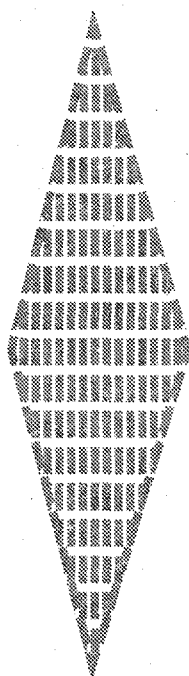


ANNUAL REPORT 2010-2011



**Modern
THREADS (INDIA) LIMITED**

BOARD OF DIRECTORS

Shri Rajash Ranka – Chairman & Managing Director

Shri Pardeep Kumar – Special Director (BIFR)

Shri R.R. Maheshwari – Director

Shri H.L. Sharma – Director

Shri S.B.L. Jain – 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 30th Annual General Meeting of **Modern Threads (India) Limited** will be held on Thursday the 22nd September, 2011 at 3.30 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, 2011 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 S.B.L. Jain who retires by rotation and being eligible, offers himself for re-appointment.
- (3) 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 Annual General 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 :

- (4) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution :-
 “RESOLVED THAT Shri Rajesh Ranka, 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 not liable to retire by rotation.”

- (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 269, 198, 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 re-appointment of Shri M.L. Pamecha as an Executive Director of the Company with effect from 01/10/2010 to 02/04/2011 on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto.”
- (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 269, 198, 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 Rajesh Ranka as Chairman & Managing Director of the Company from 01/02/2011 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 : 25th June, 2011

Company Secretary

NOTES :

1. The relative Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item numbers 4 to 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 FORTY EIGHT hours before the commencement of the meeting.
4. The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued circulars stating that services of notices/documents including Annual Report can be sent by e-mail to its members. To support this objective of the Government, members are requested to register their e-mail addresses with the registered office of the Company.
5. The Share transfer books and Register of members shall remain closed from 20.09.2011 to 22.09.2011 (both days inclusive).

ANNEXURE TO NOTICE EXPLANATORY STATEMENT

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

Item No.4

Shri Rajesh Ranka was appointed as an Additional Director of the Company with effect from 01/02/2011 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 Rajesh Ranka as a Director not 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 Rajesh Ranka, is concerned or interested in the resolution.

Item No. 5

Shri M.L. Pamecha was re-appointed as an Executive Director of the Company for a period of three years on 01/10/2007. As term of his appointment expired on 30/09/2010, therefore, the Board considered it desirable that the Company continue to avail his services for a further period of three years with effect from 01/10/2010. The terms & conditions of payment of remuneration to Shri M.L. Pamecha as an Executive Director has also been approved by the Remuneration Committee of Directors of the Company. Shri M.L. Pamecha has resigned from Directorship of the Company with effect from 02/04/2011. Accordingly approval of remuneration is sought from 01/10/2010 to 02/04/2011.

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

(i) Re-appointment of Shri M.L. Pamecha, as an Executive Director of the Company with effect from 01/10/2010 to 02/04/2011 on the following terms and conditions of his remuneration :-

(A) Salary - Rs. 60,000/- (Rupees Sixty Thousand only) per month for the period from 01/10/2010 to 02/04/2011.

(B) 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.

(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. 10,00,000/-.

(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 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.

Item No. 6

Shri Rajesh Ranka was appointed as Chairman & Managing Director of the Company for a period of 3 years w.e.f. 01/02/2011 by the Board of Directors of the Company. The terms & conditions & payment of remuneration to Shri Rajesh Ranka as Chairman & Managing Director has also been approved by the Remuneration Committee of Directors of the Company.

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

1) Appointment of Shri Rajesh Ranka, as Chairman & Managing Director of the Company with remuneration for a period of 3 years with effect from 1st February, 2011 at the following terms and conditions of his remuneration:-

(A) Salary - Rs. 50,000/- (Rupees Fifty Thousand only) per month for the first year and thereafter increase of Rs. 10,000/- per month every year for next two years.

(B) Detail of perquisites and allowances :

(i) Medical benefits for self and family, subject to the extent of one month's salary for 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 will be allowed subject to 5% of salary.

(iii) Fees of clubs - subject to a maximum of two clubs & maximum amount of Rs. 75,000/- per annum.

(iv) Company's contribution towards provident fund as per the rules of the Company but not exceeding 12% of the salary.

(v) Gratuity not exceeding one half month's salary for each completed year of service, subject to a ceiling of Rs. 10,00,000/-.

(vi) Free use of car with driver, for Company's business.

(vii) 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 Rajesh Ranka, is concerned or interested in the said resolution in item No. 6. 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 Annual Report and Audited Statement of Accounts for the year ended 31st March, 2011.

1. FINANCIAL RESULTS

(Rs. in crores)

	2010-11	2009-10
Net Profit / (Loss) for the year	(2.27)	(4.48)
Exceptional items	6.18	7.10
Balance Brought forward from last year	(370.61)	(373.23)
Balance carried to Balance Sheet	(366.70)	(370.61)

2. OPERATIONS

The Woollen division of the Company is continuing its operations and has achieved the turnover of Rs. 89 crores as compared to Rs. 77 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 Company has suffered net loss of Rs. 2.27 crores during the year against loss of Rs. 4.48 crores in previous year. On account of better realization and improved performance of the woollen division and lesser interest cost, the Company has been able to reduce losses during the year. In view of accumulated losses, your directors are unable to declare any dividend for the year under review.

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 and machinery by Ajmer Vidyut Vitran Nigam Limited.

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 Rs. 57 crores as against the exports of Rs. 46 crores in previous year. The Company is putting continuous efforts in exploring the 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. The Company is hopeful that the woollen division of the Company may be able to provide better contribution towards operating margins once the current recessionary trend prevailing in textile industry world over subsides. 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 Company Law Board 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 and glad to report that 99.50% of the lenders have approved the settlement of their dues directly or by way of assignment. This has resulted into write back of principal and interest during the year under review and same has been included in the exceptional items shown under financial results. The Company will be able to settle the dues of remaining 0.50% of the secured lenders during current financial year. The Company has filed a Draft Rehabilitation Scheme with the Hon'ble BIFR with copy to Operating Agency and same is now under examination for necessary action and circulation.

7. DIRECTORS

Shri S.B.L. Jain is liable to retire by rotation and being eligible, offers himself for reappointment. Shri H.S. Ranka, Shri Sachin Ranka and Shri M.L. Pamecha have resigned from the directorship of the company. Shri

Rajesh Ranka has been appointed as an Additional Director and Board has also appointed him as Chairman & Managing Director of the Company. The BIFR has withdrawn the nomination of Shri Arun Ramanathan as Special Director. The BIFR has now nominated Shri Pradeep Kumar as a Special Director on the Board. Shri G.C. Baveja ceased to be Director due to his sad demise. The Board welcomes Shri Rajesh Ranka and Shri Pradeep Kumar and places on record its appreciation for the valuable contribution given by Shri H.S. Ranka, Shri Sachin Ranka, Shri G.C. Baveja and Shri M.L. Pamecha during their tenure as Directors of the Company.

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 2011-2012. 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. 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. DIRECTOR'S 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 alongwith 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 S.B.L. Jain, Chairman
 Shri H.L. Sharma
 Shri G.C. Baveja (upto 27/08/2010)

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 the shareholders, executives, staff, workers, financial institutions, banks and Central as well as State Government.

ON BEHALF OF THE BOARD

(RAJESH RANKA)

Chairman & Managing Director

Place : Mumbai

Dated : 25th June, 2011

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)	129.34	126.94
Total Amount (Rs. in lacs)	610.06	559.76
Rate/Unit (Rs.)	4.72	4.41
(b) Own Generation Units (In lacs)	1.73	2.06
Total amount (Rs. in lacs)	21.13	22.98
Units/Litres of Diesel oil	2.77	2.81
Cost/Unit (Rs.)	12.24	11.13
2. Coal :		
Quantity (MT)	1367	1587
Total Cost (Rs. in lacs)	109.01	82.84
Average Rate/MT (Rs.)	7974	5221
(B) Consumption per unit of Production :		
Units	kgs.	kgs.
Electricity	3.37	3.17
Coal	0.35	0.39

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. 5662.66 lacs at FOB price against an outgo of Rs. 4033.65 lacs.