

THE MODERN MILLS LIMITED

The logo for Report Junction.com is centered within a light green rounded rectangular border. It features the word "Report" in grey, a yellow diamond icon with a black arrow pointing up and to the right, and the word "junction.com" in green.

Report junction.com

**SEVENTIETH
ANNUAL REPORT
2003 - 2004**

BOARD OF DIRECTORS

VIJAY KUMAR JATIA (Chairman & Managing Director)

RUSI N. SETHNA

ANAND DIDWANIA

R. R. DOSHI

J. F. POCHKHANAWALLA

PRADIP KUMAR BUBNA

GAURI JATIA

COMPANY SECRETARY

R. V. JOSHI

BANKERS

PUNJAB NATIONAL BANK
THE VYSYA BANK LTD.

AUDITORS

K. S. AIYAR & COMPANY

REGISTERED OFFICE, TEXTILE DIVISON & REAL ESTATE DIVISION

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

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LTD.,
A-60/1223, Azad Nagar II,
Veera Desai Road,
Andheri (West),
MUMBAI 400 053.

The Modern Mills Limited

NOTICE

NOTICE is hereby given that the Seventieth Annual General Meeting of the members of The Modern Mills Limited will be held at the Registered Office of the Company at 101, K. Khadye Marg, Mahalaxmi, Mumbai 400 011 on Saturday, the 24th July, 2004 at 3.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2004 and the Profit & Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend
3. To appoint a Director in place of Mr. Rajas R. Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pradip K. Bubna, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT subject to the approval of the Central Government under Section 21 of the Companies Act, 1956, the name of the Company be and is hereby changed from **THE MODERN MILLS LIMITED** to **MODERN INDIA LIMITED**.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be necessary to give effect to the above resolution."

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT subject to approval of shareholders, the consent of the Company pursuant to Section 314 of the Companies Act 1956, for revision of present salary payable to Mr. Vedant Jatia, Executive of the Company being relative of Mr. Vijay Kumar Jatia, Managing Director and Mrs. Gauri Jatia, Director of the company be and is hereby granted with effect from 1st August 2004.

RESOLVED FURTHER THAT Mr. Vedant Jatia be and is hereby authorised to draw revised salary of Rs. 15,000/- p.m. with such annual increments as may be decided by the Board of Directors from time to time upto the maximum limit of Rs. 45,000/- p.m."

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/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

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.

- (b) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business at items No. 6 and 7 is annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 16th July, 2004 to Saturday, the 24th July, 2004 (both days inclusive).
- (d) The dividend when declared shall be paid to those members whose names will appear on the Register of Members of the Company on 24th July, 2004.
- (e) It is suggested for the convenience of the members that they should inform the Share Transfer Agent of the Company about their Bank Account No., name and address of the Bank, to enable printing of these particulars on the dividend warrants, to minimize loss due to warrant falling into improper hands through fraud.
- (f) Members are requested to intimate immediately to the Company's Share Transfer Agents, change of address, if any, by quoting their folio number.
- (g) As per the provisions of the Companies Act, 1956, facility for making nominations is now available to the Shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Transfer Agents of the Company.
- (h) 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. Those 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.

- (i) It is further observed that some 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.
- (j) Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company Secretary or with the Share Transfer Agents, along with full particulars. Members are requested to note that dividend not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to the Investor Education and Protection Fund, as per Section 205 A of the Companies Act, 1956.
- (k) The Register of Directors' shareholdings maintained under Section 307 of the Companies Act, 1956 is available for inspection by the members at the Annual General Meeting.
- (l) The Register of Contracts maintained under Section 301 of the Companies Act, 1956 is available for inspection by the members at the Registered Office of the Company.
- (m) The members are requested to send their queries, if any, on the accounts, to the Company Secretary at least 10 days before the Annual General Meeting, to enable the Company to be ready with the replies at the AGM.

By Order of the Board of Directors

Place : Mumbai
Dated : 8th June, 2004

R. V. JOSHI
Company Secretary

Registered Office :
101, K. Khadye Marg,
Mahalaxmi, MUMBAI 400 011.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to the SPECIAL BUSINESS mentioned under Items No 6 and 7 of the accompanying Notice.

Item No. 6

At present the Company is carrying on the various business activities viz. Textile, Real Estate, Business Centre and of late the Company has launched Indian Institute of Jewellery for imparting jewellery manufacturing training.

The present name "The Modern Mills Limited" does not denote the diverse activities and indicates as if the company is a mill. In order that the name of the Company suggests its present activities it is proposed to change the name from The Modern Mills Limited to **MODERN INDIA LTD.**

The Registrar of Companies, Maharashtra, Mumbai on the application of the Company has confirmed that the new name **MODERN INDIA LIMITED** is available for change of name. The provisions of Section 21 of the Companies Act, 1956 require approval of members by Special Resolution for change of name of the Company. Accordingly the resolution given in the accompanying notice is being proposed to be passed as a Special Resolution. Upon passing of the Special Resolution, necessary application will be made to the Registrar of Companies, Maharashtra, Mumbai for obtaining approval for change of name.

Your Directors recommend the resolution for your approval. None of the Directors is in any way concerned or interested in the resolution.

Item No. 7

Mr. Vedant Jatia was appointed as Executive of the Company at the Board Meeting held on 30th June 2003 on a monthly salary of Rs. 7,000/- p.m. Mr. Vedant Jatia has been actively associated with the day to-day affairs of the Company.

The Company has recently started its new division for imparting training in the field of Jewellery manufacturing under the name and style of Indian Institute of Jewellery. The entire division and related activities of the Institute viz. planning, directing and co-ordination are successfully handled by Mr. Vedant Jatia. During the period Mr. Vedant Jatia had handled the assigned responsibility successfully and gained the company with his hard work and foresight. With his due efforts and dedication, the Company will be able to launch its Institute on predetermined schedule. It is therefore recommended to increase his salary from Rs. 7,000/- to Rs.15,000/- p. m. with such annual increment as may be decided by the Board of Directors from time to time within the maximum limit of Rs. 45,000/-p.m.

Except Mr. V.K. Jatia and Mrs. Gauri Jatia no other Director is concerned or interested in this Resolution.

By Order of the Board of Directors

Place : Mumbai
Dated : 8th June, 2004

R. V. JOSHI
Company Secretary

Registered Office :
101, K. Khadye Marg,
Mahalaxmi, MUMBAI 400 011.

The Modern Mills Limited

DIRECTORS' REPORT

The Members,

The Directors present the 70th Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

	Year Ended	
	31.03.2004	31.03.2003
	(Rupees in lacs)	
Gross Profit before depreciation	24.86	241.57
Less : Depreciation	192.05	198.11
Operating Profit/(Loss)	(167.19)	43.46
Add/(Less): Provision for Taxation (Net)	(25.77)	(+) 1.49
	(192.96)	44.95
Add: Deferred tax	68.72	25.29
	(124.24)	70.24
Add: Balance brought forward	2470.35	2744.39
Less: Transfers and adjustments	—	259.57
	2470.35	2484.82
Balance available for Appropriation	2346.11	2555.06
LESS: APPROPRIATION		
Proposed Dividend	75.09	75.09
Tax on distributed profit	9.62	9.62
	84.71	84.71
Balance Carried to Balance Sheet	2261.40	2470.35

DIVIDEND

Your Directors are pleased to recommend a dividend of Rupee One per Equity Share of Rs.10/- each (10 percent) amounting to Rs 75,08,550/- which after your approval at the ensuing Annual General Meeting will be paid to those Equity Shareholders of the Company whose names appear in the Register of Members of the Company as on 24th July, 2004.

BUSINESS OPERATIONS

1. The business segments of the Company consist of textiles, real estate and business centre.

(i) Textiles :

The Textile activities consist of manufacturing and trading. During the year under review, the manufacturing operations at Mahalaxmi Unit were closed on account of continuous uneconomic working. The company is planning to carry on manufacturing operations in Textiles on job work basis. The company has taken effective steps to augment the revenues from trading activities in textiles and is planning to further strengthen the efforts on this direction.

(ii) Real Estate :

The market conditions in Real Estate continued to be sluggish during the year under review. There are signs of improvement which should hopefully result in increase in revenues from this business segment in the current year.

(iii) Business Centre :

During the year under review, revenues from Business Centre have shown more than 25% improvement as compared to the immediately preceding year. It is expected that the revenues from this Business segment will show a further improvement in the current year.

2. As reported in earlier year, the company has acquired a piece of land in the Village Rayapura, Dist. Dharwad, Karnataka State. The Company on its own or through its wholly owned subsidiary proposes to set up a Cotton Ginning & Pressing Unit for which your Directors are in touch with the Karnataka Industrial Area Development Board.

3. Indian Institute of Jewellery :

During the current year the Company has set up 'Indian Institute of Jewellery' for imparting training in the field of jewellery manufacturing. There is growing demand for trained and skilled personnel in the field of jewellery manufacturing in India as well as abroad. The first batch of students would start receiving training in the current year. This activity would add to the shareholders' value.

SUBSIDIARY COMPANY

The statement required under Section 212 of the Companies Act, 1956, the Audited Accounts and the Reports of the Directors and Auditors of M/s. Webhosting & Solutions (India) Ltd., a wholly owned Subsidiary Company, are attached herewith.

DIRECTORS

Mr. Rajas R. Doshi and Mr. Pradip K. Bubna, 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.

CONSOLIDATION OF ACCOUNTS

In pursuance of the mandatory compliance of the Accounting Standard No.21, as issued by the Institute of Chartered Accountants of India, the Company has presented Consolidated Financial Statements, for the year under report, consolidating its Accounts with the Accounts of its Subsidiary Company, M/s. Webhosting & Solutions (India) Ltd. and also accounts of the Joint Venture – M/s. Central Bombay Infotec Park. A separate report of the Statutory Auditors, on consolidated Financial Statements also forms part of the same.

AUDITORS' APPOINTMENT

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

AUDITORS' REPORT

The Auditors' observations at para 3 (vi) of their report are self-explanatory and need no further explanations.

COST AUDITORS

Since the Company has closed down its yarn manufacturing unit, the provisions of Cost Audit of the accounts will not be applicable to the Company with effect from 1st April, 2004.

The Modern Mills Limited

CORPORATE GOVERNANCE

In compliance of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, a Report on Corporate Governance, along with a Compliance Certificate from the Auditors of the Company, is annexed to this Report.

FIXED DEPOSITS

During the year under report, the Company has neither accepted nor renewed any Fixed Deposits, under section 58A, read with Companies (Acceptance of Deposits) Rules, 1975.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that :

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied them consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and of its loss for the year ended as on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

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.

Registered Office :

101, K. Khadye Marg,
Mahalaxmi,
Mumbai - 400 011.

Mumbai, dated 8th June, 2004

For and on behalf of the Board of Directors

Vijay Kumar Jatia
Chairman & Managing Director

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, 2004.

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 :

	2003-2004	2002-2003
(1) Electricity		
(a) Purchased Units (lakh Kwh.)	42.96	46.63
Total amount (Rs in lacs)	179.76	202.51
Rate per unit (Rs)	4.18	4.34
(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		

2003-2004			2002-2003		
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 :

	2003-2004			2002-2003		
Products:	Electricity (Kwh)	Coal (MT)	Others (MT)	Electricity (Kwh)	Coal (MT)	Others (MT)
Yarn	1.56 per Kg.	Nil	Nil	1.40 per Kg.	Nil	Nil

The Modern Mills Limited

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
- (b) Year of import : Nil
- (c) Has technology been fully absorbed
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : 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 : The Company was able to export 80,000 Mtrs of Cotton cloth and cotton Nightwear during the year under review.
- (b) Total Foreign Exchange :
- (i) Earnings : Rs. 32,34,141
- (ii) Outgo : Rs. 10,53,769

ANNEXURE 'B' TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2004.

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	Vijay Kumar Jatia (46)	B.Com.	25	01.08.2001	Chairman & Managing Director	26,97,055	Pudumjee Pulp & Paper Mills Ltd. - Jt. Managing Director

For and on behalf of the Board of Directors

Mumbai, dated 8th June, 2004

Vijay Kumar Jatia
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS**Industrial Structure and Developments**

The Industry has limited large players in the organized sector, but the competition is stiff among them not only within the country but internationally as well. The year in retrospect was a tough one for the Indian Industry in general and especially for the textile sector. Unfortunately, a number of events in political and economical environment had a dampening effect on the business sentiments of textile Industry. During this difficult period, the Company took a number of initiatives on cost reduction, improvement in efficiency and productivity but due to low demand and stiff competition it was not worthy to continue the textile unit. It is advisable to continue the business by involving in trading and other related activities.

New Initiative

The Company had diversified its core activity to Service industry by launch of Indian Institute of Jewellery for carrying training activity in the field Jewellery manufacturing. The Institute is started by entering into technical understanding with California Institute of Jewellery Training, USA for assisting in setting up of Institute of international cadre.

Opportunities and threats**(i) Opportunities :**

The decision of the Company to close down its textile manufacturing unit is going to help in reducing cost involved in fixed and operating expenses of the Company. It will also help the Company to relocate its resources for better utilization for the growth and development of the Company. Even in the field of Textile, it is advisable to enter into trading and job work activities so as to cater the need of its existing customers.

On the export front with phasing out of export quota regime, the export of textiles will improve which in turn will help the Company to improve the performance. The Company is already working towards other markets and has seen definite positive results on the same. It is trying to develop these markets at a fast pace.

With the growth of service industry, the company expects to build up in the field of training of Jewellery manufacturing under Indian Institute of Jewellery.

(ii) Threats :

Any recurrence of outburst of disturbance in the country more particularly due to political and economical policies may bring down the vibrancy of business.

Company faces normal market competition from Indian and international companies. The company's strong business pursuit, strategy and overall feature should offset these threats. The Company has consistently delivered superior value to it's customers. The company endeavors to enhance its competitiveness through a process of continuous improvements and application of appropriate business strategy.

Segmentwise Performance

The segmentwise performance in detail is given in note to the Balance Sheet.

Outlook

There is a cautious outlook in the company in view of the fact that it will be able to make its operations more competitive and it will be able to capture its real value in the coming times in order to repay its debts.

In spite of the sombre economic scenario, the Company could sustain it's level of operation. Owing to the Company's inherent strong capabilities, the future outlook is one of cautious optimism.