

THE MODERN MILLS LIMITED



**SIXTY-FIFTH
ANNUAL REPORT
1998-99**

The Modern Mills Ltd.

BOARD OF DIRECTORS

M.P. Jatia

Chairman

Rusi N. Sethna

Shyam M. Jatia

Vijay Kumar Jatia

G.V. Sirur

C.H. Shah

MANAGER

S.M. Contractor

General Manager

COMPANY SECRETARY

R.G. Navada

Sr.V.P.(Corporate Affairs) & Company Secretary

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. K. Khadye Marg,

Mahalaxmi,

Mumbai - 400 011

REAL ESTATE DIVISION

101, K. 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.

The Modern Mills Ltd.

NOTICE

NOTICE is hereby given that the Sixty-Fifth 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 June, 1999 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1999 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. S.M. Jatia who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V.K. Jatia 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 June, 1999 to Wednesday, the 30th June, 1999 (both days inclusive).

By Order of the Board of Directors

Mumbai, dated: 5th May, 1999

Registered Office:

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

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

DIRECTORS' REPORT

The Members,

The Directors present the 65th Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	Year Ended	
	31.03.1999	31.03.1998
	(Rupees in lacs)	
Gross Profit before interest and depreciation	1539.45	494.63
Less: Interest	—	2.01
Depreciation	178.26	89.15
	178.26	91.16
Operating Profit	1361.19	403.47
Less: (i) Prior year adjustment	—	0.84
(ii) Provision for Taxation	0.90	2.17
	1360.29	400.46
Add/(Less): Balance/(Deficit) brought forward	369.89	(30.57)
Profit Carried to Balance Sheet	1730.18	369.89

DIVIDEND

In order to strengthen the financial resources of the Company, your Directors do not recommend any dividend for the year ended 31st March, 1999.

BIFR SCHEME

The fresh Scheme sanctioned by BIFR on 14th June, 1996 is under implementation. However, on account of the orders 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 1997-98 on direction of the BIFR, the implementation of the revival/rehabilitation scheme has been affected and is behind schedule as compared to what was envisaged in the sanctioned scheme.

OPERATIONS

- (i) During the year under review, although the production and turnover of the Textile Division of the Company had improved as compared to the immediately preceeding year but the overall performance was far below the expected level as the Textile Industry continued to pass through a difficult period on account of higher costs of inputs and the sluggish market conditions. The poor demand for textile yarn in the traditional export markets compounded the problem. The Company has been making vigorous attempts for exports of it's yarn and has been successful to some extent in this regard. Your Directors expect that the performance of this Division would improve in the current year.
- (ii) The Company has been able to make substantial progress in the construction activity of it's Real Estate business. However, due to continued depression in the real estate market and tight financial condition, the overall performance of this business activity has been affected. Your Directors hope that the situation would improve in not too distant a future.

The Modern Mills Ltd.

The company has yet to receive Transferable Development Rights from BMC in respect of the plot of land already conveyed to MHADA as also in respect of the plot of land handed over to BMC for amenity purposes. The undue delay in receipt of the same has adversely affected the working results of the Company.

- (iii) 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.

Y2K COMPLIANCE

The Company has already taken necessary steps to meet Y2K requirements. The Company does not envisage any substantial expenditure for Y2K compliance. The Company's hardware/Software systems are all Y2K compliant.

DIRECTORS

Mr. S.M. Jatia and Mr. V.K. Jatia 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 31.03.1996, 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, 1999.

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

There were no employees receiving remuneration of or in excess of Rs. 6,00,000/- per annum or Rs. 50,000/- per month during the year under review.

For and on behalf of the Board of Directors

M. P. Jatia
Chairman

Mumbai, dated: 5th May, 1999

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, 1999.

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:

	1998-99	1997-98
(1) Electricity		
(a) Purchased Units (lakh Kwh.)	33.61	22.41
Total amount (Rs in lacs)	94.71	70.31
Rate per unit (Rs)	2.82	3.14
(b) Own generation		
(i) Through diesel generator:		
Units		
Units 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		

	1998-99			1997-98		
	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:

	1998-99			1997-98		
Products :	Electricity (Kwh)	Coal (MT)	Others (MT)	Electricity (Kwh)	Coal (MT)	Others (MT)
Yarn	3.62	Nil	Nil	4.35	Nil	Nil
	per Kg			per Kg.		

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■ 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 Spinnig
(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.

■ 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: : During the year under review the Company has been successful in exporting yarn manufactured by it. Besides it has also sold yarn to parties who make fabrics for exports. Efforts are continuing in the direction of increasing the export of the Company's products by establishing contacts with exporters and overseas clients.
- (b) Total Foreign Exchange:
 - (i) Earnings : Rs. 41,46,557
 - (ii) Outgo : Rs. 2,68,878

For and on behalf of the Board of Directors

M. P. Jatia
CHAIRMAN

Mumbai, dated: 5th May, 1999

AUDITORS REPORT

To the member of
THE MODERN MILLS LIMITED

Report on the accounts for the year ended 31st March, 1999 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, except valuation of closing stock of finished goods which has been changed from "sold at contract rate and unsold at lower of cost or market rate" to "at cost or net realisable value whichever is lower" (refer Note No. 7 in Schedule 17).
 - 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 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.
 - ix) In respect of loans and advances in the nature of loans given by the Company, parties are repaying the principal amounts as stipulated and have also been regular in the payment of interest where applicable.
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