

# ANNUAL REPORT

2000-2001



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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 Ishtiaq Ali	-	Nominee, IFCI
Shri R.R. Maheshwari	-	Director
Shri H.L. Sharma	-	Director
Shri K.K. Baheti	-	Executive Director
Shri K.G. Somani	-	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 20th Annual General Meeting of **Modern Threads (India) Limited** will be held on Saturday the 29th September, 2001 at 2.15 P.M. at Registered office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302004 to transact the following business :

### A. ORDINARY BUSINESS :

(1) To consider and adopt the Audited Balance Sheet as at 31st March, 2001 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 G.C. Baveja who retires by rotation and being eligible, offers himself for re-appointment.

(4) 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."

### B. SPECIAL BUSINESS :

(5) To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri R.R. Maheshwari, who was appointed as Director of the Company by the Board of Directors to fill up the casual vacancy arisen due to demise of Shri J.S. Babel and who ceases to hold office under Section 262 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

(6) To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri H.L. Sharma, 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, and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

(7) To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri K.G. Somani, 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, and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as 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 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.G. Somani as an Executive Director of the Company from 1.4.2001 for a period of three years on the terms & 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 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 H.S. Ranka as Managing Director of the Company from 30.6.2001 for a further period of three years on the terms and conditions of remuneration as specified in the explanatory statement annexed hereto."

By Order of the Board

**H.S. RANKA**  
Chairman

Place : Jaipur  
Date : 16.6.2001

### NOTES :

1. The relative Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of item numbers 5 to 9 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 25.9.2001 to 29.9.2001.
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**

Shri R.R. Maheshwari was appointed as Director of the Company to fill up the casual vacancy occurred due to demise of Shri J.S. Babel. According to the provisions of Section 262 of the Companies Act, 1956 he holds office as a Director only up to the date Shri J.S. Babel would have held office. Shri J.S. Babel would have retired at ensuing Annual General Meeting of the Company if he had not died and therefore the term of office of Shri R.R. Maheshwari as Director ceases at 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 R.R. Maheshwari 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 R.R. Maheshwari, is concerned or interested in the resolution.

**Item No. 6**

Shri H.L. Sharma was appointed as an Additional Director of the Company w.e.f. 24.3.2001 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 up to 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 H.L. Sharma 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 H.L. Sharma, is concerned or interested in the resolution.

**Item No. 7**

Shri K.G. Somani was appointed as an Additional Director of the Company w.e.f. 24.3.2001 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 up to 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.G. Somani 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.G. Somani, is concerned or interested in the resolution.

**Item No. 8**

Shri K.G. Somani was appointed as Executive Director of the Company for a period of 3 years w.e.f. 1.4.2001 by the Board of Directors on the following terms and conditions of remuneration :

(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) Company's contribution towards Provident Fund as per the rules of the Company.

(v) 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.

(vi) Gratuity not exceeding one half months salary for each completed year of service, subject to a ceiling of Rs. 2,50,000/-.

(vii) Free use of car with driver, for Company's business, the monetary value of which may be evaluated as per Income Tax Rules, 1962.

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

(ix) Encasement of leaves 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.G. Somani, is concerned or interested in the said resolution in item No. 8. The details set hereinabove may be treated as an abstract under section 302 of the Companies Act, 1956.

**Item No. 9**

Shri H.S. Ranka was appointed as Managing Director of the Company for a period of 3 years on 30.6.1998 by the Board of Directors. As term of his appointment expires on 29.6.2001, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 30.6.2001.

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

(A) Salary : Rs. 25,000/- (Rupees Twenty Five Thousand only) per month.

(B) Perquisites and allowances :

(i) Furnished residential accommodation with water, gas, electricity etc. 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, subject to the extent of one month's salary for 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 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/Superannuation fund as per the rules of the Company but put together, not exceeding 25% of the salary.

(vii) Gratuity not exceeding one half months salary for each completed year of service, subject to a ceiling of Rs. 2,50,000/-.

(viii) Free use of car with driver, for Company's business.

(ix) 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 at the end of tenure.

(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 H.S. Ranka and Shri Sachin Ranka is concerned or interested in the said resolution in item No. 9. The details set hereinabove may be treated as an abstract under section 302 of the Companies Act, 1956.



## DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2001.

### 1. FINANCIAL RESULTS

(Rs. in Lacs)

	2000-2001	1999-2000
Gross Profit/(Loss) before Depreciation	(6769.08)	(4794.08)
Depreciation	1717.38	1740.83
Net Profit/(Loss) for the year	(8486.46)	(6534.91)
Add : Balance brought forward from last year	(8533.91)	(1999.00)
Balance carried to Balance Sheet	(17020.37)	(8533.91)

### 2. OPERATIONS

The financial results referred above reflect the continuing difficult business conditions your company is passing through. Shortage of working capital resulted into under utilisation of available manufacturing facilities through out the year. The Company has suffered gross loss of Rs. 67.69 crores during the year under review in comparison to gross loss of Rs. 47.94 crores during the previous year. The gross turnover also decreased to Rs. 147.58 crores during current year as against Rs. 213.97 crores during previous year. These results clearly reflects the critical situation under which your company is operating since last few years. The Textile Industry in general is passing through a trying period affecting large number of manufacturers in various segments of this industry. In absence of profits your Directors are unable to declare any Dividend for the year under review.

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

#### YARN DIVISION

The Yarn Division of the Company continued to under perform due to recessionary situation prevailing in Blended Yarn segment of Textile Industry. Huge losses by this division has resulted into erosion of available working capital and major installed capacity remained idle during the year under review. The company is striving hard to operate the plant on job work basis so as to utilise the installed capacity of the plant as maximum as possible. However, the job work is also not available in sufficient volume, in view of very depressed conditions prevailing in the blended yarn market on account of demand recession by the consuming power loom sector.

#### WOOLLENS DIVISION

The prices of woollen and worsted yarn remained depressed during the year under review. Demand for Carpet yarn was also sluggish due to recessionary trend prevailing in major European countries. Margins were under severe pressure owing to rise in the cost of raw material utilities and other inputs. The Company has however adopted internal cost saving measures to neutralise cost pressures. However, as change in fashion indicates likely return of wool as a fashion fabric in the domestic as well as global markets, the Company is hopeful that the woollen division of the company will once again be able to provide better contribution towards operating margins.

### 3. EXPORTS

The exports of the Company during the year under review have suffered mainly because of the continued recessionary trend prevailing in global Textile markets. Due to poor off take from overseas countries coupled with unhealthy competition from Asian countries, the Company could achieve export turnover of only Rs. 24.77 crores during the year under review. The decline in exports in terms of value affected adversely the performance of the Company. However, despite of all adverse features, the 'Woollens Division' of the Company continues to be one of the large exporter of the woollen and woollen blended yarn from our country.

### 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 of the term lenders and working capital bankers. In view of the defaults in payment of dues some term lenders/bankers have recalled their loans and also initiated legal proceedings for recovery of their dues.

### 5. REFERENCE TO BIFR

As the accumulated losses of the Company exceed its entire net worth at the end of audited accounts for the year ended on 31.3.2001, the Company is covered under the definition of "Sick Industrial Company" in terms of Section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). It is,

therefore, necessary for the Company to make a reference to Board for Industrial and Financial Reconstruction (BIFR) under the provisions of SICA. The Board of Directors has therefore, decided to submit necessary Report of Company's sickness to BIFR.

### 6. FIXED DEPOSITS

The payment of interest and repayment of the principal are not being made as per orders dated 11.8.1999 and 14.6.2000 of Hon'ble Company Law Board in view of continuous losses and State Govt. of Rajasthan, vide its order dated 8.8.2000 declared the company to be a "Relief Undertaking" in exercise of the powers conferred to the State Government by Rajasthan Relief Undertaking (Special Provisions) Act, 1961 for a period of one year with effect from 8.8.2000. However payment on compassionate ground are continued to be made as per decision of the committee formed by Hon'ble CLB for this purpose.

### 7. DIRECTORS

Shri H.S. Ranka and Shri G.C. Baveja are liable to retire by rotation and being eligible, offer themselves for reappointment. During the period under review IFCI Ltd. has withdrawn the nomination of Shri H.N. Belawat and nominated Shri Ishtiaq Ali as Director of the Company. UTI has withdrawn the nomination of Shri K.C. Varshney as Director of the Company. Shri M.L. Pamecha has resigned from Directorship. Shri J.S. Babel ceased to be Director of the Company due to his sudden demise and Shri R.R. Maheshwari was appointed as Directors to fill up the casual vacancy. Shri H.L. Sharma and Shri K.G. Somani have been appointed as Additional Directors and Board recommends their appointment as Director liable to retire by rotation. The Board welcomes Shri Ishtiaq Ali, Shri R.R. Maheshwari, Shri H.L. Sharma and Shri K.G. Somani and places on record its appreciation for the valuable contribution given by Shri H.N. Belawat, Shri K.C. Varshney, Late Shri J.S. Babel and Shri M.L. Pamecha during their tenure as Directors of the Company.

### 8. 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 2001-2002. 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.

### 9. INDUSTRIAL RELATIONS AND PARTICULARS OF EMPLOYEES

Your Directors sincerely appreciate the workers, staff and officers for their best efforts at a time when Company is passing through bad industrial weather. The Company has enjoyed healthy and cordial relations throughout the period. 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. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that :

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company of the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

### 11. 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.

### 12. ACKNOWLEDGEMENTS

The Board places on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from the shareholders, employees and Central as well as State Government.

On Behalf of the Board

Place : Jaipur  
Dated : 16.6.2001

H.S. RANKA  
Chairman