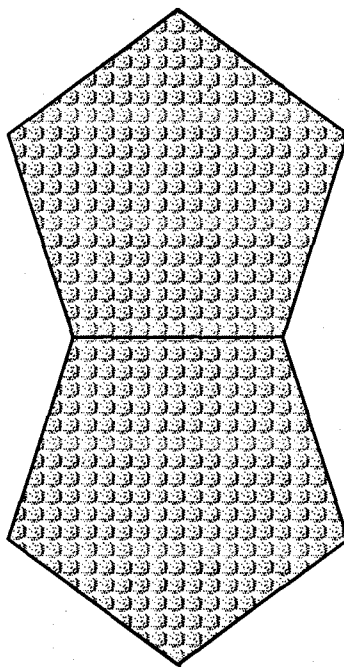


ANNUAL REPORT

2011-2012



Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

- Shri Rajesh Ranka - Chairman & Managing Director
Shri Pradeep Kumar - Special Director (BIFR)
Shri R.R. Maheshwari - Director
Shri H.L. Sharma - Director
Shri S.B.L. Jain - Director
Shri J.P. Agarwal - Director & Senior President

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 31st Annual General Meeting of **Modern Threads (India) Limited** will be held on Friday the 21st September, 2012 at 4.00 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, 2012 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 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 Jagdish Prasad Agarwal, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 28/06/2012 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.”

- (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 appointment of Shri Jagdish Prasad Agarwal as Director & Senior President of the Company for a period of two years with effect from 01/07/2012 on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto.”

By order of the Board

Place : Jaipur

Date : 28th June, 2012

(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 4 & 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 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 18/09/2012 to 21/09/2012 (both days inclusive).

ANNEXURE TO NOTICE EXPLANATORY STATEMENT (Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.4

Shri Jagdish Prasad Agarwal was appointed as an Additional Director of the Company with effect from 28/06/2012 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 Jagdish Prasad Agarwal 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 Jagdish Prasad Agarwal, is concerned or interested in the resolution.

Item No.5

Shri Jagdish Prasad Agarwal was appointed as Director & Senior President of the Company for a period of 2 years w.e.f. 01/07/2012 by the Board of Directors of the Company. The terms & conditions and payment of remuneration to Shri Jagdish Prasad Agarwal as Director & Senior President 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 Jagdish Prasad Agarwal, as Director & Senior President of the Company with remuneration for a period of 2 years with effect from 1st July, 2012 at the following terms and conditions of his remuneration :-
 - (A) Basic Salary – Rs.75000/- per month for first year and thereafter increase not exceeding 20% of basic salary of previous year for second year.
 - (B) Perquisites and allowances:
 - (i) Reimbursement of expenses on account of medical benefits and leave travel concession for self & family, the total cost of which to the Company shall not exceed 8% of the basic salary.
 - (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 half month's salary for each completed year of service, as provided in the Gratuity Act.
 - (iv) Free use of car with driver, for Company's business.
 - (v) Free telephone facility at residence for Company's business.
 - (vi) 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 Jagdish Prasad Agarwal, 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 Annual Report and Audited Statement of Accounts for the year ended 31st March, 2012.

1. FINANCIAL RESULTS

(₹ in Crores)

	2011-12	2010-11
Net Profit / (Loss) for the year	8.72	(2.27)
Exceptional Items	10.76	6.18
Net Profit for the year after exceptional items	19.48	3.91

2. OPERATIONS

The Woollen division of the Company has been operating reasonably over past few years despite of stiff competition in the domestic & international markets. During the year under review the turnover of the Woollen division of the Company was about ₹ 101 crores as against ₹ 89 crores in previous year inspite of sluggish demand of worsted yarn from major European countries. The performance of the woollen division has improved during the year under review on account of gain in export realizations due to continuous rupee depreciation, lesser interest cost and booking of wool at low rates. Your company has been able to generate net profit of ₹. 8.72 crores during the year under review as against net loss of ₹ 2.27 crores in previous year. In view of accumulated losses, your directors are unable to declare any dividend for the year under review.

3. EXPORTS

During the year under review exports of Woollen division was of ₹ 65 crores as against the exports of ₹ 57 crores in previous year. Consistent efforts are being made by the woollen division of the Company to ensure sustainable leadership for its products in global market. Woollen division has also initiated the efforts in developing newer international markets for spreading its overseas business and mitigating the risk by reducing dependence on any particular country which would definitely boost the existing export volume of its products in times to come.

4. FUTURE PROSPECTS

Although the general outlook for the Textile Industry is not promising in view of stiff competition from China, reduction in custom duty on wool tops in the recent budget but due to ongoing efforts of management for improving operational efficiency, the cost reduction and inherent strengths in the field of manufacturing and marketing capabilities, future of Woollen division looks optimistic. The worsted yarn segment of Textile Industry is moving ahead and likely to grow fast in coming years.

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 glad to report that the dues of remaining secured lenders have also been settled during the year under review. Thus, 100% of the secured lenders have approved the settlement of their dues. Settlement made during the year under review has resulted into write back of principal and interest which has been included in the exceptional items shown in the financial statements. 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 R.R. Maheshwari is liable to retire by rotation and being eligible, offers himself for reappointment. Appropriate resolution for the

reappointment of the aforesaid Director is being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

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 2012-2013. The observations made by the Auditors are self explanatory and have been dealt with in the notes forming part of the financial statements 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 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 (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 the Audit Committee of Directors to exercise powers and discharge functions as stipulated in section 292A of the Companies Act, 1956. The present Audit Committee consists of member directors as follows :-

Shri S.B.L. Jain, Chairman

Shri H.L. Sharma

Dr. Pradeep Kumar (from 21/03/2012)

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, employees, workers, financial institutions and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai

Dated : 28th June, 2012

(RAJESH 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	Previous Year
(A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased Units (in lacs)	129.34	129.34
Total Amount (₹ in lacs)	696.49	610.06
Rate/Unit (₹)	5.38	4.72
b) Own Generation Units (in lacs)	1.90	1.73
Total Amount (₹ in lacs)	26.65	21.13
Units/Liters of Diesel oil	2.72	2.77
Cost/Unit (₹)	14.02	12.24
2. Coal :		
Quantity (MT)	1166	1367
Total Cost (₹ in lacs)	95.60	109.01
Average Rate / MT (₹)	8197	7974
(B) Consumption per unit of Production :		
Units	Kgs.	Kgs.
Electricity	3.98 (*)	3.37
Coal	0.34	0.35
(*) Consumption per unit of production increased in comparison to previous year on account of change in product mix and higher production of better quality material.		

2. TECHNOLOGY ABSORPTION :

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 the 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 period foreign exchange of ₹ 6323.76 lacs at FOB price against an outgo of ₹ 4631.13 lacs.