

MODERN INDIA LIMITED

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**SEVENTY-FIRST
ANNUAL REPORT
2004-05**

Modern India Limited

BOARD OF DIRECTORS

JAY KUMAR JATIA (Chairman & Managing Director)

USI N. SETHNA

NAND DIDWANIA

R. DOSHI

F. POCHKHANAWALLA

RADIP KUMAR BUBNA

AURI JATIA

COMPANY SECRETARY

HAVIK H. DESAI

BANKERS

PUNJAB NATIONAL BANK

AUDITORS

K.S. AIYAR & COMPANY

REGISTERED OFFICE, TEXTILE & REAL ESTATE DIVISIONS

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

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NOTICE

NOTICE is hereby given that the Seventy-First Annual General Meeting of the members of Modern India Limited will be held at the Registered Office of the Company at 101, K. Khadye Marg, Mahalaxmi, Mumbai 400 011 on Saturday, the 30th July, 2005 at 4.30 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 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. Rusi N. Sethna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mrs. Gauri Jatia, who retires by rotation and being eligible, offers herself 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.

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 Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 23rd July, 2005 to Saturday, the 30th July, 2005 (both days inclusive).
- (c) The dividend when declared shall be paid to those members whose names will appear on the Register of Members of the Company on 30th July, 2005.
- (d) 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.
- (e) Members are requested to intimate immediately to the Company's Share Transfer Agents, change of address, if any, by quoting their folio number.
- (f) 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.
- (g) 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.
- (h) 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.

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- (i) 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 205A of the Companies Act, 1956. The unclaimed Dividend for the year 1999-2000 is due to be deposited in the said fund in 2007.
- (j) 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.
- (k) As per the directions of the Department of Company Affairs, the Annual Reports of the subsidiary companies u/s 212 are available for inspection by the members during the working hours of the Company.
- (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

BHAVIK H. DESAI
Company Secretary

Place: Mumbai

Dated: 9th June, 2005

Registered Office:

101, K. Khadye Marg,
Mahalaxmi,
MUMBAI 400 011

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DIRECTORS' REPORT

The Members,

The Directors present the 71st Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year Ended	
	31.03.2005	31.03.2004
	(Rupees in lacs)	
Gross Profit before depreciation	140.94	47.99
Less: Depreciation	148.89	192.05
Operating Loss	(7.95)	(144.06)
Less: Extra Ordinary Expenditure	(170.57)	(23.13)
Add/(Less): Provision for Taxation (Net)	(5.70)	(25.77)
	(184.22)	(192.96)
Add: Deferred tax	29.17	68.72
	(155.05)	(124.24)
Add: Balance brought forward	2261.41	2470.35
Balance available for Appropriation	2106.36	2346.11

LESS: APPROPRIATION

Transfer to Foreign currency Translation Reserve	2.44	
Proposed Dividend	75.09	75.09
Tax on distributed profit	10.53	9.62
	88.06	84.71
Balance Carried to Balance Sheet	2018.30	2261.40

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 30th July, 2005.

CHANGE OF NAME OF THE COMPANY

Pursuant to the Special Resolution passed by the Members at the last Annual General Meeting, the name of the Company has been changed from The Modern Mills Limited to Modern India Limited with effect from 8th September, 2004.

BUSINESS OPERATIONS

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

(i) Textiles:

The Textile activities consist of trading. The company is also planning to explore the options for carrying 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 Real Estate Markets are showing signs of improvement, which should hopefully result in increase in revenues from this business segment in the current year.

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(iii) Business Centre:

During the year under review, revenues from Business Centre have shown more than 32% 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.

(iv) Indian Institute of Jewellery:

The division turned out with satisfactory results, as there is growing demand for trained and skilled personnel in the field of jewellery manufacturing in India as well as abroad. The convocation ceremony of the first batch of students, after completion of their training, was held on 13th April, 2005 and most of the students were recruited by reputed companies in the field of jewellery industry. This activity would add to the shareholders' value.

2. As reported in earlier year, the company has allotted 20 acres and 5 guntas of land in the Village Rayapura, Dist. Dharwad, Karnataka State, by Karnataka Industrial Area Development Board (KIADB). The Company on its own or through its wholly owned subsidiary proposes to set up a Cotton Ginning & Pressing Unit. Further, the KIADB has raised the dispute as to allotment of land and issued a letter of allotment of only 6 acres of land, against which the Company has filed writ petition before Karnataka High Court, which was admitted and pending for further orders.

3. Jewellery support services:

As the Company has already entered in the field of Jewellery by launching Indian Institute of Jewellery, it has planned to have tie-up arrangement for marketing software products in India with some of the international jewellery designing software companies on exclusive basis.

4. Electronic Appliances:

The Company has recently started activity for marketing of consumer durable in the Indian market for some of the international products and exploring opportunities to grow further after analysis of local market conditions and after introduction of trial products in the market.

SUBSIDIARY COMPANIES

Domestic: Webhosting & Solutions (India) Limited:

The Company has not undertaken any activity so far. However, new avenues are being explored in the field of Information Technology after analysing the present market scenario.

Overseas: Modern International (Asia) Limited, Hong Kong:

The Company was acquired in July, 2004 for carrying out general trading activities. The Company is expected to grow with new range of activities in different category, with appropriate thrust to product development to achieve desired level of growth.

On an application made by the Company to Department of Company Affairs, under the provisions of Section 212(8) of the Companies Act, 1956, seeking exemption under section 212(1) of the Companies Act, 1956, the Department has vide letter No. 47/93/2005-CL-III dated 5th May, 2005, granted exemption from attaching a copy of Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Reports of the Auditors of both the subsidiary companies. However, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of the subsidiaries. The Company will make available these documents/details upon request by any members of the Company and its subsidiary interested in obtaining the same. The annual accounts of the Subsidiary Companies will also be kept for inspection by any members at the Registered Office of the Company and its subsidiaries companies.

DIRECTORS

Mr. Rusi N. Sethna and Mrs. Gauri Jatiya, 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 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 Companies, M/s. Modern International (Asia) Ltd and M/s. Webhosting & Solutions (India) Ltd. as 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,

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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 4 (vi) of their report are self-explanatory and need no further explanations.

COST AUDITORS

Since the Company has closed down its yarn manufacturing unit in the previous year, the provisions of Cost Audit of the accounts do not apply to the Company.

SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified Periodicity by a Practising Company Secretary. The findings of the Secretarial Audit were entirely satisfactory.

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, 2005 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.

For and on behalf of the Board of Directors

Vijay Kumar Jatia
Chairman & Managing Director

Mumbai, dated 9th June, 2005

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

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, 2005

1. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

As the Company has no manufacturing activities, the provisions of Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 relating to Conservation of Energy, Technology Absorption and R & D do not apply to your company.

2. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) - Activities relating to exports : In the current year, company has not evolved into any export activities.
- Initiatives taken to increase exports : N.A
- Development of new export markets for products and services & Export plans : Company is developing new export market for various products in the nature of trading activities in various Asian and European countries.
- (b) Total Foreign Exchange :
- (i) Earnings : NIL
- (ii) Outgo : Rs. 31,43,178

ANNEXURE 'B' TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2005.

Sr. No.	Name/Age(Years)	Qualifications	Experience (years)	Date of Employment	Designation/ Nature of Duties	Gross remuneration received (Rs.)	Last Employment held (Previous Designation/ Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Vijay Kumar Jatia (47)	B.Com.	26	01.08.2001	Chairman & Managing Director	26,17,144	Pudumjee Pulp & Paper Mills Ltd. - Jt. Managing Director

For and on behalf of the Board of Directors

Vijay Kumar Jatia
Chairman & Managing Director

Mumbai, dated 9th June, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial Structure and Developments

TEXTILES:

Modern India Limited (MIL) formerly known as The Modern Mills Ltd., started as a Composite Textile Mill, which manufactured high-quality yarn for the local and export market. In March 2004, the manufacturing activity was closed, since it did not prove to be a commercially viable venture. Today, however, your company outsource work to meets its customer requirements.

The Textile division today is primarily focused on **Textile Trading Activities**. To broaden the scope of this venture, the Company established an overseas wholly owned subsidiary Company in July 2004 –viz **Modern International (Asia) Limited, Hong Kong**

China is the world's largest producer of cotton clothing, and the second largest producer of synthetic fibres. It is therefore one of the most important producers and exporters of clothing and textiles in the world. Your company recognised early advantages of setting up a venture in HongKong, in order to capitalise on the China's dominance and expertise in the textile business.

With the phasing out of Multi Fiber Agreement (MFA) from January 1, 2005, the textile industry is looking at immense growth opportunities. China is expected to be the biggest beneficiary of the dismantling of quotas, with India following a close second. The Indian textile industry now has the opportunity to realise its full potential, and the sector is already eyeing an export target of \$50 billion by 2010.

REAL ESTATE & INFRASTRUCTURE:

With the changes in Government policies over the years, the textile industry in Mumbai slowly began to move out of the city. With increasing losses and competition from national and international market, mill owners were gradually forced to close down their mills.

The Company has developed 3,35,000 square feet of its mill land into residential and commercial property by compliance of necessary guidelines of statutory authorities. MIL's land is very conveniently located at Mahalaxmi, in the heart of the city of Mumbai.

Mahalaxmi is today's one of Mumbai's fastest developing areas. With the government supporting the conversion of mill land into commercial / residential projects, many mills have now converted their complexes into commercial and residential projects. The Central Bombay Infotech Park, a joint venture of the Company is one such example. It features a total offering of 1,75,000 square feet, and the Company is focused on developing this prime space into a modern, professional business hub.

EDUCATION:

The Company has entered in the field of professional / vocational education with the launch of the **Indian Institute of Jewellery (IIJ)**, as its Promoter and Infrastructure Developer.

This new venture was based on detailed research done by the Company, and on the belief that India has the skills required to make it a global player in the field of education and training. Today 92% of the world's diamonds come from India, but only 1% of the world's jewellery is made in India. The Company had the foresight to recognise that while the jewellery industry in India is growing in leaps and bounds, it is lacking the skilled and trained manpower to support this growth.

To enhance India's role in this arena, and to establish it as an international player, your company believes that greater exposure to an international knowledge base and quality standards are essential.

Recognizing the fundamental need for an Institute with an international curriculum and technical expertise, The Company has entered into a Technical Consultancy Agreement with the California Institute of Jewelry Training, California (USA).

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 of Jewellery manufacturing. As part of its ongoing mission to enhance the quality, reputation and creativity of the jewellery industry, your Company entered into an arrangement with Gemvision, USA to enable the entry of jewellery support service products to the Indian market. Your Company is the sole authorised distributors of Gemvision's products in India.

The Company has recently launched a Digital Ultrasonic Cleaner under the brand name of JEWELKLEEN. It is a device to clean utility items such a jewelry items, spectacles, sunglasses, watchbands, dentures, combs, razor heads, fountain pen heads etc.

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

After closure of textile manufacturing unit, the Company has relocated its resources for better utilization for the growth and development of the Company by diversification in training center and introduction of electronic appliances in the market. Even in the field of Textile, we have entered into trading activities and outsource the work to cater the need of its existing customers.

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 and with launch of some of the jewellery support services by international tie-up/ arrangement with US based company.

(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/market. The company's strong business pursuit, strategy and overall feature should offset these threats. The Company has consistently delivered superior value to its customers. The company endeavors to enhance its competitiveness through a process of continuous improvements and application of appropriate business strategy.

Segment wise Performance

The segment wise performance in detail is given in notes 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 its level of operation. Owing to the Company's inherent strong capabilities, the future outlook is one of cautious optimism.

Risks and concerns

As the Textile division is carrying Trading Activity, the risk of losses is comparatively less. However, the Company has already taken action of covering the past losses and also trying out new alternative sources. The new initiative of training division and electronic appliances is gradually developing with stiff competitive market.

Time is an essence in getting the returns from real estate and reduce the debt burden of the Company.

Internal Control System and their Adequacy

Your Company has maintained a proper and adequate system of internal control. This is to ensure that all assets are protected against loss from unauthorized use or disposition and the transactions are authorised, recorded and reported correctly.

An extensive programme of Internal Audit further supplements Company's internal control systems. This is done by an independent firm of Chartered Accountants. The Management and the Audit Committee of the Board periodically reviews reports of the Internal Auditors. Your Company has clearly laid down policies, guidelines and procedures that form part of its internal control system.

The internal control system is designed to ensure that all the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of the assets.

Financial Performance

The Gross Loss before depreciation is Rs. 29.63 lacs. After deducting there from depreciation of Rs. 148.89 lacs there is operating loss of Rs. 178.52 lacs which is on account of loss incurred in the manufacturing operations at Mahalaxmi Unit.

Material Development in Human Resource

The Company had 22 employees as on 31st March, 2005. Relationship with the Employees was cordial throughout the year. Your Directors wish to place on record their appreciation for dedicated and sincere services rendered by the Executive, Staff and Workmen at all levels.

Cautionary Statement

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectation may be "forward looking statements" within the meaning of applicable statutory laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions and price conditions in the domestic and overseas markets in which company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.