves Encashment benefits to employees as required under AS 15.
- The impact on account of the above in the Profit and Loss account and Balance Sheet is not ascertainable at this stage.
6. Subject to observations under Sl.No.4 (iv) and Sl.No.5 above, 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 notes thereon and schedules attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.
- a) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2010;



MORGAN INDUSTRIES LIMITED

- b) in the case of Profit and Loss Account, of the loss for the year ended on that date;
- c) in the case of Cash Flow statement, of the cash flows for the year ended on that date;

**For R.Subramanian and Company
Chartered Accountants**

**A.S. Ramanathan
Partner**

**Place :Chennai
Date : 08.12..2010**

Membership No.11072

ANNEXURE TO AUDITORS' REPORT

Re: MORGAN INDUSTRIES LIMITED

Referred to in paragraph 3 of our report of even date,

- i. (a) In our opinion and according to the information and explanations given to us, the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of the fixed assets which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no disposal of substantial part of the fixed assets during the year.
- ii. (a) According to information and explanations furnished to us, inventories have been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the stocks as per records were not material and the same have been properly dealt with in the books of accounts.
- iii. (a) The company has taken loans from Companies or parties covered in the register maintained under section 301 of the Companies Act, 1956. No interest is applicable to these loans. In our opinion, the other terms and conditions on which the loans have been taken are prima-facie not prejudicial to the interest of the Company.
- (b) The Company has not granted loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase and sale of goods, purchase of inventory and fixed assets. During the course of audit, we have not observed any continuing failure to correct major weakness in the internal control system in respect of these areas.
- v. Based on our review, the transactions that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been so entered. In our opinion, the transactions made in pursuance of contracts or agreements entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public requiring compliance of provisions of Sections 58A and 58AA and any other relevant provisions of the Companies Act, 1956, and the rules made there under.



MORGAN INDUSTRIES LIMITED

vii. The company has an internal audit system commensurate with the size and nature of its business.

viii. To the best of our knowledge and according to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for the Company's products.

ix. (a) The Company is not regular in depositing undisputed statutory dues with appropriate authorities. According to the information and explanations given to us the undisputed amounts payable in respect of PF, ESI, Income Tax, FBT, TDS and Sales tax wherever applicable were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable as given below;

Nature of dues	Amount (Rs. in lacs)
Provident Fund	: 34.62
ESI	: 10.39
TDS	: 16.88
Sales Tax (CST/VAT)	: 20.72
Income Tax	: 23.12
Fringe Benefit Tax	: 16.44
Service Tax	: 1.09

(b) According to information and explanations given to us, there are no dues of Sales Tax, Income Tax, Service Tax, Excise Duty and Cess which have not been deposited with the appropriate authorities on account of dispute.

x. The Company has accumulated losses at the end of the current financial year. The Company has made cash loss in the current financial year but not in the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions

xii. Based on our examination of documents and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. The provisions of special statute applicable to Chit Funds, Nidhi, Mutual Benefit Fund and Societies are not applicable to the Company.

xiv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from Banks and Financial Institutions.

xv. The Company has availed Term Loans from Banks and the proceeds of the loans have been applied for the purposes for which they were sanctioned.

xvi. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short term basis have not been used to finance long term investment.

xvii. The Company has not made preferential allotment of shares during the year to parties covered in the register maintained under section 301 of the Companies Act, 1956.

xviii. The Company has not raised any money by way of public issue of shares during the year.

xix. The Company has not raised any money by issue of debentures during the year.

xx. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

xxi. Clause (xii) and (xiv) of the Companies Auditors Report Order 2003, are not applicable to the Company.

**For R.Subramanian and Company
Chartered Accountants**

Place: Chennai
Date : 08.12.2010.

A. S. Ramanathan
Partner
Membership No.11072



MORGAN INDUSTRIES LIMITED

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Morgan Industries Limited.

I have examined the compliance of conditions of Corporate Governance by Morgan Industries Limited for the year ended 31st March, 2010 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. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

I state that as per the records maintained by the Company and produced to me there was no investor grievances remaining unattended/pending for more than 30 days.

I 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.

Place: Chennai
Date : 08.12.2010



S.ANANTHANARAYAN
Company Secretary
CP 1828



MORGAN INDUSTRIES LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

	SCH	As at 31.03.2010	As at 31.03.2009
SOURCE OF FUNDS		(Rs.)	(Rs.)
Shareholder's Funds			
Share Capital	1	20,00,00,000	20,00,00,000
Reserves and Surplus	2	11,16,000	41,33,076
		20,11,16,000	20,41,33,076
Loan Funds			
Secured Loans	3	26,25,18,166	25,82,50,084
Unsecured Loans	4	7,38,21,072	3,82,00,000
Deferred Tax Liability (NET)		60,29,528	24,48,682
		34,23,68,766	29,88,98,766
Total		54,34,84,766	50,30,31,842
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		24,38,06,137	24,37,69,995
Less: Depreciation		17,79,57,538	16,58,67,881
Net Block		6,58,48,599	7,79,02,114
Add: Capital Work-in-Progress		17,57,07,768	15,84,60,823
Net Fixed Assets		24,15,56,367	23,63,62,937
Investments	6	12,400	12,400
Current Assets, Loans and Advances	7		
Inventories		13,07,98,288	16,19,74,552
Sundry Debtors		23,84,79,203	17,92,18,170
Cash and Bank Balances		52,05,414	1,41,40,436
Loans and Advances		3,03,20,528	3,72,84,834
		40,48,03,433	39,26,17,992
Less : Current Liabilities and Provisions	8	12,32,13,614	12,59,61,487
Net Current Assets		28,15,89,819	26,66,56,505
Miscellaneous Expenditure (To the extent not written off)			
Profit & Loss Account		2,03,26,180	-
Significant Accounting Policies and Notes on Accounts	14		
Total		54,34,84,766	50,30,31,842

As per our report even date attached
For M/s R.Subramanian And Company
Chartered Accountants

V. Balasubramanian
Chairman

A. S. Ramanathan
Partner
Membership No.11072

Ashok Balasubramanian
Managing Director

V. Rajamani
Director

Chennai
08.12.2010



MORGAN INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	SCH	For the Year ended 31.03.2010	For the year ended 31.03.2009
SALES AND OTHER INCOME		(Rs.)	(Rs.)
Gross Sales		38,91,88,361	64,63,09,025
Increase/(Decrease) of Finished Goods &WIP inventory		(1,18,53,570)	2,29,47,265
Other Income	9	10,85,131	6,51,523
		37,84,19,922	66,99,07,813
EXPENDITURE			
Raw Materials Consumed	10	27,25,80,129	51,43,34,226
Manufacturing Expenses	11	3,33,83,805	7,13,25,767
Administrative & Other Expenses	12	5,50,92,865	4,52,18,684
Finance Charges	13	2,50,35,876	2,52,65,331
Depreciation		1,20,89,657	1,18,12,035
		39,81,82,332	66,79,56,043
PROFIT/(LOSS) BEFORE TAXATION		(1,97,62,410)	19,51,770
Provision for current tax		-	(10,00,000)
Provision for Fringe benefit tax		-	(6,75,000)
PROFIT/LOSS AFTER TAX		(1,97,62,410)	2,76,770
Deferred Tax Asset / (Liability)		(35,80,846)	(1,39,74,765)
NET PROFIT/LOSS		(2,33,43,256)	(1,36,97,995)
Profit Brought Forward		30,17,076	1,67,15,071
NET PROFIT/(LOSS) carried Over to Balance Sheet		(2,03,26,180)	30,17,076
Number of Equity Shares			
Outstanding During the year		1,50,00,000	1,50,00,000
Profit for calculation of EPS(Rs)		NIL	2,76,770
Nominal Value of Equity Shares (Rs)		10	10
Basic and diluted Earning per Share(Rs)-Annualised		NIL	0.02

Significant Accounting Policies and
Notes on Accounts
As per our report even date attached

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**For M/s R.Subramanian And Company
Chartered Accountants**

**V. Balasubramanian
Chairman**

**A. S. Ramanathan
Partner
Membership No.11072**

**Ashok Balasubramanian
Managing Director**

**V. Rajamani
Director**

**Chennai
08.12.2010**



MORGAN INDUSTRIES LIMITED

SCHEDULES	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1	Rs.	Rs.
SHARE CAPITAL		
<i>Authorised</i>		
20000000 Equity Shares of Rs. 10/- each	20,00,00,000	20,00,00,000
1000000 Redeemable 5 % Cumulative Preference shares of Rs 100/- each	10,00,00,000	10,00,00,000
	30,00,00,000	30,00,00,000
<i>Issued, Subscribed and paid up</i>		
15000000 Equity Shares of Rs 10/- each	15,00,00,000	15,00,00,000
500000 Redeemable 5 % Cumulative Preference shares of Rs 100/- each	5,00,00,000	5,00,00,000
	20,00,00,000	20,00,00,000
SCHEDULE 2		
RESERVES & SURPLUS		
Capital Reserve	11,16,000	11,16,000
Profit & Loss Account	NIL	30,17,076
	11,16,000	41,33,076
SCHEDULE 3		
SECURED LOANS		
(a) Term Loans:		
(i) Indian Overseas Bank	8,88,60,524	7,90,47,615
(ii) Punjab National Bank	1,94,98,628	2,52,42,027
(b) Cash Credit:		
(i) Punjab National Bank	13,76,69,880	13,73,45,509
(ii) Indian Overseas Bank	46,72,154	—
(c) Hire Purchase Loans		
From Banks- Consumer/ Vehicles	1,15,70,168	1,60,87,797
From Others- Vehicle Loans	2,46,812	5,27,136
	26,25,18,166	25,82,50,084



NOTE:

- 1) The entire working capital including LC/BG Limit availed from Punjab National Bank is secured by first exclusive charge on the block assets of the company situated at SIPCOT Cuddalore including EM of lease hold rights on the land at SIPCOT Cuddalore and the cash credit facility is secured by a first exclusive charge on entire stocks of raw materials, Stock-in-process, Finished goods, stored at the Factory premises and/or Company stock depots at various locations, receivables and all other Current Assets of the Company.
- 2) Cash Credit Facility availed from Indian overseas Bank is secured by first charge on current assets of Pondichery Unit of the Company.
- 3) Term Loan from Punjab National Bank is secured by EM of house property belonging to a relative of a Director.
- 4) The Term Loans from Indian Overseas Bank availed for implementing PVC Calendaring Project at Puducherry, are secured by a charge on the entire Fixed Assets of the said project at Puducherry which is under implementation.
- 5) All the above facilities from both the Banks are guaranteed by the Chairman and the Managing Director.
- 6) Consumer / Vehicle Loans are secured by Hypothecation of respective assets.

SCHEDULE 4

UNSECURED LOANS

From Directors

Inter Corporate Deposits

5,34,21,072	1,78,00,000
2,04,00,000	2,04,00,000
7,38,21,072	3,82,00,000



MORGAN INDUSTRIES LIMITED

SCHEDULE 5 : FIXED ASSETS

ASSETS	Gross Block				Depreciation				Net Block	
	31.03.2009	Additions	Deletions	31.03.2010	01.04.2009	For the Year	Written back	31.03.2010	31.03.2010	31.03.2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Factory Land - Leasehold	55,67,270	-	-	55,67,270	-	-	-	55,67,270	55,67,270	
Factory Buildings	2,57,90,918	-	-	2,57,90,918	1,32,35,636	8,61,417	-	1,40,97,053	1,16,93,865	1,25,55,282
Plant and Machineries	12,33,60,891	-	-	12,33,60,891	9,27,79,193	58,59,518	-	9,86,38,711	2,47,22,180	3,05,81,698
Furniture, Fixtures, Office Equipments and Vehicles	4,36,22,512	36,142	-	4,36,58,654	1,78,97,562	42,11,722	-	2,21,09,284	2,15,49,370	2,57,24,950
Research /Product Development Expenses*	4,54,28,404	-	-	4,54,28,404	4,19,55,490	11,57,000	-	4,31,12,490	23,15,914	34,72,914
	24,37,69,995	36,142		24,38,06,137	16,58,67,881	1,20,89,657		17,79,57,538	6,58,48,599	7,79,02,114
Add: Capital Work in Progress (at cost)									91,14,931	91,14,931
Add: Capital Work in Progress including advances (PVC Film Project - Pondy).									16,65,92,837	14,93,45,892
									17,57,07,768	15,84,60,823
Grand Total									24,15,56,367	23,63,62,937
Previous year	23,55,69,423	82,00,572	-	24,37,69,995	15,40,55,848	1,18,12,035	-	16,58,67,881	23,63,62,937	22,01,29,543



MORGAN INDUSTRIES LIMITED

SCHEDULES	As at 31.03.2010	As at 31.03.2009
SCHEDULE 6	Rs.	Rs.
INVESTMENTS (Non trade)(at Cost)		
Quoted:		
400 Equity Shares of Punjab National Bank Ltd (Face Value of Rs.10 each & Market Value Rs.4,05,100/-)	12,400	12,400
SCHEDULE 7		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES (as certified by Management)		
Finished goods(at cost or market value whichever is less)	3,60,54,918	3,95,23,558
Raw Materials (at cost)	5,31,30,022	7,21,86,206
Work in Progress (at cost)	3,89,76,433	4,73,61,363
Stores and Spares(at cost)	26,36,915	29,03,425
Total	13,07,98,288	16,19,74,552
SUNDRY DEBTORS (Unsecured and Considered Good)		
Outstanding for over Six months	6,10,52,294	1,50,14,713
Others	17,74,26,909	16,42,03,457
	23,84,79,203	17,92,18,170
CASH AND BANK BALANCES		
Cash In hand	4,61,005	4,89,803
Balances with Banks		
In Current Accounts	2,42,174	1,25,652
In Fixed Deposit Accounts	45,02,235	1,35,24,981
	52,05,414	1,41,40,436
LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received- Unsecured and considered good		
Deposits	90,52,647	1,56,48,507
Others	2,12,67,881	2,16,36,327
	3,03,20,528	3,72,84,834
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Trade Creditors (Including LC Creditors)	2,39,61,283	4,30,06,665
Other Liabilities	9,29,90,422	7,67,87,913
B) Provisions		
Provision for Gratuity	23,06,000	22,11,000
Provision for FBT	16,44,117	16,44,117
Provision for Income Tax	23,11,792	23,11,792
	12,32,13,614	12,59,61,487





MORGAN INDUSTRIES LIMITED

SCHEDULES	For the year ended 31.03.2010	For the year ended 31.03.2009
SCHEDULE 9		
OTHER INCOME	Rs	Rs.
Dividend	12,000	5,200
Interest&misc income	10,73,131	6,46,323
	10,85,131	6,51,523
SCHEDULE 10		
RAW MATERIALS CONSUMED		
Opening Stock of Raw Materials	7,21,86,206	5,20,07,700
Add: Purchase of Raw Materials	24,98,09,778	52,65,41,071
Add: Freight Inward	37,14,168	79,71,661
Less: Closing Stock of Raw Materials	5,31,30,022	7,21,86,206
	27,25,80,129	51,43,34,226
SCHEDULE 11		
MANUFACTURING EXPENSES		
Factory Salaries and wages	49,48,294	62,96,189
Stores Consumed	5,67,785	12,46,113
Labour / Job work Charges	35,47,785	52,53,033
Excise Duty	1,63,93,457	4,60,01,133
Power and Fuel	76,67,095	1,19,69,204
Repairs and Maintenance - Machinery	2,59,389	5,60,095
	3,33,83,805	7,13,25,767
SCHEDULE 12		
ADMINISTRATIVE AND OTHER EXPENSES		
Office Salaries	93,31,721	1,42,31,884
Contribution to Provident Fund & ESI	9,97,882	13,87,857
Staff Welfare Expenses	11,51,005	22,52,180
Repairs & Maintenance -Others	32,40,879	34,01,312
Rent	29,26,692	30,27,898
Insurance	4,54,706	6,87,930
Rates and Taxes	1,43,656	20,15,058
Auditor's Remuneration	4,96,350	4,91,200
Printing and Stationery	2,52,159	4,91,540
Communication Expenses	14,11,905	19,06,850
Tour and Travelling	35,36,780	19,28,103
Conveyance expenses	1,86,422	2,44,249
Professional and Legal Fees	1,58,200	3,90,903
Donation	5,000	43,000
Freight Outward	32,915	6,94,675
Books and Periodicals	1,11,458	1,62,159
Advertisement Expenses	25,762	96,764
Bad debts written off	2,14,38,556	
Business Promotion	11,63,150	13,29,632
Cash Discount		5,21,024
General Charges	16,16,100	2,68,271
Security Charges	8,31,952	11,95,008
Seminar&Conference		2,23,339
Consultancy Charges	12,30,621	12,02,466
Bank Charges	43,48,995	70,25,382
	5,50,92,865	4,52,18,684
SCHEDULE 13		
FINANCE CHARGES		
Interest	2,35,71,800	2,34,31,890
HP Charges	14,64,076	18,33,441
	2,50,35,876	2,52,65,331





MORGAN INDUSTRIES LIMITED

SCHEDULE-14 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies:

1. Basis of Preparation

The financial statements have been prepared to comply in all material aspects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on accrual basis. The Accounting policies have been consistently applied in preparing the accounts and are consistent with those used in the previous year.

2. Fixed Assets & Depreciation:

Fixed Assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Depreciation on fixed assets is provided on straight line basis in accordance with the rates prescribed in Schedule -XIV of the Companies Act, 1956.

3. Inventories:

Inventories are valued at cost except the finished goods which are being valued at cost or market value whichever is lower. The stocks held at the factory and at other locations are as physically verified and certified by the Management.

4. Revenue Recognition:

Sales represent gross value of sales including Excise Duty but excluding Sales Tax. Income and Expenditure are accounted on accrual basis.

5. Employee Retirement Benefit:

Liability on account of Gratuity is provided based on actuarial valuation. PF and ESI contributions are accrued as per the Statutory rules in force.

6. Research and Development:

Research / Product Development expenditure is amortised over a period of 10 years.

B. NOTES ON ACCOUNTS

1. Preference Shares:

5,00,000 Redeemable 5% Cumulative Preference Shares of Rs.100/- each aggregating to Rs.500 lakhs were allotted on 30.06.2006 and 23.05.2008 and are redeemable on or before 30.06.2016 & 23.05.2018 at the option of the Company. Arrears of Preference Dividend for the period ending 31.03.2010 is Rs.79.56 lakhs (Rs.54.56 lakhs as on 31.03.2009).

2. CONTINGENT LIABILITIES

	(Rs. in Lakhs)	
	As on 31.03.10	As on 31.03.09
a. Customs duty payable on goods in bonded warehouse/port	—	26.49
b. Bank guarantees outstanding	9.49	11.56

3. DIRECTORS' REMUNERATION

a. Managing Director	9.71	10.47
b. Executive Director	6.24	7.15

(Remuneration includes Salary, Allowances, Bonus and contribution to Provident Fund)

4. Inventories include non-moving materials valued at Rs.4.08 lakhs as on 31.03.2010 (Rs.4.43 lakhs as on 31.03.2009).

5. No confirmation from parties of the closing balances reflected in the books of accounts in respect of Sundry creditors, Sundry debtors, Loans and advances, Deposits and other Liabilities are available.



MORGAN INDUSTRIES LIMITED

6. Auditors Remuneration includes:	2009-2010	2008-2009
	(Rs.)	(Rs.)
Audit fees (inclusive of service tax)	386050	380900
Tax audit (inclusive of service tax)	110300	110300
Total	496350	491200

7. There are no micro, small and medium enterprises as defined in the Micro Small and Medium Enterprises Development Act 2006 (Act) to whom the company owes dues on account of principal amounts together with interest. Accordingly no additional disclosures have been made.

8. (a) LICENSED CAPACITY	Current Year	Previous Year
INSTALLED CAPACITY	80.00 Million Sq. Mtrs.	80.00 Million Sq. Mtrs.
(As certified by Management)	40.11 Million Sq. Mtrs.	40.11 Million Sq. Mtrs.
ACTUAL PRODUCTION		
BOPP	148013 Sq.Mtrs.	886138 Sq.Mtrs.
PVC	1812695 Sq.Mtrs.	2662007 Sq.Mtrs.
OTHER ADHESIVE TAPES	270120 Mtrs.	1526490 Mtrs.
LD / LLD FILMS	2693494 Kgs.	2978202 Kgs.

(b) TURNOVER, OPENING & CLOSING STOCK OF FINISHED GOODS

TURNOVER (Net of Excise Duty)	2009-2010		2008-2009	
	Qty in Sq. Mtrs /MTs./Kgs.	Rs. in Lakhs	Qty in Sq. Mtrs /MTs./Kgs.	Rs. in Lakhs
	For the Year ended 31.03.2010		For the year ended 31.03.2009	
BOPP	253390	15.21	973512	58.05
PVC	1936079	457.69	3362849	857.79
OTHER ADHESIVE TAPES	270120 Mtrs	1196.76	1526490 Mtrs	2266.26
LD / LLD FILMS	2694798 Kgs	2038.95	2695502 Kgs	2251.25
OTHERS		25.11		595.58
OPENING STOCK				
BOPP	182241	9.11	269615	14.02
PVC	504592	116.06	1205434	277.25
OTHER ADHESIVE TAPES				
LD / LLD FILMS	282700	226.16		
OTHERS		43.90		22.74
CLOSING STOCK				
BOPP	76864	4.42	182241	9.11
PVC	381208	102.85	504592	116.06
OTHER ADHESIVE TAPES				
LD / LLD FILMS	281396 Kgs	230.63	282700 Kgs	226.16
OTHERS		22.64		43.90
(c) RAW MATERIALS CONSUMED	Qty.	Rs. in Lakhs	Qty.	Rs. in Lakhs
BOPP FILM (KGS)			24802	32.03
PVC FILM (KGS)	785532	394.50	396862	338.58
OTHER ADHESIVE TAPES	270120 Mtrs	151.47	1526490 Mtrs	2107.25
LD / LLD FILMS	2065337 Kgs	1988.15	2815469 Kgs	2082.03
ADHESIVES AND OTHERS		191.68		583.45
TOTAL		2725.80		5143.34
(d) VALUE OF MATERIALS CONSUMED	%	Rs. in Lakhs	%	Rs. in Lakhs
Indigenous	100	2725.80	100	5143.34
Imported				
	100	2725.80	100.00	5143.34
(e) CIF Value of Imports		Nil		Nil
(f) Expenditure in Foreign currency				
(on actual payment basis)				
Travelling expenses		Rs. 667993		Rs. 541718



MORGAN INDUSTRIES LIMITED

9. Employee retirement benefits:

No provision for Leave Encashment has been made and no actuarial valuation has been made for the same. Liability provided towards Gratuity has been provided on the basis of actuarial valuation but the same has not been funded.

10. Related Party Transactions:

Information on related party transactions as required by Accounting Standard 18 for the year ended 31.03.2010

Particulars	Value of transaction (Rs. in lacs)	
	Current Year	Previous Year
i) Morgan Propack Limited		
- Value of purchase	6.27	47.64
- Balance at the year end	95.31	69.92
ii) Thermoplastics India Limited		
- Value of purchase	—	2.44
- Value of sales	9.61	—
- Balance at the year end	279.66	270.66
iii) Mr.Ashok Balasubramanian, Managing Director		
- Unsecured Loan received during the year	356.21	Nil
- Closing balance at the year end	356.21	Nil

11. Deferred Taxation

In conformity with the Accounting Standard AS-22 issued by the Institute of Chartered Accountants of India, on Accounting for Taxes on Income, the Company has arrived at a net deferred tax liability of Rs. 60,29,528 as at 31.03.2010 (Previous year Rs. 24,48,682) The Components of deferred tax liabilities and assets are as given below:

	Current Year Rs.	Previous Year Rs.
Deferred Tax Liability		
Opening Balance of Deferred Tax Liability as on 01.04.2009	13245898	16419324
Reversal of Deferred Tax Liability provided due to increase in Book depreciation as compared to IT Depreciation for the period.	2265502	3173426
Closing Balance of Deferred Tax Liability as on 31.03.2010.	10980396	13245898
Deferred Tax Asset		
Opening Balance of Deferred Tax Asset as on 01.04.2009.	10797216	27945407
Tax effect due to deferred tax asset components for the year - Increase / (Decrease).	(5846348)	(17148191)
Closing Balance of Deferred Tax Asset as on 31.03.2010.	4950868	10797216
Net Deferred Tax Asset / (Liability)	(6029528)	(2448682)

12. Additional disclosures in respect of Hire Purchase transactions are given as follows:

	(Rs. in Lacs)	
	Current Year	Previous Year
i. Not later than one year	32.64	4.04
ii. Later than one year and not later than five years:	48.49	162.11
Total	81.13	166.15

13. Previous years figures have been regrouped / reclassified wherever necessary.

As per our report even date attached.
For M/s R.Subramanian And Company
Chartered Accountants

V. Balasubramanian
Chairman

A. S. Ramanathan
Partner
Membership No.11072

Ashok Balasubramanian
Managing Director

V. Rajamani
Director

Chennai
08.12.2010



MORGAN INDUSTRIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009

	31.03.2010		31.03.2009	
		(Rs.)		(Rs.)
Net Profit/Loss before taxation and extra-ordinary items		(1,97,62,414)		19,51,770
Adjustments for :				
Depreciation	1,20,89,657		1,18,12,035	
Interest Paid	2,50,35,876		2,52,65,331	
Interest Received	(10,85,131)		(6,51,523)	
		3,60,40,402		3,64,25,843
Operating Profit / (Loss) before Working Capital Changes		1,62,77,988		3,83,77,613
Adjustments for :				
Inventories	3,11,76,264		(4,27,42,275)	
Trade Receivables and Loans & Advances	(5,22,96,727)		(1,15,97,587)	
Trade & other Payables	(27,47,869)	(2,38,68,332)	1,11,93,786	(4,31,46,076)
Interest Paid on Working Capital Advance	(1,79,75,493)		(2,13,73,404)	
Direct taxes paid	0		(2,81,630)	
Working Capital Advance	49,96,525	(1,29,78,968)	2,61,72,921	45,17,887
Cash Flow before Exceptional Items		(2,05,69,312)		(2,50,576)
Exceptional Items		0		0
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		(2,05,69,312)		(2,50,576)
B.CASH FLOW FROM INVESTING ACTIVITIES :				
Interest received	10,85,131		6,51,523	
Purchase of Fixed Assets/Increase in Capital work in progress	(1,72,83,087)		(2,80,45,427)	
Sale of Fixed Assets	0		0	
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		(1,61,97,956)		(2,73,93,904)
C.CASH FLOW FROM FINANCING ACTIVITIES :				
Increase/(Decrease) in Term Loan / HP	(7,28,443)		2,85,84,018	
Interest Paid on Term Loan	(70,60,383)		(38,91,927)	
Increase in Unsecured Loans	3,56,21,072		1,00,00,000	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		2,78,32,246		3,46,92,091
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)	(89,35,022)	70,47,611		
Cash and Cash equivalents at the beginning	1,41,40,436	70,92,825		
Cash and Cash equivalents at the close	52,05,414	1,41,40,436		

V. Balasubramanian
Chairman

Ashok Balasubramanian
Managing Director

V. Rajamani
Director

AUDITORS' CERTIFICATE

We have verified the above Cash flow statement of M/S Morgan Industries Ltd derived from the audited accounts for the period ended 31.3.2010 and found the same drawn in accordance with the requirement of clause 32 of the listing agreement with the stock Exchange.

For M/s R.Subramanian And Company
Chartered Accountants

Chennai
08.12.2010

A. S. Ramanathan
Partner
Membership No.11072



MORGAN INDUSTRIES LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number

36273

State Code

18

Balance Sheet Date

31.03.2010

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs.Thousands)

Public Issue

Nil

Rights Issue

Nil

Bonus Issue

Nil

Private Placement

Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs.Thousands)

Total Liabilities

543484

Total Assets

543484

SOURCE OF FUNDS

Paid Up Capital

200000

Reserves and Surplus

1116

Secured Loan

262518

Unsecured Loan

73821

APPLICATION OF FUNDS

Net Fixed Assets

241556

Net Current Assets

281590

Miscellaneous Expenditure

20326

Accumulated Losses

IV PERFORMANCE OF COMPANY (AMOUNT IN Rs. Thousands)

Turnover (Incl. Other Income)

378420

Total Expenditure

398182

Profit / (Loss) Before Tax

(19762)

Profit / (Loss) after Tax

Earning Per Equity Share(In Rs)

Dividend Rate

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY

(AS PER MONETARY TERMS)

Item Code No.(ITC Code)

590610

Product Description

ADHESIVE

TAPES