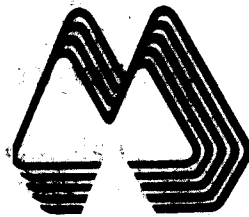


# **ANNUAL REPORT**

## **2002-2003**

Report  junction.com



**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. Kar	- Nominee, IFCI
Shri K. Madhava Kumar	- Nominee, UTI
Shri P.S. Sheth	- Nominee, GIC

**Company Secretary**  
Ashish Bhardwaj

### Bankers

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

### Auditors

Messrs J.T. Shah & Company,  
Chartered Accountants  
Ahmedabad-380009

### Registered Office

A-4, Vidy 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)



## NOTICE

Notice is hereby given that the 25th Annual General Meeting of **Modern Denim Limited** will be held on Tuesday the 30th September, 2003 at 4.30 PM. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur 302 004 to transact the following business :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2003 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 R.R. Maheshwari who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Shri H.L. Sharma 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, M/s J.T. Shah & Co., Chartered Accountants, Ahmedabad 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.”

BY ORDER OF THE BOARD

Place : Mumbai

(H.S. RANKA)

Date: 31st May, 2003

Chairman

## NOTES :

1. 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.
2. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
3. The share transfer books and Register of members shall remain closed from 29.9.2003 to 30.9.2003 (both days inclusive).
5. NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.



## DIRECTORS' REPORT

The Members,

Your Directors present the 25th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2003.

### 1. FINANCIAL RESULTS

(Rs. in crores)

	2002-2003	2001-2002
Surplus before Interest and Depreciation	2.09	(9.07)
Less : Interest	32.95	41.24
Gross Profit/(Loss) before Depreciation	(30.86)	(50.31)
Depreciation	18.18	18.15
Net Profit/(Loss) for the year	(49.04)	(68.46)
Add : Balance brought forward from last year	(301.40)	(232.94)
Balance carried to Balance Sheet	(350.44)	(301.40)

### 2. OPERATIONS

The operational results during the year under review are showing sign of improvement in Denim Industry. After the break for 5 years, your company has been able to generate a surplus before interest and depreciation of about Rs. 2 crores. The turnover has also increased to about Rs. 84 crores during the current year as against about Rs. 61 crores in previous year. In absence of profits your Directors are unable to declare any Dividend for the year under review.

From last two years, the market situation has gradually changed and Denim is back in fashion especially for kids and ladies wear. The demand of Denim fabric increased in domestic as well as International market. Introduction of new products by Denim Industry has made the dramatic resurgence of Denim and repositioned it. However, with the limited available financial resources, your company could not exploit the new opportunity to its full extent for manufacturing innovative, differential and value added Denim products which are currently in great demand. This has deprived the company to grab the benefits available on account of tilt in requirement of the market. However, initiatives taken in the areas of cost reduction, improvement in quality and productivity enabled the company to remain in operation and improve the capacity utilisation with available limited resources.

### 3. EXPORTS

The exports of the Company during the year under review could not go up for want of necessary working capital. On account of financial crunch the company could not install new machines required for manufacturing the innovative and differential Denim products which are currently in demand at Europe, USA and also in other major global markets. Despite the prevalence of a highly competitive environment, the Company could succeed in achieving export turnover of Rs. 27 crores during the year. The company is, however, continuing its efforts to explore further opportunities for its products in overseas markets. To avail DEPB benefits on exports and for improving profitability, your company got converted its EOU unit into EPCG unit during the year under review and paid the custom duty of about Rs. 34 lacs to the exchequer.

### 4. FUTURE PROSPECTS

The demand of Denim fabric is expected to remain buoyant in near future. The prices of Denim fabrics have risen significantly since last year and expected to remain at present level. Denim volumes are also expected to grow further towards "fashion" and "value added" fabrics instead of the "basic" denim. Although the Company is having limited financial resources, it is putting untiring efforts to reap the benefits of present growth of Denim Industry. The Company is optimistic about the future of Denim Industry.

### 5. REFERENCE TO BIFR

In view of accumulated losses of the Company having exceeded its entire net worth, your Company has been referred to Board for Industrial & Financial Reconstruction (BIFR) under the provisions of SICA and has duly been registered with it and has duly been declared "Sick" by Hon'ble BIFR. As reported by the Operating Agency to Hon'ble BIFR, schemes submitted by the Company & others were not acceptable to the secured creditors. In the last hearing held on 6th May, 2003, Hon'ble BIFR has decided to issue the notice of "show cause" for winding up along with the direction to submit any revival scheme within 4 weeks by the Company/creditors/workers. Company is now in process for submitting the improved revival scheme to the lenders.

### 6. FIXED DEPOSITS

Company filed a petition in CLB to pass an appropriate order so as to provide for-

payment of fixed deposits 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 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 R.R. Maheshwari and Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment. The IFCI Ltd. nominated Shri P. Kar as nominee Director of the Company and IDBI withdrawn the nomination of Shri P.K. Ramadasan from the Board of Directors of the Company. The Board welcomes Shri P. Kar and places on record its appreciation for the valuable contribution given by Shri P.K. Ramadasan during his tenure as Director of the Company.

### 9. AUDITORS

M/s J.T. Shah & Co., Chartered Accountants, Ahmedabad retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2003-2004. 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 :

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii) 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;
- iii) 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;
- iv) 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 P. Kar, Shri B.L. Verma and Shri H.L. Sharma.

### 14. CORPORATE GOVERNANCE

The Company is making efforts 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 all India Financial Institutions, Banks as well as State and Central Government.

ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 31st May, 2003

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, 2003 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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 also 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 Company Law Board 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 purpose 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 those books;
  - (iii) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
  - (v) We further report that :
    - (a) Penal and compound interest/liquidated damages in respect of all borrowings have not been provided, amount of which is unascertainable, pending confirmations/reconciliation. (Note No. 8 of Schedule 15)

### 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, 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, transactions of purchase and sale of goods and materials made in pursuance of contracts entered in the register maintained under Section 301

- (b) Dividend for the year amounting to Rs. 110.75 lacs on cumulative redeemable preference shares has not been provided. The total amount of Dividend not provided till 31st March 2003 amounts to Rs. 775.25 Lacs. (Note No. 9 of Schedule 15)
- (c) Provision for interest on certain Secured and Unsecured Loans amounting to Rs. 1368.44 Lacs has not been made in accounts. The total amount of interest not provided till 31st March 2003 amounts to Rs. 3382.07 lacs. (Note No. 10 11, 12 & 14 of Schedule 15)
- (d) Balances of Debtors, Creditors, Advances and Loans etc. are subject to confirmation and reconciliation. (Note No. 18 of Schedule 15)
- (e) Provision for diminution in the value of investments in subsidiary company amounting to Rs. 196.36 lacs has not been made (Note no. 20 of Schedule 15).
- (f) 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 in other Companies under clause B Section 274(1)(g) of the Companies Act, 1956 as the company has defaulted in payment of Deposits, Term Loans, Redemption of Debentures and interest thereon. As per expert opinion obtained by the Company, existing directors of the Company can continue to be in office during their entire tenure and they can also be re-appointed as a director on the expiry of their tenure.
- (vii) Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together 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 in conformity with the accounting principles generally accepted in India :
  - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003.
  - (ii) In the case of the Profit and Loss Account of the Loss of the Company for the year ended on that date; and
  - (iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For J.T. SHAH & COMPANY  
Chartered Accountants

Place : Ahmedabad  
Date : 31st May, 2003

(J.T. Shah)  
Partner

- 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 services.
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 during the year under review, 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. 23 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 were 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. 22 of Schedule 15 the Board for Industrial and Financial Reconstruction (BIFR) has declared the company as a sick company.
21. In relation to the trading activities of the Company there were no damaged goods noticed requiring any provision for the loss to be made.

For J.T. SHAH & COMPANY  
Chartered Accountants

Place : Ahmedabad  
Date : 31st May, 2003

(J.T. Shah)  
Partner