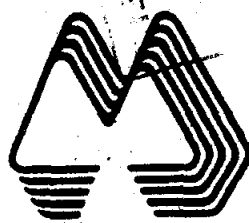


Annual Report 1999-2000

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Modern
Denim Limited

BOARD OF DIRECTORS

Shri H. S. Ranka	– Chairman
Shri Sachin Ranka	– Managing Director
Shri J. N. Pathak	– Director
Shri K. N. Malhotra	– Director
Shri B. L. Verma	– Director
Shri H. L. Sharma	– Director
Shri R. K. Arora	– Nominee, ICICI
Shri O. P. Singal	– Nominee, IDBI
Shri R. K. Jalan	– Nominee, UTI
Shri H. N. Belawat	– Nominee, IFCI
Shri P. S. Sheth	– Nominee, GIC
Shri P. K. Roongta	– Executive Director

Bankers

Bank of Baroda
Indian Overseas Bank
Sanwa Bank
Bank of Maharashtra
IndusInd Bank

Auditors

Messrs 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)

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NOTICE

Notice is hereby given that the 22nd Annual General Meeting of Modern Denim Limited will be held on Friday the 29th December, 2000 at 12.30 P.M. at Registered office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302004 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2000 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 P.K. Roongta who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri J.N. Pathak who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri B.L. Verma 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 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 modification the following resolution as an ordinary

resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the re-appointment of Shri Sachin Ranka as Managing Director of the Company from 1.9.2000 for a period of five years on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto."

By Order of the Board

Place : Mumbai

Date : 29th September, 2000

(H. S. RANKA)
Chairman

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of item numbers 5 & 6 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 OF THE COMPANY.
3. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
4. The share transfer books and register of members shall remain closed from 27.12.2000 to 30.12.2000 (both days inclusive).
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 of 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 said resolution in item No. 5.

Item No. 6

Shri Sachin Ranka was appointed as Managing Director of the Company for a period of 5 years on 1.9.1995. As term of his appointment expired on 31.8.2000, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 5 years w.e.f. 1.9.2000 on the following terms and conditions of remuneration :

- (A) Salary - Rs. 30,000/- (Rupees Thirty Thousand Only) per month.
- (B) Perquisites and allowances :
 - (i) Furnished residential accommodation with water, gas, electricity etc., monetary value of which will be evaluated as per rule 3 (a) of the Income Tax Rules, 1962. The above is subject to the following.
 - (a) The expenditure incurred by the Company on hiring accommodation for him will be subject to the ceiling of 50% of the salary over and above 10% payable by him.
 - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing will be evaluated as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary paid to him.
 - (ii) Medical benefits for self and family, reimbursement of expenses actually incurred, the total cost of which to the Company shall not exceed one month's salary of every year of service.

- (iii) Leave travel concession for self, wife and minor children once a year to and fro any place in India subject to the condition that only actual fare and no hotel expenses etc. will be allowed.
- (iv) Fees of clubs-subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs. 1,000/-.
- (vi) Company's contribution towards Provident Fund as per the rules of the Company.
- (vii) Company's contribution towards pension/superannuation fund as per rules of the Company, but it shall not together with the Company's contribution to the Provident Fund, exceed 25% of the salary.
 However, contribution to provident fund, pension/superannuation fund will not be included in the computation of the ceiling of perquisites to the extent these, either singly or put together are not taxable under the Income Tax Act, 1961.
- (viii) Gratuity not exceeding one half months salary for each completed year of service, subject to a ceiling of Rs. 1,00,000/-.
- (ix) Free use of car with driver, for Company's business, the monetary value of which may be evaluated as per Income Tax Rules, 1962.
- (x) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (xi) Encashment of leaves as per Company's Rules.

- (C) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof.

None of the Directors, except Shri H.S. Ranka and Shri Sachin Ranka, are concerned or interested in the said resolution in item No. 6.

DIRECTORS' REPORT

To,
The Members,
Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2000 :

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	1999-2000	1998-99
Profit/(Loss) before Interest & Depreciation	(1569.12)	(421.13)
Less : Interest	3965.42	3800.57
Gross Profit/(Loss) before depreciation	(5534.54)	(4221.70)
* Depreciation	1795.43	1726.59
Net Profit / (Loss) for the year	(7329.97)	(5948.29)
Add : Balance brought forward from last year	(7687.65)	(1739.36)
Balance carried to Balance Sheet	(15017.62)	(7687.65)

2. OPERATIONS

Since last few years the Denim Industry is passing through difficult business conditions. Due to change in fashion the demand of Denim fabric has declined world over resulting into oversupply situation and prices of denim fabric reached low level beyond imagination. Keeping in view the recessionary trend prevailing in global markets the major producers of Denim fabric have either closed their operations or keeping the operations at bare minimum level. Your Company has also not remained untouched by prevailing adverse market situation in Denim Industry and is operating at low capacity utilisation. Although your Directors have taken several remedial steps to meet the challenges being faced by the Company viz. optimise use of available resource, measures of saving of cost at all fronts of operation etc., the Company has suffered a loss of Rs. 15.69 Crores before interest & depreciation. In absence of profits your Directors are unable to declare any Dividend for the year under review.

3. EXPORTS

Exports of the Company has also shown steep fall due to fierce competition being faced by the Company from South East Asian Countries as well as from globally giant manufacturers. The Company achieved export turnover of Rs. 13.90 crores during the year under review. Despite of quality products the demand of Company's products in International market remained dull. The Company is however focusing on reorientation of its product mix towards wider range of denim which meets changing fashion across the globe and also searching new international markets.

4. RESTRUCTURING OF DEBTS AND OTHER LIABILITIES

- The Company had incurred further losses during the year under review and therefore not in a position to service the debts as per the restructuring scheme approved earlier. The Company has again submitted the rehabilitation proposal to the Banks and Financial Institutions which has not yet met their approval. The Financial Institutions are now in process of reviewing the operations of the Company in the prevailing industrial scenario and it is expected that a lasting solution to the Company's problem would be evolved to enable the Company to achieve profitable operations.
- The State Government of Gujarat has declared the Company situated at Sanand, Distt. Ahmedabad as Relief Undertaking for a period of one year w.e.f. 6.10.99 in public interest with a view to rehabilitate and protect employment of the Company.

5. REFERENCE TO BIFR

As the accumulated losses of the Company exceed its entire

networth at the end of audited accounts for the year ended on 31.3.2000, the Company is covered under the definition of "Sick Industrial Company" in terms of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). It is, therefore, necessary for the Company to make a reference to Board for Industrial & Financial Reconstruction (BIFR) under the provisions of SICA. The Board of Directors has therefore, decided to submit necessary Report of Company's sickness to BIFR.

6. FUTURE PROSPECTS

The fashion has a nature to change and in this cycle, denim fabric is again gaining grounds world over. Prices of denim have already started picking up in domestic market as well as internationally. Yours Directors are hopeful that once the current recessionary trend prevailing in Denim Industry world over subsides, the Company would be able to turn the corner and can thereafter look forward to a normal working.

7. SUBSIDIARY COMPANY

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

8. DIRECTORS

Shri P.K. Roongta, Shri J.N. Pathak and Shri B.L. Verma are liable to retire by rotation and being eligible, offer themselves for reappointment. GIC has nominated Shri P.S. Sheth in place of Shri L.N. Mishra on the Board of Directors of the Company. Shri S.S. Modi ceased to be Director of the Company due to his sudden demise and Shri H.L. Sharma has been appointed as Director in his place for filling up the casual vacancy. The Board places on record its appreciation for the valuable contribution given by late Shri S.S. Modi and Shri L.N. Mishra during their tenure as Directors of the Company and welcome Shri P.S. Sheth and Shri H.L. Sharma on the Board.

9. AUDITORS

M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2000-2001. The observation 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.

10. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for their best efforts at a time when Company is passing through bad industrial weather. The Company has enjoyed healthy & cordial relations throughout the year. There is no employee getting remuneration as prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

11. 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 (Disclosures of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

12. ACKNOWLEDGEMENTS

The Board places on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from the financial Institutions, working capital bankers, shareholders and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai

(H. S. Ranka)

Date : 29th September, 2000

Chairman

AUDITORS' REPORT

To,
The Members of
Modern Denim Limited,
We have audited the attached Balance Sheet of MODERN DENIM LIMITED as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date, annexed hereto and report that:

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion proper books of account, as required by law have been kept by the Company, so far as appears from our examination of such books.
 - (iii) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - (iv) In our opinion, the Profit & Loss Account and Balance

- Sheet complied with mandatory accounting standards, referred in section 211 (3C) of the companies Act, 1956, except otherwise stated.
- (v) Note No. 1 (i) of Schedule 15 regarding Gratuity and other retirement benefits accounted on cash basis.
 - (vi) Note No. 13, 14, 17 & 18 of Schedule 15 regarding non-provision of interest.
 - (vii) The accounts of the Company have been prepared on a going concern basis through the Company has incurred substantial losses resulting in the erosion of its net worth.
- Subject to the above in our opinion and to the best of our information and according to the explanations given to us, the accounts, read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and
 - (ii) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For CHATURVEDI & SHAH
Chartered Accountants

Place : Mumbai
Date : 29th September, 2000

(H. P. Chaturvedi)
Partner

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date to the Members of Modern Denim Limited.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets other than furniture and fixtures for which detailed records are not maintained. According to the information and explanations given to us the fixed assets were physically verified by the management at reasonable intervals during the year in accordance with a programme of physical verification and no material discrepancies were noticed on such verification as compared to the available records.
2. None of the fixed assets have been revalued during the year.
3. As explained to us, the stock of finished goods, raw materials, stores and spare parts have been physically verified by the management at reasonable intervals during the year except stocks lying with third parties which have been generally confirmed.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. According to the records produced to us for our verification, no material discrepancies were noticed on physical verification of stocks as compared to book records and the same have been properly dealt with in the books of account.
6. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from the parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from the Companies under the same management as defined in sub-section (1B) of Section 370 of Companies Act, 1956.
8. The Company has not granted any loans secured or unsecured, to Companies, firms or other parties, except interest free loan to a Director, listed in the register maintained under Section 301 and/or to the Companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
9. Loans and advances in the nature of loan given by the Company to its employees and other parties, they are generally repaid as per stipulated terms alongwith interest wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machineries, equipments and other assets and for sale of goods.
11. As far as we have been able to ascertain and according to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of

- contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods or materials.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable/damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public subject to and as stated in note No. 20 of schedule 15.
14. In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap and waste wherever significant. The Company has no byproduct.
15. The Company has internal audit system in commensurate with the size and nature of its business. However, the scope of the same needs to be adequately enlarged and strengthened.
16. We have broadly reviewed the cost records maintained by the Company pursuant to Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie prescribed records have been maintained. We have not, however, made a detailed examination of such records, so as to ascertain whether they are accurate or complete.
17. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Sales Tax and Excise Duty outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us, the Provident Fund and Employees State Insurance Act dues have been generally deposited with the appropriate authorities.
19. According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of employees or directors have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. We have been informed that the Company is taking necessary steps to make a reference to the Board of Industrial & Financial Reconstruction under Section 15 of the Sick Industrial Companies (SP) Act, 1956.

For CHATURVEDI & SHAH
Chartered Accountants

Place : Mumbai
Date : 29th September, 2000

(H. P. Chaturvedi)
Partner