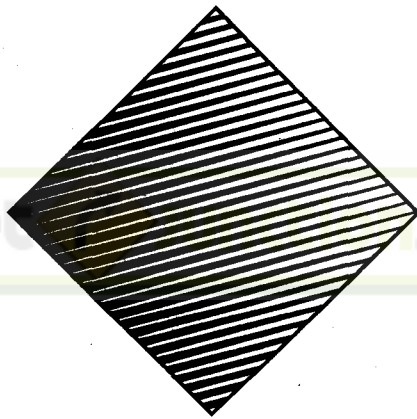


ANNUAL REPORT

2002-2003



Modern

THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

Shri H.S. Ranka	-	Chairman & Managing Director
Shri Sachin Ranka	-	Director
Shri P. Kar	-	Nominee (IFCI)
Shri G.C. Baveja	-	Director
Shri T.K. Sinha	-	Director
Shri R.R. Maheshwari	-	Director
Shri H.L. Sharma	-	Director
Shri K.K. Baheti	-	Director
Shri K.G. Somani	-	Executive Director

COMPANY SECRETARY

J.P. Rawat

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 & Sind 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 22nd Annual General Meeting of **Modern Threads (India) Limited** will be held on Tuesday the 30th September, 2003 at 3 PM at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 to transact the following business :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2003 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 G.C. Baveja who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri R.R. Maheshwari 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.”

By Order of the Board

(H.S. RANKA)

Chairman & Managing
Director

Place : Mumbai
Date : 30th May, 2003

NOTES :

1. 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.
2. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
3. The share transfer books and Register of members shall remain closed from 29.9.2003 to 30.9.2003 (both days inclusive).
4. NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.

DIRECTORS' REPORT

The Members,

Your Directors present the 22nd Annual Report and Audited Statement of Accounts for the year ended 31st March, 2003.

1. FINANCIAL RESULTS

	(Rs. in Crores)	
	2002-2003	2001-2002
Profit/(Loss) before Interest and Depreciation	(9.04)	(16.36)
Less : Interest	36.57	43.12
Gross Profit/(Loss) before Depreciation	(45.61)	(59.48)
Less : Depreciation	17.35	17.23
Net Profit/ (Loss) for the year	(62.96)	(76.71)
Add : Balance brought forward from last year	(246.91)	(170.20)
Balance carried to Balance Sheet	(309.87)	(246.91)

2. OPERATIONS

During the year under review the Company has achieved a turnover of about Rs. 98 crores. The Company has suffered loss before depreciation of about Rs. 46 crores during the year against about Rs. 59 crores during the previous year. The production facilities of the company at Raila plant remained closed during whole of the year under review on account of continuing strike by the workers and sealing the entire plant and machinery by Ajmer Vidhyat Vitaran Nigam Ltd. However on account of better realisation and improved performance of the Woollens division, the Company has been able to reduce cash losses during the year. In absence of profits your Directors are unable to declare any Dividend for the year under review.

Company's woollen division is one of the largest manufacturers of woollen carpet yarn in the country. Its worsted yarn products are well established in the international market and enjoys international clientele. During the year under review, the woollen division has contributed significantly to the turnover and profits of the company which has adopted internal cost saving measures to neutralize the increase in cost of inputs. As the change in fashion indicates a return of wool as fashion fabric in the domestic as well as global markets, the company is hopeful that the woollen division will once again be able to provide still better contribution towards operating margins of the company.

3. EXPORTS

During the year under review the Company achieved export of about Rs. 44 crores despite the closure of production facilities at Company's Raila plant against the exports of about Rs. 24 crores during the previous year and registered a significant growth in exports. Consistent efforts are being made by the woollen division to ensure sustainable leadership for its products in global markets. Woollens division has also initiated the efforts in developing newer International markets for spreading its overseas business and mitigating the risk by reducing dependence on any particular country which would definitely boost the existing export volume of its products, in times to come.

4. FUTURE PROSPECTS

The worsted yarn segment of Textile Industry will drive growth in future. The return of wool as a fashion fabric in domestic as well as global markets, coupled with renewed attention on speciality and high value added yarns will be strong growth drivers in the woollen division of the company. The ongoing efforts of management for improving operational efficiency, cost reduction and better management of available financial resources is expected to bring in improved performance of woollens division in future.

5. REFERENCE TO BIFR

As reported last year that the Company has made a reference to Board for Industrial & Financial Reconstruction (BIFR) under provisions of SICA and same was registered by BIFR. Since then, BIFR has started its proceedings and would move further as per the laid down procedure.

6. FIXED DEPOSITS

Company filed a petition in CLB for approval of further revision in the repayment schedule along with alternate prayer to pass an appropriate order so as to provide for repayment of fixed deposits in accordance with the revival scheme as & when approved by BIFR under the provisions of SICA and Hon'ble CLB passed

order on 17.4.2002 that "The repayment of fixed deposits shall be made by the Company in accordance with the revival scheme as and when approved by BIFR under the provisions of "SICA". However payment on compassionate ground are continued to be made as per the decision of the committee formed by Hon'ble Company Law Board for this purpose.

7. DIRECTORS

Shri G.C. Baveja and Shri R.R. Maheshwari are liable to retire by rotation and being eligible, offer themselves for reappointment. During the period under review IFCI Ltd. has nominated Shri P. Kar as Director of the company. The Board welcomes Shri P. Kar as Director 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 2003-2004. 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.

9. INDUSTRIAL RELATIONS AND PARTICULARS OF EMPLOYEES

The Company has enjoyed healthy and cordial industrial relations at its Woollen division at Bhilwara. The workers of Yarn division at Raila went on strike since 20th August, 2001 as the workers under permanent employment were demanding full wages inspite of no work/partial work which company was not in a position to pay. 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 except Yarn Division of the Company which is not in manufacturing operation for last few years on account of labour problem.

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. CONSTITUTION OF AUDIT COMMITTEE

As required under section 292(A) of the Companies Act, 1956 an existing Audit Committee has been reconstituted. The present members of the Audit Committee are Shri T.K. Sinha, Shri G.C. Baveja, Shri P. Kar and Shri H.L. Sharma.

13. CORPORATE GOVERNANCE

The Company is making efforts for complying the provisions relating to Corporate Governance pursuant to clause 49 of the Listing Agreement with Stock Exchanges.

14. ACKNOWLEDGEMENTS

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

On Behalf of the Board

Place : Mumbai
 Dated : 30th May, 2003

H.S. RANKA
 Chairman

AUDITORS' REPORT

To the Members,
of Modern Threads (I) Limited

We have audited the attached Balance Sheet of **MODERN THREADS (INDIA) LIMITED** as at 31st March, 2003 and Profit & Loss Account of the Company for the year ended on that date, annexed thereto and report that :

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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(4A) of the Companies Act, 1956, we enclose in the Annexure 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 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 and loss account and balance sheet complied with accounting standards referred in Section 211(3C) of the Companies Act, 1956, except otherwise appearing in Schedule 15- Notes on accounts.
 - (e) The accounts of the company have been prepared on going concern basis. However Threads division of the Company is lying closed since 20.08.01 and appropriate provisions have been made for non-realizable assets.
 - (f) The directors of the company are restricted from being appointed as director of other companies under clause B Section 274(1)(g) of the Companies Act, 1956 as company has defaulted in payment of deposits, term loans, redemption of debentures and interest thereon. As per opinion obtained by the Company, existing directors of the company can continue to be in office during their entire tenure and they can also be re-appointed as a director on the expiry of their tenure. We have been further informed that company has made representation to the Central Government (Department of Company Affairs) seeking appropriate exemption from the applicability of the section.

- (g) 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. 8, regarding balances of debtors, creditors, advances and loans etc. are being subject to confirmation and reconciliation.
 - (ii) Note No. 12, regarding non-provision of interest amounting to Rs. 544.19 lacs on accrued interest converted/convertible into optionally fully convertible debentures.
 - (iii) Note No. 13, regarding non-provision for interest amounting to Rs. 194.47 lacs on certain secured loans.
 - (iv) Note No. 14, regarding non-provision of interest amounting to Rs. 922.36 lacs on debentures and term loans for PTA project.
 - (v) Note No. 15, regarding non-provision of interest amounting to Rs. 161.12 lacs on Public Fixed Deposit.
 - (vi) Note No. 16, regarding non-provision for interest amounting to Rs. 50.71 lacs on other loans/dues etc.
 - (vii) Note No. 17, regarding non-provision of penal and compound interest/liquidated damages, amount of which is unascertainable, pending confirmation/reconciliations with the lenders.
 - (viii) Note No. 20, regarding non-provision of dividend on cumulative redeemable preference shares amounting to Rs. 140.38 lacs.
 - (ix) Note No. 21, regarding non-verification of certain records of Threads division due to seizure of entire plant and office block by Ajmer Vidyut Vitran Nigam Ltd.
 - (x) Note No. 22, prior period debits Rs. 187.35 lacs and credits Rs. 156.28 lacs charged/credited to respective heads.
 - (xi) Note No. 31, amount 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 in conformity with the accounting principles generally accepted in India :
- (i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2003 and
 - (ii) In the case of Profit & Loss Account, of the loss for the year ended on that date.
 - (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

For S.S. SURANA & CO.
Chartered Accountants

R.N. Goyal
Partner

Place : Mumbai
Date : 30th May, 2003

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 except of Threads Division being under attachment by AVVNL, 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 except of Threads Division of the Company being under attachment of AVVNL, 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 within 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 except valuation of work in process estimated at realisable value in case of Threads Division of the Company.
- (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 equipments and other assets and for sale of goods.
- (xi) According to the information and explanations given to us, transactions of sale/purchase of goods and materials in pursuance of contracts and 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 at which transactions have been made with other parties.

- (xii) As explained to us the Company has 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) 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 and as stated in Note No. 26 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.
- (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 and Employees State Insurance dues have been generally deposited in time 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, except Rs. 100.04 lacs towards sales tax/T.C. Cess of Threads Division.
- (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 revenues accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (xx) The Company is 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. We have been informed that the Company has made reference to the Board for Industrial and Financial Reconstruction (BIFR) which has been duly registered by them.
- (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 May, 2003