

ANNUAL REPORT

2004-2005

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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 A.K. Srivastava	- Nominee, IFCI
Shri V. Ramasaamy	- Nominee, GIC
Shri R.R. Maheshwari	- Director
Shri K.K. Baheti	- Director
Shri H.L. Sharma	- Director

Company Secretary

Shri Nimesh P. Shah

Auditors

M/s J.T. Shah & Company,
Chartered Accountants,
Ahmedabad-380 009

Registered office

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

Corporate Headquarter

68/69, Godavari,
Poachkhanwala Road,
Worli, Mumbai-400 030

Plant

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

NOTICE

Notice is hereby given that the 27th Annual General Meeting of **Modern Denim Limited** will be held on Friday the 30th September, 2005 at 1.30 P.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, 2005 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."

B. SPECIAL BUSINESS :

- (5) To consider, and if thought fit, to pass with or without modifications, the following resolution as a Special 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 approval of Central Government, if necessary and 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 01.09.2005 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

(H.S. RANKA)

Chairman

Place : Mumbai

Dated : 28th May, 2005

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 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 28.09.2005 to 30.09.2005 (both days inclusive).
5. **NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

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

Item No. 5

Shri Sachin Ranka was appointed as Managing Director of the Company for a period of 5 years on 01.09.2000. As term of his appointment expired on 31.08.2005, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 5 years w.e.f. 01.09.2005 on the following terms and conditions of remuneration :

(A) Salary - Rs. 35,000/- (Rupees Thirty Five Thousand only) per month.

(B) Perquisites and allowances :

- (i) Medical benefits for self and family, subject to the extent of one month's salary for every year of service.
- (ii) Leave travel concession for self, wife and minor children once a year to and from any place in India subject to the condition that only actual fare will be allowed.

(iii) Fees of clubs - subject to a maximum of two clubs & maximum amount of Rs. 75,000/- per annum.

(iv) Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.

(v) Gratuity not exceeding one half months salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.

(vi) Free use of car with driver, for Company's business.

(vii) Free telephone facility at residence for Company's business.

(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 is concerned or interested in the said resolution in item No. 5. The details set hereinabove may be treated as an abstract under section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS

(Rs. in crores)

	2004-2005	2003-2004
Gross Profit/ (Loss) before Depreciation	(5.09)	(23.92)
Depreciation	27.54	22.25
Net Profit/ (Loss)	(32.63)	(46.17)
Add : Exceptional items	34.86	34.42
Net Profit / (Loss) after exceptional items	2.23	(11.75)
Add: Balance brought forward from last year	(362.19)	(350.44)
Balance carried to Balance Sheet	(359.96)	(362.19)

2. OPERATIONS

Your Company has registered an improved performance during the year under review. While the company has achieved turnover of about Rs.130 crores as against Rs.99 crores in previous year, it has also been able to reduce the gross loss to Rs.5 crores as against the gross loss of Rs.24 crores in last year. In absence to net profits, your directors are unable to declare any dividend for the year under review.

From last 2 years, the market situation in the domestic market has changed from basic Denim to fancy denim. Innovative, differential and value added denim products are currently in great demand. To cater the market, your company has developed number of fancy varieties of denim which were well received by the market. The exports during the year under review are not significant since the ruling price of exports continued to be non-remunerative due to depreciation in dollar and reduction in export benefits by the Central Government.

3. FUTURE PROSPECTS

The expected positive outlook specially in the post quota scenario and well crafted strategies would ensure improved volumes and profitability in the operations. Your directors are optimistic about good future of Denim industry due to expected good crop of cotton in the current year and because of growth in demand in the domestic market. With the removal of quota effective from 1/1/2005 and closure of Denim capacities in the developed countries, there is significant opportunity of exporting denim garments from India. This scenario will further improve the domestic demand for the Indian Denim industry.

4. RESTRUCTURING OF DEBTS & REFERENCE TO BIFR

During the period under review the Company has submitted restructuring / settlement proposal to the secured lenders. So far settlement/ restructuring have been approved by ICICI, Sanwa Bank, PNB Caps & by ARCIL for SBI dues. The proposal includes reschedulement, one time settlement and induction of long term funds by the promoters. It has resulted into write back of principal and interest during the period under review which has been included in the "exceptional items" shown under financial results. Similarly the diminution in the value of investments, being considered of permanent nature, has also been charged to Profit & Loss Account and has been included in the exceptional items. The Company is making continuous efforts for settlement of dues with remaining lenders. The restructuring / settlement will give the company an opportunity to achieve improved operational results in coming years.

The Company has challenged the decision of Hon'ble Board for Industrial & Financial Reconstruction (BIFR) for change of Operating Agency as well as issue of show cause notice for winding up and same is being contested by the Company as well as Workers Union before the Appellate Authority.

5. FIXED DEPOSITS

In view of petition filed by the Company, the Hon'ble Company Law Board has passed an order on 21/12/2001 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 ground are continued to be made as per the decision of the committee formed by Hon'ble Company Law Board for this purpose.

6. DIRECTORS

Shri R.R. Maheshwari & Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment. IFCI withdrew the nomination of Shri P. Kar and nominated Shri A.K. Srivastava in his place. The Board welcomes Shri A.K. Srivastava and places on record its appreciation for the valuable contribution given by Shri P. Kar.

7. 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 2005-2006. The observation made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 14 forming part of the accounts and hence need no further clarifications.

8. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for their putting 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.

9. 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.

10. 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.

11. CONSTITUTION OF AUDIT COMMITTEE

As required under section 292A of the Companies Act, 1956 an Audit Committee has been constituted. The present members of the Audit Committee are Shri B. L. Verma, Shri A.K. Srivastava and Shri H.L. Sharma.

12. CORPORATE GOVERNANCE

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

13. ACKNOWLEDGEMENTS

The Board place on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from its executives, staff and workers as also from the all India Financial Institutions, Banks as well as State and Central Government.

ON BEHALF OF THE BOARD

Place : Mumbai

(H.S. RANKA)

Dated : 28th May, 2005

Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) read with the Companies
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

1. ENERGY CONSERVATION: -

The Company has been giving high priority to conservation of energy on continuous basis by close monitoring of energy consuming equipments. The energy conservation measures taken by the Company include installation of energy efficient equipments and energy saving devices, implementation of various measures arising out of an energy audit and reduction of motor-ratings wherever possible. Periodical reviews and studies are undertaken from time to time for energy savings.

	Current Year	Previous Year
A. Power and Fuel Consumption :		
1. Electricity		
a) Purchased (Units in lacs)	82.59	70.28
Total Amount (Rs. in lacs)	405.39	350.37
Rate/Unit (Rs.)	4.91	4.98
b) Own Generation :		
Through Diesel Generator (Units in lacs)	92.50	85.22
Units/Litres of Diesel Oil	3.63	3.29
Cost/Unit (Rs.)	6.55	5.42
2. Furnace Oil		
Quantity (KL)	2681.89	2817.21
Total Cost (Rs. in lacs)	335.19	280.00
Rate/Unit (Rs.)	12.50	9.94
B. Consumption per unit of Production :		
Electricity (Kwh./mtr.)	1.19	1.26
Furnace Oil (Ltr./mtr.)	0.19	0.23

2. TECHNOLOGY ABSORPTION: -

Your company is having research and development cell headed by a senior and experienced textile technologist. The section is keeping continuous watch on the quality of the product at various stages. This section also keeps a regular track on latest advancement on the spinning and finishing technology in order to keep pace with the demand of the new products.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has earned during the year foreign exchange of Nil against an outgo of Rs.575.23 lacs.