

MODERN INDIA LIMITED

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**SEVENTY-THIRD
ANNUAL REPORT
2006-07**

Modern India Limited

BOARD OF DIRECTORS

VIJAY KUMAR JATIA (Chairman & Managing Director)

RUSI N. SETHNA

ANAND DIDWANIA

RAJAS R. DOSHI

JIMMY F. POCHKHANAWALLA

PRADIP KUMAR BUBNA

GAURI JATIA

BANKERS

PUNJAB NATIONAL BANK

AUDITORS

K.S. AIYAR & COMPANY

ASSISTANT COMPANY SECRETARY

NAMRATA VYAS

REGISTERED OFFICE, TEXTILE & REAL ESTATE DIVISIONS

MODERN CENTRE,
SANE GURUJI MARG,
MAHALAXMI,
MUMBAI 400 011

SHARE TRANSFER AGENTS

M/S. SATELLITE CORPORATE SERVICES PRIVATE LTD.,
B-302, SONY APARTMENT,
OPP. ST. JUDE HIGH SCHOOL,
OFF ANDHERI KURLA ROAD,
JARIMARI, SAKINAKA,
ANDHERI (EAST),
MUMBAI 400 072

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NOTICE

NOTICE is hereby given that the Seventy-Third Annual General Meeting of the members of Modern India Limited will be held at the Registered Office of the Company at Modern Centre, Sane Guruji Marg, Mahalaxmi, Mumbai 400 011 on Monday, the 16th day of July, 2007 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To sanction the declaration and the payment of Dividend on Equity Shares for the year ended 31st March, 2007.
3. To appoint a Director in place of Mr. Rajas R Doshi, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pradip Kumar Bubna, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration, and for that purpose, to pass the following Resolution, which will be proposed as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. K.S. Aiyar & Company, Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorized to fix their remuneration for the said period and reimbursement of actual out of pocket expenses, as may be incurred in the performance of their duties.

NOTES:

- 1) A member entitled to attend and vote at the Annual General Meeting (the meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the company. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
- 2) Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- 3) In terms of Article 112 of the Articles of Association of the Company, Mr. Rajas R Doshi and Mr. Pradip Kumar Bubna, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of Companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchange, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
- 4) Members are requested to bring their attendance Slip along with their copy of Annual Report to the Meeting.
- 5) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
- 6) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 9th July, 2007 to Monday, the 16th July, 2007 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.
- 7) The dividend on Equity Shares of the Company as recommended by the Board of Directors of the Company, when sanctioned at the Annual General Meeting of the Company, will be made payable within 30 days from the date of declaration i.e. 16th July, 2007, to the Company's Equity Shareholders, who are entitled for the Dividend & whose names appear on the company's register of members as on Monday, the 16th July, 2007:
 - a. as Beneficial Owners as at the end of business on 8th July, 2007 as per the list provided by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in the electronic form and

Modern India Limited

- b. as Members in the Register of Members of the Company after giving effect to valid transfers in physical form lodged with the Company on or before 8th July, 2007.
- 8) In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to intimate the Company's Registrars & Transfer Agents particulars of their Bank Account viz. Name of Bank, Name of Branch, Complete address of the Bank with Pin Code Number, Account type – whether Saving Account or Current Account and Bank Account Number.
- 9) Members are hereby informed that Dividend which remains unclaimed/un-encashed over a period of 7 years has to be transferred as per the provisions of Sec. 205A of the Companies Act, 1956, by the Company to 'The Investor Education & Protection Fund', constituted by the Central Government under Section 205C of the Companies Act, 1956. It may please be noted that once the unclaimed/un-encashed dividend is transferred to the "Investor Education & Protection Fund", no claim shall lie in respect of such amount by the shareholder. The unclaimed Dividend for the year 1999-2000 is due to be deposited before June 15, 2007.
- The unclaimed Dividend for the year 2000-2001 is due to be deposited in the said fund in the ensuing financial year 2007-2008. Members wishing to claim dividends, which remain unclaimed for the year 1999-2000 and onwards, are requested to correspond with the Company's Registrars & Transfer Agents, along with full particulars.
- 10) Members desirous of making nomination as permitted under Section 109A of the Companies Act, 1956 in respect of the shares held by them in the Company, can make nominations in Form 2B.
- 11) Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and transfer Agents, M/s. Satellite Corporate Services Private Limited, for consolidation into a single folio.
- 12) It has been 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.
- 13) As per the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies are not attached with the Annual Report of the Company. However, the Annual Reports of all the Subsidiary Companies are available for inspection at Registered office of the Company to any member/investor of the Company. Further the Company will make available these documents to any member/investor upon request.

Mumbai
Dated: 9th May, 2007

By Order of the Board of Directors
NAMRATA VYAS
Assistant Company Secretary

Registered Office:
Modern Centre,
Sane Guruji Marg,
Mahalaxmi,
MUMBAI 400 011

DIRECTORS' REPORT

The Members,

The Directors have pleasure to present the Seventy-third Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

		(Rupees in Lacs)	
		Year Ended	
		2006-07	2005-06
Gross Profit before depreciation		518.79	424.22
Less: Depreciation		106.55	119.27
Operating Profit		412.24	304.95
Add: Gain on Transfer of Discontinued Operations		142.66	-
Profit Before Tax		554.90	304.95
Less: Extra Ordinary Expenditure	-	63.99	
Provision for Taxation (Including Fringe Benefit Tax)	9.88	16.30	
Tax provision of earlier year	26.44	-	
Deferred tax	90.91	127.23	4.44
Profit after Tax		427.67	220.22
Add: Balance brought forward	2130.28	2018.30	
Less: Amount transferred to Capital Reserve	246.09	1884.19	-
Balance available for Appropriation		2311.86	2238.52
LESS: APPROPRIATION			
Proposed Dividend	90.11	90.10	
Tax on distributed profit	15.31	12.63	
Transferred to General Reserve	10.69	116.11	5.51
Balance Carried to Balance Sheet		2195.75	2130.28

DIVIDEND

Your Directors are pleased to recommend a dividend of 12% for the year under review.

BUSINESS OPERATIONS

The business segments of the Company consist of Real Estate, Business Centre, Trading, Textiles and Vocational Training.

(i) Real Estate:

Although there is boom in a Real Estate Market, increase in the GDP growth and FDI investments, increase in demand for commercial place and also rentals have zoomed at historic heights, the Service Tax on the commercial property may be a deterrent for the expansion in this area.

The company is still awaiting permission from the State Government to explore the balance available FSI.

With the boom in the Realty trade and revenue surging in the manufacturing activity there is a big demand for logistic activity and as a part of the activity, the Company has acquired land in Khopoli to start with towards that goal and hopes to spread its wings to all other parts of the country. Your Directors have proposed to transfer a part of the Company's property in Mumbai to a wholly owned subsidiary.

Total revenue during the year 2006-07 from real estate activities was Rs.43.65 lacs as compared to Rs. 232.51 lacs in the year 2005-06.

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(ii) **Business Centre:**

The Business Centre activity of the Company is carried on through a joint venture namely Central Bombay Infotec Park. Total revenue during the year 2006-07 from business centre activities was Rs. 599.90 lacs as compared to Rs. 577.63 lacs during the year 2005-06 representing a modest 4% growth over previous year. The Company shall maintain a steady growth and aim to have a marked improvement in the current year.

(iii) **Trading:**

The trading activity consists primarily of steel products and export to the following countries namely U.S.A, Germany, Switzerland from a NIL revenue to Rs. 4553.24 lacs revenue and we expect to contribute more and more in this segment but the strengthening of Rupee has an impact on the exports.

(iv) **Textiles:**

The operations of the Textile division primarily consist of trading activities. The Company has consciously reduced its exposure in India and has stepped up its activities through the overseas subsidiary and the combined turnover has been Rs. 4374.40 lacs. The overseas subsidiary is further taking steps in this direction.

(v) **Vocational Training:**

The Vocational Training Division was transferred into a Wholly Owned Subsidiary Company viz. Indian Institute of Jewellery Limited with effect from 1st April 2006.

SUBSIDIARY COMPANIES

Overseas: Modern International (Asia) Limited, Hong Kong:

Against a turnover of US \$ 67.65 million of previous year the Company has achieved a turnover of US \$ 86.80 million and the profit was US \$ 1.02 million as against US \$ 1.64 million. The profit is lower due to rise in the expenditure on account of travelling to develop new business. The Company has till now concentrated only on textiles and efforts are on to concentrate on Pharma Intermediates and other products.

Domestic:

1. Webhosting & Solutions (India) Limited:

This subsidiary has not undertaken any activity so far. However, new avenues are being explored in the field of Information Technology after analyzing the present market scenario.

2. Indian Institute of Jewellery Limited:

As informed, the Vocational Training Centre was transferred to a 100% Subsidiary viz. Indian Institute of Jewellery Limited. The Institute is now running the following courses and is working towards becoming a one stop shop for all training activities for Jewellery Industry.

During the year under review a total number of 181 students were trained in various segments.

✓ Jewellery Manufacturing Programs

- (1) Jewellery Manufacturing Program
- (2) Casting Program
- (3) Metal Embossing Program
- (4) Enameling Program
- (5) Lac Artistry Program
- (6) CAM Program

✓ Jewellery Design Programs

- (1) Basic Jewellery Design Program
- (2) Advanced Jewellery Design Program
- (3) Professional Jewellery Design Program
- (4) 2D Aided Jewellery Design (Gemvision's Digital Goldsmith) Program
- (5) 3D Aided Jewellery Design (Gemvision's Matrix 3D) Program

✓ Gemmology Programs

- (1) Diamond Grading, Valuation & Identification Program
- (2) Introduction to Gemmology Program
- (3) Single Stone Identification Program
- (4) Instrumentation in Gemmology Program

✓ Jewellery Business Programs

- (1) JOR- Jewellery in Organized Retail Management Program
- (2) Corporate Training

The operations have resulted in a loss of Rs. 182.27 lacs mainly due to payment of rent and development work which is being carried out for introducing newer courses. Possibilities are being explored to extend the presence of the institute in other parts of the Country.

Joint Venture Companies:

The Company has formed two Joint Venture Companies namely Modali Distributors Private Limited and Modali Jewels Private Limited with Gitanjali Gems Limited on the basis of 50:50 shareholdings.

Modali Distributors Private Limited is basically involved in setting up Distributors Network all over India to distribute ASMI and SANGINI brands of jewellery. The turnover of this Company is Rs. 405.05 lacs. Since it was the first year of operations and lot of efforts has been put in to set up the network, the operations have resulted in a loss but in the current year it is expected to do well as the complete infrastructure is now in place.

Modali Jewels Private Limited is based on software which is being customised by our Principal Company, Gemvision Corporation, U. S. A. Since there has been delay in customization, no headway was made in this Company. In the meantime, the Company has sold some jewellery to the tune of Rs. 387.51 lacs. The operations have resulted in a loss on account of development of infrastructure and other facilities.

ANNUAL ACCOUNTS OF SUBSIDIARY COMPANIES

The Department of Company Affairs has granted exemption from attaching a copy of Balance Sheet, Profit & Loss Account, and Report of the Board of Directors and Report of the Auditors of all three Subsidiary Companies. However, pursuant to the accounting standard 21 issued by the Company includes the financial information of the subsidiaries. Any member of the Company may inspect and/or request for copy of these documents or any detail relating to these documents.

DIRECTORS

Mr. Rajas R Doshi and Mr. Pradip Kumar Bubna, 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.

CONSOLIDATION OF ACCOUNTS

In pursuance of the mandatory compliance of the Accounting Standard 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 Companies, M/s. Modern International (Asia) Limited, Webhosting & Solutions (India) Limited and Indian Institute of Jewellery Limited as also accounts of the Joint Venture – M/s. Central Bombay Infotec Park to the extent of the investment made by the Company. A separate report of the Statutory Auditors, on consolidated Financial Statements also forms part of the same.

DEFERRED TAX

The total net deferred tax assets as on 31.03.2007 is Rs. 17.98 lacs (Previous Year Rs. 108.89 lacs). Rs. 90.91 lacs (Previous Year Rs. 4.44 lacs) have been debited to Profit & Loss account of the year in respect of Deferred Tax.

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.

Modern India Limited

AUDITORS' REPORT

The Auditors' observations at para 4 (vi) of their report are self-explanatory and need no further explanations.

CORPORATE GOVERNANCE

In compliance of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, a Report on Corporate Governance, along with a Certificate of the Auditors on Corporate Governance 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.

INSURANCE

Adequate insurance cover has been taken for the properties of the Company including Stocks, Tools and Machineries, Furniture and Fixtures, Electronic and Electric Equipments, Vehicles and to cover Directors' and Officers' Liability.

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, 2007 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.

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

Mumbai, dated 9th May, 2007

Vijay Kumar Jatia
Chairman & Managing Director

Registered Office:
Modern Centre,
Sane Guruji Marg,
Mahalaxmi,
MUMBAI 400 011

ANNEXURE 'A' 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, 2007

1. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

As the Company has no manufacturing activities, the provisions of Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 relating to Conservation of Energy, Technology Absorption and R & D do not apply to your company.

2. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) - Activities relating to exports : In the current year, company exported Steel pipes and bars to U.S.A., Germany and Switzerland.
- Initiatives taken to increase exports : Continuous efforts to identify new markets for existing and new products are being made by the Company.
- Development of new markets for products & services & Export plans : Company is developing new export market for various products in Asian and European countries apart from USA. The Company does not follow any definite export plan.
- (b) Total Foreign Exchange:
- (i) Earnings : Rs.42,22,24,338
- (ii) Outgoing : Rs. 45,44,517

ANNEXURE 'B' TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2007

Sr. No.	Name/Age(Years)	Qualifications	Experi-ence (years)	Date of Employ-ment	Designation/ Nature of Duties	Gross remunera-tion received (Rs.)	Last Employment held (Previous Designation/ Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Vijay Kumar Jatia (48)	B.Com.	27	01.08.2001	Chairman & Managing Director	34,12,430	Pudumjee Pulp & Paper Mills Ltd. - Jt. Managing Director

For and on behalf of the Board of Directors

Mumbai, dated 9th May, 2007

Vijay Kumar Jatia
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS**Overall Review**

In the year 2006-07 Modern India Limited and its subsidiaries have delivered a good performance across all its operating segments in terms of revenue which is Rs. 10152.67 lacs as compared to Rs. 8251.44 lacs. The Gross Profit for the year is 434.14 lacs (Previous Year Rs. 519.71 lacs) and the Net Profit is Rs. 154.52 lacs (Previous Year Rs. 292.25 lacs).

The Indian economy is expected to enter fourth consecutive year with a GDP growth of 9.4% which is unprecedented. A large part of this growth is being driven by domestic demand and favorable demographics.

MIL is now trying to basically concentrate on five verticals, which are Real Estate, Education & Vocational Training, Textiles, Jewellery and Sundry Trading Items.

Real Estate

The boom in the construction industry got a major boost with the liberal tax sops and disbursement of home loans. The liberalization in Foreign Direct Investment in the construction sector has opened up immense opportunities in Real Estate Construction sector. The recent concern of Government to control the inflation may act as a concern in the short term for the construction industry but in the long run this sector is expected to have a positive growth.

Your company has developed 3,35,000 sq. ft. of mill land into residential and commercial property. We still have a balance land of 3,00,000 sq. ft. that will be developed in due course. The company has acquired a plot admeasuring 35 acres of land in Khopoli as a first step for development either by itself or through a special support vehicle. The Board of Directors of the Company have decided to transfer approx 10,616 sq.mtr. of land & building under chawls situated at Mahalaxmi owned by the Company to its wholly owned subsidiary Company to be incorporated for rehabilitation & development.

Trading

During the year the Company has exported Steel to - United States, Germany and Switzerland and will continued to do so in the coming years. Apart from steel products, we are also selling software for jewellery industry and CAD machines. The training for use of software and CAD machines is being undertaken by Indian Institute of Jewellery Limited.

Textiles

India and China are the two major producers of textiles and enjoy a larger domestic market giving them an economic scale. Your company has been meeting the requirements of its customers through outsourcing within India and from China through our subsidiary Modern International (Asia) Limited at Hong Kong.

Educational and Vocational Training

During the year under review, the Company transferred its Vocational Training into a separate special support vehicle entitled Indian Institute of Jewellery Ltd. The Gem and Jewellery Industry has been going through phenomenal growth and at the present moment they have a very big requirement of trained manpower. Indian Institute of Jewellery has been offering variety of courses in the following sectors.

- Jewellery Manufacturing Programs
- Jewellery Design Programs
- Gemology Programs
- Jewellery Business Programs

During the year under review a total number of 181 students were trained in various segments and we are striving to become a one stroke shop of jewellery related trainings and spread our geographic presence all over the country.

Jewellery

The Company entered into Joint Venture with Gitanjali Gems Limited who is one of the largest companies in branded jewellery segment and a big player in jewellery industry. Modali Distributors Private Limited, one of the Joint Venture Company has over the last one year set up a distribution network all over the Country and increased steps have been taken to strengthen the network and have geographical presence in all cities and major towns in India. At the present moment concentrations have been put to market the Asmi and Sangini brands of jewellery.

In totality an infrastructure of 21 Distributors through 94 Retailers are servicing the Company's product on an all India basis. The second Joint Venture Company namely Modali Jewels Private Limited could not take off as expected as this project was based on software which is being customized by Gemvision Corporation, U.S.A. The software is now getting ready and hopefully in the next year, this project will make headway.

OPPORTUNITIES AND THREATS

Looking at the opportunity, the Company feels new business are ahead and this is the right time to focus on certain high growth areas. MIL faces normal market competition in all its business from India and abroad. MIL hopes to successfully maintain its operating efficiency and consistently improve its financial performance.

SEGMENT WISE PERFORMANCE

- Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
- Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "Unallocable Corporate Expenses".
- There are no inter-segment revenues and therefore the basis of measurement does not arise