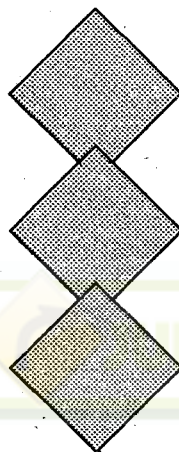


ANNUAL REPORT

2006-2007



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Modern
DENIM LIMITED

BOARD OF DIRECTORS

Shri Sachin Ranka	– Chairman & Managing Director
Shri B.L. Verma	– Director
Shri A.K. Srivastava	– Nominee, IFCI
Shri V. Ramasaamy	– Nominee, GIC
Shri R.R. Maheshwari	– Director
Shri H.L. Sharma	– Director
Shri S.K. Sharma	– Director & Chief Operating Officer

Company Secretary

Shri P.R. Laddha

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 29th Annual General Meeting of **Modern Denim Limited** will be held on Saturday the 29th September, 2007 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, 2007 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 the 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 an Ordinary Resolution :

“RESOLVED THAT Shri S.K. Sharma, 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 a 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.”

- (6) 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-enactments thereof, for the time being in force) and further subject to 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 appointment of Shri S.K. Sharma as a Director and Chief Operating Officer of the Company from 01/01/2007 for a period of three years on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto.”

By Order of the Board

Place : Mumbai

Date : 30th June, 2007

(P.R. LADDHA)

Company Secretary

NOTES :

1. The relative Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item numbers 5 and 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 27.09.2007 to 29.09.2007 (both days inclusive).

**ANNEXURE TO NOTICE
EXPLANATORY STATEMENT
(Pursuant to Section 173(2) of the Companies Act, 1956)**

Item No. 5

Shri S.K. Sharma was appointed as an Additional Director of the Company w.e.f. 01/01/2007 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 S.K. 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 Directors, except Shri S.K. Sharma, is concerned or interested in the resolution.

Item No. 6

Shri S.K. Sharma was appointed as a Director & Chief Operating Officer (COO) of the Company for a period of 3 years w.e.f. 01/01/2007 by the Board of Directors of the Company. The terms & conditions & payment of remuneration to Shri S.K. Sharma as a Director & COO has also been approved by the Remuneration Committee of Board of Directors of the Company.

The terms & conditions of remuneration referred to above are as under :

- (A) Salary - Rs. 50,000/- (Rupees fifty thousand only) per month plus 30% perquisites.
- (B) Perquisites and allowances:
- (i) 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.
 - (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 and no hotel expenses etc. will be allowed.
 - (iii) Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
 - (iv) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
 - (v) Free use of car with driver, for Company's business.
 - (vi) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
 - (vii) 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 Directors, except Shri S.K. Sharma, is concerned or interested in the said resolution in item No. 6. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

The Members,

Your Directors present Annual Report and Audited Statement of Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS

(Rs. in crores)

	2006-2007	2005-2006
Net Profit / (Loss) before Tax	(45.23)	(16.59)
Fringe Benefit Tax	0.06	0.06
Net profit / (Loss) for the Year	(45.29)	(16.65)
Exceptional items	0.28	142.12
Balance brought forward from last year	(234.49)	(359.96)
Balance carried to Balance Sheet	(279.50)	(234.49)

2. OPERATIONS

At present the Indian denim industry is witnessing severe price competition both in the international and in the domestic market. A significant amount of capacity has come into production in India, putting pressure on margins. The demand of Denim fabric has declined world over resulting into oversupply situation and prices of denim fabric reached unimaginably at low levels. Major producers of denim fabrics have kept their operations at a bare minimum level. Your Company has also not remained untouched by the prevailing adverse market situation in Denim Industry and is operating at low capacity utilization. The over supply situation in the Indian Denim market led to a sharp drop in realizations. The outlook of the Company remains muted due to subdued denim volumes and realizations. However the Company continuous to maintain its relentless focus on the costs at all areas of operation. The Company achieved a turnover of Rs.78.58 crores during the year under review as compared to turnover of Rs.122.70 crores during the previous year. The Company has suffered a loss of Rs.8.51 crores before interest and depreciation. The exports during the year stood at Rs.355 lacs. The company is continuing its efforts to explore future opportunities for its products in overseas market. In absence of profits, your directors are unable to recommend any dividend for the year under review.

3. FUTURE PROSPECTS

Most of the new denim capacity in the country has become operational and this has squeezed the Indian market. This means further pressure on prices and margins. However, your directors are hopeful that demand in coming years is expected to pick up. The long term outlook for denim industry appears encouraging in view of growing consumption in Asian countries.

4. RESTRUCTURING OF DEBTS & REFERENCE TO BIFR

The Company is making continuous efforts for settlement of dues of the secured lenders which includes re-schedulement, one time settlement, waiver of penal and compound interest, re-schedulement of redemption period of preference shares. Settlement made during the year under review has resulted into write back of principal and interest which has been included in the exceptional items shown under the financial results. In the last hearing held on 15th March, 2007, Hon'ble BIFR has appointed IDBI as the Operating Agency with direction to submit Revised Draft Rehabilitation Scheme.

5. PUBLIC 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 payments on compassionate ground are continued to be made as per the decision of the committee formed by Hon'ble CLB for this purpose.

6. DIRECTORS

Shri R.R. Maheshwari and Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment. Shri S.K. Sharma has been inducted as an additional director and Board also appointed him as Chief Operating Officer of the Company. Shri H.S. Ranka and Shri K.K. Baheti have resigned from the directorship of the company. The Board welcomes Shri S.K. Sharma and places on record its appreciation for the valuable contribution made by Shri H.S. Ranka and Shri K.K. Baheti during their tenure as Directors of the Company.

The Board requested Shri H.S. Ranka, the founder Chairman of the Company to attend the future board meetings as a special invitee as and when convenient to him. Special mention was made by the board members for the services rendered by him during his tenure and was requested to continue to guide the Board as per his wishes.

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 2007-2008. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 13 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 putting their best efforts. 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 for 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 and;
- 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)(c) 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

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in section 292 A of the Companies Act, 1956. The Audit Committee consists of member directors as under :-

Shri H.L. Sharma, Chairman
Shri B.L. Verma
Shri A.K. Srivastava

12. CORPORATE GOVERNANCE

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

13. 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, employees, shareholders and Central as well as State Government.

ON BEHALF OF THE BOARD

Place :- Mumbai
Dated :- 30th June, 2007

(SACHIN RANKA)
Chairman & Managing Director