

ANNUAL REPORT

2000-2001

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Modern

DENIM LIMITED

BOARD OF DIRECTORS

Shri H. S. Ranka	-	Chairman
Shri Sachin Ranka	-	Managing Director
Shri B.L. Verma	-	Director
Shri R.R. Maheshwari	-	Director
Shri K.K. Baheti	-	Director
Shri H. L. Sharma	-	Director
Shri R.K. Arora	-	Nominee, ICICI
Shri P.K. Ramadasan	-	Nominee IDBI
Shri R.K. Jalan	-	Nominee, UTI
Shri Ishtiaq Ali	-	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-380015
(Gujarat)

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NOTICE

Notice is hereby given that the 23rd Annual General Meeting of **Modern Denim Limited** will be held on Saturday the 29th September, 2001 at 12.00 Noon 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, 2001 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 H.S. Ranka who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Shri Sachin Ranka who retires by rotation and being eligible, offers himself for reappointment.
- (4) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications, as an ordinary resolution :

"RESOLVED THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956,

B. SPECIAL BUSINESS :

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

"RESOLVED THAT Shri R.R. Maheshwari, who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

BY ORDER OF THE BOARD

Place : Jaipur
Date : 16.6.2001

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 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 25.9.2001 to 29.9.2001 (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

Shri R.R. Maheshwari was appointed as an Additional Director of the Company w.e.f. 24.3.2001 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act,

1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri R.R. Maheshwari as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

None of the Director, except Shri R.R. Maheshwari, is concerned or interested in the resolution.

DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report, and Audited Statement of Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS

(Rs. in Lacs)

	2000-2001	1999-2000
Profit/(Loss) before interest & Depreciation	(2332.11)	(1569.12)
Less : Interest	4134.25	3965.42
Gross Profit/(Loss) before Depreciation	(6466.36)	(5534.54)
Depreciation	1809.65	1795.43
Net Profit/(Loss) for the year	(8276.01)	(7329.97)
Add : Balance brought forward from last year	(15017.62)	(7687.65)
Balance carried to Balance Sheet	(23293.63)	(15017.62)

2. OPERATIONS

The above results witness continued recessionary trend in Denim Industry world over. The loss before interest and depreciation increased from Rs. 1569.12 lacs in previous year to Rs. 2332.11 lacs during the year under review. The Company's turnover has also gone down to Rs. 5326.66 lacs during the year under review. The Denim Industry is still not fully recovered from the critical phase on account of changes in fashion. Over supply situation coupled with lower demand have squeezed margins not only of your company but almost of every leading houses in Denim segment of Textiles. However, during later half of the year market conditions showed some improvement in demand specially for new innovations like Ring Denim, Stretch Denim which are increasingly used by fashion designers world over. As the Company is starved of required working capital due to losses and operating its plant at very low capacity, it could not reap benefit of these improved market conditions. In absence of profits your Director are unable to declare any Dividend for the year under review.

3. EXPORTS

The exports of the Company during the year under review have suffered mainly because of the continued recessionary trend prevailing in global denim markets. Due to poor off take from overseas countries coupled with unhealthy competition from global manufacturers, the Company could achieve export turnover of only Rs. 14.99 crores during the year under review. However, despite of all adverse features, the Company is continuing its efforts to explore opportunities for its products in overseas markets.

4. REFERENCE TO BIFR

As you are aware, in view of accumulated losses of the Company having exceeded its entire net worth as at 31st March, 2000, your Company has already been referred to Board for Industrial & Financial Reconstruction (BIFR) under the provisions of SICA and had duly been declared 'Sick' by the Hon'ble BIFR in terms of its order dated 23rd February, 2001 with direction to submit rehabilitation proposal to the Operating Agency. Accordingly Company has submitted the rehabilitation proposal which is under examination with the Operating Agency.

5. FIXED DEPOSITS

The payment of interest and repayment of the principal of Fixed Deposits are not being made as per Hon'ble Company Law Board order dated 11.8.1999 and 14.6.2000 in view of continuous losses and the Company had become a 'Sick Industrial Company' as defined under section 3(1)(O) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and proceedings at BIFR are underway. However payment on compassionate ground are continued to be made as per decision of the committee formed by Hon'ble CLB for this purpose.

6. 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.

7. DIRECTORS

Shri H.S. Ranka and Shri Sachin Ranka are liable to retire by rotation and being eligible, offer themselves for reappointment. The IFCI Ltd. has withdrawn the nomination of Shri H.N. Belawat and nominated Shri Ishtiaq Ali as director of the Company in his place. The IDBI has also withdrawn the nomination of Shri O.P. Singal and nominated Shri P.K. Ramadasan in his place. During the period under review Shri J.N. Pathak and Shri K.N. Malhotra have resigned from Directorship of the Company. Shri K.K. Baheti has been appointed as a Director to fill-up the casual vacancy occurred due to resignation of Shri J.N. Pathak. Shri R.R. Maheshwari has been appointed as an Additional Director and Board recommends his appointment as Director liable to retire by rotation. The Board welcomes Shri Ishtiaq Ali, Shri P.K. Ramadasan, Shri K.K. Baheti and Shri R.R. Maheshwari and places on record its appreciation for the valuable contribution given by Shri H.N. Belawat, Shri O.P. Singal, Shri J.N. Pathak and Shri K.N. Malhotra during their tenure as Directors of the Company.

8. 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 2001-2002. 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. INDUSTRIAL RELATIONS AND PARTICULARS OF EMPLOYEES

Your Director 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 and cordial relations throughout the period. 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.

10. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that :

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company of the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

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 shareholders and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Jaipur
Dated : 16.6.2001

H. S. RANKA
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, 2001 and the Profit & 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 (4-A) 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 & 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) (a) Provision has not been made for gratuity and other retirement benefits which are accounted for on cash basis. (Note No. 1 (i) and 3 of Schedule 15)
 - (b) Provision for interest on optionally fully convertible debentures amounting to Rs. 465.82 lacs and deferred interest on foreign currency loan amounting to Rs. 163.80 lacs has not been made in accounts. (Note No. 9 & 10 of Schedule 15)

- (c) Provision for interest on other deposits/loans Rs. 19.50 lacs has not been made in accounts. (Note No. 11 of Schedule 15)
- (d) Penal interest/liquidated damages have not been provided, amount of which is unascertainable, pending confirmations/reconciliations with the institutions/banks. (Note No. 12 of Schedule 15)
- (e) Dividend for the year amounting to Rs. 110.75 lacs on cumulative redeemable preference shares has not been provided. (Note No. 13 of Schedule 15)
- (f) Loss for the year has been arrived at after adjusting prior period debits Rs. 116.76 lacs and prior period credits Rs. 35.26 lacs. (Note No. 15 of Schedule 15)
- (g) Balance of Debtors, Creditors, Advances and loans etc. are subject to confirmation and reconciliation. (Note No. 16 of Schedule 15)
- (h) The accounts of the Company have been prepared on a going concern basis though the BIFR has declared the company as a sick company.
- (vi) Based on legal opinion and as per information and explanations given to us, directors of the Company do not prima facie, have any disqualification as referred to in section 274(1)(g) of the Companies Act, 1956. 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, 2001 and
 - (ii) In the case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date.

For CHATURVEDI & SHAH
Chartered Accountants,

(H.P. Chaturvedi)
Partner

Place : Jaipur
Date : 16th June, 2001

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 along with 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. 19 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 by-product.
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 and as explained in note No. 22 of Schedule 15 the BIFR has declared the company as a sick company.

For CHATURVEDI & SHAH
Chartered Accountants

(H.P. Chaturvedi)
Partner

Place : Jaipur
Date : 16th June, 2001