

# **ANNUAL REPORT**

## **2003-2004**

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**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 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

## 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)



## NOTICE

Notice is hereby given that the 23rd Annual General Meeting of **Modern Threads (India) Limited** will be held on Thursday the 30th September, 2004 at 4.00 P.M. 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, 2004 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.L. Sharma who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri K.G. Somani 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 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 approval of Central Government and 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 01.04.2004 for a 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 & Managing  
Director

Place : Mumbai  
Date : 29.6.2004

## 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 28.9.2004 to 30.9.2004 (both days inclusive).
5. **NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT

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

#### Item No. 5

Shri K.G. Somani was appointed as Executive Director of the Company for a period of 3 years on 01.04.2001, as term of his appointment expires on 31.03.2004, therefore, the Board considers it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01.04.2004. The terms & conditions & payment of remuneration to Shri K.G. Somani as Executive Director has also been approved by the Remuneration Committee of Board of Directors of the Company.

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

(A) Salary-Rs. 40,000/- (Rupees Forty Thousand only) per month.

(B) Perquisites and allowances :

- (i) 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.
- (ii) 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.
- (iii) Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
- (iv) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
- (v) Free use of car with driver, for Company's business, the monetary value of which may be evaluated as per Income Tax Rules, 1962.
- (vi) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (vii) 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.G. Somani, is concerned or interested in the said resolution in item No.5.



## DIRECTORS' REPORT

The Members,

Your Directors present the 23rd Annual Report and Audited Statement of Accounts for the year ended 31st March, 2004.

### 1. FINANCIAL RESULTS

	(Rs. in Crores)	
	2003-2004	2002-2003
Gross Profit/(Loss) before Depreciation	(41.48)	(45.61)
Depreciation	16.30	17.35
Net Profit/(Loss) for the Year	(57.78)	(62.96)
Add : Balance brought forward from last year	(309.87)	(246.91)
Balance carried to Balance Sheet	(367.65)	(309.87)

### 2. OPERATIONS

Your Company could maintain turnover at the level of Rs. 99 crores during the year under review despite competitive international market. However the company is yet to make break-through for achieving positive surplus, though the losses have started coming down. Your Directors are unable to declare any dividend for the year under review due to losses suffered by the company.

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 Vidyut Vitran Nigam Ltd.

The Woollen division is continuing its operations. The prices of worsted yarn remained depressed during the year under review. The demand for woollen carpet yarn was also sluggish due to recessionary trend prevailing in major European countries. The prices of Marino wool and imported carpet wool remained high because of fluctuation in exchange rate of Australian dollar. This scenario has put the margins under pressure.

### 3. EXPORTS

The exports of the Company during the year under review have suffered mainly because of recessionary trend prevailing in global woollen textile market. Due to poor off take from overseas countries, the Company could achieve export turnover of only Rs. 35 crores during the year under review. The decline in exports have affected adversely the performance of the Company. Despite of adverse features, the woollen division of the Company continues to be one of the large exporters of woollen and worsted yarn from our country.

### 4. FUTURE PROSPECTS

The worsted yarn segment of Textile Industry is moving ahead and likely to grow fast in coming years. The turn of woollen 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 for 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 improved performance of woollen division in future.

### 5. REFERENCE TO BIFR

As reported last year, in view of erosion of entire net worth the Company had made a reference to Board for Industrial & Finance Reconstruction (BIFR) under the provisions of SICA and same was registered. Subsequently in the month of March 2004, it was held by the Hon'ble Bench of BIFR that reference is not maintainable. Against the decision of the BIFR the Company has filed an appeal before AAIFR which has been duly registered. It has also been decided to file fresh reference based on audited accounts for the year ended 31st March, 2004.

### 6. FIXED DEPOSITS

In view of petition filed by the Company, the Hon'ble Company Law Board has passed an order on 17.04.2002 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 H.L. Sharma and Shri K.G. Somani are liable to retire by rotation and being eligible, offer themselves for reappointment. During the period under review Shri T.K. Sinha has resigned as a Director of the Company. The Board places on record its appreciation for the valuable contribution given by Shri T.K. Sinha during his tenure 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 2004-2005. 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 & 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 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 for 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 operations 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. 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.

### 13. 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 : 29th June, 2004

**H.S. RANKA**  
Chairman

## AUDITORS' REPORT

To The Members,  
of Modern Threads (I) Ltd.

We have audited the attached Balance Sheet of MODERN THREADS (INDIA) LIMITED as at 31st March, 2004, Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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 Companies (Auditors' Report) Order, 2003 issued by the Ministry of Finance, Department of Company Affairs in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure 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 report 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, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply 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-releasable assets.
  - (f) The directors of the company are restricted from being appointed as director of other companies under clause G of Section 274(1) 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. 6 regarding balances of debtors, creditors, advances and loans etc., are being subject to confirmation and reconciliation:
    - (ii) Note No. 10(a), regarding non-provision of interest amounting to Rs. 542.09 Lacs on accrued interest converted/convertible into optionally fully convertible debentures, (b) regarding non-provision for interest amounting to Rs. 194.47 lacs on certain secured loans, (c) regarding non-provision of interest amounting to Rs. 55.09 lacs on other loans/dues etc. (d) regarding non-provision for interest amounting to Rs. 156.39 lacs on Public Fixed Deposits (e) regarding non-provision of interest amounting to Rs. 878.62 lacs on debentures and term loans for PTA project.
    - (iii) Note No. 11, regarding non-provision of penal and compound interest/liquidated damages, amount of which is unascertainable, pending confirmation/reconciliations with the lenders.
    - (iv) Note No. 14, regarding non-provision of dividend on cumulative redeemable preference shares amounting to Rs. 140.38 lacs.
    - (v) Note No. 15, regarding non-verification of certain records of Threads Division due to seizure of entire plant and office block by Ajmer Vidyal Vitaran Nigam Ltd.
- The impact of above ascertained liabilities amounting to Rs. 1967.04 lacs on Profit & Loss Account and statement of affairs 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, 2004 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 flow for the year ended on that date.

For S.S. SURANA & CO.  
Chartered Accountant  
R.N. GOYAL  
Partner  
Membership No. 70331

Place: Mumbai  
Date: 29.6.2004

## 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 maintaining 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 program of physical verification and no material discrepancies were noticed on such verification as compared to the available records. No substantial part of Fixed Assets has been disposed off during the year affecting going concern of the company.
- (ii) 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 stores, spare parts and raw material except stocks in transit and lying with third parties which have generally been confirmed. 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. 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 accounts.
- (iii) The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956, during the year. Since the Company has neither granted nor taken any loans, Secured or Unsecured to/from companies, firms or other parties covered in the Register under section 301 of The Companies Act 1956 during the year, hence clauses as to rate of interests and other terms and condition of Loans given or taken, repayment are not applicable.
- (iv) 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 Inventory and Fixed Assets and for sale of goods.
- (v) In respect of transactions covered under section 301 of companies act 1956.
  - (a) In our opinion and according to the information and explanations given to us the transactions made in pursuance of contracts or agreements, that needs to be entered in to the registered maintained u/s 301 of the companies Act 1956 have been so entered.
  - (b) According to the information and explanation given to us, no 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. 500,000/- or more were made during the year with single party.
- (vi) As per information and explanations given to us, the company has not accepted fresh deposits during the year. In respect of deposits accepted in earlier years the compliance with the provisions of Section 58-A and 58 AA of the Companies Act, 1956 and the rules framed there under are subject to order of Company Law Board Dated 17.04.2002, "that the repayment of fixed deposits shall be made by the Company in accordance with the revival scheme as and when approved by the BIFR under the Provisions of "SICA". However the Company is making payment on compassionate grounds as per decisions or committee formed by the Company Law Board.
- (vii) In our opinion the company has an internal audit system, commensurate with the size and nature of its business.
- (viii) 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.
- (ix) In respect of statutory dues:
  - a) The company is generally regular in depositing undisputed statutory dues including Provident fund, Investor education & protection funds, ESI, Income tax, Wealth Tax, Custom Duty, Excise Duty and any other statutory dues with the appropriate authority except the following, which are outstanding for more than 6 months:
 

i) Central Sales Tax	Rs. 13.05 Lacs
ii) Rajasthan Sales Tax	Rs. 79.44 Lacs
iii) Maharashtra Sales Tax	Rs. 0.22 Lacs
iv) Textiles Committee Cess	Rs. 7.31 Lacs

- b) The disputed statutory dues aggregating to Rs. 363.76 Lacs which have not been deposited on account of matter pending before appropriate authorities as under:

Name of statute	Nature of dues	Amount net of advance	Forum where dispute is pending
Central Sales Tax Act	Sales Tax	9.56	High Court, Jodhpur
	Sales tax	0.78	DCA(A), Ajmer
	Sales tax	154.93	DCA(A), Jaipur
State Sales Tax Act	Sales tax	2.23	CTO, Jaipur
	Sales tax (UPST)	5.45	AC, Bhadohi
	Sales tax (RST)	79.52	DCA(A), Ajmer
	Sales tax (RST)	3.12	CTO, Jaipur
Central Excise Act	Excise duty	65.35	Tribunal, Banaras
	Excise duty	16.05	Commissioner Appeals, Jaipur
Raj. Land & Building Tax Act	Land & Building Tax	4.11	CESTAT, Delhi
Employee State Insurance Act	ESI	15.30	High Court, Jaipur
	ESI	7.07	Labour Tribunal, Delhi
	ESI	0.19	C.J.M., Bhiwara
Total		363.76	

- (x) The company has been registered for a period exceeding five years, and its accumulated losses at the end of financial year are more than Fifty Per cent of its net worth and has incurred cash losses during the financial year and in the year immediately preceding the financial year.
- (xi) As informed and explained to us the company has defaulted in repayment of dues to Financial Institutions, Banks & Debenture Holders since 1998. Amount overdue Rs. 31907.59 lacs, worked out as per restructuring scheme considered by financial institutions during March, 1998. The above overdues are other than the amounts not provided for in the Books of Account as referred in para 3 & 10 of Schedule 15.
- (xii) As informed and explained to us the company has not granted any loan and advances on the basis of security by way of pledge of shares, Debentures and other securities during the year.
- (xiii) Since the company is not a Chit fund or a Nidhi/Mutual Benefit Fund/Societies, the provisions of clause 4 (XIII) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) As informed to us the Company is not dealing/trading in securities, shares, debentures and other investments. Hence the provisions of clause are not applicable.
- (xv) The Company has given Corporate Guarantee in respect of loans taken by Modern Terry Towels Ltd. amounting to Rs. 14391.78 Lacs. As per information and explanation given to us, the terms and conditions thereof were not prejudicial to the interest of the company when such guarantee was tendered with the permission of lenders of the company.
- (xvi) As informed and explained to us, the Company has not raised fresh Term Loans during the year.
- (xvii) As informed and explained to us funds raised on short terms basis have not been used for long term investments and vice versa.
- (xviii) As informed and explained to us the company has not made Preferential allotment to the parties and companies covered in Register maintained under section 301 of the Act, at the price which is not prejudicial to the interest of the company, during the year under report.
- (xix) As informed and explained to us the company has created securities in respect of debentures issued in earlier years.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) As informed and explained to us no Fraud on or by the company has been noticed or reported during the year.

Place: Mumbai  
Date: 29.6.2004

For S.S. SURANA & CO.  
Chartered Accountants  
R.N. GOYAL  
Partner  
Membership No. 70331