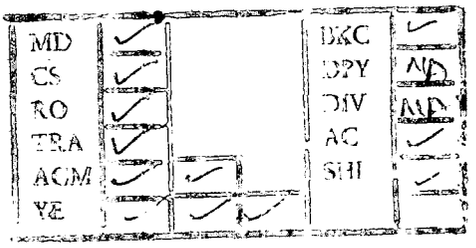
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THE MODERN MILLS LIMITED

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SIXTY - THIRD
ANNUAL REPORT
1996-97

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The Modern Mills Limited

BOARD OF DIRECTORS

M. P. JATIA	Chairman
RUSI N. SETHNA	
SHYAM M. JATIA	
VIJAY KUMAR JATIA	
G. V. SIRUR	
C. H. SHAH	
B. L. JAIN	

MANAGER

S. M. CONTRACTOR	General Manager

COMPANY SECRETARY

R. G. NAVADA	Sr. V. P. (Corporate Affairs) & Company Secretary

BANKERS

THE BANK OF NOVA SCOTIA
THE UNITED WESTERN BANK LIMITED
BANK OF AMERICA

AUDITORS

K. S. AIYAR & COMPANY

REGISTERED OFFICE

VICTOR HOUSE ANNEXE,
102-A, K. KHADYE MARG,
MAHALAXMI, MUMBAI - 400 011.

TEXTILE DIVISION

101, K. KHADYE MARG,
MAHALAXMI, MUMBAI - 400 011.

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REAL ESTATE DIVISION

101, K. KHADYE MARG,
MAHALAXMI, MUMBAI - 400 011.

FOODS DIVISION

KARWAR ROAD,
HUBLI - 580 020,
KARNATAKA.

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LIMITED,
39/724, AZAD NAGAR II,
GROUND FLOOR, VEERA DESAI ROAD,
ANDHERI (WEST), MUMBAI-400 053.

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NOTICE

NOTICE is hereby given that the Sixty-Third Annual General Meeting of The Modern Mills Limited will be held at M.C. Chhia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 023 on Friday, the 26th September, 1997 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors.

2. To appoint a Director in place of Mr. M. P. Jatia who retires by rotation and, being eligible, offers himself for reappointment.

3. To appoint a Director in place of Mr. Rusi N. Sethna who retires by rotation and, being eligible, offers himself for re-appointment.

4. To appoint Auditors to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass the following Resolution as a Special Resolution.

"RESOLVED THAT approval in terms of Section 163(1) of the Companies Act, 1956 (hereinafter referred to as 'the said Act') be and is hereby accorded to the keeping of the Company's Register of Members, Register of Index of Members and copies of all Annual Returns prepared under Section 159 of the said Act together with copies of certificates and documents required to be annexed thereto under Section 161 of the said Act, at the office of Satellite Corporate Services Pvt. Ltd., the Company's Share Transfer Agents, at 39/724 Azad Nagar II, Ground Floor, Veera Desai Road, Andheri (West). Mumbai-400 053 or at such other office of the said Share Transfer Agents within the city of Mumbai as may be decided by them in future, instead of being kept at the Registered Office of the Company."

NOTES:

(a) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out at Item No.5 is annexed hereto.

(b) **A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such proxy need not be a member of the Company.**

(c) Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

(d) Members are requested to intimate immediately to the Company's Share Transfer Agents, change of address, if any, by quoting their Folio Number.

(e) **It is observed that some members are holding shares in multiple folios in identical order of names. It is desirable to consolidate the holdings in one folio. Such of the members who are holding shares in multiple folios in identical order of names are requested to send an application to the Company together with the relevant Share Certificates for consolidation of folios.**

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(f) **It is further observed that many members have still not surrendered their old Share Certificates for Equity Shares of Rs.50/- each for exchange with the new Share Certificates for Equity Shares of Rs.10/- each. They are once again requested to surrender the Share Certificates for Equity Shares of Rs.50/- each to enable the Company to do the needful.**

(g) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 19th September, 1997 to Friday, the 26th September, 1997 (both days inclusive).

By Order of the Board of Directors

R.G. Navada
Sr. V. P. (Corporate Affairs)
& Company Secretary

Mumbai, dated: 5th August, 1997

Registered Office:
Victor House Annexe,
102-A, K Khadye Marg,
Mahalaxmi,
Mumbai-400 011.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

The following Explanatory Statement sets out the material facts relating to the Special Business mentioned under item 5 of the accompanying Notice dated 5th August, 1997.

Item No.5

Under Section 163 of the Companies Act, 1956 (hereinafter referred to as "the said Act") certain documents which are normally required to be kept at the Registered Office of the Company may be kept at any other place within the city, town or village in which the Registered Office is situated, if such other place has been approved by a Special Resolution passed by the Company in General Meeting.

The Company has appointed Messrs. Satellite Corporate Services Pvt. Ltd. having their Office at 39/724, Azad Nagar II, Ground Floor, Veera Desai Road, Andheri (West), Mumbai - 400 053 as Share Transfer Agents of the Company.

Approval of the members is sought in terms of the provisions of Section 163 of the said Act for keeping the Register of Members, Index of Members, Annual Returns prepared u/s 159 of the said Act and copies of certificates and documents required to be annexed thereto u/s 161 of the said Act at the Office of the Company's Share Transfer Agents in Mumbai. None of the Directors of the Company is concerned or interested in the Resolution.

The Directors recommend the Resolution under this item for your approval.

By Order of the Board of Directors

R.G. Navada
Sr. V. P. (Corporate Affairs)
& Company Secretary

Mumbai, dated: 5th August, 1997

Registered Office:
Victor House Annexe,
102-A, K Khadye Marg,
Mahalaxmi,
Mumbai-400 011.

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DIRECTORS' REPORT

To the Members,

The Directors present the 63rd Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS

	Year ended 31.03.1997		31.03.1996
	(Rupees in Lacs)		
Gross Profit/(Loss) before interest and depreciation	427.74		(26.49)
Less/Add: Interest	31.43	18.92	
Depreciation	60.42	16.66	
	(91.85)		(35.58)
Operating Profit/(Loss)	335.89		(62.07)
Less/add: (i) Prior year adjustment	(0.31)		(1.40)
(ii) Deficit brought forward	(366.15)		(3102.02)
	(30.57)		(3165.49)
Less: Transferred from			
(i) Capital Reserve	—		2742.10
(ii) Capital Expenditure Subsidy	—		11.75
(iii) Investment Allowance Reserve (Utilised)	—		25.88
(iv) General Reserve	—		19.61
Loss - Carried to Balance Sheet	(30.57)		(366.15)

DIVIDEND

Due to the accumulated losses, your Directors regret their inability to recommend any dividend for the year ended 31st March, 1997.

BIFR SCHEME

As stated in last year's Report, the BIFR sanctioned a fresh Scheme at it's meeting held on 14th June, 1996. The said Scheme is under implementation.

OPERATIONS

(i) The year under review was a difficult period for the Textile Industry. Your Company's performance was affected on account of a number of factors, the important ones among them are as under:

(a) The realisation of finished goods did not keep pace with the increase in prices of raw materials
(b) The Company could put into operation only 7616 spindles and
(c) The work of providing necessary infrastructural facilities for installing the Rotors of Open End Spinning (OES) was hampered on account of the stoppage of construction work as per directions of the State Government and Brihanmumbai Municipal Corporation, thus resulting in delay in the implementation of the Revival Scheme.

The aforesaid directions of the State Government and Brihanmumbai Municipal Corporation have now been relaxed - consequently the work of providing necessary infrastructural facilities as aforesaid is in progress. All efforts are being made to install the Rotors of O.E.S. as early as possible. Once the same are installed and commissioned, your Directors expect reasonable improvement in the performance of the Textile Division.

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(ii) The activities of the Real Estate Business which were progressing well were also hampered on account of stoppage of construction work of the residential complex at Mahalaxmi as a result of delay in granting necessary approvals by the Brihanmumbai Municipal Corporation (BMC). This too has contributed to the delay in the implementation of the revival scheme. However, during the current year the construction work has been recommenced after receipt of approvals from BMC.

The plot of land required to be handed over to MHADA in terms of Clause 58(1)(b) of the Development Control Regulations for Greater Bombay, 1991 has been conveyed to MHADA on 3rd February, 1997. During the current year, the Company has also handed over physical possession to BMC of the plot ear-marked for amenity purposes, as required under the aforementioned Regulations. The Company is entitled to receive Transferable Development Rights in respect of the same.

(iii) During the year under review, the manufacturing operations of the Foods Division continued to be suspended. However, the trading activities of the said Division continued to be carried on.

DIRECTORS

Mr. M. P. Jatia and Mr. Rusi N. Sethna, Directors of the Company retire by rotation under Article 112 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

INVESTORS SERVICE

In order to improve the services being provided to the Shareholders, the Company has appointed Satellite Corporate Services Private Limited as the Company's Share Transfer Agents.

AUDITORS' APPOINTMENT

Members are requested to appoint Auditors and fix their remuneration. The present Auditors, Messrs. K. S. Aiyar & Company, Chartered Accountants, hold office upto the conclusion of the ensuing Annual General Meeting, but being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

(i) The transfer by the Company during the year ended 31.3.1996 a sum of Rs. 27,42,10,556/- standing to the credit of Capital Reserve Account to Profit & Loss Account was based on the legal opinion obtained by the Company.

(ii) The Notes to the Accounts referred to by the Auditors in their Report are self-explanatory.

FIXED DEPOSITS

Out of twenty-eight deposits amounting to Rs.58,700/- which have matured, one deposit of Rs.3,000/- was paid during the year under review and the balance of Rs.55,700/- in respect of twenty-seven depositors remain unclaimed as on 31st March, 1997.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.

In compliance with the provisions of Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 a statement giving requisite information is given in Annexure 'A' forming part of this Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure 'B' forming part of this Report.

For and on behalf of the Board of Directors

M.P. Jatia
Chairman

Mumbai: Dated: 6th August, 1997.

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ANNEXURE 'A' TO DIRECTORS' REPORT

FORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

1. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:
No new measures for conservation of energy were taken.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy — None

(c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods — *Not applicable*

(d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of industries specified in the schedule thereto:

(A) Power and Fuel Consumption:

		1996-97	1995-96
1.	Electricity		
(a)	Purchase Units (Lakh Kwh.)	**20.77**	18.23
	Total amount (Rs. in lacs)	**63.95**	50.72
	Rate per unit (Rs.)	**3.07**	2.78
(b)	Own generation		
(i)	Through diesel generator:		
	Units / Unit per litre of diesel oil / Cost/unit	**Nil**	Nil
(ii)	Through Steam Turbine/Generator:		
	Units / Units per litre of fuel/oil/gas / Cost/unit	**Nil**	Nil
(2)	Coal	**Nil**	Nil
	Quantity (Tonnes)		
	Total cost (Rs. in lacs)		
	Average rate (Rs. per ton)		
(3)	Furnace Oil	**Nil**	Nil
(4)	Others/Internal Generation		

	1996-97			1995-96		
	Quantity (MT)	Total Cost (Rs. in lacs)	Rate/ MT (Rs.)	Quantity (MT)	Total Cost (Rs. in lacs)	Rate MT (Rs.)
	NIL	**NIL**	**NIL**	NIL	NIL	NIL

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(b) **Consumption per unit of production:**

	1996-97			1995-96		
	Electricity (Kwh)	**Coal (MT)**	**Others (MT)**	Electricity (Kwh)	Coal (MT)	Others (MT)
Products:						
Yarn	**6.52 Per Kg.**	**NIL**	**NIL**	6.37 Per Kg.	NIL	NIL

II. **TECHNOLOGY ABSORPTION - FORM B**

1. Research & Development (R & D) :
   - (a) Specific areas in which R & D carried out by the Company : None
   - (b) Benefits derived as a result of the above R & D : Does not arise
   - (c) Future plan of action : Nothing envisaged at present
   - (d) Expenditure on R & D
     - (i) Capital : NIL
     - (ii) Recurring : NIL
     - (iii) Total : NIL
     - (iv) Total R & D expenditure as a percentage of total turnover : NIL

2. **Technology absorption, adaptation and innovation:**
   - (i) Efforts, in brief, made towards technology absorption, adaptation and innovation : Attending National Conferences, Seminars and Exhibitions
   - (ii) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. : Improvement in Yarn quality, Productivity and Product reliability

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:

(a) Technology imported	:	(1) Cleanomat (Cleaner CVT_3) control having integral computer	(2) Open End Spinning Machines
(b) Year of import	:	1995	1995
(c) Has technology been fully absorbed?	:	Yes	Under observation
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	:	N/A	Under trial

III. **Foreign Exchange earnings and outgo:**

(a) Activities relating to exports, initiatives taken to increase exports development of new export markets for products and services and export plan; : None

(b) Total Foreign Exchange:
   - (i) Earnings : Nil
   - (ii) Outgo : Nil

For and on behalf of the Board of Directors

M.P. Jatia
Chairman

Mumbai, dated: 6th August, 1997

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ANNEXURE 'B' TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 1997.

Sr. No.	Name/Age (Years)	Qualifications	Experience years	Date of Employment	Designation/ Nature of Duties	Gross remuneration received (Rs.)	Last Employment held (Previous Designation/ Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	CONTRACTOR S.M.(66)	A.T.A. (India) Certificate of Electrical Engineering Technology	43	19.03.81	General Manager (Textile) [Manager]	4,07,895	Chief Executive The Jam Manufacturing Co. Ltd.
2.	KEDIA S.C. (47)	B.Sc., LL.B. (Prof.)	24	01.04.95	Sr. Vice President (Commercial)	3,02,484	Vice President (Operations) N.R.C. Limited
3.	NAVADA R.G. (45)	B.Sc., DBM, AFII, LL.M., ACS	24	27.09.90	Sr. Vice President (Corporate Affairs) & Company Secretary [Secretarial & Legal]	3,36,815	Dy. Company Secretary Batliboi & Co. Ltd.

Notes:

(1) Nature of employment is contractural for Serial No. (1) and non-contractual for others whose terms and conditions are as per Company's Rules.

(2) Gross remuneration received includes Salary/Bonus/Reimbursement of Medical Expenses/Leave Encashed/ Company's Contribution to Provident Fund excluding provisions for Gratuity and Liability for accrued leave.

(3) None of the above employees is related to any Driector of the Company.

For and on behalf of the Board of Directors

M.P. Jatia
Chairman

Mumbai, Dated: 6th August, 1997

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