

ANNUAL REPORT

1996-97

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



Report  junction.com



Modern Denim Limited

Board of Directors

Shri H. S. Ranka	— Chairman
Shri Sachin Ranka	— Managing Director
Shri S. S. Mody	— Director
Shri J. N. Pathak	— Director
Shri K. N. Malhotra	— Director
Shri B. L. Verma	— Director
Shri S. S. Betrabet	— Nominee, ICICI
Shri O. P. Singal	— Nominee, IDBI
Shri R. K. Jalan	— Nominee, UTI
Shri L. N. Mishra	— Nominee, GIC
Shri G. K. Bohara	— Executive Director
Shri R. K. Kalia	— Executive Director

Bankers

Bank of Baroda
Indian Overseas Bank
Sanwa Bank
Bank of Maharashtra
Indusind Bank

Auditors

M/s. Chaturvedi & Shah,
Chartered Accountants
Mumbai-400 020

Registered Office

A-4, Vijay Path, Tilak Nagar
Jaipur - 302 004, (Rajasthan)

Corporate Headquarter

68/69, Godavari
Poachkhanwala Road
Worli,
Mumbai - 400 025

Plant

Village - Moriya
Distt. Ahmedabad-380 015
(Gujarat)

NOTICE

Notice is hereby given that the 19th Annual General Meeting of Modern Denim Limited will be held on Tuesday the 30th December, 1997 at 2.30 P.M. at Hotel Clarks Amer, Jawaharlal Nehru Marg, Jaipur-302 017 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri K. N. Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri S. S. Mody, who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri G. K. Bohara who retires by rotation and being eligible, offers himself for re-appointment.
- (5) To appoint Auditors and to fix their remuneration and in connection therewith, to pass, the following resolution with or without modifications, as a special resolution :

"RESOLVED THAT pursuant to the provisions of Section 224 A of the Companies Act, 1956, M/s Chaturvedi & Shah, Chartered Accountants, Mumbai, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company."

B. SPECIAL BUSINESS :

- (6) To consider and if thought fit, to pass, with or without modifications, the following resolution, as an ordinary resolution :

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications of re-enactment thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said Act, the Company hereby accords its approval and consent to increase in salary payable to Shri R. K. Kalia and Shri G. K. Bohara, Executive Directors of the Company w.e.f. 01.04.97 for the remaining period of their respective tenures as specified in the explanatory statement attached hereto."

- (7) To consider and if thought fit, to pass, with or without modifications, the following resolution, as an ordinary resolution :

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging, on such terms and conditions and at such time or times and in such form or manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking or all the undertakings including the present and/or future properties, whether moveable or immoveable comprised in any existing or new undertaking or undertakings of the Company as the case may be, together with power to take over the management of the business and concern of the said undertaking(s) of the Company in certain events, in favour of :

On First Charge basis

1. Industrial Finance Corporation of India Ltd. for its
 - a) Rupee Term Loan of Rs. 720 lacs.
2. Industrial Credit and Investment Corporation of India Ltd. (ICICI) as trustees for the debentureholders for privately placed non-convertible debentures aggregating to Rs. 1166 lacs.

On Second Charge basis

3. Bank of Maharashtra (BOM) for its working capital assistance of Rs. 735 lacs.
4. Bank of Baroda (BOB) for its working capital assistance of Rs. 2164 lacs.
5. Sanwa Bank Limited (SBL) for its working capital assistance of Rs. 1010 lacs.
6. IndusInd Bank (IB) for its working capital assistance of Rs. 879 lacs.
7. Indian Overseas Bank (IOB) for its working capital assistance of Rs. 1082 lacs.

in connection with the term loans/debentures and working capital facilities sanctioned and disbursed by the financial institutions/debenture holders/working capital bankers to the Company to secure the said term loans/working capital facilities together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other monies payable by the Company in terms of loan agreements/letter of sanction(s)/memorandum of the terms and conditions entered into/to be

entered into by the Company in respect of such term loans and/or working capital facilities, such security, to rank as the case may be, to the mortgages and/or charges already created or to be created in future by the Company or in such manner as may be agreed to by the financial institutions/debenture holders/banks and as may be thought expedient by the Board of Directors of the Company."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to finalise the matter and method of the documents and deeds for creating the aforesaid mortgage/charges and to do all such acts, deeds and things as it may in its absolute discretion, deem necessary, proper or desirable and also agree to any amendments thereto from time to time as it may think fit."

- (8) To consider and if thought fit, to pass, with or without modifications, the following resolution, as an ordinary resolution :

"RESOLVED THAT in supersession of resolution passed at the Extra Ordinary General Meeting of the Company held on 16th July, 1994 the consent of the Company be and is hereby accorded in terms of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time any sum of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from Company's bankers in ordinary course of business)

may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not, at any time exceed the limit of Rs. 500 Crores (Rupees Five Hundred Crores only)."

BY ORDER OF THE BOARD

Place : New Delhi

Dated : 30.09.97

(H. S. RANKA)

CHAIRMAN

NOTES

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 in respect of item number 5 to 8 of the notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
3. The Proxy should be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the commencement of the meeting.
4. The share transfer books and Register of members shall remain closed from 30th December, 1997 to 31st December, 1997.
5. **NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5

The combined shareholding of public financial institutions, nationalised banks and insurance companies in the Company exceeds twenty five percent of the paid up capital of the Company. It is therefore necessary to pass the resolution for appointment of Auditors of the Company as a Special Resolution in accordance with the provisions of Section 224A of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in the resolution.

Item No. 6

Shri R. K. Kalia and Shri G. K. Bohara were appointed as Executive Directors of the Company and revised remuneration was paid to them w.e.f. 01.04.96 as approved in Annual General Meeting held on 31.12.96.

The Board of Directors have further revised their respective terms and conditions of remuneration w.e.f. 01.04.97 for remaining period of their respective tenures, as under :

- a) Salary - Rs. 35,000/- (Rupees Thirtyfive thousand only) per month

All other terms & conditions shall remain the same.

None of the Directors except Shri R. K. Kalia and Shri G. K. Bohara, is concerned or interested in the said resolution.

Item No. 7

Generally, the borrowings of the Company are required to be secured by suitable Mortgage and/or charge on all or any of the moveable or immoveable properties of the Company, wherever situated in such form, manner and ranking as may be determined by the Board of Directors

of the Company in consultation with the lenders/banks. Such Mortgage and/or charge of the Company's moveable and/or the whole or any part of the undertaking(s) in favour of the lenders may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1) (a) of the Companies Act, 1956.

The approval of financial institutions will also be required as all the assets of the Company, present and future are already mortgaged/charged in their favour.

Hence it is necessary for the Company to pass the resolution as set out in item no. 7 of the notice.

None of the Directors of the Company except Shri S. S. Betrabet, nominee of ICICI, is in any way concerned or interested in the resolution.

Item No. 8

Under Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in General Meeting,

borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. The shareholders at the Extra Ordinary General Meeting held on 16.07.94 had accorded their consent to the Board of Directors for borrowing upto Rs. 250 Crores.

With the Expansion project already implemented, the Company has exhausted the borrowing limits. In view of further growth plans of the Company it is found expedient to increase the borrowing limit to Rs. 500 Crores. The consent of the shareholders is, therefore sought under the provisions of Section 293 (1) (d) of the Companies Act, 1956 to enable the Directors to borrow monies to the extent of Rs. 500 crores as in resolution set out in item no. 8.

None of the Directors is in any way concerned or interested in the resolution.



Report Junction.com

MODERN DENIM LIMITED

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur - 302 004

PROXY FORM

Reg. Folio No.....

No. of Shares held

I/We.....

of

being a Member/Members of Modern Denim Limited hereby appoint..... of

..... or failing him of

..... as my/our proxy to vote for me/us on my/our behalf at the

NINETEENTH ANNUAL GENERAL MEETING of the Company to be held on Tuesday the 30th December, 1997 and at

any adjournment thereof.

Signed this day of, 1997

Affix
30 paise
Revenue
Stamp

Signature.....

Note : This form duly completed and signed must be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the commencement of the Meeting.

MODERN DENIM LIMITED

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur - 302 004

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

19th Annual General Meeting - December 30, 1997

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company held at HOTEL CLARKS AMER, Jawahar Lal Nehru Marg, Jaipur-302 017 on Tuesday the 30th December, 1997 at 2.30 P.M.

Full Name of Member (IN BLOCK LETTERS)

Reg. Folio No.

No. of Shares held.....

Full Name of Proxy (IN BLOCK LETTERS)

Member's/Proxy's Signature

NOTE : ADMISSION TO THE MEETING SHALL STRICTLY BE PERMITTED TO SHAREHOLDERS/VALID PROXY HOLDERS ONLY.

Report  junction.com

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the 19th Annual Report and Audited statement of accounts for the year ended 31st March, 1997 :

1. FINANCIAL RESULTS :

(Rs. in lacs)

	1996-97	1995-96
Surplus before depreciation	1284.91	2688.95
Less : Depreciation	1954.54	427.37
Less : Transferred from General Reserve	725.49	—
Profit for the year	55.86	2261.58
Add : Balance brought forward	914.06	424.03
Dividend pertaining to previous year	0.47	0.65
Surplus available for appropriation	970.39	2686.26
Appropriations :		
a) Debenture Redemption Reserve	99.00	223.90
b) General Reserve	—	500.00
c) Dividend on Preference shares	—	110.75
d) Dividend on Equity Shares	—	937.55
Balance carried to Balance Sheet	871.39	914.06
	970.39	2686.26

2. OPERATIONS :

The Indian economy has started to witness the pinch of recessionary pressures which has triggered lower offtakes and reduced realisations due to excess capacity build up and changing pattern of fashion. This has lead to low sales realisations which has hit the profitability adversely resulting into lower net profit of Rs. 56 lacs during the year as against Rs. 2262 lacs for the previous year. Your Directors are unable to recommend any dividend for the year under review in view of inadequacy of profit and to conserve the resource.

The turnover during the year under review increased to Rs. 130 crores against Rs. 117 crores in the previous year. The increase in turnover was due to full impact of expansion. However, the Company could not reap the benefits of increased installed capacity due to non release of need based working capital limits from bankers in time making an adverse impact on operations. The exports of the Company have been steady. Company has been able to make exports of approx. Rs. 34 crores mainly to U.K., U.S.A., Russia etc.

3. EXPANSION SCHEME :

The Company had implemented an expansion scheme to enhance capacity from 7.20 million meters per annum to 20 million meters per annum. While the weaving plant and other related facilities were set up and commissioned in the earlier year, the spinning section became fully operational only from October, 1996. The Company has decided not to increase the capacity to 29 million meters per annum as envisaged earlier. However the Company is going ahead to implement the balancing scheme to improve the capacity utilisation and diversify the product mix to cater the highly competitive international market.

4. FINANCE :

The funds raised through Non-convertible Debentures have been utilized for long term requirement of the Company. Fixed Deposits matured during the year were repaid or renewed. However, there was a run on fixed deposit during the first half of the current fiscal year and payments were delayed. Many aggrieved investors have approached to Company Law Board (CLB) and Company has submitted a plan to CLB seeking

reschedulement for repayment to Fixed Deposit holders under Section 58A(9) of the Companies Act, 1956. As per plan, Company will continue to make payment of interest according to the terms of deposits and proposes to make the payment of the principal in phases as per plan or as may be modified by the Company Law Board. The fixed deposit schemes of the Company has since been discontinued w.e.f. 29.7.1997.

5. FUTURE PROSPECTS :

The growth of the Company has been consistent since inception and the Company has unbroken record of profits. The Company also has uninterrupted record of dividends till last year when the dividend was 25%. Your Company is having world class manufacturing facilities for producing Indigo blue denim. The Company has pioneered the use of 'Rope dyeing' technique in India for manufacture of denim. The Company has already been granted an Export House Status by Govt. of India. However, the performance of the Company declined from middle of 1996-97 due to demand recession in the international as well as in the domestic market.

Your Directors are confident about good long term prospects of the operations of the Company in view of enormous export potential available to Indian denim due to abundant and cheap cotton and skilled labour, increase in denim exports to EEC and acceptance of Indian denim in international market on account of its superior quality. The global demand for denim is expected to grow in future years and India presently accounts for only about 10% of the world production leaving sufficient opportunities for substantial growth in exports.

6. SUBSIDIARY COMPANY :

The annual report and statement under Section 212 of the Companies Act, 1956 in respect of Modern Europe Limited, a wholly owned subsidiary of the Company are annexed to this report.

7. DIRECTORS :

Shri K. N. Malhotra, Shri S. S. Mody and Shri G. K. Bohara retire by rotation and being eligible, offer themselves for re-appointment. During the year Unit Trust of India has nominated Shri R. K. Jalan on the Board. Shri R. K. Kalia has joined the Board as Executive Director w.e.f. 1.10.96. The Board welcomes the incoming Directors.

8. AUDITORS :

Your Directors recommend the reappointment of M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai as Auditors of the Company for the year. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 15 forming part of the accounts and hence need no further clarifications.

9. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO :

The statement of particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required in accordance with Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 (A), 2 (B) and 2 (C) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 is annexed hereto and forms part of this report.

10. PARTICULARS OF EMPLOYEES :

The particulars of employees as required under Section 217, (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended, are attached hereto and form part of this report. The Industrial relations at all levels continued to be good.

11. ACKNOWLEDGEMENTS :

The Board places on record its gratitude for the assistance and co-operation extended by the financial institutions, Bank of Baroda and other consortium partners. The Company cherishes the support extended by the Central Govt., State Govt. of Gujarat, Shareholders and Fixed Deposit holders. Your Directors also sincerely appreciate the dedication and hard work extended by the executives, staff and workers of the Company.

On behalf of the Board

Place: New Delhi
Date : 30th September, 1997

H.S.RANKA
Chairman