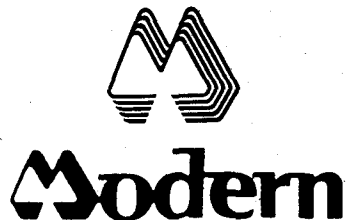


# **ANNUAL REPORT 2005-2006**

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**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 N.K. Jain

## 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 25th Annual General Meeting of **Modern Threads (India) Limited** will be held on Saturday the 30th September, 2006 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, 2006 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 R.R. Maheshwari who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri H.L. Sharma 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

Place : Mumbai

(N.K. JAIN)

Date : 7th June, 2006

Company Secretary

## 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 28.09.2006 to 30.09.2006 (both days inclusive).
4. NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.

## DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2006.

### 1. FINANCIAL RESULTS

|   | (Rs. in crores) |           |
|---|-----------------|-----------|
|   | 2005-2006       | 2004-2005 |
| Gross Profit / (Loss) before Depreciation         | (28.35)         | (36.13)   |
| Depreciation                                      | 3.00            | 3.65      |
| Net Profit / (Loss) before Tax                    | (31.35)         | (39.78)   |
| Fringe benefit Tax                                | 0.06            | -         |
| Net Profit / (Loss) for the Year                  | (31.41)         | (39.78)   |
| Exceptional Items                                 | 12.53           | -         |
| Impairment loss (Refer Note No.27 of Schedule 15) | -               | (223.04)  |
| Balance Brought forward from Last Year            | (630.47)        | (367.65)  |
| Balance carried to Balance Sheet                  | (649.35)        | (630.47)  |

### 2. OPERATIONS

The woollen division is continuing its operations and has maintained the turnover of Rs.86 crores as compared to Rs.81 crores in the previous year. The performance of the woollen division has improved during the year under review inspite of sluggish demand of woollen carpet yarn from major European countries.

The production facilities of blended yarn division at Raila remained closed during the whole of the year under review on account of continuing strike by the workers and sealing the entire plant and machineries by Ajmer Vidyut Vitran Nigam Limited.

However the Company could reduce the gross loss before depreciation to Rs.28 crores for both the divisions as against Rs.36 crores during the previous year on account of improved margins of woollen division. In absence of net profits your directors are unable to declare any dividend for the year under review.

### 3. EXPORTS

Woollen division is one of the large exporter of woollen worsted yarn from the country. The products are well established in the international market and enjoys prestigious international clientele. During the year under review exports of woollen division was of Rs.51 crores as against the exports of Rs.42 crores in previous year. This division has also initiated the efforts in developing newer international market for spreading its overseas business.

### 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 global as well as domestic markets, coupled with renewed attention on speciality and high value added yarns will be strong growth drivers for woollen division of the company. The profitability of woollen division is likely to be improved in view of on going implementation of de-bottlenecking programme and efforts of management for improving operational efficiency, cost reduction etc. However, the possibility to restart the yarn division seems to be extremely difficult and 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.

As reported last year the Company has filed the fresh reference to Board for Industrial and Financial Reconstruction (BIFR) based on audited accounts for the year ended 31st March, 2004. The Company has been declared 'Sick' by the Hon'ble BIFR and SBI has been appointed as Operating Agency. As per the direction of Hon'ble BIFR Draft Settlement scheme has been submitted to operating agency with copy to all lenders containing various options to lenders for settlement of their dues. Since then, State Bank of Bikaner & Jaipur has accepted the settlement of its dues and company has already made the payment as per settlement. This has resulted into write back of principal and interest during the year under review and

have been included in the exceptional items shown under financial results. The company is trying for settlement with the remaining lenders.

### 6. DIRECTORS

Shri R.R. Maheshwari and Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment.

### 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 2006-2007. 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 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.

### 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

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated under section 292 A of the Companies Act, 1956. The Audit Committee consists of member directors as under:-

Shri G.C. Baveja, Chairman  
Shri A.K. Srivastava  
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 Exchange(s).

### 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, Financial institutions, working capital bankers and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 7th June, 2006

(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 |
|--|--------------|---------------|
| <b>(A) Power and Fuel Consumption :</b>                      |              |               |
| <b>1. Electricity :</b>                                      |              |               |
| (a) Purchased Units (KWH) (Units in lacs)                    | 87.15        | 86.26         |
| Total Amount (Rs. in lacs)                                   | 382.02       | 374.11        |
| Rate/Unit (Rs.)  | 4.38         | 4.34          |
| (b) Own Generation :   |              |               |
| (i) Through Diesel Generator-Units (lacs)<br>(Units in lacs) | 1.83         | 0.79          |
| Units/Litre of Diesel oil                                    | 2.84         | 2.83          |
| Cost/Unit (Rs.)  | 9.58         | 7.76          |
| (ii) Through Steam Turbine/Generation                        | N.A.         | N.A.          |
| <b>2. Coal :</b>   |              |               |
| Quantity (MT)  | 2536         | 2679          |
| Total Cost (Rs. in lacs)                                     | 82.51        | 80.86         |
| Average Rate/MT (Rs.)  | 3253         | 3037          |
| <b>3. Furnace Oil (Thousand Liters)</b>                      | N.A.         | N.A.          |
| <b>(B) Consumption per unit of Production :</b>              |              |               |
| Units  | Kgs.         | Kgs.          |
| Electricity  | 2.11         | 2.11          |
| Coal   | 0.54         | 0.61          |

### 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. 5130.29 lacs at FOB price against an outgo of Rs. 4384.66 lacs.