

ANNUAL REPORT

2004-2005



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Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

Shri H.S. Ranka	- Chairman
Shri Sachin Ranka	- Director
Shri A.K. Srivastava	- Nominee (IFCI)
Shri G.C. Baveja	- Director
Shri R.R. Maheshwari	- Director
Shri H.L. Sharma	- Director
Shri K.K. Baheti	- Director
Shri M.L. Pamecha	- Executive Director

COMPANY SECRETARY

Shri J.P. Rawat

AUDITORS

M/s 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-400 030

PLANTS**Yarn Division**

Village Raila, Distt. Bhilwara (Rajasthan)

Woollens Division

Hamirgarh Road, Bhilwara-311 001 (Rajasthan)

NOTICE

Notice is hereby given that the 24th Annual General Meeting of **Modern Threads (India) Limited** will be held on Friday the 30th September, 2005 at 5.30 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, 2005 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 K.K. Baheti 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 M.L. Pamecha, 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 a 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 a Special 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 approval of Central Government, if necessary and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the appointment of Shri M.L. Pamecha as an Executive Director of the Company from 01.10.2004 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 : 2nd June, 2005

(J.P. RAWAT)

Company Secretary

NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item numbers 5 and 6 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 28.09.2005 to 30.09.2005 (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 M.L. Pamecha was appointed as an Additional Director of the Company w.e.f. 01.10.2004 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 M.L. Pamecha 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 M.L. Pamecha, is concerned or interested in the resolution.

Item No. 6

Shri M.L. Pamecha was appointed as Executive Director of the Company for a period of 3 years w.e.f. 01.10.2004 by the Board of Directors on the following terms and conditions of remuneration :

(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 months 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.
- (vi) Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (vii) Encashment 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 M.L. Pamecha, is concerned or interested in the said resolution in item No. 6. 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, 2005.

1. FINANCIAL RESULTS

	(Rs. in Crores)	
	2004-2005	2003-2004
Gross Profit/ (Loss) before Depreciation	(36.13)	(41.48)
Less: Depreciation	3.65	16.30
Net Profit/ (Loss) for the year	(39.78)	(57.78)
Add: Balance brought forward from last year	(367.65)	(309.87)
Add: Impairment loss (Refer Note No.27 of Schedule 15)	(223.04)	(590.69)
Balance carried to Balance Sheet	(630.47)	(367.65)

2. OPERATIONS

During the year under review the turnover of the Company was Rs.81 crores which is marginal higher against turnover of Rs.76 crores in previous year. The Woollen Division of the Company has been going steadily over past years. The Yarn division of the Company at Raila continued to be closed during the year under review on account of continuing strike by the workers and sealing of the entire plant by Ajmer Vidyut Vitran Nigam Ltd. The Company has suffered gross loss before depreciation of Rs.36 crores during the year under review as against Rs.41 crores during the previous year. In absence of profits your directors are unable to declare any dividend for the year under review.

3. EXPORTS

The Woollen Division has been able to increase its export to Rs.42 crores during the year under review against exports of about Rs.35 crores during the previous year and thereby registering a growth of about 18%. Further woollen division of the company continues to be enjoying the status of one of the large exporter of woollen worsted yarn from our country. The Company is, however, putting continuous efforts in exploring possibilities of increasing its export further by searching new international markets for its products.

4. FUTURE PROSPECTS

In view of Company's inherent strengths in the field of manufacturing and market capabilities, future of 'woollen division' looks optimistic. The Company is hopeful that the woollen division of the Company may be able to provide better contribution towards operating margins. However, on account of highly depressed market scenario of synthetic textile, the chances to restart the yarn division seems to be difficult. PTA division of the company remains abandoned as desired by the lenders.

5. FIXED DEPOSITS & REFERENCE TO BIFR

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 CLB for this purpose.

Company has filed an Appeal against the order of BIFR challenging order passed by BIFR that earlier reference filed is not maintainable. Such appeal has been registered and will be listed for hearing in due course.

However, the Company has also filed the fresh reference based on audited accounts for the year ended 31st March, 2004. The Hon'ble BIFR has registered the fresh reference on 30th August, 2004.

6. DIRECTORS

Shri K.K. Baheti and Shri G.C. Baveja are liable to retire by rotation and being eligible, offer themselves for reappointment. The IFCI Ltd. withdrawn the nomination of Shri P. Kar as Director of the Company and nominated Shri A.K. Srivastava as Director of the Company. Shri H.S. Ranka has ceased as Managing Director of the Company but will continue as Director. Shri K.G. Somani has resigned from the Directorship. Shri M.L. Pamecha has been appointed as an

Additional Director and Board recommends his appointment as Director liable to retire by rotation. The Board welcomes Shri A.K. Srivastava and Shri M.L. Pamecha and places on record its appreciation for the valuable contribution given by Shri P. Kar and Shri K.G. Somani 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 2005-2006. 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.

8. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

The Company has enjoyed healthy and cordial industrial relations throughout the period except that the workers of 'Yarn Division' are still on strike. 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.

9. 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.

10. 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.

11. CONSTITUTION OF AUDIT COMMITTEE

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

12. CORPORATE GOVERNANCE

The Company is making all 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 shareholders, employees and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 2nd June, 2005

(H.S. RANKA)
Chairman

ANNEXURE TO THE DIRECTORS' REPORT
Information as per Section 217(1)(e) read with the Companies
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

1. ENERGY CONSERVATION :

The company is making all efforts for the conservation of energy. To reduce the energy cost, periodical reviews and studies are undertaken from time to time.

	Current Year	Previous Year
(A) Power and Fuel Consumption :		
1. Electricity :		
(a) Purchased (Units in lacs)	86.26	84.38
Total Amount (Rs. in lacs)	374.11	357.31
Rate/Unit (Rs.)	4.34	4.23
(b) Own Generation :		
(i) Through Diesel Generator (Units in lacs)	0.79	0.44
Units/Litre of Diesel oil	2.83	2.80
Cost/Unit (Rs.)	7.76	4.87
(ii) Through Steam Turbine/Generation	N.A.	N.A.
2. Coal :		
Quantity (MT)	2679	2424
Total Cost (Rs. in lacs)	81.36	60.98
Average Rate/MT (Rs.)	3037	2516
3. Furnace Oil :	N.A.	N.A.
(B) Consumption per kg. of Production :		
Electricity	2.00	1.99
Coal	0.61	0.57

2. TECHNOLOGY ABSORPTIONS :

Your Company is having research and development cell, headed by a senior and experienced textile technologist. Continuous watch on the quality of the product at various stages is being kept by the section. This section also keeps a regular track on latest advancement on the spinning technology in order to keep pace with the demand of the new products.

3. The Company has earned during the year foreign exchange of Rs. 4224.40 lacs at FOB price against an outgo of Rs. 4323.21 lacs.