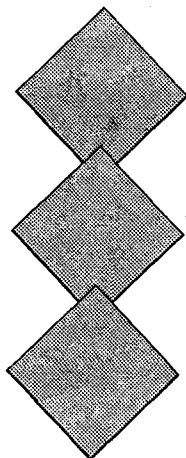


ANNUAL REPORT
2011-2012



Modern
DENIM LIMITED

BOARD OF DIRECTORS

Shri Sachin Ranka	– Chairman & Managing Director
Shri B.L. Verma	– Director
Shri R.R. Maheshwari	– Director
Shri H.L. Sharma	– Director

Company Secretary

Shri Kirit 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 34th Annual General Meeting of **Modern Denim Limited** will be held on Friday the 21st September, 2012 at 12.30 P.M. 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, 2012 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 re-appoint Shri R.R. Maheshwari as Director who retires by rotation and being eligible, offers himself for re-appointment.
- (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 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 untill 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 the Order of the Board

Place: Mumbai

(Kirit Shah)

Date: 29th June, 2012 Company Secretary

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 TO BE A MEMBER.**
2. The proxy should be deposited at the Registered Office of the Company not less than FORTY EIGHT hours before the commencement of the meeting.
3. The Ministry of Corporate affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notices/documents including Annual Report can be sent by e-mail to its members. To support this objective of the Government, members are requested to register their e-mail addresses with the registered office of the Company.
4. The Share transfer books and Register of members shall remain closed from 18.09.2012 to 21.09.2012 (both days inclusive).

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting Annual Report and audited accounts for the financial year ended on March 31, 2012.

1. FINANCIAL RESULTS

	(₹ in crores)	
	2011-12	2010-11
Net Profit for the year before exceptional items	1.29	3.08
Exceptional items	-	69.94
Net profit after exceptional items	1.29	73.02

2. OPERATIONS

During the financial year, the Company has achieved a turnover of about ₹ 167 crores as against ₹ 143 crores during the previous financial year. With the entry of new manufacturers and additions to the capacities by all the major producers of denim in the country, there has been surplus in the market with the average realizations declined during the year under review. Company is facing acute shortage of working capital which has impacted profitability of the Company for the year. Production cost pushed up due to exorbitant increase in power and other input cost. In spite of difficult business conditions prevailing in the domestic textile market and continued recessionary trend prevailing in global textile markets, your Company has been able to generate net profit of about ₹ 1.29 crores as against net profit of ₹ 3.08 crores in previous year. The exports of Denim are not remunerative due to world wide competition in the global market of Denim Industry, flooding of cheaper denim fabric by China, East Asian Countries & Pakistan. However, the Company is continuing its efforts to explore opportunities for its products in overseas markets and could export the Denim Fabrics of about ₹ 2 crores during the year under review. Your Company has also taken several remedial steps to meet the challenges viz. measures of saving in cost at all fronts of operation, optimize use of available resource etc. Your Directors regret their inability to recommend any dividend for year under review in absence of net profits.

3. FUTURE PROSPECTS

Since last few years the Denim Industry is passing through difficult business conditions. Due to change in fashion the demand of denim fabric has declined world over resulting into over supply situation. Over supply situation coupled with lower demand have squeezed the margins not only of your Company but almost of every leading houses in denim segment of textiles. The substantial increase in the number of players in denim sector is a cause of worry and may lead to further glut in the market. Domestic demand is expected to grow at 20-25% whereas supply growth is expected to be in excess of 50%. The long term success is possible only when the product mix is diversified. However such diversification will need large investment which is not possible for your Company as we have shortage of funds. Thus prospects of Denim industry remains uncertain.

4. RESTRUCTURING OF DEBTS & REFERENCE TO BIFR

The company is making continuous efforts for settlement of dues of the secured lenders. Once settlement with the remaining secured lenders are completed, company will file fully tied up Draft Rehabilitation Scheme with Operating Agency & Hon'ble BIFR.

5. PUBLIC FIXED DEPOSIT

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 "revival scheme" as and when approved by BIFR under the provision of SICA". However payments 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 is liable to retire by rotation and being eligible, offers

himself for re-appointment. Appropriate resolution for the re-appointment of the aforesaid Director is being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

7. AUDITORS

M/s. J. T. Shah & Co., Chartered Accountants, Ahmedabad retires at the forthcoming Annual General Meeting. Your Directors recommend their re-appointment as Auditor of the Company for the year 2012-13. The observations made by the Auditors are self explanatory and have been dealt with in the notes forming part of the financial statements and hence need no further clarifications.

8. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for putting in their best efforts. The Company has enjoyed healthy and cordial industrial relations throughout the year under review. 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. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :-

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 the Companies Act, 1956 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

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

Shri H. L. Sharma, Chairman
Shri B. L. Verma
Shri R.R. Maheshwari (From 22nd March, 2012)

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 financial institutions, banks, employees, shareholders and Central as well as State Government.

ON BEHALF OF THE BOARD

Place: Mumbai
Date: 29th June, 2012

(SACHIN RANKA)
Chairman & Managing Director

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
		2011-12	2010-11
A. Power and Fuel Consumption :			
1. Electricity:			
a. Purchased	Units in lacs	207.32	168.38
Total Amount	₹ in lacs	1330.92	993.02
Rate / Unit	₹	6.42	5.90
b. Own Generation:			
Through Diesel Generator	Units in lacs	0.85	0.72
Units / Ltr. of Diesel Oil		3.19	3.66
Cost / Unit	₹	15.67	12.88
2. Furnace Oil			
Quantity	KL	113.69	145.06
Total Cost	₹ in lacs	52.97	48.70
Rate / KL	₹	46.59	33.57
3. Coal / D.O.C./S.B.F.			
Quantity	MT	8410.54	7949.87
Total Cost	₹ in lacs	394.44	327.05
Rate / Kg. Unit	₹	4.69	4.11
B. Consumption per unit of Production:			
Electricity	Kwh. / Meter	1.60	1.40
Furnace Oil	Ltr. / Meter	0.01	0.01
Coal	Kg. / Meter	0.65	0.66

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. The R & D section also keeps a regular track on the latest advancement on the spinning and finishing technology in order to keep pace with the demand of the new products.

3. FOREIGN EXCHANGE EARNING AND OUTGO:-

The Company has earned foreign exchange of ₹ 215.39 lacs against an outgo of ₹ 461.45 lacs during the year.