



MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

THE MODERN MILLS LIMITED

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SIXTY-FOURTH ANNUAL REPORT 1997-98

The Modern Mills Limited

BOARD OF DIRECTORS

M.P. JATIA	Chairman
RUSI.N. SETHNA	
SHYAM M. JATIA	
VIJAY KUMAR JATIA	
G.V. SIRUR	
C.H. SHAH	
B.L. JAIN (Resigned w.e.f. 31.03.1998)	

MANAGER

S.M. CONTRACTOR	General Manager
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COMPANY SECRETARY

R.G. NAVADA	Sr.V.P.(Corporate Affairs) & Company Secretary
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BANKERS

THE BANK OF NOVA SCOTIA
THE UNITED WESTERN BANK LIMITED
BANK OF AMERICA
UNION BANK OF INDIA

AUDITORS

K.S. AIYAR & COMPANY

REGISTERED OFFICE

VICTOR HOUSE ANNEXE,
102-A, K.KHADYE MARG,
MAHALAXMI,
MUMBAI 400 011

TEXTILE DIVISION

101, K.KHADYE MARG,
MAHALAXMI,
MUMBAI 400 011

REAL ESTATE DIVISION

101, K.KHADYE MARG,
MAHALAXMI,
MUMBAI 400 011

FOODS DIVISION

KARWAR ROAD,
HUBLI 580 020
KARNATAKA

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LTD.,
39/724, AZAD NAGAR II,
GROUND FLOOR,
VEERA DESAI ROAD,
ANDHERI (WEST),
MUMBAI 400 053

NOTICE

NOTICE is hereby given that the Sixty-Fourth Annual General Meeting of The Modern Mills Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 023 on Wednesday, the 30th September, 1998 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. G.V. Sirur who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Chandulal Shah who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
- (b) Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
- (c) Members are requested to intimate immediately to the Company's Share Transfer Agents, change of address, if any, by quoting their Folio Number.
- (d) It is observed that some members are holding shares in multiple folios in identical order of names. It is desirable to consolidate the holdings in one folio. Such of the members who are holding shares in multiple folios in identical order of names are requested to send an application to the Company together with the relevant Share Certificates for consolidation of folios.
- (e) It is further observed that many members have still not surrendered their old Share Certificates for Equity Shares of Rs 50/- each for exchange with the new Share Certificates for Equity Shares of Rs.10/- each. They are once again requested to surrender the Share Certificates for Equity Shares of Rs. 50/- each to enable the Company to do the needful.
- (f) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 22nd September, 1998 to Wednesday, the 30th September, 1998 (both days inclusive).

By Order of the Board of Directors

Mumbai, dated: 5th August, 1998

R.G. Navada
Sr.V.P.(Corporate Affairs)
& Company Secretary

Registered Office:

Victor House Annexe,
102-A, K.Khadye Marg,
Mahalaxmi,
MUMBAI 400 011

The Modern Mills Limited

DIRECTORS' REPORT

The Members,

The Directors present the 64th Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	Year Ended	
	31.03.1998	31.03.1997
	(Rupees in lacs)	
Gross Profit before interest and depreciation	494.63	427.74
Less: Interest	2.01	31.43
Depreciation	89.15	60.42
	91.16	91.85
Operating Profit	403.47	335.89
Less: (i) Prior year adjustment	0.84	0.31
(ii) Provision for Taxation	2.17	—
(iii) Deficit brought forward	30.57	366.15
Profit/(Loss) - Carried to Balance Sheet	369.89	(30.57)

DIVIDEND

In order to strengthen the financial resources of the Company, your Directors do not recommend any dividend for the year ended 31st March, 1998.

BIFR SCHEME

The fresh Scheme sanctioned by BIFR on 14th June, 1996 is under implementation. However, on account of the order of the State Government and the Brihanmumbai Municipal Corporation (BMC) for stoppage of construction activities served on the Company during the year 1996-97, which were subsequently lifted during the year under review on direction of the BIFR, the implementation of the revival/rehabilitation has been affected and is behind schedule as compared to what was envisaged in the sanctioned scheme.

OPERATIONS

- (i) Due to the stoppage of construction work, as stated above, the working results of the company during the year under review have been considerably affected.
- (ii) The performance of the Textile Division during the year under review shows an improvement as compared to the immediately preceding year in spite of the fact that the year under review continued to be a difficult period for the Textile industry. The industry is facing almost a crisis like situation due to combination of several factors such as soaring raw material prices, high power tariffs, slow-down in the rate of growth of the Indian economy, fall in the value of the currency in South East Asia, etc. Apart from the above factors the performance of the Textile Division was adversely affected on account of the fall in the selling prices of yarn due to the recession in the domestic market. To meet requirements of the overseas markets, the company has undertaken production of synthetic and blended yarn and during the current year trial orders for export have been received.

- (iii) The construction activity of the Real Estate business is progressing well. However, depression in the real estate market has affected the overall performance of this business activity and your Directors are hopeful that the situation would improve in the current year.

During the year under review the Company handed over physical possession of the plot of land of the company, earmarked for amenity purposes, to BMC as required under the Development Control Regulations for Greater Bombay, 1991 (DCR). The company has yet to receive Transferable Development Rights from BMC even in respect of the plot of land earlier conveyed to MHADA - the undue delay in receipt of which has adversely affected the working results of the Company.

- (iv) During the year under review, the trading activities of the Foods Division continued to be carried on. However the manufacturing operations of the said Division continued to be suspended.

DIRECTORS

Mr. B.L. Jain resigned from the Directorship of the Company with effect from 31st March, 1998. Your Directors place on record their appreciation of the valuable contribution made by Mr. B.L. Jain during his tenure of office as Director of the Company.

Mr. G.V. Sirur and Mr. C.H. Shah, Directors of the Company retire by rotation under Article 112 of the Articles of Association of the Company, and being eligible, offer themselves for re-appointment.

AUDITORS' APPOINTMENT

Members are requested to appoint Auditors and to fix their remuneration. The present Auditors, Messrs K.S. Aiyar & Company, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting, but being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

- (i) The transfer by the Company during the year ended 31.3.1996, of a sum of Rs. 27,42,10,556 standing to the credit of Capital Reserve Account to Profit & Loss Account was based on the legal opinion obtained by the Company.
- (ii) The Notes to the Accounts referred to by the Auditors in their Report are self-explanatory.

FIXED DEPOSITS

Twenty-seven deposits amounting to Rs 55,700/- have matured but remain unclaimed as on 31st March, 1998.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.

In compliance with the provisions of Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 a statement giving requisite information is given in Annexure 'A' forming part of this Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure 'B' forming part of this Report.

For and on behalf of the Board of Directors

Mumbai, dated : 5th August, 1998

M.P. Jatia
Chairman

The Modern Mills Limited

ANNEXURE 'A' TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998.

I. CONSERVATION OF ENERGY

- (a) Energy Conservation measures taken: No new measures for conservation of energy were taken.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy Nil
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: Nil
- (d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of industries specified in the schedule thereto:

(A) Power and Fuel Consumption:		1997-98	1996-97
(1) Electricity			
(a) Purchased Units (lakh Kwh.)		22.41	20.77
Total amount (Rs in lacs)		70.31	63.95
Rate per unit (Rs)		3.14	3.07
(b) Own generation			
(i) Through diesel generator:			
Units)		
Unit per litre of diesel oil)	Nil	Nil
Cost/unit)		
(ii) Through Steam Turbine/Generator:			
Units)		
Units per litre of fuel/oil/gas)	Nil	Nil
Cost/unit)		
(2) Coal			
Quantity (Tonnes))		
Total cost (Rs in lacs))	Nil	Nil
Average rate (Rs per ton))		
(3) Furnace Oil		Nil	Nil
(4) Others/Internal Generation			

1997-98			1996-97		
Quantity (MT)	Total Cost (Rs. in lacs)	Rate/ MT (Rs.)	Quantity (MT)	Total Cost (Rs. in lacs)	Rate/ MT (Rs.)
Nil	Nil	Nil	Nil	Nil	Nil

(B) Consumption per unit of production:

Products:	1997-98			1996-97		
	Electricity (Kwh)	Coal (MT)	Others (MT)	Electricity (Kwh)	Coal (MT)	Others (MT)
Yarn	4.35 per kg.	Nil	Nil	6.52 per kg.	Nil	Nil

II. TECHNOLOGY ABSORPTION - FORM B

1. Research & Development (R & D) :
 - (a) Specific areas in which R & D carried out by the Company : None
 - (b) Benefits derived as a result of the above R & D : Does not arise
 - (c) Future plan of action : Nothing envisaged at present
 - (d) Expenditure on R & D :
 - (i) Capital : NIL
 - (ii) Recurring : NIL
 - (iii) Total : NIL
 - (iv) Total R & D expenditure as a percentage of total turnover : NIL
2. Technology absorption, adaptation and innovation
 - (i) Efforts, in brief, made towards technology absorption, adaptation and innovation : Attending Seminars, Conferences, Exhibitions
 - (ii) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. : Improvement in Yarn quality, Productivity and Product reliability
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished :

(a) Technology imported	(1) Cleanomat (Cleaner CVT3) control having integral computer	(2) Open End Spinning Machines	(3) Corolab Plus Yarn monitoring system for Rotor Spinning
(b) Year of import	1995	1995	1998
(c) Has technology been fully absorbed?	Yes	Yes	Yes
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	N.A.	N.A.	N.A.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) Activities relating to exports, initiatives taken to increase exports development of new export markets for products and services and export plan :

Efforts have been made to tap the overseas market for export of the products of the Company. The Company has undertaken the production of synthetic and blended yarn to cater to the overseas market. Trial orders have been received and the company is hopeful of receiving orders for export.
- (b) Total Foreign Exchange:
 - (i) Earnings : Nil
 - (ii) Outgo : Rs.61,80,287

For and on behalf of the Board of Directors

M.P. Jatia
CHAIRMAN

Mumbai, dated: 5th August, 1998

The Modern Mills Limited

ANNEXURE 'B' TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 1998.

Sr. No.	Name/Age (Years)	Qualifications	Experi- ence years	Date of Employ- ment	Designation/ Nature of Duties	Gross remunera- tion received (Rs.)	Last Employment held (Previous Designation/ Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	CONTRACTOR S.M. (67)	A.T.A. (India) Certificate of Electrical Engineering Technology	44	19.03.81	General Manager (Textile) [Manager]	3,72,587	Chief Executive The Jam. Manufacturing Co. Ltd.
2.	KEDIA S.C (48)	B.Sc. LL.B. (Prof)	25	01.04.95	Sr. Vice President (Commercial)	3,50,192	Vice President -Operations N.R.C. Limited
3.	NAVADA R.G. (46)	B.Sc. DBM, AFII LL.M., ACS	25	27.09.90	Sr. Vice President (Corporate Affairs) & Company Secretary (Secretarial & Legal)	3,80,175	Dy. Company Secretary Battiboi & Co. Ltd.

Notes:

- (1) Nature of employment is contractual for Serial No.(1) and non-contractual for others whose terms and conditions are as per Company's Rules.
- (2) Gross remuneration received includes Salary/Bonus/Reimbursement of Medical Expenses/Leave Encashed/Company's Contribution to Provident Fund excluding provisions for Gratuity and liability for accrued leave.
- (3) None of the above employees is related to any Director of the Company.

For and on behalf of the Board of Directors

Mumbai, dated: 5th August, 1998

M.P. Jatia
CHAIRMAN

AUDITORS REPORT

To the members of
THE MODERN MILLS LIMITED

Report on the accounts for the year ended 31st March, 1998 in compliance with Section 227(2) of the Companies Act, 1956.

We have examined the attached Balance Sheet and Profit & Loss Account annexed thereto which are in agreement with the Company's books of account.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of provisions of Section 227(4A) of the Companies Act, 1956, in our opinion, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the normal course of audit, which were necessary to the best of our knowledge and belief, we report that :

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. These assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- ii) None of the fixed assets have been revalued during the year.
- iii) The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. The frequency of verification is reasonable.
- iv) The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on verification between the physical stocks and the book records were not material.
- vi) On the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
- vii) In respect of unsecured loans taken from Companies listed in the register maintained pursuant to provisions of Section 301 of the Companies Act, 1956, the terms and conditions of such loans are prima facie not prejudicial to the interest of the Company. We have been informed that there are no Companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
- viii) In our opinion and according to the information and explanations given to us the rate of interest and the other terms and conditions on which the Company has given loans to companies, required to be listed in the register maintained under Section 301 of the Companies Act, 1956 are prima facie