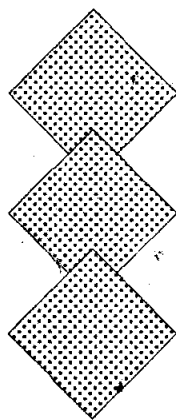


# ANNUAL REPORT

## 2001-2002



**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 P.K. Ramadasan   | - Nominee, IDBI     |
| Shri K. Madhava Kumar | - Nominee, UTI      |
| Shri P.S. Sheth       | - Nominee, GIC      |

### Bankers

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

### Auditors

Messrs Chaturvedi & Shah,  
Chartered Accountants  
Mumbai-400 021

### 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)

Report



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## NOTICE

Notice is hereby given that the 24th Annual General Meeting of **Modern Denim Limited** will be held on Saturday the 28th September 2002 at 11.30 A.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur 302 004 to transact the following business :

### A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2002 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 B.L. Verma who retires by rotation and being eligible, offers himself for reappointment.
- (3) 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 M/s J.T. Shah & Co., Chartered Accountants, Ahmedabad be and are hereby appointed as Auditors of the Company for the Financial Year Commencing from 1.4.2002 in place of M/s Chaturvedi & Shah, Chartered Accountants, Mumbai (who have expressed their desire not to be reappointed as Auditors of the Company) to hold office 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 :

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

"RESOLVED THAT Shri H.L. Sharma, who was appointed as Director of the Company by the Board of Directors to fill up the casual vacancy arising due to sudden demise of Shri S.S. Mody and who ceases to hold office under Section 262 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Shri K.K. Baheti, who was appointed as Director of the Company by the Board of Directors to fill up the casual vacancy arising due to resignation of Shri J.N. Pathak and who ceases to hold office under Section 262 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

BY ORDER OF THE BOARD

Place : Mumbai  
Date : 3rd September, 2002

**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 4 & 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 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 26.9.2002 to 28.9.2002 (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. 4

Shri H.L. Sharma was appointed as Director by the Board of Directors of the Company to fill up the casual vacancy occurred due to sudden demise of Shri S.S. Mody. According to the provisions of Section 262 of the Companies Act, 1956 he holds office only upto the date late Shri S.S. Mody would have held office. Late Shri S.S. Mody would have retired at ensuing Annual General Meeting of the Company if he had not died and therefore the term of office of Shri H.L. Sharma as director ceases at 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 H.L. Sharma 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 H.L. Sharma is concerned or interested in the resolution.

#### Item No. 5

Shri K.K. Baheti was appointed as Director by the Board of Directors of the Company to fill up the casual vacancy occurred due to resignation of Shri J.N. Pathak. According to the provisions of section 262 of the Companies Act, 1956 he holds office only upto the date Shri J.N. Pathak would have held office. Shri J.N. Pathak would have retired at ensuing Annual General Meeting of the Company if he had not resigned and therefore the term of office of Shri K.K. Baheti as director ceases at 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 K.K. Baheti 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 K.K. Baheti is concerned or interested in the resolution.

## DIRECTORS' REPORT

The Members,

Your Directors present the 24th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2002.

### 1. FINANCIAL RESULTS

(Rs. in Lacs)

|  | 2001-2002  | 2000-2001  |
|--|------------|------------|
| Profit/(Loss) before Depreciation            | (5031.57)  | (6466.36)  |
| Depreciation                                 | 1814.69    | 1809.65    |
| Net Profit/(Loss) for the year               | (6846.26)  | (8276.01)  |
| Add : Balance brought forward from last year | (23293.63) | (15017.62) |
| Balance carried to Balance Sheet             | (30139.89) | (23293.63) |

### 2. OPERATIONS

The above operational results indicate improvement in recessionary trend prevailing in Denim Industry. The loss before depreciation reduced from Rs. 64.66 Crores in previous year to Rs. 50.32 Crores in current year on account of better realisation. The turnover has also increased to Rs. 60.90 Crores during the current year as against Rs. 53.27 Crores in previous year. Global denim capacity increased significantly in last few years without corresponding increase in demand leading to oversupply situation and consequently steep fall in realisation. However the market conditions has now improved with new innovations like Ring Denim, Soft Denim, Stretch Denim etc. creating new demand in line with change in fashion. As the Company is facing severe financial crunch due to continued losses and is operating its plant at low capacity, it could not avail the full benefit of these improved market conditions. Efforts were made during the year under review to run the plant mainly on job basis. In absence of profits, your Directors 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 due to three key trends emerged in global markets namely, shift of consumer preference to lighter weight Cotton Fabrics like Chinos and Gabardines etc., shift in sourcing from fabric to garments in US and UK markets and Denim fabric showing commodity like characteristics. These trends had affected denim fabric exports from India.

The Company could achieve export turnover of Rs. 30.36 Crores during the year under review. The Company is continuing its efforts to explore future opportunities for its products in overseas markets.

### 4. FUTURE PROSPECTS

The outlook for Denim Industry looks optimistic as Denim Cloth is regaining its lost ground in global markets. New and innovative qualities of Denim have also provided wider options for fashion conscious people. Resultantly realisations are improving and providing better margins to Denim Industry.

### 5. 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 been referred to Board for Industrial & Financial Reconstruction (BIFR) under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and has duly been registered with it and has duly been declared 'Sick' by Hon'ble BIFR in terms of its order dated 23.2.2001 with direction to submit rehabilitation proposal to ICICI, the Operating Agency. The matter is now under active consideration of BIFR/Operating Agency.

### 6. FIXED DEPOSITS

Since the Company has become a 'Sick Industrial Company' as defined under section 3(1)(i) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), Company filed a petition to CLB to pass an appropriate order so as to provide for re-payment of fixed deposit in accordance with the revival scheme as to be approved by BIFR, under the provisions of SICA and Hon'ble CLB has passed the order on 21st December, 2001 that "The repayment of fixed deposits of Modern Denim Limited, shall be made by the Company in accordance with the revival scheme as and when approved by BIFR under the provisions of "SICA". However payment on compassionate grounds are continued to be made as per the decision of the committee formed by Hon'ble CLB for this purpose.

### 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 B.L. Verma is liable to retire by rotation and being eligible, offer himself for reappointment. The IFCI Ltd. withdrew the nomination of Shri Ishfaq Ali & nominated Shri T. Ramesh Babu in his place and subsequently has withdrawn his nomination as Director of the Company. ICICI has also withdrawn nomination of Shri R.K. Arora. The UTI has also withdrawn the nomination of Shri R.K. Jalan and nominated Shri K. Madhava Kumar in his place. Shri P.K. Roongta has resigned as Director of the Company. The Board welcomes Shri K. Madhava Kumar and places on record its appreciation for the valuable contribution given by Shri Ishfaq Ali, Shri T. Ramesh Babu, Shri R.K. Arora, P.K. Roongta and Shri R.K. Jalan during their tenure as Directors of the Company.

### 9. AUDITORS

M/s Chaturvedi & Shah, Chartered Accountants, have intimated that they do not wish to be re-appointed as Statutory Auditors at the forthcoming Annual General Meeting and accordingly the Directors recommend to appoint M/s J.T. Shah & Co., Chartered Accountants, Ahmedabad as Auditors of the Company. 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 AND PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for putting their best efforts at a time when Company is passing through bad industrial weather. The Company has enjoyed healthy and 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. 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.

### 12. 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.

### 13. CONSTITUTION OF AUDIT COMMITTEE

As required under section 292(A) of the Companies Act, 1956 an existing Audit Committee has been reconstituted. The present members of the Audit Committee are Shri P.S. Sheth, Shri B.L. Verma and Shri H.L. Sharma.

### 14. CORPORATE GOVERNANCE

The Company is making efforts to the extent possible for complying the provisions relating to Corporate Governance pursuant to clause 49 of the Listing Agreement with Stock Exchanges.

### 15. 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, Banks, shareholders and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 3rd September, 2002

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, 2002 and also the Profit and Loss Account for the year ended on that date annexed hereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure 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 report that :
  - (i) We have obtained all the information and explanations, which are 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 leave entitlements which are accounted for as and when paid (Note No. 1 (i) of Schedule 15)

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, 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, 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

- (b) Changed the method of providing gratuity from payment basis to accrual basis, resulting loss for the year is higher by Rs. 16.32 lacs. (Note No. 3 of Schedule 15)
- (c) Provision for interest on optionally fully convertible debentures amounting to Rs. 465.82 lacs and deferred interest on foreign currency loan amounting to Rs. 109.38 lacs has not been made in accounts. (Note No. 9 & 10 of Schedule 15)
- (d) Penal and compound interest/ liquidated damages have not been provided, amount of which is unascertainable, pending confirmations / reconciliations with the institutions / banks. (Note No. 11 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. 12 of Schedule 15)
- (f) Loss for the year has been arrived at after adjusting prior period debits Rs. 76.63 lacs and prior period credits Rs. NIL. (Note No. 14 of Schedule 15)
- (g) Balances of Debtors, Creditors, Advances and Loans etc. are subject to confirmation and reconciliation. (Note No. 15 of Schedule 15)
- (h) The accounts of the Company have been prepared on a going concern basis though the Board for Industrial and Financial Reconstruction (BIFR) has declared the company as a sick company.
- (vi) The directors of the company are restricted from being appointed as director under clause B Section 274(1)(g) of the Companies Act, 1956. We have been informed that the company has decided to make representation to BIFR and the Central Government/Company law Board seeking appropriate exemption from applicability of the section.

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, 2002 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

Place : Mumbai  
Date : 29th June, 2002

(H.P. Chaturvedi)  
Partner

### ANNEXURE TO THE AUDITORS' REPORT

- 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 dues have been generally deposited in time 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. 18 of Schedule 15 the Board for Industrial and Financial Reconstruction (BIFR) has declared the company as a sick company.

For CHATURVEDI & SHAH  
Chartered Accountants

Place : Mumbai  
Date : 29th June, 2002

(H.P. Chaturvedi)  
Partner