

ANNUAL REPORT 2008-2009

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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 (SUUTI)
Shri T.K. Ray	– Nominee (IFCI)
Shri G.C. Baveja	– Director
Shri R.R. Maheshwari	– Director
Shri H.L. Sharma	– Director
Shri S.B.L. Jain	– 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 28th Annual General Meeting of **Modern Threads (India) Limited** will be held on Wednesday the 30th September, 2009 at 11.30 A.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, 2009 and the Audited Profit and 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,

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 S.B.L. Jain, 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.”

By order of the Board

Place : Mumbai

Date : 26th June, 2009

(B.L. SAINI)

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 26.09.2009 to 30.09.2009 (both days inclusive).

ANNEXURE TO NOTICE EXPLANATORY STATEMENT

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

Item No.5

Shri S.B.L. Jain was appointed as an Additional Director of the Company w.e.f. 29/12/2008 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 S.B.L. Jain 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 Directors, except Shri S.B.L. Jain, is concerned or interested in the resolution.

DIRECTORS' REPORT

The Members,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31st March, 2009.

1. FINANCIAL RESULTS

(Rs. in crores)

	2008-09	2007-08
Net Profit / (Loss) for the year	(5.37)	(15.77)
Balance Brought forward from last year	(501.08)	(490.32)
Exceptional items	133.22	5.01
Balance carried to Balance Sheet	(373.23)	(501.08)

2. OPERATIONS

During the year under review the turnover of the Woollen division of the Company was Rs. 85 crores which is marginal higher against turnover of Rs. 83 crores in previous year inspite of sluggish demand of worsted yarn from major European countries. The Company has suffered net loss of Rs. 5.37 crores during the year against Rs. 15.77 crores during the previous year. On account of better realization and improved performance of the woollens division and lesser interest cost, the Company has been able to reduce losses during the year. Its worsted yarn products are well established in the international market and enjoying international clientele. In absence of profits your directors are unable to declare any dividend for the year under review.

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 of the entire plant and machineries by Ajmer Vidyut Vitran Nigam Limited.

3. EXPORTS

During the year under review exports of Woollen division was of Rs. 56 crores as against the exports of Rs. 50 crores in previous year despite of deep recession and current financial crisis which erupted in the United States in mid of 2008 and quickly spread around the globe. The Woollen division is, however, putting continuous efforts in exploring possibilities of increasing its exports 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. Your directors are hopeful that once the current recessionary trend prevailing in textile industry world over subsides, the profitability of woollen division is likely to be improved. The implementation of PTA project of the Company remains abandoned as desired by the lenders. 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 Company Law Board for this purpose.

6. RESTRUCTURING OF DEBTS AND REFERENCE TO BIFR

Company has submitted proposal for settlement/restructuring of dues of the secured lenders and working capital bankers which includes reschedulement, one time settlement, waiver of entire penal and compound interest. So far about 57% of the secured lenders have settled their dues and as per settlements, the payments are being made by the Company. Settlements during the year under review has resulted into write back of principal and 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 so as to file OTS based scheme to Hon'ble BIFR.

7. DIRECTORS

Shri G.C. Baveja and Shri M.L. Pamecha are liable to retire by rotation and being eligible, offer themselves for reappointment. Shri S.B.L. Jain has been appointed as an Additional Director of the Company and Board recommends his appointment as Director liable to retire by rotation. The Board welcomes Shri S.B.L. Jain.

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 2009-2010. 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 as the workers were demanding full wages, 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 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 (Disclosure 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 in section 292A of the Companies Act, 1956. The Audit Committee consists of member directors as under :-

Shri G. C. Baveja, Chairman
 Shri T. K. Ray (from 30/6/2008)
 Shri H. L. Sharma
 Shri S.B.L. Jain (from 29/12/2008)

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 and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai
 Dated : 26th June, 2009

(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 2008-2009	Previous Year 2007-2008
(A) Power and Fuel Consumption :		
1. Electricity :		
(a) Purchased Units (KWH) (Units in lacs)	127.67	126.42
Total Amount (Rs. in lacs)	541.34	549.50
Rate/Unit (Rs.)	4.24	4.35
(b) Own Generation Units (In lacs)	0.84	0.49
Total amount (Rs. in lacs)	9.17	5.24
Units/Litres of Diesel oil	2.81	2.76
Cost/Unit (Rs.)	10.89	10.69
2. Coal :		
Quantity (MT)	2795	2941
Total Cost (Rs. in lacs)	115.00	107.65
Average Rate/MT (Rs.)	4115	3660
3. Furnace Oil (Thousand Liters)	N.A.	N.A.
(B) Consumption per unit of Production :		
Units	kgs.	kgs.
Electricity	3.25	2.96
Coal	0.71	0.69

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. 5599.77 lacs at FOB price against an outgo of Rs. 3862.33 lacs.