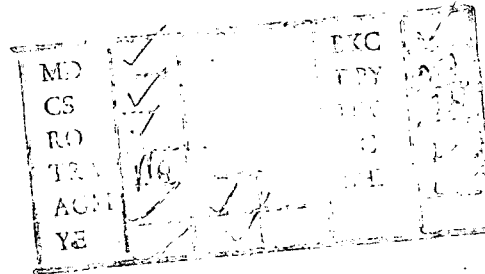




Annual Report 1996-97



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Modern

Threads (India) Limited



BOARD OF DIRECTORS

Shri H.S. Ranka	- Chairman
Shri Rajesh Ranka	- Managing Director
Lt. Gen. Sagat Singh	
Shri G.C. Baveja	
Shri T.K. Sinha	
Shri B.C. Bhandari	
Shri J.S. Babel	
Shri B.K. Gupta	- Nominee, IFCI
Shri S.K. Sharma	- Nominee, RIICO
Shri N.D. Goel	- Executive Director
Shri M.L. Pamecha	- Executive Director

COMPANY SECRETARY

Shri Yatendra Bhargava

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur
Dena Bank
Vijaya Bank
State Bank of Patiala
State Bank of Saurashtra
Oriental Bank of Commerce
Allahabad Bank
Syndicate Bank
Punjab & Sindh Bank
Canara Bank

AUDITORS

Messrs. S.S. Surana & Co.,
Chartered Accountants,
Jaipur-302 015

REGISTERED OFFICE

A-4, Vijay Path,
Tilak Nagar,
Jaipur-302 004 (Rajasthan)

CORPORATE HEADQUARTER

68/69, Godavari, Poachkhanwala Road,
Worli, Mumbai-400 025.

PLANTS

Yarn Division

Village Raila,
Distt. Bhilwara (Rajasthan)

Woollens Division

Hamirgarh Road, Bhilwara-311 001. (Rajasthan)

Petrochemical Division

(Under implementation)
Village Bhensali, Distt. Bharuch (Gujarat)

(i)



NOTICE

Notice is hereby given that the 16th Annual General Meeting of Modern Threads (India) Limited will be held on Tuesday the 30th December, 1997 at 9.30 AM at Hotel Clarks Amer, Jawahar Lal Nehru Marg, Jaipur 302017 to transact the following business :

A. Ordinary Business :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri B.C. Bhandari who retires by rotation and being eligible, offers himself for re- appointment.
- (3) To appoint a Director in place of Shri J.S. Babel who retires by rotation and being eligible offers himself for reappointment.
- (4) To appoint a Director in place of Shri G.C. Baveja who retires by rotation and being eligible, offers himself for reappointment.
- (5) To appoint Auditors and to fix their remuneration and in connection therewith to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956 M/s. S.S. Surana & Co., Chartered Accountants, Jaipur, be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company."

B. Special Business :

- (6) To consider and if thought fit to pass, with or without modification, the following resolution as an ordinary resolution :
RESOLVED THAT pursuant to the provisions of Section 269, 198, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said Act, as amended, the Company hereby accords its approval and consent to the re-appointment of Shri Rajesh Ranka as Managing Director of the Company w.e.f 20.06.1997 for a further period of 3 years at the existing terms and conditions of remuneration as specified in the explanatory statement attached hereto."
- (7) To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :
"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956

(including any statutory modifications or re-enactment thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said Act, as amended, the Company hereby accords its approval and consent to increase its salary payable to Shri M.L. Pamecha and Shri N.D. Goel, Executive Directors of the Company w.e.f. 01.04.97 for the remaining period of their respective tenures, as specified in the explanatory statement attached hereto.

- (8) To consider and if thought fit to pass, with or without modifications, the following resolution as an ordinary resolution :

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a) and all other applicable provision, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times and in such form or manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertaking or all the undertakings, including the present and/or future properties wherever situated pertaining to Yarn, Woollens or Petrochemicals divisions of the Company whether movable or immovable comprised in any existing or new undertaking or undertakings of the Company, on first or second charge basis as the case may be, together with power to take over the management of the business and concern of the said undertaking(s) of the Company in certain events, in favour of :

On First Charge Basis

1. Industrial Finance Corporation of India Ltd. (IFCI) for its
 - (a) Rupee Term Loan of Rs. 200 crores.
 - (b) Foreign Currency Loan of US \$ 16 Million equivalent to approx. 50 crores.
2. Industrial Credit & Investment Corp. of India (ICICI) for its :
 - (i) Foreign Currency Loan of
 - Pound Sterling 93656 and Fr. Frc. 3,853,300
 - Fr. Frc. 8,025,050 and DM 400,200
 - Fr. Frc. 70,000
 - Pound Sterling 1,44,758
 - Pound Sterling 395,028
 - Sw. Frc. 5,760,000
 - (ii) Rupee Term Loan of Rs. 54 lacs
 - (iii) Rupee Term Loan of Rs. 114 lacs
 - (iv) IIBI of its Rupee Term Loan of Rs. 152 lacs
 - (v) ICICI acting in its capacity as Trustee for
 - (a) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 20 lacs.
 - (b) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 160 lacs.

(ii)



- (c) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 100 lacs.
- (d) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 300 lacs.
- (e) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 300 lacs.
- (f) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 100 lacs.
- (g) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 200 lacs.
- (h) holders of Non-Convertible Debentures of the aggregate nominal value of Rs. 100 lacs.

On Second Charge Basis

State Bank of India/Dena Bank/Syndicate Bank/Punjab & Sindh Bank/Canara Bank/Vijaya Bank/State Bank of Saurashtra/State Bank of Patiala/State Bank of Bikaner & Jaipur/Oriental Bank of Commerce and Allahabad Bank for their working capital assistances aggregating to Rs. 14875 lacs (both fund based and non - fund based) for Company's Yarn and Woollen divisions;

together with interest, additional interest, further interest, liquidated damages, premia on repayment or on redemption, costs, charges and other expenses payable by the Company to such institutions/Banks and the debenture holders under loan agreements/subscription agreements/Memorandum of terms & conditions/letters of sanction/trustee agreement as amended from time to time and as entered into by the Company in

respect of said loans/debentures/working capital assistance.

"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to finalize with respective Investment Institutions/Banks and IFCI/ICICI as agents and/or trustees, the documents for creating the aforesaid mortgage and/or charges and to do all such acts and things as may be expedient to give effect to this resolution."

By order of the Board

Place : New Delhi

Date : 30.09.1997

H.S. Ranka

Chairman

NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item number 6 to 8 of the notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
3. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
4. The Share Transfer books and Register of members shall remain closed from 30th December, 1997 to 31st December, 1997.
5. NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6

Shri Rajesh Ranka was appointed as Managing Director of the Company w.e.f. 20.6.94 and his tenure ended on 19.06.97. The Board of Directors have re-appointed Shri Rajesh Ranka as Managing Director for a further period of 3 years w.e.f. 20.06.1997 at the existing terms and conditions of remuneration as under :

- (a) Salary - Rs. 20,000/- (Rupees Twenty Thousand only) per month.
- (b) Perquisites and allowance :
 - (i) Furnished residential accommodation with water, gas, electricity etc. monetary value of which may be evaluated as per Rule 3(a) of the Income Tax Rules, 1962. The above is subject to the following :
 - (a) The expenditure incurred by the Company on hiring accommodation for him will be subject to the ceiling of 50% of salary over and above 10% payable by him.
 - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing will be evaluated as per the Income Tax Rules, 1962.

This will however, be subject to a ceiling of 10% of the salary paid to him.

- (ii) Medical benefits for self and family, reimbursement of expenses actually incurred, the total cost of which to the Company shall not exceed one months salary for every year of service.
- (iii) Leave travel concession for self, wife and minor children once a year to and fro any place in India subject to the condition that only actual fare and no hotel expenses etc. will be allowed.
- (iv) Fees of clubs - subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs. 1,000/-.
- (vi) Company's contribution towards Provident Fund as per the rules of the Company.
- (vii) Company's contribution towards pension/ superannuation fund as per rules of the Company, but it shall not together with the Company's contribution to the Provident Fund, exceed 25% of the salary.

(iii)



However, contribution to Provident Fund, pension/superannuation fund will not be included in the computation of the ceiling of perquisites to the extent these, either singly or put together are not taxable under the Income Tax Act, 1961.

- (viii) Gratuity not exceeding one half months salary for each completed year of service, subject to a ceiling of Rs. 1,00,000/-.
- (ix) Free use of car with driver, for Company's business, the monetary value of which may be evaluated as per Income Tax Rules 1962.
- (x) Free telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (xi) Encashment of leaves as per Company's Rules.
- (xii) He shall not be paid any sitting fee for attending the meeting of Board of Directors or Committee thereof.

None of the Directors except Shri Rajesh Ranka himself and Shri H.S. Ranka relative of Shri Rajesh Ranka, is concerned or interested in the said resolution in item no. 6.

Members are requested to approve the resolution.

Item No. 7

Shri M.L. Pamecha and Shri N.D. Goel were appointed as Executive Directors of the Company and revised remuneration was paid to them w.e.f. 01.04.96 as approved in Annual General Meeting held on 31.12.96.

In view of increased activities of the Company with expansion project and liberalisation of provisions of Schedule XIII of the Companies Act, 1956, the Board of Directors have revised

the remuneration payable to Shri M.L. Pamecha and Shri N.D. Goel by increasing the salary from Rs. 25,000/- per month to Rs. 35,000/- w.e.f. 01.04.97 and that all other terms and conditions shall remain the same.

None of the Directors except Shri M.L. Pamecha and Shri N.D. Goel, is concerned or interested in the said resolution.

Item No. 8

Generally the borrowings of the Company are required to be secured by suitable mortgage and/or charge on all or any of the moveable or immovable properties of the Company, wherever situated, in such form or manner as may be determined by the Board of Directors of the Company in consultation with the lenders/Banks.

The Financial assistances from ICICI and other investment institutions are already secured by way of mortgage/charge on properties of Woollen division of the Company. However, the same are now also required to be secured by way of charge on properties of Petrochemicals division of the Company, on reciprocal basis with IFCI. Similarly the term loans from IFCI are proposed to be secured by reciprocal charge on properties of Woollen division of the Company as set out in item no. 8 of the notice.

Such mortgage and/or charge on the Company's moveable and/or the whole or any part of the undertaking(s) in favour of lenders may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956.

Hence it is necessary for the Company to pass the above said resolution.

None of the Directors of the Company, is in any way concerned or interested in the resolution.

MODERN THREADS (INDIA) LIMITED

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur-302 004

PROXY FORM

Reg. Folio No. No. of Shares held

I/We being a Member/

of members of MODERN THREADS (INDIA) LIMITED hereby appoint

of or failing him

of as my/our proxy to vote for me/us on my/our behalf at the SIXTEENTH ANNUAL GENERAL MEETING of the Company to be held on Tuesday, 30th December, 1997 and at any adjournment thereof.

Affix
30 paise
revenue
stamp

Signed on 1997

Signature

Note : This form duly completed and signed must be deposited at the Registered office of the Company not less than FORTY EIGHT hours before the commencement of the Meeting.

(iv)

**MODERN THREADS (INDIA) LIMITED**

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur-302 004

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

16th Annual General Meeting - 30th December, 1996

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Company held at HOTEL CLARKS AMER, Jawahar Lal Nehru Marg, Jaipur 302 017 on Tuesday, the 30th December, 1997 at 9.30 A.M.

Full name of Member (IN BLOCK LETTERS)

Reg. Folio No. No. of Shares held :

Full name of Proxy (IN BLOCK LETTERS)

Member's/Proxy's Signature

NOTE : ADMISSION WILL STRICTLY BE PERMITTED FOR SHAREHOLDERS/VALID PROXY HOLDERS ONLYReport  junction.com

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 16th Annual Report and Audited Statement of Accounts for the year ended 31st March, 1997 :

FINANCIAL RESULTS :		<i>(Rs. in Lacs)</i>	
		<u>1996-97</u>	<u>1995-96</u>
Surplus before depreciation		1728.24	2955.58
Less : Depreciation	1959.79		620.78
Less : Charged from Revaluation Reserve	54.97		56.34
Transferred from General Reserve	590.76	1314.06	564.44
Surplus for the year		414.18	2391.14
Add : Balance brought forward		1139.98	910.17
Add : Dividend pertaining to previous year		0.20	0.54
Surplus available for appropriation		1554.36	3301.85
Appropriations :			
(a) Debenture Redemption Reserve		—	441.00
(b) Capital Redemption Reserve		300.00	121.72
(c) General Reserve		—	500.00
(d) Dividend on Preference Shares		—	56.56
(e) Dividend on Equity Shares		—	1042.59
Balance carried to Balance Sheet		1254.36	1139.98
		1554.36	3301.85

OPERATIONS

The turnover during the year under review increased to Rs. 261.58 crores against Rs. 251.28 crores during the previous year. The net profit of Rs. 414 lacs was lower as compared to Rs. 2391 lacs during the previous year as the Indian textile industry has been passing through a recession evidenced by poor demand, subdued prices, low margins and severe competition in the domestic and international markets. During the year under review, the Company had also experienced a tight liquidity position due to non-release of need based working capital limits. Your Directors are unable to recommend any dividend for the year under review in view of inadequacy of profits and in order to conserve resources.

EXPORTS

The Company being an Export House as also ISO 9002 certified, made speedy progress on the export front and achieved an export turnover of Rs.41.67 crores as compared to Rs. 28 crores during the previous year showing an impressive growth of 50%. This trend in exports is being witnessed in the current fiscal also. Your Company is a leading exporter of blended yarn, woollen yarn and wool tops. The products of the Company are well established in the international market and enjoys prestigious international clientele. The woollen unit has won several awards from the Wool & Woollen Export Promotion Council of the Govt. of India.

PTA PROJECT

The Company's plans for setting up fully integrated and international size project to manufacture 1,70,000 TPA of Paraxylene (PX) and 2,50,000 TPA of Purified Terephthalic Acid (PTA), in technical collaboration with UOP Inter Americana of USA and Inca International SPA of Italy, with total capital outlay of Rs. 1700 crores could not be implemented as per schedule as requisite finances could not be raised. An unprecedented sluggish primary market has delayed the Company's plan to come out with a Right Cum Public offering. The Company has since approached leading financial institutions to reappraise the project and its funding pattern. The Company is now proposing to go ahead with only right issue at revised terms and defer the public issue for the time being.

FINANCE

The Fixed Deposits matured during the year were repaid or renewed. However, there was a run on fixed deposits during the first half of the current fiscal year and payments were delayed. Many aggrieved investors have approached the Company Law Board (CLB) and the Company has submitted a plan to the CLB seeking reschedulement for repayment to fixed deposit holders under Section 58A (9) of the Companies Act, 1956. The Company will continue to make payment of interest according to the terms of deposits and would effect payment of the principal amounts in phases as per the plan or as it may be modified by the Company Law Board. The fixed deposit schemes of the Company have since been discontinued w.e.f. 29.7.97.

FUTURE PROSPECTS

The Company is a leading producer and exporter of blended yarn, woollen yarn, wool tops and India's single largest producer of carpet yarn enjoying excellent demand in domestic as well as in international markets. The synthetic blended yarn unit is also having a 100% EOU with 5760 spindles dedicated to exports. The Company has an unbroken record of profit and uninterrupted record of dividends till the last year when the dividend was 30%. The Company's manufacturing units are equipped with state of art equipment and latest technology and located at Bhilwara which is one of the major textile centers of the country producing about 24 crores metres of fabrics per annum. However, the financial performance started suffering from the middle of 96-97 due to adverse textile market conditions and overall recession.

Your Directors are confident about good long term prospects of the operations of the Company in view of good export potential because of availability of raw material and cheap labour. Further, the execution of the proposed PTA project will give an advantage of having backward integration and would earn sufficient surplus for comfortably servicing its existing as well as proposed equity.

DIRECTORS

During the year IFCI has nominated Shri B.K. Gupta in place of Shri D. Ray. Shri B.C. Bhandari, Shri J.S. Babel and Shri G.C. Baveja retire by rotation and being eligible offer themselves for reappointment. The Board welcomes the incoming Director and appreciates the services rendered by Shri D. Ray.

AUDITORS

Your Directors recommend the reappointment of M/s. S.S. Surana & Co., Chartered Accountants, Jaipur as Auditors of the Company for the year. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide schedule 16 forming part of the accounts and hence need no further clarifications.

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The statement of particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2(A), 2(B) and 2(C) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are attached hereto and form part of this report. During the year, the Company continued to enjoy good industrial relations at all levels.

ACKNOWLEDGEMENTS

The Board places on record its gratitude and acknowledges the co-operation extended to the Company by financial institutions, investment institutions and working capital bankers, Fixed Deposit Holders, Shareholders, Central Govt. and the Govts. of State of Rajasthan and Gujarat. Your Directors also appreciate the dedications and efforts of executives, staff and workers of the Company.

On behalf of the Board

H.S. RANKA
Chairman

Place : New Delhi

Dated : 30th Sept., 1997