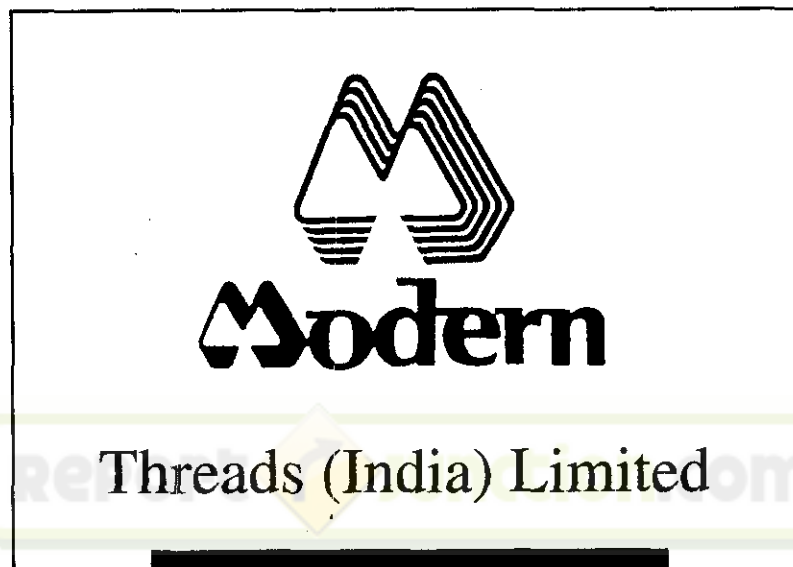


ANNUAL REPORT

1998-99





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 H.N. Belawat	– 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 18th Annual General Meeting of **Modern Threads (India) Limited** will be held on Tuesday the 31st August, 1999 at 2.30 PM 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, 1999 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 H.S. Ranka 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 re-appointment.
- (4) To appoint a Director in place of Shri G.C. Baveja 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 224A 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."

By Order of the Board

Place : JAIPUR

H.S. RANKA

Date : 29.05.99

Chairman & Managing Director

NOTES :

1. The relative Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item number 5 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, 1999 to 31st August, 1999 (both days inclusive).
5. **NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

ANNEXURE TO THE NOTICE

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.

DIRECTORS' REPORT

To,

The Members,

Your Directors present the 18th Annual Report and Audited statement of Accounts for the year ended 31st March, 1999 :

FINANCIAL RESULTS :	(Rs. in lacs)	
	1998-99	1997-98
Profit before Interest and Depreciation	1306.72	1844.46
Less : Interest	3233.67	2834.16
Gross Profit/(Loss) before Depreciation	(1926.95)	(989.70)
Depreciation	1661.38	1540.85
Net Profit/(Loss) for the year	(3588.33)	(2530.55)
Add : Balance brought forward from last year	(498.70)	1254.36
Add : Transfer from General Reserve	2088.03	777.49
Balance carried to Balance Sheet	(1999.00)	(498.70)

OPERATIONS

The Indian Textile industry is badly mauled by unprecedented prolonged recession. The syndrome of high cost, depressed market conditions and pressure on profits has been plaguing the textile companies for last 2 years and the situation has further aggravated due to South East Asian currency turmoil. This together with continued financial tightness due to non-release of need based working capital from bankers has made a serious dent on the Company's performance and has affected the capacity utilisation adversely. However, the Company could generate the gross turnover of Rs. 236.62 crores and earned profit before interest and depreciation of Rs. 13.07 crores. After providing for interest the Company has suffered a gross loss of Rs. 19.27 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 each division is given below :

YARN DIVISION

The Yarn Division of the Company has come under severe pressure on account of the over supply of blended yarn as the demand for it had slowed down due to recessionary conditions prevailing in the country and in the international markets. The continued financial crunch has forced the Company to reduce the capacity utilisation affecting the profitability adversely. In addition to it, the per unit price realisation has fallen sharply in the domestic as well as in overseas markets resulting into the huge loss of profit for the company.

WOOLLENS DIVISION

The Woollens Division of the Company continues to reel under recession on account of lower demand in domestic market by woollen yarn consumers. On the other hand continued recessionary conditions prevailing world wide and more particularly in countries like Russia and other East European countries who are the major buyers of woollen products, has further squeezed the margin of this division and has adversely affected the profitability of the Company.

EXPORTS

The recessionary condition prevailing in Europe continued during the year under review. The currency turmoil in South East countries has rendered the exports unremunerative. The Company has still been able to carve exports of Rs. 35.05 crores during the year under review on the strength of its quality product and aggressive export marketing. EOU unit of the Company continues to be one of the major exporters of the blended yarn from the country. Similarly our Woollens Division continues to be one of the large exporter of the woollen and woollen blended worsted yarn during the year.

The Woollens Division of the Company has been awarded highest export performance award for WOOL TOPS and second highest export performance award in WORSTED YARN from Wool and Woollen Export Promotion Council during the year under review.

PROJECTS

As reported earlier Company's plan 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) has been shelved for the time being. Once the current recessionary phase is over and primary capital market improves or alternate arrangement of the equity is made, the Company would explore the possibilities of implementing the project.

RESTRUCTURING OF DEBTS AND OTHER LIABILITIES

The term lending institutions/banks restructured the outstanding debts in view of losses being incurred by the Company. However, on account of continued recessionary conditions prevailing in the country, the Company incurred further losses during the year under review and is not in a position to service the debts as per the restructuring scheme. The Financial Institutions are now in process of reviewing the operations of the Company, in the prevailing industrial scenario and it is expected that a lasting solution to the Company's problem would be evolved to enable the Company to achieve profitable operations.

The Company continues to repay the outstanding FDs as per the repayment plan approved by the Hon'ble Company Law Board vide its order dated 29th December, 1997.

FUTURE PROSPECTS

Your Company is having most modern plant and latest technology for the manufacture of synthetic blended yarn, woollen yarn and wool tops at its Yarn and Woollens Divisions. The quality of Company's products are well established both in domestic as well as international markets. It is hoped that once the current recessionary condition ends, the Company can look forward to a good long term prospects once again.

DIRECTORS

During the year, the Industrial Finance Corporation of India Ltd. has nominated Shri H.N. Belawat on the Board of Directors vice Shri B.K. Gupta, Shri H.S. Ranka, Shri J.S. Babel and Shri G.C. Baveja retires by rotation and being eligible, offer themselves for re-appointment. The Board places on record its appreciation for the support and guidance given by Shri B.K. Gupta, Nominee IFCI during his tenure on the Board.

AUDITORS

Your Directors recommend the reappointment of M/s. S.S. Surana & Co., Chartered Accountants, Jaipur as Auditors of the Company for the year 1999-2000. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 15 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.

STATUS OF Y2K COMPLIANCE

The Company has taken effective steps to become Y2K compliant in time. The expenditure for achieving Y2K compliance is not expected to have any material impact to its financial position or results of operations.

ACKNOWLEDGEMENTS

The Board places on record its gratitude to acknowledge the cooperation extended to the Company by Financial and Investment Institutions, working capital banks, Shareholders, Central Govt., and the Govts. of States 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

Place : JAIPUR
Dated : 29.05.99

H.S. RANKA
Chairman & Managing Director

AUDITORS' REPORT

To the Members,

We have audited the attached Balance Sheet of **MODERN THREADS (INDIA) LIMITED** as at 31st March, 1999 and the Profit & Loss Account of the Company for the year ended on that date, annexed hereto 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, the Profit & Loss Account and Balance Sheet complied with mandatory accounting standards, referred in section 211(3C) of the Companies Act, 1956, except otherwise stated.
 - (e) 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 15 and subject to :
 - (i) Note no. 9 regarding non provision for accrued gratuity;

- (ii) Note no. 10 regarding balances of debtors, creditors and advances being subject to confirmations and reconciliations;
 - (iii) Note no. 11 regarding debtors under litigation not provided for;
 - (iv) Note no. 13 regarding non provision of interest on accrued interest converted/convertible into optionally fully convertible debentures.
 - (v) Note no. 14 regarding non provision of interest w.e.f. 1.10.98 on Debentures and Term loans for PTA project.
 - (vi) Note no. 20 regarding Calls in arrears, public fixed deposits and related bank accounts being subject to reconciliations;
 - (vii) Note no. 21 regarding Non provision of dividend on cumulative redeemable preference shares;
 - (viii) Note no. 22 regarding over dues to SSI Units if any not ascertainable.
- The impact of above on the state of affairs and profit and loss account elaborately disclosed in respective paras of Schedule 15, 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, 1999 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

Place : Jaipur
Date : 29th May, 1999

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 furniture 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 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, the transactions of sale/purchase 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 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, in earlier years, subject to and as stated in Note No. 15 of Schedule 15; fixed deposits and related bank accounts are in process of reconciliations.
- (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, which in our opinion, is commensurate 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

Place : Jaipur
Date : 29th May, 1999