

Annual Report

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Modern

Threads (India) Limited



BOARD OF DIRECTORS

Shri H.S. Ranka	– Chairman & Managing Director
Shri Sachin Ranka	– Director
Lt. Gen. Sagat Singh	– Director
Shri G.C. Baveja	– Director
Shri T.K. Sinha	– Director
Shri J.S. Babel	– Director
Shri K.C. Varshney	– Nominee UTI
Shri B.K. Gupta	– Nominee, IFCI
Shri S.K. Sharma	– Nominee, RIICO
Shri G.K. Bohara	– 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)



NOTICE

Notice is hereby given that the 17th Annual General Meeting of Modern Threads (India) Limited will be held on Monday the 31st August, 1998 at 9.00 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, 1998 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 T.K. Sinha who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Lt. Gen. Sagat Singh who retires by rotation and being eligible offers himself for re-appointment.
- (4) To appoint a Director in place of Shri M.L. Pamecha who retires by rotation and being eligible, offers himself for re-appointment.
- (5) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications, as a special resolution :
 "RESOLVED THAT pursuant to the provisions of Section 224 A 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 the conclusion of this meeting upto 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 Shri Sachin Ranka who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of a 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 the following resolution as an ordinary resolution :
 "RESOLVED THAT Shri G.K. Bohara who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
- (8) 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-enactments thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the appointment of Shri H.S. Ranka as Managing Director of the Company from 30.06.98 for a period of three years on the terms and conditions of remuneration as specified in the explanatory statement annexed hereto."
- (9) 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-enactments thereof, for the time being in force) and further subject to the provision of Schedule XIII to the said Act, Company hereby accords its approval and consent to the appointment of Shri G.K. Bohara as an Executive Director of the Company from 30.06.98 for a period of three years on the terms and conditions of remuneration as specified in the explanatory statement annexed hereto."
- (10) 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-enactments thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the re-appointment of Shri M.L. Pamecha as an Executive Director of the company from 01.12.97 for a period of three years on the terms and conditions of remuneration as specified in the explanatory statement annexed hereto."

- (11) 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 293(1)(a) and all other applicable provisions, 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 undertaking, including the present and/or future properties, whether moveable or immoveable comprised in any existing or new undertaking or undertakings of the Company as the case may be, together with power to take over management of the business and concern of the said undertaking(s) of the Company in certain events, in favour of :

On First Charge basis

- (i) Industrial Credit and Investment Corp. of India
- (ii) Industrial Investment Bank of India
- (iii) Industrial Finance Corp. of India
- (iv) Industrial Development Bank of India
- (v) State Bank of India
- (vi) Unit Trust of India
- (vii) Life Insurance Corp. of India
- (viii) General Insurance Corporation
- (ix) National Insurance Company Limited
- (x) United India Insurance Company Limited
- (xi) Oriental Insurance Company Limited
- (xii) SBI Housing Finance Limited
- (xiii) SBI Mutual Fund
- (xiv) RIICO Limited
- (xv) Housing Development & Finance Corp. Limited
- (xvi) New India Assurance Company Limited
- (xvii) Naval Group Insurance Fund

for their 17% - Non Convertible Debentures of Rs. 100/- each, not exceeding Rs. 10100 lacs and 16% - Optionally Fully Convertible Debentures of Rs. 100/- each, not exceeding Rs. 4,000 lacs.

On Second Charge basis

For Yarn Division

1. State Bank of India for its working capital assistance of Rs. 886 lacs (fund based) and Rs. 1322 lacs (non-fund based).
2. State Bank of Saurashtra for its working capital assistance of Rs. 770 lacs (fund based) and Rs. 869 lacs (non-fund based).
3. Dena Bank for its working capital assistance of Rs. 1019 lacs (fund based) and Rs. 1020 lacs (non-fund based).
4. Canara Bank for its working capital assistance of Rs. 308 lacs (fund based) and Rs. 262 lacs (non-fund based).
5. Punjab & Sind Bank for its working capital assistance of Rs. 278 lacs (fund based) and Rs. 347 lacs (non-fund based).
6. Syndicate Bank for its working capital assistance of Rs. 310 lacs (fund based) and Rs. 239 lacs (non-fund based).
7. Vijaya Bank for its working capital assistance of Rs. 400 lacs (fund based) and Rs. 348 lacs (non-fund based).

For Woollen Division

8. State Bank of Bikaner & Jaipur for its working capital assistance of Rs. 980 lacs (fund based) and Rs. 793 lacs (non-fund based).
9. Oriental Bank of Commerce for its working capital assistance of Rs. 626 lacs (fund based) and Rs. 862 lacs (non-fund based).
10. Allahabad Bank for its working capital assistance of Rs. 559 lacs (fund based) and Rs. 962 lacs (non-fund based).

in connection with the term loans/debentures and working capital facilities sanctioned/to be sanctioned and disbursed/to be disbursed by the financial institutions/debenture holders/working capital bankers to the Company to secure the said term loans/debentures/working capital facilities together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other monies payable by the Company in terms of loan agreements/letter of sanction(s)/memorandum of the terms and conditions entered into/to be entered into by the Company and as per the scheme of restructuring of debts as approved by the term lenders in respect of such term loans and/or working capital facilities, such security, to rank as the case may be, to the mortgages and/or charges already created or to be created in future by the Company or in such manner as may be agreed to by the financial institutions/banks and as may be thought expedient by the Board of Directors of the Company.



"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to finalise the matter and method of and documents and deeds for creating the aforesaid mortgage/charges and to do all such acts, deeds and things as it may in its absolute discretion, deem necessary, proper or desirable and also agree to any amendments thereto from time to time as it may think fit."

Place : MUMBAI

Date : 30.06.98

By Order of the Board

H.S. RANKA

Chairman & Managing Director

NOTES :

1. The relative Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item nos. 5 to 11 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 27th August, 1998 to 31st August, 1998.
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. 5

The combined shareholding of public financial institutions, nationalised banks and insurance companies in the Company exceeds twenty five per cent of the paid up capital of the Company. It is therefore necessary to pass the resolution for appointment of Auditors of the Company as a Special Resolution in accordance with the provisions of section 224A of the Companies Act, 1956. None of the Directors of the Company is in any way concerned or interested in the resolution.

Item No. 6

Shri Sachin Ranka who is a Management graduate and has vast experience in textile sector was appointed as an Additional Director by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri Sachin Ranka as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

Shri Sachin Ranka is a relative of Shri H.S. Ranka, Chairman who may be deemed to be interested in the resolution.

No other Director is in any way concerned or interested in the resolution in item no. 6.

Item No. 7

Shri G.K. Bohara who has vast experience in finance functions and as administrative head of plants, was appointed as an Additional Director by the Board of Director of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri G.K. Bohara as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

None of the Directors is in any way concerned or interested in the resolution in item no. 7.

Item Nos. 8, 9 and 10

- (8) Shri H.S. Ranka was appointed as Managing Director of the Company by the Board of Directors w.e.f. 30.06.98 for three years on the terms & condition as under :

- (A) Salary - Rs. 30,000/- (Rupees Thirty Thousand only) per month.
- (B) Perquisites and allowances : As per details given hereunder.

- (9) Shri G.K. Bohara was appointed as Executive Director of the Company by the Board of Directors w.e.f. 30.06.98 for three years on the terms and conditions as under.

- (A) Salary - Rs. 35,000/- (Rupees Thirty Five Thousand only) per month.
- (B) Perquisites and allowances : As per details given hereunder.

- (10) Shri M.L. Pamecha was re-appointed as Executive Director of the Company by the Board of Directors w.e.f. 01.12.97 for three years on the terms and conditions as under :

- (A) Salary - Rs. 35,000/- (Rupees Thirty Five Thousand only) per month.
- (B) Perquisites and allowances : As per details given hereunder.
The perquisites and allowances referred to above for the Managing Director and Executive Directors are as under :

- (i) Furnished residential accommodation with water, gas, electricity etc. monetary value of which may be evaluated as per rules 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.
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 Rule 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) The Directors shall not be paid any sitting fee for attending the meeting of Board of Directors or Committee thereof.

Shri H.S. Ranka, Shri G.K. Bohara, Shri M.L. Pamecha being the appointees and Shri Sachin Ranka, a relative of Shri H.S. Ranka may be deemed to be concerned or interested in the said resolutions in item nos. 8, 9 and 10. No other Director is in any way concerned or interested in the resolutions.

The details set hereinabove may be treated as an abstract under Section 302 of the Companies Act, 1956.

Item No. 10

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 immoveable properties of the Company, wherever situated in such form, manner and ranking as may be determined by the Board of Directors of the Company in consultation with the lenders/banks.

The Non-Convertible Debentures (NCDs) and Optionally Fully Convertible Debentures (OFCDs) as referred to in the resolution are to be issued in pursuance of scheme of restructuring of debts as approved by financial institution(s), towards conversion of part of the outstanding loans/debentures and accrued interest thereon, respectively and same are to be secured as stipulated in the sanction(s).

Such Mortgage and/or charge of the Company's moveable and/or the whole or any part of the undertaking(s) in favour of the 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.

The approval of financial institutions will also be required as all the assets of the Company, present and future are already mortgaged/charged in their favour. Hence it is necessary for the Company to pass the resolution as set out in resolution in Item no. 11 of the notice.

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



DIRECTORS' REPORT

To,
The Members,
Your Directors hereby submit the 17th Annual Report and Audited statement of Accounts for the year ended 31st March, 1998 :

FINANCIAL RESULTS :		
	(Rs. in lacs)	
	1997-98	1996-97
Profit/(Loss) before Depreciation	(989.70)	1728.24
Less : Depreciation	1540.85	1314.06
Profit/(Loss) for the year	(2530.55)	414.18
Add : Balance brought forward from last year	1254.36	1139.98
Add : Adjustment of Dividend pertaining to previous year	-	0.20
Add : Transfer from General Reserve	777.49	-
Less : Transfer to Capital Redemption Reserve	-	300.00
Balance carried to Balance Sheet	(498.70)	1254.36

OPERATIONS

The Indian Textile industry has witnessed a creeping recession for whole of the year under review leading to poor demands, subdued prices and lower margins. The payment positions have remained very tight thus adversely affecting the liquidity position of the Company. This together with the impact of non-release of need based working capital limits has affected the capacity utilisation and has pushed down the Company's performance. The Company could generate a gross turnover of Rs. 225.57 crores and has suffered a gross loss of Rs. 9.90 crores during the year under review. Due to this subdued performance, your Directors are unable to recommend any dividend.

The Company has two divisions and performance of the each division is given below :

YARN DIVISION

The Threads division of the Company which was under capacity build-up after expansion, has come under severe pressure due to recessionary market trends leading to poor offtakes. This coupled with tight liquidity position has pushed the unit for lower capacity utilisation thereby putting pressure on margins. The unit also faced stiff competition on the export front due to currency crisis in South East Asian countries and in the process wiped out the margins that Company could have earned.

WOOLLENS DIVISION

The Woollens division of the Company has been going steadily over past years. However, the division has been adversely hit by lower demands, from other woollen yarn consumers in the domestic market on one hand and on the other hand by lower offtakes in international markets due to poor demand from countries like Russia and other East European countries due to recessionary conditions prevailing there. This has squeezed out the margins that the division enjoyed in yester-years thereby affecting the profitability of the Company as a whole.

EXPORTS

The Company has felt the brunt of recessionary pressures in Europe and its problems were further compounded due to currency crisis in South East Asian countries. The Company has still been able to carve exports of Rs. 54.34 crores during the year under review compared to Rs. 41.68 crores during the previous year due to ISO 9002 recognition and aggressive export marketing. Company's E.O.U. Unit has made it possible for the Company to have presence in 20 countries of the world.

PX/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. 1760 crores could not be implemented as per schedule as requisite equity could not be raised due to unprecedented sluggish primary capital market. Now the Company has decided to shelve the project for the time being. Once the primary capital market improves or alternate arrangement of the equity is made, Company would again try to explore the possibilities of going ahead with the project.

RESTRUCTURING OF DEBTS

As was informed to the members last year, that consequent to delay in payments to deposit holders many aggrieved investors approached the Company Law Board (CLB). After careful consideration of the petitions filed by investors and the plan submitted by the Company, the Hon'ble

Company Law Board passed a general order on 29.12.97 for repayment of Fixed Deposits over a period of three years from the maturity dates in instalments. The Company is making payments according to the order of CLB.

In view of very tight liquidity position and sluggish market conditions, the Company had approached the term lending financial institutions/banks for restructuring of debts. The financial institutions had examined the proposal of the Company and approved a scheme for restructuring of the outstanding debts and other liabilities. The restructuring includes reschedulement of term loans, waiver of penal and compound interest, reschedulement of the redemption period of preference shares and induction of long term funds by the promoters. The Company is now in the process of giving effect to the restructuring.

The restructuring will give the Company an opportunity to consolidate its operations over a time frame and Company is confident of improving its performance to earn profits in the coming years.

FUTURE PROSPECTS

The Company is having state of art equipments and latest technology for manufacture of blended yarn, woollen yarn, wool tops, synthetic blended yarn at its woollen and yarn divisions. The excellent, quality and customers service has placed the Company on a global map. The continuous thrust on export would make it possible for the Company to exploit the strength of India in the field of textiles.

The Company is also making all efforts to overcome the recessionary trend by adopting specific plans for every area of operation to improve performance and pull down the cost. Your Directors are confident about good long term prospects once the dark clouds of recession are shredded off from the Indian economy and from the world markets.

DIRECTORS

During the year Shri H.S. Ranka, Chairman has also assumed the reins of the Company as Managing Director for three years w.e.f. 30.06.98. Unit Trust of India has nominated Shri K.C. Varshney on the Board of Directors. Shri G.K. Bohara has joined the Board and has been appointed as Executive Director for three years w.e.f. 01.12.97 to look after the day to day affairs of Yarn Division at Raila. The Board recommends for approving his appointment. Shri M.L. Pamecha has been reappointed as Executive Director w.e.f. 01.12.97 for three years. Shri Rajesh Ranka has resigned as Managing Director. Shri B.C. Bhandari and Shri N.D. Goel have resigned from Directorship. Shri M.L. Pamecha, Shri T.K. Sinha and Lt. Gen. Sagat Singh retire by rotation and being eligible offer themselves for reappointment. The Board welcomes the incoming Directors and appreciates the services rendered by the outgoing Directors.

AUDITORS

Your Directors recommend the reappointment of M/s. S.S. Surana & Co., Chartered Accountants, Jaipur as Auditors of the Company for the year 1998-99. 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.

INDUSTRIAL RELATIONS AND PARTICULARS OF EMPLOYEES

The Company has been able to further cement the cordial industrial relations at all levels during the year in line with the Group policy. 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.

ACKNOWLEDGEMENTS

The Board places on record its gratitude to acknowledge the cooperation extended to the Company by Financial Institutions, Investment Institutions, RIICO, Working Capital Banks, Fixed Deposit Holders, Shareholders, Central Govt., and the Govt. of State of Rajasthan. Your Directors also appreciate the dedication and efforts of executives, staff and workers of the Company.

BY ORDER OF THE BOARD

Place : Mumbai
Dated : 30.06.98

H.S. RANKA
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT
Information as per Section 217(1)(e) read with the Companies
(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. ENERGY CONSERVATION :

The Company has been giving high priority to conservation of energy on continuous basis by close monitoring of energy consuming equipments. The energy conservation measures taken by the Company include installation of energy efficient equipments and energy saving devices, implementation of various measures arising out of an energy audit and reduction of motor-ratings wherever possible. Periodical reviews and studies are undertaken from time to time for energy savings.

	Current year	Previous year
(A) Power and Fuel Consumption :		
1. Electricity :		
a) Purchased Units (Kwh)	392.19	400.83
Total Amount (Rs. in lacs)	1319.88	1153.12
Rate/Unit (Rs.)	3.36	2.88
b) Own Generation :		
i) Through Diesel Generator		
Units in lacs (Kwh)	65.51	25.14
Units/Litres of Diesel oil	3.67	2.86
Cost/Unit (Rs.)	2.47	2.94
(ii) Through Steam Turbine/Generator	N.A.	N.A.
2. Coal :		
Quantity (MT)	4892.12	4864.76
Total Cost (Rs. in lacs)	116.22	102.74
Average Rate/MT (Rs.)	2376.00	2112.00
3. Furnace Oil (Thousand Litres)	N.A.	N.A.
4. Other/Internal Generation	N.A.	N.A.
(B) Consumption per unit of Production :		
i) YARN DIVISION		
Unit	Kgs.	Kgs.
Electricity	3.36	3.73
Furnace Oil	N.A.	N.A.
Coal	0.79	0.91
Others	N.A.	N.A.
ii) WOOLLEN DIVISION		
Unit	Kgs.	Kgs.
Electricity	1.96	1.88
Furnace Oil	N.A.	N.A.
Coal	0.71	0.64
Others	N.A.	N.A.

2. TECHNOLOGY ABSORPTION

Your Company is having research and development cell, headed by a senior and experienced textile technologist. Continuous watch on the quality of the product at various stages is being kept by the section. This section also keeps a regular track on latest advancement on the spinning technology in order to keep pace with the demand of the new products. In our new expansion we have installed state of the art machinery imported from Germany which are of latest technology available in global market.

The Company has earned during the year foreign exchange of Rs. 5433.80 lacs at FOB price against an outgo of Rs. 5002.53 lacs.

AUDITORS' REPORT

To the Members

We have audited the attached Balance Sheet of MODERN THREADS (INDIA) LIMITED as at 31st March, 1998 and the Profit & Loss Account of the Company for the year ended on that date, annexed thereto and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956, we give in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we state that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of such books.
 - (c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
 - (d) In our opinion and to the best of our information and according to explanations given to us said accounts, read together with Notes on

Accounts as per schedule 16 and subject to :

- (i) Note no. 8 regarding non provision for accrued gratuity;
- (ii) Note no. 9 regarding balances of debtors, creditors and advances being subject to confirmations and reconciliations;
- (iii) Note no. 10 regarding debtors under litigation not provided for;
- (iv) Note no. 17 regarding Calls in arrears, public fixed deposits and related bank accounts being subject to reconciliations;
- (v) Note no. 18 regarding no provision of dividend on cumulative redeemable preference shares;

The impact of above on the state of affairs and profit and loss account elaborately disclosed in respective paras of Schedule 16, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1998 and
- (ii) In the case of Profit & Loss Account, of the loss for the year ended on that date.

For S.S. Surana & Co.
Chartered Accountants
R.N. Goyal
Partner

Date : 30th June, 1998

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of Report of even date to the Members of MODERN THREADS (INDIA) LIMITED.

- (i) The Company has maintained proper records showing full particulars including quantitative details and situations of its fixed assets other than furnitures and fixtures for which detailed records are not maintained. According to the information and explanations given to us, the fixed assets were physically verified by the management at reasonable intervals during the year in accordance with a programme of physical verification and no material discrepancies were noticed on such verification as compared to the available records.
- (ii) None of the fixed assets has been revalued during the year.
- (iii) As explained to us, physical verification has been conducted by the management at reasonable intervals in respect of finished goods, including merchandise goods, stores, spare parts and raw material except stocks in transit and lying with third parties which have generally been confirmed.
- (iv) In our opinion and according to the information and explanations given to us, the procedures of physical verification of the stocks followed by the management, are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) According to the records produced to us for our verification, there were no material discrepancies noticed on physical verification of stocks as compared to book records and the same have been properly dealt with in the books of account.
- (vi) In our opinion and on the basis of examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (vii) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and from the company under the same management, as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- (viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties, listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us there are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
- (ix) In respect of other loans and advances in the nature of loan given by the company, we have to state that in respect of interest free loans and advances in the nature of loans given by the Company to its employees, recoveries are generally made as per the stipulations except in case of ex-employees where reasonable steps, as informed to us are being taken by the Company for recovery.
- (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of the its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and for sale of goods.
- (xi) According to the information and explanations given to us, there were no transactions of sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year of Rs. 50,000/- or more in respect of each party. However the transaction of purchases of goods, aggregating during the year to Rs. 50,000/- or more from such

parties have been made at prices which are reasonable having regard to prevailing market prices of such goods or materials.

- (xii) As explained to us, the Company has a regular procedure for determination of unserviceable/damaged stores, raw materials and finished goods. Adequate provision have been made in the accounts for the loss arising on the items so determined.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58-A of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public, subject to and as stated in Note no. 12 of Schedule 16.
- (xiv) In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap and waste. The Company has no by-product.
- (xv) The Company has an internal audit system by their own staff, which, in our opinion, commensurates with the size and nature of its business. However, the scope of the same needs to be enlarged and strengthened.
- (xvi) We have broadly reviewed the cost records maintained by the Company pursuant to Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie prescribed records have been maintained. We have not however, made a detailed examination of such records, so as to ascertain whether they are accurate or complete.
- (xvii) According to the records of the Company, Provident Fund dues and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
- (xviii) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Sales Tax and Excise Duty outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
- (xix) According to the information and explanations given to us and on the basis of records examined by us, on test check basis, no personal expenses have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (xx) The Company is not a Sick Industrial Company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (xxi) In respect of processing activities, we report that :
 - (a) The Company has a reasonable system of recording receipts, issues and consumption of the materials commensurate with its size and nature of its business.
 - (b) As the processing jobs are undertaken at prices agreed with the parties, allocation of labour to individual jobs is not considered necessary by the management; and
 - (c) The Company has a reasonable system of authorisation at proper levels and an adequate system of internal control on issue and allocation of stores.
- (xxii) In respect of merchandise activities of the Company, as per the information and explanations given to us, there were no damaged goods.

For S.S. Surana & Co.
Chartered Accountants
R.N. Goyal
Partner

Date : 30th June, 1998