

MODERN INDIA LIMITED

(Formerly known as The Modern Mills Limited)

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**SEVENTY-SECOND
ANNUAL REPORT
2005-06**

Modern India Limited

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

BANKERS

PUNJAB NATIONAL BANK

AUDITORS

K.S. AIYAR & COMPANY

REGISTERED OFFICE, TEXTILE & REAL ESTATE DIVISIONS

MODERN CENTRE,
'A' WING, GROUND FLOOR,
SANE GURUJI MARG,
MAHALAXMI,
MUMBAI 400 011

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LTD.,
B-302, SONY APARTMENT,
OPP. ST. JUDE HIGH SCHOOL,
OFF ANDHERI KURLA ROAD,
JARIMARI, SAKINAKA,
ANDHERI (EAST),
MUMBAI 400 072

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NOTICE

NOTICE is hereby given that the Seventy-Second Annual General Meeting of the members of Modern India Limited will be held at the Registered Office of the Company at Modern Centre, Sane Guruji Marg, Mahalaxmi, Mumbai 400 011 on Saturday, the 29th day of July, 2006 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To sanction the declaration and the payment of Dividend on Equity Shares for the year ended 31st March, 2006.
3. To appoint a Director in place of Mr. Anand Didwania, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. F. Pochkhanawalla, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration, and for that purpose, to pass the following Resolution, which will be proposed as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. K.S. Aiyar & Company, Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorized to fix their remuneration for the said period and reimbursement of actual out of pocket expenses, as may be incurred in the performance of their duties.

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 pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and subject to necessary approval, wherever applicable and as approved by the Remuneration Committee and the Board of Directors of the Company, the Company accords its approval/ ratification for increase in the remuneration of Mr. Vijay Kumar Jatia, Managing Director of the company with effect from 1st August 2005 as per the revised terms and conditions of payment of remuneration, benefits and amenities set out below :-

- (a) Salary Rs. 1,75,000/-per month. The salary may be increased from time to time so that overall remuneration including perquisites do not exceed Rs.3,00,000/- per month.
- (b) Period 1st August, 2005 to 31st July, 2006.
- (c) Commission Commission on Net Profits of the Company computed in the manner laid down in Section 349 of the Companies Act, 1956 as may be fixed by the Board subject to the ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.
- (d) Perquisites In addition to the aforesaid salary and commission the Managing Director shall be entitled to the following perquisites:
 - i) Free Furnished residential accommodation or House Rent Allowance together with utilities therefor such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property taxes as may be approved by the Board.
 - ii) Reimbursement of Medical Expenses incurred for self and family and medical/ accident insurance.
 - iii) Personal Accident Insurance in accordance with the rules specified by the Company or as may be agreed to by the Board of Directors.
 - iv) Leave Travel concession for self and family once in a year in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
 - v) Fees of clubs/annual membership fees and/or admission/ entrance fees.
 - vi) In case of children studying in or outside India, an education allowance limited to a maximum of Rs. 5,000/- per month per child or actual expenses incurred, whichever is less. Such allowance is admissible upto a maximum of two children.

- vii) Return holiday passage once in a year by economy class or once in two years by first class to children and to the members of the family from the place of their study or stay abroad to India if they are not residing in India with the Managing Director.

The above perquisites shall be evaluated as per the Income tax Rules wherever applicable. In the absence of such rules perquisites will be evaluated at actual costs.

- (e) The Managing Director shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above :
- Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - Earned privilege leave at the rate of one month's leave for every eleven months of service. The Managing Director shall be entitled to encash leave at the end of his tenure as Managing Director.
 - Provision for Car with driver for business of the Company and Telephone at the residence of the Managing Director shall not be treated as perquisites.
- f) Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has made no profits or its profits are inadequate, the Company shall pay to the Managing Director, the above salary and perquisites except commission not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.

OTHER BENEFITS

Apart from the aforesaid remuneration, the Managing Director shall be entitled to reimbursement of expenses incurred in connection with the business of the Company.

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee(s) thereof.

OTHER TERMS

Subject to the control and supervision of the Board of Directors and subject to the provisions of the Act, the Managing Director shall have the general conduct and management of the business and affairs of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter or vary the remuneration/perquisites payable to Mr. Vijay Kumar Jatia or other terms and conditions as may be agreed to between the Board of Directors and the Managing Director in the best interests of the Company but within the limits laid down under Schedule XIII or any other provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient and proper in the best interests of the Company."

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

"RESOLVED THAT in terms of Article 139A of the Articles of Association of the Company and pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof for the time being in force) and subject to the approval of the Central Government of India, if required, consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. Vijay Kumar Jatia as Managing Director of the Company for a period of 3 (Three) years with effect from August 1, 2006 on the terms as to remuneration and otherwise set out here-under and with full liberty to the Board (which term shall be deemed to include the Remuneration Committee, if any, constituted by the Board from time to time) to alter the said terms and conditions in such manner as may be agreed to between the Board and Mr. Vijay Kumar Jatia in the best interests of the Company but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII to the said Act or otherwise as may be permissible at law :-

- Salary** Rs. 1,75,000/-per month. The salary may be increased from time to time so that overall remuneration including perquisites do not exceed Rs.3,00,000/- per month.
- Period** 1st August, 2006 to 31st July, 2009.
- Commission** Commission on Net Profits of the Company computed in the manner laid down in Section 349 of the Companies Act, 1956 as may be fixed by the Board subject to the ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.

- (d) **Perquisites** In addition to the aforesaid salary and commission the Managing Director shall be entitled to the following perquisites:
- Free Furnished residential accommodation or House Rent Allowance together with utilities therefor such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges, and property taxes as may be approved by the Board.
 - Reimbursement of Medical Expenses incurred for self and family and medical/ accident insurance.
 - Personal Accident Insurance in accordance with the rules specified by the Company or as may be agreed to by the Board of Directors.
 - Leave Travel concession for self and family once in a year in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
 - Fees of clubs/annual membership fees and/or admission/ entrance fees.
 - In case of children studying in or outside India, an education allowance limited to a maximum of Rs.5,000/- per month per child or actual expenses incurred, whichever is less. Such allowance is admissible upto a maximum of two children.
 - Return holiday passage once in a year by economy class or once in two years by first class to children and to the members of the family from the place of their study or stay abroad to India if they are not residing in India with the Managing Director.
- The above perquisites shall be evaluated as per the Income tax Rules wherever applicable. In the absence of such rules perquisites will be evaluated at actual costs.
- (e) The Managing Director shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above :
- Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - Earned privilege leave at the rate of one month's leave for every eleven months of service. The Managing Director shall be entitled to encash leave at the end of his tenure as Managing Director.
 - Provision for Car with driver for business of the Company and Telephone at the residence of the Managing Director shall not be treated as perquisites.
- (f) **Minimum Remuneration** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has made no profits or its profits are inadequate, the Company shall pay to the Managing Director, the above salary and perquisites except commission not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.

OTHER BENEFITS

Apart from the aforesaid remuneration, the Managing Director shall be entitled to reimbursement of expenses incurred in connection with the business of the Company.

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee(s) thereof.

OTHER TERMS

Subject to the control and supervision of the Board of Directors and subject to the provisions of the Act, the Managing Director shall have the general conduct and management of the business and affairs of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient and proper in the best interests of the Company. "

NOTES:

- 1) A member entitled to attend and vote at the Annual General Meeting (the meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.

Modern India Limited

- 2) Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- 3) In terms of Article 112 of the Articles of Association of the Company, Mr. Anand Didwania and Mr. Jimmy F Pochkhanawalla, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchange, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
- 4) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
- 5) Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
- 6) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
- 7) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 22nd July, 2006 to Saturday, the 29th July, 2006 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.
- 8) The dividend on Equity Shares of the Company as recommended by the Board of Directors of the Company, when sanctioned at the Annual General Meeting of the Company, will be made payable on or after Saturday, the 29th July, 2006, to the Company's Equity Shareholders, who are entitled for the Dividend as on Saturday, the 29th July, 2006 whose names stand registered on the Company's Register of Members:
 - a) as Beneficial Owners as at the end of business on 21st July, 2006 as per the list provided by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in the electronic form and
 - b) As Members in the Register of Members of the Company after giving effect to valid transfers in physical form lodged with the Company on or before 21st July, 2006.
- 9) In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to intimate the Company's Registrars & Transfer Agents particulars of their Bank Account viz. Name of Bank, Name of Branch, Complete address of the Bank with Pin Code Number, Account type – whether Saving Account or Current Account and Bank Account Number.
- 10) Members are hereby informed that Dividend which remains unclaimed/un-encashed over a period of 7 years has to be transferred as per the provisions of Sec.205A of the Companies Act, 1956, by the Company to 'The Investor Education & Protection Fund', constituted by the Central Government under Section 205C of the Companies Act, 1956. It may please be noted that once the unclaimed/un-encashed dividend is transferred to the 'Investor Education & Protection Fund', no claim shall lie in respect of such amount by the shareholder. The unclaimed Dividend for the year 1999-2000 is due to be deposited in the said fund in 2007. Members wishing to claim dividends, which remain unclaimed for the year 1999-2000 and onwards, are requested to correspond with the Company's Registrars & Transfer Agents, along with full particulars.
- 11) Members desirous of making nomination as permitted under Section 109A of the Companies Act, 1956 in respect of the shares held by them in the Company, can make nominations in Form 2B.
- 12) Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and transfer Agents, M/s. Satellite Corporate Services Private Limited, for consolidation into a single folio.
- 13) It has been 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.
- 14) As per the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies are not attached with the Annual Report of the Company. However, the Annual Reports of all the Subsidiary Companies are available for inspection at Registered Office of the Company to any member/investor of the Company. Further the Company will make available these documents to any member/investor upon request.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956

Item No. 6

Mr. Vijay Kumar Jatia was appointed as the Managing Director of the Company for a period of 5 years with effect from August 1, 2001. The members at the 68th Annual General Meeting held on September 30, 2002 had subsequently revised the remuneration payable to Mr. Vijay Kumar Jatia for a period of three years with effect from April 1, 2002.

The Shareholders whilst approving payment of remuneration to Mr. Vijay Kumar Jatia at the aforesaid Annual General Meeting of the Company had also authorized the Board of Directors to revise the same from time to time. The Board of Directors on the recommendation of Remuneration Committee at its meetings held on August 31, 2006, subject to the approval of the Members in General Meeting and other approvals as may be necessary, further revised the remuneration payable to Mr. Vijay Kumar Jatia, Managing Director with effect from 1st August, 2005 for the residual period of his appointment as detailed in the Resolution at item No.6. The increase in the remuneration was considered necessary and justified based on the prevailing conditions, hard work and immense contribution of Mr. Vijay Kumar Jatia. The Abstract and Memorandum of the upward revision in the remuneration payable to the Managing Director had been circulated amongst the members within the stipulated time period as required under Section.302 of the Companies Act, 1956.

Additional information as required under Schedule XIII of the Companies Act, 1956 is set out at one or other places of the Annual Report which is being circulated to the members, so far is applicable at the present stage of the matter.

The Directors recommend passing of the above Resolution as a Special Resolution.

Mr. Vijay Kumar Jatia and Mrs. Gauri Jatia are concerned or interested in the resolution at Item No.6.

Item No.7

Mr. Vijay Kumar Jatia is a Director of the Company since 1994 and the Managing Director of the Company since 2001. He has extensive experience of over 25 years in industry and business. His tenure as the Managing Director of the Company ends on 31st July, 2006. Considering his rich and vast experience and exceptional managerial skills, the Board of Directors felt that it would be in the best interest of the Company to re-appoint him as the Managing Director of the Company. Accordingly, the Board of Directors on the recommendation of the Remuneration Committee at its meeting held on 24th June, 2006 has re-appointed Mr. Vijay Kumar Jatia as Managing Director of the Company for a period of three years with effect from 1st August, 2006 on the terms and conditions as mentioned in the Resolution under Item No.7 and the same is in line with the trend prevailing in the corporate sector.

In terms of Schedule XIII to the Companies Act, 1956, Mr. Vijay Kumar Jatia is eligible for re-appointment as Managing Director. The total remuneration payable to Mr. Vijay Kumar Jatia along with other Whole-time Directors of the Company, if any, shall not exceed 10% of the net profits during any financial year. In case there is no other Whole-time Director, the total remuneration payable to Mr. Vijay Kumar Jatia shall not exceed 5% of the net profits during any financial year or such other limit as may be prescribed by the Central Government. Mr. Vijay Kumar Jatia will not be liable to retire by rotation.

In view of the relevant provisions of Schedule XIII of the above Act requiring a Special Resolution for payment of minimum remuneration to a Managing Director in the event of loss or inadequacy of profits, this resolution is being proposed as a special resolution. Considering the progress and profitability of the Company which is likely to continue also in future years, occasion is not likely to arise for payment or remuneration to him as minimum remuneration during any of the years comprised by the period of his office. However, as per the requirements of the said Schedule, the relevant information about the appointee are set out at one or other places of the Annual Report which is being circulated to the members, so far as is applicable at the present stage of the matter.

The Directors commend for your approval the proposed special resolution under item No.7.

Except Mrs. Gauri. Jatia who is relative of Mr. Vijay Kumar Jatia and Mr. Vijay Kumar Jatia himself, none of the other Directors of the Company is concerned or interested in this resolution.

The information provided above and detailed resolution at item no. 7 may be deemed to be relevant abstracts as required under the provisions of Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Mumbai
Dated: 24th June, 2006

Registered Office:
Modern Center,
Sane Guruji Marg, Mahalaxmi,
MUMBAI 400 011

VIJAY KUMAR JATIA
Chairman & Managing Director

DIRECTORS' REPORT

The Members,

The Directors have pleasure to present the Seventy-second Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rupees in Lacs)	
	Year Ended	
	2005-06	2004-05
Gross Profit before depreciation	424.22	140.94
Less: Depreciation	119.27	148.89
Operating Profit/(Loss)	304.95	(7.95)
Less: Extra Ordinary Expenditure	63.99	170.57
Provision for Taxation (Including Fringe Benefit Tax)	16.30	5.70
Deferred tax	4.44	84.73
Profit/(Loss) after Tax	220.22	(155.05)
Add: Balance brought forward	2018.30	2261.41
Balance available for Appropriation	2238.52	2106.36
LESS: APPROPRIATION		
Transfer to Foreign currency Translation Reserve	-	2.44
Proposed Dividend	90.10	75.09
Tax on distributed profit	12.63	10.53
General Reserve	5.51	108.24
Balance Carried to Balance Sheet	2130.28	2018.30

DIVIDEND

Your Directors are pleased to recommend a dividend of 12% for the year under review.

BUSINESS OPERATIONS

- The business segments of the Company consist of Textiles, Real Estate, Business Centre, Vocational Training Institute and Trading.

(i) Textiles:

The operations of the Textile division primarily consist of trading activities. Total revenue during the year 2005-06 from textile activities was Rs.2088.55 lacs as compared to Rs.1156.17 lacs in the year 2004-05 representing an incredible 80% growth over previous year. The company is 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 in this direction.

(ii) Real Estate:

The Real Estate Markets have been booming in the last two years. Total revenue during the year 2005-06 from real estate activities was Rs.232.51 Lacs as compared to Rs.40.10 lacs in the year 2004-05 representing a whopping 480% growth over previous year. MIL has already developed 335,000 square feet of its mill land into residential and commercial property and is seriously contemplating the development and optimum utilization of the additional area of approximately 200,000 square feet of quality real estate available. During 2006-2007, your Company's focus would remain in the real estate segment. It would endeavor a series of new launches to expand its presence and footprint.

(iii) Business Centre:

The Business Centre activity of the Company is carried on through a joint venture namely Central Bombay Infotec Park. Total revenue during the year 2005-06 from business centre activities was Rs.577.63 lacs as compared to Rs.503.51 lacs during the year 2004-05 representing a modest 15% growth over previous year. It is expected that the revenues from this Business segment will show a further improvement in the current year.

(iv) Vocational Training:

The Vocational Training division comprises of activities of Indian Institute of Jewellery (IJJ), an Institute established in collaboration with California Institute of Jewelry Training, USA, for offering jewellery manufacturing courses in India and allied activities. Total revenue during the year 2005-06 from vocational training activities was Rs.69.23 lacs as compared to Rs.72.52 lacs during the year 2004-05 representing a marginal 5% decline over the previous year. To improve the revenue from this activity efforts are being made and the number and types of courses offered by the IJJ have been added. Besides Jewelry Manufacturing, IJJ offers courses in Jewellery Designing, Lac Artistry, Bench Jewellery, Diamond Grading, Enameling, Digital Goldsmith and Gemology. It is expected that the revenues from this Business segment will show an improvement in the current year.

(v) Trading:

The trading activity consists trading in products other than textiles. Total revenue during the year 2005-06 from trading activities was Rs.2067.95 Lacs.

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. Indian Institute of Jewellery:

All the candidates of the Second batch, trained by the Institute (IJJ), were absorbed in the jewelry industry by reputed companies, many of them with such leading names as Adora and Intercarat. The members of the Company vide resolution passed through postal ballots have approved the sale, assignment and/or transfer of this division. The entire undertaking of this division has been transferred to Indian Institute of Jewellery Limited, a wholly owned subsidiary of the Company. The proposal to carry on this activity with some strategic business partner from Jewellery Industry is also under consideration.

4. Jewellery Business:

The members of the Company have passed resolutions through postal ballot altering the objects clause of the Memorandum of Association of the Company authorizing the company to carry on business related to Jewelry Industry. The Registrar of Companies has granted necessary certificate of registration of the special resolutions referred to above. The Board of Directors has decided to carry on jewelry manufacture and distribution business through a joint venture. The Company has entered into a Joint Venture Agreement with Gitanjali Gems Limited, a renowned name in the Jewelry Industry. For the said purpose, two companies namely Modali Jewels Private Limited and Modali Distribution Private Limited have already been formed on the basis of 50:50 shareholdings. It is expected that these joint venture companies shall perform well in the current year.

SUBSIDIARY COMPANIES**Domestic: Webhosting & Solutions (India) Limited:**

This subsidiary has not undertaken any activity so far. However, new avenues are being explored in the field of information Technology after analyzing the present market scenario.

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

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

The Department of Company Affairs has 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. Any member of the Company may inspect and/or request for copy of these documents or any detail relating to these documents.

DIRECTORS

Mr. Anand Didwania and Mr. J. F. Pochkhanawalla, 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.

Modern India Limited

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.

DEFERRED TAX

During the year 2005-06, deferred tax amounting to Rs. 4.44 lacs was debited to profit and loss account as against a credit of Rs. 29.14 lacs for the year 2004-05.

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

CORPORATE GOVERNANCE

In compliance of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, a Report on Corporate Governance, along with a Certificate of the Auditors on Corporate Governance 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.

INSURANCE

Adequate insurance cover has been taken for the properties of the Company including Stocks, Tools and Machineries, Furniture and Fixtures, Electronic and Electric Equipments, Vehicles and to cover Directors' and Officers' Liability.

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, 2006 and of its profit 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.

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.

By Order of the Board of Directors

Mumbai
Dated: 24th June, 2006

VIJAY KUMAR JATIA
Chairman & Managing Director

Registered Office:
Modern Center,
Sane Guruji Marg, Mahalaxmi.
MUMBAI 400 011