

THE MODERN MILLS LIMITED

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**SIXTY-NINTH
ANNUAL REPORT
2002-2003**

The Modern Mills Limited

BOARD OF DIRECTORS

VIJAY KUMAR JATIA (Chairman & Managing Director)

RUSI N. SETHNA

ANAND DIDWANIA

R. R. DOSHI

J. F. POCHKHANAWALLA

PRADIP KUMAR BUBNA

GAURI JATIA (Appointed w.e.f. 30.06.2003)

COMPANY SECRETARY

U. A. PATEL

BANKERS

THE VYSYA BANK LTD.

AUDITORS

K. S. AIYAR & COMPANY

REGISTERED OFFICE, TEXTILE DIVISION & REAL ESTATE DIVISION

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

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LTD.,
A-60/1223, Azad Nagar II,
Veera Desai Road,
Andheri (West),
MUMBAI 400 053.

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NOTICE

NOTICE is hereby given that the Sixty-Ninth Annual General Meeting of the members of The Modern Mills Limited will be held at the Registered Office of the Company at 101, K: Khadye Marg, Mahalaxmi, Mumbai 400 011 on Wednesday, the 13th August, 2003 at 4.30 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Anand Didwania, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. F. Pochkhanawalla, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. 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 seven."

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

"RESOLVED THAT Mrs. Gauri Jatia, who was appointed as an 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 her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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/HERSELF 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.

- (b) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business at items No. 6 and 7 is annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 6th August, 2003 to Wednesday, the 13th August, 2003 (both days inclusive).
- (d) The dividend when declared, shall be paid to those members whose names will appear on the Register of Members of the Company on 13th August, 2003.
- (e) It is suggested for the convenience of the members that they should 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 minimize loss due to warrant falling into improper hands through fraud.
- (f) Members are requested to intimate immediately to the Company's Share Transfer Agents, change of address, if any, by quoting their folio number.
- (g) 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 Agents of the Company.

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- (h) 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.
- (i) 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.
- (j) Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company Secretary or with the Share Transfer Agents, along with full particulars. Members are requested to note that dividend not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to the Investor Education and Protection Fund, as per Section 205 A of the Companies Act, 1956.
- (k) The Register of Directors' shareholdings, maintained under Section 307 of the Companies Act, 1956, is available for inspection by the members at the Annual General Meeting.
- (l) The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, is available for inspection by the members at the Registered Office of the Company.
- (m) The members are requested to send their queries, if any, on the accounts, to the Company Secretary at least 10 days before the Annual General Meeting, to enable the Company to be ready with the replies at the AGM.

By Order of the Board of Directors

U. A. PATEL
Company Secretary

Mumbai, dated 30th June, 2003

Registered Office:
101, K. Khadye Marg,
Mahalaxmi,
MUMBAI 400 011.

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 Items No. 6 and 7 of the accompanying Notice:

Item No.6 :

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 six to seven. It is, therefore, necessary to pass a formal Resolution increasing the number of Directors for the time being in office to seven.

Item No.7 :

Mrs. Gauri Jatia was appointed as an Additional Director of the Company by the Board on 30th June, 2003. As per the provisions of Section 260 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, Mrs. Gauri Jatia holds office of Director up to 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 Mrs. Gauri Jatia, for appointment as Director.

Your Directors recommend the resolution for your approval. Except Mrs. Gauri Jatia and Mr. Vijay Kumar Jatia, none of the other Directors is concerned or interested in this resolution.

By Order of the Board of Directors

U. A. PATEL
Company Secretary

Mumbai, dated 30th June, 2003

Registered Office :
101, K. Khadye Marg,
Mahalaxmi, MUMBAI 400 011.

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DIRECTORS' REPORT

The Members,

The Directors present the 69th Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

	Year Ended	
	31.03.2003	31.03.2002
	(Rupees in lacs)	
Gross Profit before interest and depreciation	241.57	226.64
Less: Depreciation	198.11	172.37
Operating Profit	43.46	54.27
Less: Provision for Taxation (Net)	(+) 1.49	11.00
	44.95	43.27
Add: Deferred tax	25.29	25.80
	70.24	69.07
Add: Balance brought forward	2744.39	2786.06
Deferred Tax Liability	-	(-) 35.66
Less: In respect of flats transferred to Fixed Assets during the year	84.95	-
Miscellaneous Expenses to the extent not written off or adjusted	174.62	-
	2484.82	2750.40
Balance available for Appropriation	2555.06	2819.47
LESS: APPROPRIATION		
Proposed Dividend	75.09	75.08
Tax on distributed profit	9.62	-
	84.71	75.08
Balance Carried to Balance Sheet	2470.35	2744.39

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 13th August, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

As reported earlier, the Company has made application to the State Government seeking its permission for shifting of the Spinning Unit out of Mumbai, which permission is not forthcoming. In the meantime, this unit continues to incur losses.

The Board of Directors is still following up the matter with the State Government for obtaining its permission. However, if the same is not granted, then the management will have to consider sell, lease and/or disposal of the unit in a way beneficial and in the interest of the Company, as they may deem fit.

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OPERATIONS

The Textile Industry has been undergoing sluggish market conditions for the past few years and there has been steep erosion in the working and the profit on the decline. The demand recession has affected the sales turnover and working of the industry.

As far as cotton textile industry is concerned, they are also not running satisfactory and profit is in decline because of very high prices of the raw-material, i.e. cotton. The prices of cotton have increased this year by 50% more than last year and the prices of yarn are not increased to that extent. The increase in yarn prices are only 20 - 25%. In the export front also mills are not good because of steep competition of Pakistani yarn as well as strengthening of Indian Rupees against US \$.

Between April 2002 and March 2003, 45 more spinning mills and 8 more composite mills have been closed down. As against 430 Mills (304 spinning and 126 composite) remained closed in April 2002, the number of closed mills in 2003 was 483 (349 spinning mills and 134 composite mills), according to the information available from the offices of the Textile Commissioner. Only those Mills are survived, who are working on less inputs cost without any major investment and focusing attention on standardization, waste control, higher production, reducing power cost, packing cost, tackling labour and maintenance, etc.

FUTURE PROSPECTS / PLANS

The prospects of the yarn spinning business are sluggish in the recent days and looking at the trend, this segment is not likely to yield better results.

As reported in the last year's Report, the Company has acquired the piece of land in the Village Rayapura, Dist: Dharwad, Karnataka State. The Company on its own or through its wholly owned subsidiary proposes to set up a Cotton Ginning & Pressing Unit for which your Directors are in touch with the Karnataka Industrial Area Development Board.

SUBSIDIARY COMPANY

The statement required under Section 212 of the Companies Act, 1956, the Audited Accounts and the Reports of the Directors and Auditors of M/s. Webhosting & Solutions (India) Ltd., a wholly owned Subsidiary Company, are attached herewith. The Company has been converted into a limited Company as per amendments to the Companies Act, 1956.

DIRECTORS

Mr. Anand Didwania and Mr. J. F. Pochkhanawalla, 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.

Mrs. Gauri Jatia, who was appointed as an Additional Director of the Company, pursuant to Section 260 of the Companies Act, 1956 and Article 103 of the Articles of Association of the company and who hold office only up to the ensuing Annual General Meeting and in respect of whom notice has been received in writing by the Company, from a member, pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the above named person for appointment as Director of the Company. Consequently, appropriate Resolution to this effect is being placed for your approval at the ensuing Annual General Meeting.

CONSOLIDATION OF ACCOUNTS

In pursuance of the mandatory compliance of the Accounting Standard No.21, as issued by the Institute of Chartered Accountants of India, the Company has presented Consolidated Financial Statements, for the year under report, consolidating its Accounts with the Accounts of its Subsidiary Company, M/s. Webhosting & Solutions (India) Ltd. and also accounts of the Joint Venture - M/s. Central Bombay Infotec Park. A separate report of the Statutory Auditors, on consolidated Financial Statements also forms part of the same.

AUDITORS' APPOINTMENT

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

Annual Report 2002-2003**AUDITORS' REPORT**

The Auditors' observations at para 3 (vi) of their report are self-explanatory and need no further explanations.

COST AUDITORS

Pursuant to a directive of the Central Government, the Company is required to conduct Cost Audit in respect of the textiles (Yarn) for the year 2003-04. Accordingly, necessary steps have been taken to appoint qualified Cost Auditors to carry out the cost audit of the accounts maintained by the Company for the year 2003-04.

CORPORATE GOVERNANCE

In compliance of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, a Report on Corporate Governance, along with a Compliance Certificate from the Auditors of the Company, is annexed to this Report.

FIXED DEPOSITS

During the year under report, the Company has neither accepted nor renewed any Fixed Deposits, under section 58A, read with Companies (Acceptance of Deposits) Rules, 1975.

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 not disclosed as there is no employee in the Company, receiving remunerations as stipulated under the above said Rules.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied them consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of its profit for the year ended as on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

CAUTIONARY STATEMENT

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

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.

For and on behalf of the Board of Directors

Mumbai, dated 30th June, 2003

Vijay Kumar Jatia
Chairman & Managing Director

Registered Office:
101, K.Khadye Marg,
Mahalaxmi,
Mumbai-400 011.

The Modern Mills Limited**ANNEXURE 'A' TO DIRECTORS' REPORT**

INFORMATION AS PER SECTION 217(1)(c) 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, 2003

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:

	2002-2003	2001-2002
(1) Electricity		
(a) Purchased Units (lakh Kwh.)	46.63	30.78
Total amount (Rs in lacs)	202.51	124.58
Rate per unit (Rs)	4.34	4.05
(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	Nil	Nil
Cost/unit		
(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		

2002-2003			2001-2002		
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

(B) Consumption per unit of production:

	2002-2003			2001-2002		
	Electricity (Kwh)	Coal (MT)	Others (MT)	Electricity (Kwh)	Coal (MT)	Others (MT)
Products:	1.40	Nil	Nil	2.32	Nil	Nil
Yarn	per Kg.			per Kg.		

Annual Report 2002-2003**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 Seminars, Conferences, 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 : Corolab-Plus Yarn Monitoring System for Rotor Spinning
- (b) Year of import : 1998
- (c) Has technology been fully absorbed? : Yes
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : N.A

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 : Due to improved international economic/ market conditions, the Company was able to export 57.744 M.Tonnes of Yarn through merchant exporters during the year under review.

The Company is also supplying yarn to export oriented units.

The Company also exported 4,04,000 Mtrs. of grey cloth.

(b) Total Foreign Exchange:

- (i) Earnings : Rs. 1,43,87,540
- (ii) Outgo : Rs. 16,16,534

For and on behalf of the Board of Directors

Vijay Kumar Jatia
Chairman & Managing Director

Mumbai, dated 30th June, 2003

The Modern Mills Limited**REPORT ON CORPORATE GOVERNANCE****1. Company's philosophy:**

The Company's philosophy of Corporate Governance is aimed at providing transparent working and assisting Management and stakeholders to judge and understand the performance of the company in an appropriate manner. It includes not only application and adaptation of statutory rules/procedures and guidelines, but also includes application and adoption of good corporate practices followed voluntarily, by the Company so as to keep the Shareholders, Management, Investors and Authorities well informed about the Company and enhance value to the stake holders and customers at large.

2. Management Discussion & Analysis:

The Management Discussion and Analysis Report forms part of the Directors' Report.

3. Board of Directors:

Composition and category of directors:

The present Board of Directors of the Company comprises of both executive and non-executive directors, being independent directors. This combination helps the company to take benefit of the experience and expertise of the directors, in their core area of competence. The present strength of the Board is seven out of which one director is an executive director, one director is a non-executive director and rest all are independent non-executive directors. The Managing Director is receiving remuneration as per sanction accorded by the members of the Company. The other directors do not receive any remuneration except sitting fees. There are no nominee directors on the Board of the Company.

Mr. R.R. Doshi and Mr. J.F. Pochkhanawalla, were appointed as directors on the Board, on 25.01.2002. Mr. Pradip Kumar Bubna has been appointed as a Director on the Board w.e.f. 29.04.2002. Mrs. Gauri Jatia was appointed as a Director of the Company w.e.f. 30.06.2003. At the ensuing Annual General Meeting of the Company, Mr. Anand Didwania and Mr. J. F. Pochkhanawalla will retire by rotation who have offered themselves for re-appointment. Accordingly the Notice of Annual General Meeting and Agenda, contains business items to that effect. Mrs. Gauri Jatia who was appointed as an Additional Director, hold office only upto the date of ensuing Annual General Meeting of the Company and her appointment is proposed by a member of the Company under Section 257 of the Companies Act, 1956. This proposal form part of the Notice and Agenda of the ensuing Annual General Meeting of the Company.

Name	Category	Number of Board of which Member Other than MML#	Number of Committees of which Chairman Other than MML	Number of Committees of which Member Other than MML	No. of Board Meetings Attended	Last AGM Attendance (Yes/No)
Mr. V.K. Jatia	Promoter Executive	5	-	2	5	Yes
Mr. R.N. Sethna	Independent Non executive	6	3	5	4	Yes
Mr. Anand Didwania	Independent Non executive	-	-	-	4	Yes
Mr. J.F. Pochkhanawalla	Independent Non executive	1	-	-	4	No
Mr. R.R. Doshi	Independent Non executive	3	-	2	5	Yes
Mr. Pradip Kumar Bubna	Independent Non executive	1	-	-	4	Yes
Mrs. Gauri Jatia	Non executive	2	-	-	-	Not applicable

Excluding Private Companies and Section 25 Companies