

ANNUAL REPORT 2006-2007

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Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Shri B.L. Saini

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 26th Annual General Meeting of Modern Threads (India) Limited will be held on Saturday the 29th September, 2007 at 12.00 Noon 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, 2007 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 M.L. Pamecha 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 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-enactments thereof, for the time being in force) and further subject to the approval of Central Government, wherever required and 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 01/01/2007 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

(B.L. SAINI)

Date : 30th June, 2007

Company Secretary

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 27.09.2007 to 29.09.2007(both days inclusive).

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT**

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

Item No. 5

Shri H.S. Ranka was appointed as Managing Director of the Company for a period of 3 years w.e.f. 01/01/2007. The terms & conditions & payment of remuneration to Shri H.S. Ranka as Managing Director has also been approved by the Remuneration Committee of Board of Directors of the Company.

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

- (A) Salary - Rs. 50,000/- (Rupees fifty thousand only) per month.
- (B) Perquisites and allowances :
 - (i) Fees of clubs - subject to a maximum of two clubs & maximum amount of Rs. 75,000/- per annum.
 - (ii) Company's contribution towards provident fund as per the rules of the Company but not exceeding 12% of the salary.
 - (iii) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
 - (iv) Free use of car with driver, for Company's business.
 - (v) Free telephone facility at residence for Company's business.
- (C) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof.

None of Directors, except Shri H.S. Ranka and Shri Sachin Ranka, is concerned or interested in the said resolution in item No.5. The details set out 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, 2007.

1. FINANCIAL RESULTS

	(Rs. in crores)	
	2006-07	2005-06
Gross Profit / (Loss) before Depreciation	(10.99)	(28.35)
Depreciation	3.83	3.00
Net Profit / (Loss) before Tax	(14.82)	(31.35)
Fringe benefit Tax	0.04	0.06
Net Profit / (Loss) for the Year	(14.86)	(31.41)
Exceptional Items	173.89	12.53
Balance Brought forward from Last Year	(649.35)	(630.47)
Balance carried to Balance Sheet	(490.32)	(649.35)

2. OPERATIONS

The Woollen division of the Company has been operating reasonably over past few years, despite of stiff competition in domestic and international markets. Its worsted yarn products are well established in the international market and enjoying international clientele. During the year under review, the Woollen division has achieved turnover of Rs.85 crores. The gross loss before depreciation has reduced to Rs.11 crores as against Rs. 28 crores in the previous year on account of increased production in Woollen division and lower interest cost on account of the settlements made with some of the secured lenders. Your directors are unable to declare any dividend for the year under review in absence of profits.

The Yarn division of the Company at Raila continued to remain closed during 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.

3. EXPORTS

The exports of the Woollen division during the year under review has suffered set back mainly because of higher wool prices. This division could achieve export turnover of Rs.46 crores during the year under review as against Rs. 51 crores in previous year. Despite of adverse features, the Woollen division of the Company continues to be one of the large exporters of woollen and worsted yarn from the country.

4. FUTURE PROSPECTS

In view of Company's inherent strengths in the field of manufacturing and market capabilities, future of Woollen division looks optimistic and thus Woollen division of the Company may be able to provide better contribution towards operating margins. The possibility to restart of yarn division of the Company seems to be very difficult. The PTA division of the Company remains abandoned as desired by the lenders.

5. PUBLIC 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 payments on compassionate ground are continued to be made as per the decision of the committee formed by Hon'ble CLB for this purpose.

6. RESTRUCTURING OF DEBTS AND REFERENCE TO BIFR

Company has submitted proposal for settlement / restructuring of outstanding debts to all the term lenders and working capital bankers which includes different options for settlement, waiver of entire interest of any nature, settlement of preference shares etc. So far about 33% of the secured lenders have settled their dues and company is making payments as per settlement. This has resulted into write back of principal & interest during the year under review and have been included in the "exceptional items" shown in the financial results. The Company is making continuous efforts for settlement with remaining secured lenders.

As reported in the previous year, the Company has been declared 'Sick' by the Hon'ble BIFR and SBI has been appointed as Operating Agency. As directed by Hon'ble BIFR, Company has appointed M/s.Hardicon Limited for conducting Techno Economic Viability Study of the company and awaiting its report.

7. DIRECTORS

Shri H.S. Ranka has been appointed as Managing Director of the Company w.e.f. 01.01.2007 for a period of 3 years. During the year under review Shri K.K. Baheti has resigned from the directorship of the company. The Board welcomes Shri H.S. Ranka and places on record its appreciation for the valuable contribution given by Shri K.K. Baheti during his tenure as a Director of the Company. Shri G.C. Baveja and Shri M.L. Pamecha are liable to retire by rotation and being eligible, offer themselves for reappointment.

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 2007-2008. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 14 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 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.

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 and;
- the Directors have prepared the annual accounts on a going concern basis except Yarn Division of the Company which is not in operation for last few years on account of labour and other problems.

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

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 (till 29.6.2007)
Shri H.L. Sharma

13. CORPORATE GOVERNANCE

The Company is making all efforts for complying with the provisions relating to Corporate Governance pursuant to clause 49 of the Listing Agreement with Stock Exchange(s).

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

ON BEHALF OF THE BOARD

Place : Mumbai
Dated : 30th June, 2007

(H.S. RANKA)
Chairman & Managing Director

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 2006-2007	Previous Year 2005-2006
(A) Power and Fuel Consumption :		
1. Electricity :		
(a) Purchased Units (KWH) (Units in lacs)	124.58	87.15
Total Amount (Rs. in lacs)	543.47	382.02
Rate/Unit (Rs.)	4.36	4.38
(b) Own Generation Units (In lacs)	1.96	1.83
Total amount (Rs. in lacs)	20.11	17.53
Units/Litre of Diesel oil	2.92	2.84
Cost/Unit (Rs.)	10.26	9.58
2. Coal :		
Quantity (MT)	2781	2536
Total Cost (Rs. in lacs)	95.15	82.51
Average Rate/MT (Rs.)	3421	3253
3. Furnace Oil (Thousand Liters)	N.A.	N.A.
(B) Consumption per unit of Production :		
Units	Kgs.	Kgs.
Electricity	2.74	2.11
Coal	0.60	0.54

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. 4634.91 lacs at FOB price against an outgo of Rs. 3897.87 lacs.