

ANNUAL REPORT 2007-2008

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Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

Shri H.S. Ranka	– Chairman & Managing Director
Shri Sachin Ranka	– Director
Shri Punit Saxena	– Nominee (UTI)
Shri T.K Ray	– 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 27th Annual General Meeting of **Modern Threads (India) Limited** will be held on Tuesday the 30th September, 2008 at 1.00 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, 2008 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."

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, if necessary and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the re-appointment of Shri M.L. Pamecha as an Executive Director of the Company from 01/10/2007 for a further 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, 2008

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 27.09.2008 to 30.09.2008 (both days inclusive).

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 Executive Director of the Company for a period of 3 years on 01/10/2004. As term of his appointment expired on 30/09/2007, therefore, the Board consider it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01/10/2007. The terms & conditions & payment of remuneration to Shri M.L. Pamecha as Executive 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 plus 30% perquisites & allowances as detailed below :-

Detail of 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 as per Company's Rules.
- (iii) Company's contribution towards Provident Fund as per Company's rules but not exceeding 12% of the salary.
- (iv) Gratuity not exceeding 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.
- (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.

(B) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof.

None of Directors, except Shri M.L. Pamecha, is concerned or interested in the said resolution in item No. 5. The details set out herein above 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, 2008.

1. FINANCIAL RESULTS

(Rs. in crores)

	2007-08	2006-07
Gross Profit / (Loss) before Depreciation	(11.85)	(10.99)
Depreciation	3.88	3.83
Net Profit / (Loss) before Tax	(15.73)	(14.82)
Fringe benefit Tax	0.04	0.04
Net Profit / (Loss) for the Year	(15.77)	(14.86)
Exceptional Items	5.01	173.89
Balance Brought forward from Last Year	(490.32)	(649.35)
Balance carried to Balance Sheet	(501.08)	(490.32)

2. OPERATIONS

The Woollen division of the Company is continuing its operations and has maintained the turnover of Rs.83 crores inspite of sluggish demand of woollen worsted yarn from various countries. The Company has suffered gross loss of Rs.12 crores before depreciation during the year. In absence of net profits your directors are unable to declare any dividend for the year under review.

The production facilities of blended Yarn division of the Company situated 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 woollen division of the Company is one of the major exporter of the woollen worsted yarn from the country. During the year under review exports of woollen division was Rs.50 crores as against the exports of Rs.46 crores in the previous year inspite of weak dollar. The division has also initiated the efforts in developing newer international markets 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 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 resources is expected to bring in improved performance of Woollen division in future. The implementation of PTA project of the Company remains abandoned as desired by the lenders and the possibility to restart the Yarn division of the Company seems to be very difficult.

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

The Company is making continuous efforts for settlement of dues of the secured lenders which includes reschedulement, one time settlement, waiver of penal and compound interest. So far about 36% of the secured lenders have settled their dues and company is making payments as per sanction. Settlements during the year under review has resulted into write back of principal & interest 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. The company is now in process of discussing settlement of dues of secured creditors based on various settlement options given to them for settlement of their dues.

7. DIRECTORS

Shri R. R. Maheshwari and Shri H.L. Sharma are liable to retire by rotation and being eligible, offer themselves for reappointment. During the period under review the IFCI Ltd. has withdrew the nomination of

Shri A.K. Srivastava as Director of the Company and nominated Shri A.K. Choudhary in his place and subsequently has withdrawn his nomination also and nominated Shri T.K. Ray as director of the Company. Shri Punit Saxena has been appointed as a nominee director of SUUTI. The Board welcomes Shri T.K. Ray and Shri Punit Saxena and places on record its appreciation for the valuable contribution given by Shri A.K. Srivastava and Shri A.K. Choudhary during their tenure as Directors of the Company. The Board of Directors has reappointed Shri M.L. Pamecha as Executive Director of the Company for a further period of three years.

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 2008-2009. 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 along with proper explanation relating to material departures ;
- 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 the Companies Act, 1956 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
Shri T. K. Ray (from 30.6.2008)

13. 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 its executives, staff, workers, Banks, Financial Institutions and Central as well as State Government.

ON BEHALF OF THE BOARD

(H.S. RANKA)

Chairman & Managing Director

Place : Mumbai

Dated: 30th June, 2008

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 2007-2008	Previous Year 2006-2007
(A) Power and Fuel Consumption :		
1. Electricity :		
(a) Purchased Units (KWH) (Units in lacs)	126.42	124.58
Total Amount (Rs. in lacs)	549.50	543.47
Rate/Unit (Rs.)	4.35	4.36
(b) Own Generation : Units (In lacs)	0.49	1.96
Total amount (Rs. in lacs)	5.24	20.11
Units/Litre of Diesel oil	2.76	2.92
Cost/Unit (Rs.)	10.69	10.26
2. Coal :		
Quantity (MT)	2941	2781
Total Cost (Rs. in lacs)	107.65	95.15
Average Rate/MT (Rs.)	3660	3421
3. Furnace Oil (Thousand Liters)	N.A.	N.A.
(B) Consumption per unit of Production :		
Units	Kgs.	Kgs.
Electricity	2.96	2.74
Coal	0.69	0.60

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. 5001.59 lacs at FOB price against an outgo of Rs. 3878.74 lacs.