

ANNUAL REPORT

1999-2000



Modern

THREADS (INDIA) LIMITED

Report  junction.com

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 K.C. Varshney	-	Nominee, UTI
Shri H.N. Belawat	-	Nominee, IFCI
Shri K.K. Baheti	-	Executive Director

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 19th Annual General Meeting of **Modern Threads (India) Limited** will be held on Friday the 29th December, 2000 at 10.30 AM at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2000 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 Sachin Ranka who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri T.K. Sinha who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Lt. Gen. Sagat Singh 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 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 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."

NOTES :

1. The relative Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item no. 6 & 7 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 26th December, 2000 to 29th December, 2000 (both days inclusive).
5. **NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

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 K.K. Baheti 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 pursuant to the provisions of Section 198, 269, 309, 310, 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, Company hereby accords its approval and consent to the appointment of Shri K.K. Baheti as Executive Director of the Company from 1.10.2000 for a period of three years on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto."

By Order of the Board

Place : Mumbai
Date : 30th September, 2000

H.S. RANKA
Chairman & Managing Director

EXPLANATORY STATEMENT

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

Item no. 6

Shri K.K. Baheti who is an M.B.A. having 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 K.K. Baheti 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 Director except Shri K.K. Baheti is in any way concerned or interested in the resolution in item no. 6.

Item No. 7

Shri K.K. Baheti was appointed as Executive Director of the Company for a period of 3 years w.e.f. 1.10.2000 on the terms & condition of his remuneration as mentioned hereunder :

The terms and conditions of remuneration referred to above are as under :

- (A) Salary- Rs. 35,000/- (Rupees Thirty Five Thousand only) per month.
- (B) Perquisites and allowances :
 - (i) Furnished residential accommodation with water, gas, electricity etc. monetary value of which will 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 the 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 month's salary of every year of service.

(iii) Leave travel concession for self, wife and minor children once a year to and from 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 Rules, 1962.

(x) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.

(xi) Encashment of leave as per Company's Rules.

(C) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof.

None of the Directors, except Shri K.K. Baheti, is concerned or interested in the said resolution in item No. 7. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

The Members,

Your Directors present 19th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS

(Rs. in Lacs)

	1999-2000	1998-99
Profit/(Loss) before Interest & Depreciation	(539.29)	2372.35
Less : Interest	4254.79	4299.30
Gross Profit/(Loss) before Depreciation	(4794.08)	(1926.95)
Depreciation	1740.83	1661.38
Net Profit/(Loss) for the year	(6534.91)	(3588.33)
Add : Balance brought forward from last year	(1999.00)	(498.70)
Add : Transfer from General Reserve	-	2088.03
Balance carried to Balance Sheet	(8533.91)	(1999.00)

2. OPERATIONS

Since couple of years the Textile Industry has been passing through rough weather on account of depressed market conditions, the recession which was prevailing in Indian Textile Industry is still continuing. The performance of your company was also badly affected during the year under review. In spite of all odds, the Company could generate the gross turnover of Rs. 213.97 crores but suffered gross loss of Rs. 47.94 crores. Keeping in view of the adverse performance of the Company your Directors are not in position to recommend any dividend for the year under review. The Company has two divisions and performance of each division is given below :

YARN DIVISION

The Yarn Division of the Company could not perform well and continued to operate under very adverse economic conditions. Due to oversupply situation, sluggish trend in demand and global competition the prices of blended yarn declined to very low levels and in turn effected the profitability of the division. In view of mounting losses & erosion of available working capital, part of the production capacities remained idle and the plant is now running at very low capacity utilisation.

WOOLLENS DIVISION

During the year under review operations of the Woollens Division of the Company remained under severe recessionary pressure due to lower demand from domestic as well as overseas consumers. Russia and other European countries who are major importers of woollen product from India have not shown encouraging interest because of weak demand prevailing in these markets. The prices of woollen products has also come down internationally and squeezed the margins, resulting into steep fall in profits of this division of the Company.

3. EXPORTS

In spite of overall sluggishness in global textile markets particularly in Europe and Russia, the Company has been able to achieve exports worth Rs. 28.37 crores during the year under review on the strength of superior quality of its products. However, due to intense competition, prices of blended yarn and woollen blended worsted yarn in international market continues to be low and therefore, margins have come under severe pressure. Considering the depressed trend prevailing in the global textile markets, this has been a satisfactory achievement. The Woollen division of your Company continues to be one of the large exporter of the woollen and woollen blended worsted yarn during the year under review.

4. RESTRUCTURING OF DEBTS AND OTHER LIABILITIES

The Company had incurred further losses during the year under review and therefore not in a position to service the debts as per the restructuring scheme approved earlier. The Company has again submitted a rehabilitation scheme for its Woollen division to M/s A.F. Ferguson who have been appointed by the Financial Institutions and Banks to study the viability to

the Company's operations. 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 11th August, 1999.

The accumulated losses of the Company at the end of 31st March, 2000 have resulted in erosion of more than 50% of its peak net worth during immediately preceding four financial years making it potentially sick industrial company as per the provisions of section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The Company proposes to report the fact of such erosion of net worth to BIFR and is also calling General Meeting of the shareholders of the Company for considering such erosion as per provisions of SICA, 1985.

5. FUTURE PROSPECTS

Your Directors are hopeful that long term solution/arrangement will be arrived with consent of all Lenders and Banks to enable the Company to come back to normal health. Your Directors are hopeful that once the current recessionary trend prevailing in textile industry world over subsides, the Company would be able to turn the corner and can thereafter look forward to a normal working.

6. DIRECTORS

Shri Sachin Ranka, Shri T.K. Sinha and Lt. Gen. Sagat Singh are liable to retire by rotation and being eligible, offer themselves for reappointment. During the period under review Board co-opted Shri K.K. Baheti as an Additional Director. The Board recommends his appointment as Director liable to retire by rotation. During the period under review RIICO has withdrawn the nomination of Shri S.K. Sharma as Director on the Board and Shri G.K. Bohara has resigned from Directorship. The Board places on record its appreciation for the valuable contribution given by Shri S.K. Sharma and Shri G.K. Bohara during their tenure as Directors of the Company.

7. AUDITORS

M/s S.S. Surana & Co., Chartered Accountants, Jaipur retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2000-2001. The observation 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.

8. 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 (Disclosures of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

9. INDUSTRIAL RELATIONS AND PARTICULARS OF EMPLOYEES

Industrial relations continued to be cordial during the year under review. There is no employee getting remuneration as prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

10. ACKNOWLEDGEMENTS

Yours Directors places on record their gratitude to the Financial & Investment Institutions, working capital banks, Shareholders, Central & State Govt. of Rajasthan. Your Directors also wish to appreciate the dedications and efforts of executives, staff and workers of the Company.

On Behalf of the Board

Place : Mumbai

Dated : 30th September, 2000

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, 2000 and 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 (Auditor's Report) Order, 1998 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 paragraph 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 accounts 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 and loss account and balance sheet complied with 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) Notes no. 9, regarding non provision for gratuity liability.

- (ii) Notes no. 10, regarding balances of debtors, creditors and advances being subject to confirmations and reconciliations.
- (iii) Note no. 11 regarding debtors under litigation note 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, non provision of interest w.e.f. 1.10.98 on debentures and term loans for PTA Project.
- (vi) Note No. 15, regarding non provision of penal/compound interest charged by Bank.
- (vii) Note No. 21, Public Fixed Deposits and related Bank Account being subject to reconciliation.
- (viii) Note no. 23, non provision of interest on other borrowings.
- (ix) Note no. 24, overdue 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, 2000 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 : Mumbai
Date : 30th September, 2000

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 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, equipment 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 the prevailing market prices for such goods.

- (xii) As explained to us the Company has regular procedure for determination of unserviceable/damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (xiii) As per information and explanations given to us, the company has not accepted fresh deposits during the year. The compliance with the provisions of Section 58-A of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted earlier are subject to rephrasing programme approved by Company Law Board as stated in Note no. 16 of Schedule 15.
- (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, which in our opinion, 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 generally been regularly deposited with the appropriate authorities.
- (xviii) According to the information and explanations given to us, there were no undisputed amount 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 : Mumbai
Date : 30th September, 2000