

THE MODERN MILLS LIMITED



**SIXTY-SEVENTH
ANNUAL REPORT
2000-2001**

The Modern Mills Ltd.

BOARD OF DIRECTORS

M.P.JATIA *Chairman*
RUSI N. SETHNA
SHYAM M. JATIA (Resigned w.e.f. 31.05.2001)
VIJAY KUMAR JATIA
G.V. SIRUR
ANAND DIDWANIA (Appointed w.e.f. 31.01.2001)

BANKERS

CENTURION BANK LIMITED

AUDITORS

K.S. AIYAR & COMPANY

REGISTERED OFFICE , TEXTILE DIVISON & REAL ESTATE DIVISION

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

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LTD.,
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-Seventh Annual General Meeting of The Modern Mills Limited will be held at Victor House Annexe, 102-A, K.Khadye Marg, Mahalaxmi, Mumbai 400 011 on Friday, the 28th September, 2001 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001 and the Profit & Loss Account for the year ended as on that date and the Reports of the Directors and Auditors.
2. To declare a dividend
3. To appoint a Director in place of Mr. G.V. Sirur 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 until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **ORDINARY RESOLUTION**.

"RESOLVED THAT pursuant to the provisions of Section 258 and other applicable provisions, if any, of the Companies Act, 1956, the number of Directors for the time being in office be increased to six."

6. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **ORDINARY RESOLUTION**.

"RESOLVED THAT Mr. Anand Didwania, who was appointed as Additional Director of the Company by the Board of Directors pursuant to Article 103 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting 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 Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an **ORDINARY RESOLUTION**.

"RESOLVED THAT pursuant to the Articles of Association of the Company and the provisions of Sections 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents and sanctions as may be necessary and subject to such modification(s) as may be required, to comply with the terms of such consents and sanctions, the consent of the Company be and is hereby accorded to the appointment of Mr. Vijay Kumar Jatia as the Managing Director of the Company with effect from 1st August, 2001 for a period of five years and he shall not, while he continues to hold office of Managing Director, be liable to retire by rotation AND THAT consent be and is hereby accorded to the payment and allowance of following remuneration by way of salary, perquisites and allowances to Mr. Vijay Kumar Jatia with power to the Board of Directors to alter and vary from time to time at its discretion the terms of remuneration of Mr. Vijay Kumar Jatia so however that they do not exceed the permissible limits laid down under the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.

(A) The Managing Director shall, subject to the supervision and control of the Board of Directors, be in overall charge of the Company's activities and in particular attend to all matters concerning production planning, manufacture, finance, marketing and administration and shall perform such other duties and services and exercise such other powers as shall from time to time, be entrusted to him by the Board of Directors.

(B) The Managing Director shall be paid Remuneration and allowed perquisites and allowances as under:

- o (i) Remuneration at the rate of Rs. 1,25,000/- per month.
- (ii) Commission equal to one percent of the net profits of the Company of each Financial Year of the Company commencing from 1st April, 2001 as computed in accordance with the provisions of Section 309(5) of the Companies Act, 1956.

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- (iii) Rent-free furnished residential accommodation or House Rent allowance equal to 40% of the salary.
- (iv) Expenses on electricity, gas and water pertaining to resident of the Managing Director will be borne by the Company.
- (v) Actual medical expenses incurred in India or abroad including hospitalisation, nursing home charges, surgical charges, insurance premium and travelling expenses of himself, his wife and dependent children.
- (vi) Leave Travel Assistance equal to air or first class air-conditioned railway fare for himself, his wife and dependent children once in a year.
- (vii) Membership including entrance and other fees for any two clubs.
- (viii) Personal accident insurance premium for an amount, the annual premium of which shall not exceed Rs. 10,000/- per annum.
- (ix) Contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (x) Gratuity as per the Company's rules applicable to its Executive Staff Members.
- (xi) (a) Leave with full pay and other benefits equal to one month for every eleven months of service with benefit of encashment of unutilised leave.
(b) Sick and casual leave as per Company's rules applicable to its Executive Staff Members.
- (xii) Provision of a chauffeur driven motor car for the business of the Company as well as for his personal use at the cost of the Company.

Telephones, etc

The Company shall for the purposes of its business provide telephone and other communication facilities at the Managing Director's residence. Personal long distance calls shall be billed by the Company to the Managing Director.

Subject to overall ceiling on remuneration mentioned hereinbelow, the Managing Director may be given or provided with any other allowances, benefits and perquisites as the Board of Directors may from time to time decide.

Perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at cost.

(C) Overall Remuneration:

Aggregate of salary, allowances and perquisites in any financial year shall not exceed the limit prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII of the said Act as may, for the time being, be in force.

(D) Other Terms:

- (i) In the event of loss or inadequacy of profits in any financial year during the tenure of office of the Managing Director, the total of remuneration, allowances and perquisites as aforesaid shall in respect of that year not exceed the applicable limit prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.
- (ii) The Managing Director shall not be paid any sitting fees for attending any meeting of the Board or Committee thereof.
- (iii) Pursuant to Article 139 B of the Articles of Association of the Company, the Managing Director shall not, while he continues to hold that office, be liable to retire by rotation in accordance with Article 112."

NOTES:

- (a) 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.

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.

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- (b) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business at item Nos .5 to 7 is annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 21st September, 2001 to Friday, the 28th September, 2001 (both days inclusive).
- (d) The dividend when sanctioned will be paid on and from 28th October, 2001 to those shareholders whose names stand on the Company's Register of Members on 28th September, 2001. The dividend in respect of shares held in electronic form will be paid to the beneficial owners of the shares as on 21st September, 2001 as per the details furnished by the Depositories for this purpose. These payments of dividend will be subject to provisions of Section 206A of the Companies Act, 1956.
- (e) It is suggested for the convenience of the members that they inform the Share Transfer Agent of the Company about their Bank Account No., name and address of the Bank to enable printing of these particulars on the dividend warrants to minimise loss due to warrant falling into improper hands through fraud.
- (f) The Company has shifted its Registered Office to the Mills premises at 101, K.Khadye Marg, Mahalaxmi, Mumbai 400 011. Members are requested to take note of the same.
- (g) Members are requested to intimate immediately to the Company's Share Transfer Agents, change of address, if any, by quoting their folio number.
- (h) As per the provisions of the Companies Act, 1956, facility for making nominations is now available to the Shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Transfer Agent of the Company.
- (i) 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.
- (j) It is further observed that some 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.
- (k) The Resolution as mentioned under item 7 of the Notice of this Annual General Meeting and the Explanatory Statement in respect of the said item No. 7 in the Annexure to the said Notice may be treated as an abstract under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

V.K. Jatia

Managing Director

Mumbai, dated 4th August, 2001

Registered Office:

101, K.Khadye Marg,
Mahalaxmi,
MUMBAI 400 011

The Modern Mills Ltd.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to the SPECIAL BUSINESS mentioned under Item Nos. 5 to 7 of the accompanying Notice dated 4th August, 2001.

Item No. 5

Section 258 of the Companies Act, 1956 requires the approval of the members by an Ordinary Resolution for increase or decrease in the number of Directors for the time being within the limit fixed by the Articles of Association of the Company. The number of sitting Directors is proposed to be increased from five to six. It is, therefore, necessary to pass a formal Resolution increasing the number of Directors for the time being in office to six.

Item No. 6

Mr. Anand Didwania was appointed as an Additional Director of the Company by the Board on 31st January, 2001. As per the provisions of Section 260 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, Mr. Anand Didwania holds office of Director upto the date of the ensuing Annual General Meeting. The Company has received Notice in writing from a member of the Company under Section 257 of the Companies Act, 1956 together with requisite deposit, signifying his intention to propose the name of Mr. Anand Didwania for appointment as Director.

Mr. Anand Didwania is a Bachelor of Science with over 36 years of experience in shipping, clearing and forwarding business and is the President of the Air Cargo Association of India. In the opinion of the Directors his continuance on the Board would be in the interest of the Company. The Directors commend for your approval the proposed Resolution under this item. Except Mr. Anand Didwania, none of the other Directors is in any way concerned or interested in the proposed Resolution.

Item No. 7

Mr. Vijay Kumar Jatia is a Director of the Company since 1994 and has extensive experience of over 25 years in industry and business. He has always taken a very keen interest in the business of the Company. The Board of Directors felt that it would be in the best interests of the Company to appoint him as the Managing Director of the Company. Accordingly, the Board of Directors at its meeting held on 31st July, 2001 has appointed Mr. Vijay Kumar Jatia as Managing Director of the Company for a period of five years with effect from 1st August, 2001 on the terms and conditions as mentioned in the Resolution under this item. In terms of Schedule XIII to the Companies Act, 1956 Mr. Vijay Kumar Jatia is eligible for appointment as Managing Director. The Directors commend for your approval the proposed resolution under this item.

Except Mr. M. P. Jatia who is relative of Mr. Vijay Kumar Jatia and Mr. Vijay Kumar Jatia himself, none of the other Directors of the Company is concerned or interested in this resolution".

By Order of the Board of Directors

V.K. Jatia

Managing Director

Mumbai, dated 4th August, 2001

Registered Office:

101, K.Khadye Marg,
Mahalaxmi,
MUMBAI 400 011

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DIRECTORS' REPORT

The Members,

The Directors present the 67th Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

	Year Ended	
	31.03.2001	31.03.2000
	(Rupees in lacs)	
Gross Profit before interest and depreciation	352.27	1400.03
Less: Interest	33.57	16.76
Depreciation	155.31	181.29
	188.88	198.05
Operating Profit	163.39	1201.98
Less: Provision for Taxation	-	143.50
	163.39	1058.48
Add: Balance brought forward	2705.41	1730.18
Balance available for Appropriation	2868.80	2788.66
LESS: APPROPRIATION		
Interim Dividend	-	75.08
Proposed Dividend	75.08	-
Dividend Tax	7.66	8.26
	82.74	83.34
Balance Carried to Balance Sheet	2786.06	2705.32

DIVIDEND

Your Directors are pleased to recommend a dividend of Rupee one per Equity Share of Rs.10/- each amounting to Rs.75,08,550/- which after your approval at the ensuing Annual General Meeting will be paid to those Equity shareholders of the Company whose names appear in the Register of Members of the Company as on 28th September, 2001.

OPERATIONS

- (i) During the year under review, the production and turnover of the Textile Division of the Company were lower as compared to the immediately preceding year. The overall performance was below the expected level as the Textile Industry continued to pass through a difficult period on account of higher costs of inputs, sluggish market conditions and poor demand for textile yarn in the traditional export markets.

- (ii) The overall performance of the Real Estate Business activity was affected due to continued depression in the real estate market and tight financial conditions. The market is now reasonably stabilized.

The company has received during the current Financial year the Transferable Development Rights from Brihanmumbai Municipal Corporation (BMC) in respect of the plot of land already conveyed to MHADA whereas in respect of the plot of land handed over to BMC for amenity purposes, Transferable Development Rights are yet to be received. The undue delay in receipt of the same has contributed to the adverse working results of the Company.

The company has entered into a joint venture for undertaking the business of conducting and running of a Business Centre from and its premises at Keshavrao Khadye Marg at Mahalaxmi, Mumbai.

- (iii) During the current financial year, the Company has disposed off substantially the whole of Foods Division properties of the Company situated at Hubli. A Resolution in this matter was passed by the members at the last Annual General Meeting.

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SUBSIDIARY COMPANY

During the year under review, your Company acquired 55% of the paid-up share capital of Webhosting & Solutions (India) Pvt.Ltd. which intends to start operations in the field of Information Technology such as Web Sites, Web Development and Web based solutions.

The statement required under Section 212 of the Companies Act, 1956 together with the Audited Accounts and the Reports of the Directors and Auditors of the Subsidiary Company are attached herewith.

DIRECTORS

Mr. Shyam M. Jatia resigned from Directorship of the company on and effective from 31st May, 2001. Your Board records its sincere appreciation of the valuable services rendered by him, during his tenure of office as Director of the Company.

Mr. G.V. Sirur, Director of the Company retires by rotation under Article 112 of the Articles of Association of the Company, and being eligible, offer himself for re-appointment.

The Board of Directors has at its meeting held on 31st July, 2001 appointed Mr. Vijay Kumar Jatia as Managing Director of the Company for a period of 5 years with effect from 1st August, 2001 on the terms and conditions as set out in the Resolution under item No.7 of the Notice of the ensuing Annual General Meeting. In terms of Schedule XIII of the Companies Act, 1956, the aforesaid appointment is subject to your approval of the aforesaid Resolution.

Mr. Anand Didwania was appointed as an Additional Director of the Company with effect from 31st January, 2001, pursuant to Section 260 of the Companies Act, 1956 and article 103 of the Articles of Association of the company. Mr. Anand Didwania holds office upto the ensuing Annual General Meeting. A Notice in writing has been received by the Company from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose the name of Mr. Anand Didwania for appointment as Director of the Company. An appropriate Resolution in this regard is being placed for your approval at the ensuing Annual General Meeting.

AUDITORS' APPOINTMENT

Members are requested to appoint Auditors and to fix their remuneration. The present Auditors, Messrs K.S. Aiyar & Company, Chartered Accountants, hold office until 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 31.03.1996, of a sum of Rs.27,42,10,556/- standing to the credit of Capital Reserve Account to Profit and Loss Account was based on legal opinion obtained by the Company.
- (ii) No provision for Income Tax amounting to Rs.12,25,500/- as mentioned in para (f) of the Auditors' Report has been made in view of the legal advice as referred to in Note 7(a) of Schedule 16 to the accounts.

AUDIT COMMITTEE

The Board has constituted an 'Audit Committee' at its meeting held on 31st January, 2001. The Committee comprises of the following:

Mr. Anand Didwania - Chairman
Mr. Vijay Kumar Jatia
Mr. G. V. Sirur

CORPORATE GOVERNANCE

The Code of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is required to be implemented by your company latest by 31st March, 2002. Your company has started taking appropriate steps to ensure that the same is implemented before 31st March, 2002.

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AMALGAMATION OF ERSTWHILE AGRATA EXPORTS LTD. WITH THE COMPANY

The members are aware of the fact that the shareholders of the company had approved the Scheme of Amalgamation of erstwhile Agrata Exports Limited with the Company. As brought to your notice last year, a petition for sanctioning the Scheme under Sections 391 to 394 of the Companies Act, 1956 was admitted by the High Court of Bombay on 27th September, 2000. The Honourable High Court of Judicature at Bombay has vide its order dated 6th December, 2000 approved the aforesaid scheme of amalgamation. After receipt of the aforesaid order by the company, a certified copy thereof has already been filed with the Registrar of Companies, Maharashtra. As the Appointed Date was 1st April, 1999, therefore the Scheme has been given effect to in the financial statements of the company with effect from the aforesaid appointed date.

DEMATERIALIZATION OF SHARES

During the current financial year, your Company has entered into an agreement with National Securities Depository Limited and Central Depository Services (India) Limited to participate in the Depository System whereby the shareholders of the Company have an option of holding their shares in the electronic form.

FIXED DEPOSITS

Twenty-seven deposits amounting to Rs.55,700/- have matured but remain unclaimed as on 31st March, 2001. The Company has not accepted/renewed any Fixed Deposits during the year under review.

PARTICULARS OF EMPLOYEES

There were no employees receiving remuneration of or in excess of Rs 12,00,000/- per annum or Rs 1,00,000/- per month during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm 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 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 of the Company for that period;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, 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.

COMPANY SECRETARY

The wholetime Company Secretary resigned more than a month ago. Efforts are being made to employ a new wholetime Secretary in his place.

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 forming part of this Report.

For and on behalf of the Board of Directors
M.P. Jatia
 Chairman

Mumbai, dated 2nd August, 2001

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ANNEXURE TO DIRECTORS' REPORT

INFORMATION 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, 2001.

I. 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 : Nil
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : Nil
- (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:

	2000-2001	1999-2000
(1) Electricity		
(a) Purchased Units (lakh Kwh.)	33.62	48.20
Total amount (Rs in lacs)	137.18	160.73
Rate per unit (Rs)	4.08	3.34
(b) Own generation		
(i) Through diesel generator:		
Units		
Units 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		
Quantity (Tonnes)		
Total cost (Rs in lacs)	Nil	Nil
Average rate (Rs per ton)		
(3) Furnace Oil	Nil	Nil
(4) Others/Internal Generation		

2000-2001			1999-2000		
Quantity (MT)	Total Cost (Rs. in lacs)	Rate/ (MT) (Rs.)	Quantity (MT)	Total Cost (Rs. in lacs)	Rate/ (M.T.) (Rs.)
Nil	Nil	Nil	Nil	Nil	Nil