

MODISTONE LIMITED

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Modistone

69TH ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS

Directors	MR. KRISHAN BHAGWAN GUPTA MR. RAVINDER LAL AHUJA MR. KAPIL DEV GUPTA MR. RAM SAMHAR DUBEY
President	MR. SATISH KUMAR MODI
Secretary	MR. NARESH KUMAR JAIN
Auditors	M/S. FORD, RHODES, PARKS & CO.
Bankers	STATE BANK OF BIKANER & JAIPUR STATE BANK OF PATIALA STATE BANK OF INDIA STATE BANK OF INDORE CANARA BANK PUNJAB NATIONAL BANK CITIBANK. N.A.
Solicitors	CRAWFORD BAYLEY & CO. MUMBAI
Advocates	J.B. DADACHANJI & CO., NEW DELHI
Registered Office & Factory	HAY BUNDER ROAD MUMBAI - 400 033.
Corporate Office	4-7/C, DDA SHOPPING CENTRE NEW FRIENDS COLONY NEW DELHI - 110 065.
Share Transfer Office	SYSTEMS DEPARTMENT MODISTONE LTD. MODIPURAM - 250 110 MEERUT (U.P.)

Due to prohibitive cost of paper and printing, copies of Annual Report will not be distributed at the Annual General Meeting.

NOTICE

NOTICE is hereby given that the **69th Annual General Meeting** of the Shareholders of Modistone Limited will be held at Patkar Hall, 1, N. Thackersey Road, New Marine Lines, Mumbai - 400 020 on Friday, the 23rd March, 2001 at 4.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2000 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. R.L. Ahuja, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R.S. Dubey, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board



N.K. JAIN
Company Secretary

New Delhi, the 2nd January, 2001

Registered Office:
Hay Bunder Road
Mumbai - 400 033.

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NOTES:

1. A MEMBER, ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 16th March, 2001 to Friday, the 23rd March, 2001 (both days inclusive).
4. Members are requested to notify promptly any change in their addresses to the Systems Deptt., Modistone Ltd., Modipuram - 250 110, Meerut (U.P.).
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Secretary of the Company atleast 7 (seven) days before the date of the meeting, so that information required may be made available at the meeting.

DIRECTORS' REPORT

Your Directors present the 69th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 30th September, 2000.

FINANCIAL RESULTS

	(Rs. in lacs)
	For the year ended 30.09.2000
	For the year ended 30.09.1999
Turnover/other Income	66
Gross Profit/(Loss)	(1,73)
Depreciation	2,36
Profit/(Loss) before tax	(4,09)
Provision for Excise Duty	0
Right issue expenses written off	7
Net Profit/(Loss) for the year	(4,16)
ADD: Balance brought forward from previous year	(92,45)
Balance Profit/(Loss)	(96,61)

The losses incurred by the Company during the period are due to the lock out in the Company's Plant at Mumbai and various other Offices and Godowns.

STATUS WITH BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

Based on the Balance Sheet as on 30.09.1997, the Board of Directors of the Company had decided to make a reference to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Accordingly, the Company had made a reference to BIFR and it was declared as a "Sick Industrial Company" by BIFR. Industrial Finance Corporation of India Ltd. (IFCI) was appointed as Operating Agency (OA) under Section 17(3) of SICA to examine the viability and submit its report on revival of the Company. As directed, the Company submitted its rehabilitation proposal(s).

BIFR in its hearing on 12.01.2000 held that the rehabilitation scheme submitted by the company has not been found to be acceptable by the secured creditors. Accordingly, the Bench decided that a change of management would be considered. It directed OA to issue advertisement in the newspapers inviting offers for the takeover / leasing / amalgamation / merger for rehabilitation, with or without OTS of the dues of the FIs and Banks. The present promoters were also permitted to submit their proposal in this regard.

Pursuant to the advertisement released by the OA, the promoters submitted their rehabilitation scheme for the revival of the Company on 10th April, 2000. Although the OA convened a joint meeting, the promoters / company were not invited for the same. On 11th October, 2000 BIFR, based on the letter dated 01.08.2000 received by them from OA passed an order that BIFR has come to the prima facie opinion that Modistone Ltd. is not likely to make its net worth exceed its accumulated losses within a reasonable time while meeting all its financial obligations. The Company, as a result thereof, is not likely to become viable on a long term basis and hence, it is just, equitable and in public interest that it is wound up under Section 20(1) of the Act and directed a show cause notice to be issued accordingly. The show cause notice dated 16.10.2000 was accordingly issued fixing the matter for hearing on 27th December, 2000.

The Company has filed its objections before BIFR and BIFR has now fixed the matter on 7th March, 2001. The company is taking appropriate steps in the matter.

INDUSTRIAL RELATIONS

The lock out declared by the Company at its Factory premises at Sewree, Central Office, Mumbai District Office and Godown vide the lock out notice dated 22nd September, 1997 which became effective from 8th October, 1997 and the lock out declared in various other Offices and Godowns on different dates in October, 1997 is continuing. The various legal proceedings initiated consequent upon the aforesaid declaration of lock out are pending in different Courts and the Company is defending the same.

FIXED DEPOSITS

Out of the total deposits earlier collected from the shareholders and the public, a sum of Rs. 31,000/- from 11 depositors still remain unclaimed as on 30th September, 2000.

DIRECTORS

Mrs. Usha Venkatesan has resigned from the Board of Directors since the last Annual General Meeting. Your Directors place on record her sincere appreciation and gratitude for the services rendered by her.

Mr. R.L. Ahuja and Mr. R.S. Dubey are liable to retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

The Company has no employee who was in receipt of remuneration as has been prescribed u/s 217 (2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that :

- i) in preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii) the Directors had selected such accounting policy and applied them consistently. However, no provision has been made in the accounts in respect of (i) Loan and interest accrued thereon amounting to Rs. 21.50 lacs (Note No. 18), (ii) Excise Duty liability in relation to PME case wherein Assessing Authority has raised a demand of Rs. 1589 lacs and company has provided Rs. 660 lacs (Note No. 20), (iii) Wages to workers at Mumbai Plant and various offices estimated at Rs. 6083 lacs [Note No. 24(a)(i)], interest due to financial institutions, banks and others amounting to Rs. 909.95 lacs [Note No. 24 (a)(ii)(iii)(v)(vi)], (iv) interest due on short term loan and raw material loan from holding company and also on security deposit from customers (amount not ascertained) [Note No. 24(a)(iii)] and writing down of inventories due to partly deterioration/ damages and obsolescence (amount not ascertained) (Note No. 25). Subject to these, the Directors had made judgements and estimates that are 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 that period;
- iii) the Company has still not been able to obtain some of the accounting and financial records (including asset registers and revaluation records) due to continued lockout, in the Plant and in various offices, which are necessary for preparing the annual accounts as well as for finalising the audit. Accordingly, sales, stocks, debtors, accrued expenses / liabilities and bank reconciliations etc. of the company have been compiled on the basis of available information, books of accounts and records. The consequential adjustments, if any, on above points would be made in the accounts as and when the complete records are available. Subject to the above, 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;
- iv) the company had been declared as a "Sick Industrial Company" by the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 15.04.1998 and had appointed IFCI Limited as the Operating Agency (OA). BIFR has now issued a Show Cause Notice to the Company for winding up on the ground that rehabilitation proposals submitted by the company/ promoters were not found acceptable to the secured creditors. The Company has filed its objections with BIFR against the aforesaid Show Cause Notice and shall take such other steps as may be advised. Accordingly, the Directors have prepared the annual accounts on the postulate of a "going concern" basis.

LISTING OF SHARES

The Company's 2,07,45,132 Equity Shares of Rs. 10/- each aggregating to Rs. 20,74,51,320/- are listed on The Stock Exchange Mumbai and The Delhi Stock Exchange Association Ltd. Due to financial stringency the company could not pay the listing fees to the aforesaid Stock Exchanges since 1st April, 1998 onwards.

AUDITORS

Ford, Rhodes, Parks & Company who are Auditors of your Company, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment. A Certificate in terms of Section 224(1B) of the Companies Act, 1956 has been received from them.

AUDITORS' REPORT

The notes on the statement of the Accounts referred to in the report of the Auditor have been suitably explained by way of notes to the accounts and may be treated as information / explanations submitted by the Board as contemplated u/s 217(3) of the Companies Act, 1956.

TAX AUDIT

Your Company has re-appointed M/s. Thakur & Company as Auditors for submitting Tax Audit Report in terms of Section 44AB of the Income-Tax Act, 1961 for the financial year ended March 31, 2001.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the Factory / Depots of the Company were under lockout, no production activity could take place during the period. Therefore, Conservation of Energy, Technology Absorption, Research and Development and Adaptation and Innovation Activities could not be carried out. Foreign Exchange Earnings and outgo was nil. Hence, Form A and B prescribed in this regard are not attached.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation to various Central and State Government Authorities, Financial Institutions, Banks and the shareholders for their valuable guidance, assistance and support.

By Order of the Board



Place : New Delhi
Date : 2nd January, 2001

K.B. GUPTA
Director & Chairman of the Meeting

AUDITORS' REPORT

We have audited the attached Balance Sheet of Modistone Limited as at 30th September 2000 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. The Company was declared as "Sick Industrial Company" by the Board for Industrial and Financial Reconstruction (BIFR) on 15.4.1998 and IFCI Limited was appointed as the "Operating Agency" (OA). The company has now received show cause notice for winding-up on the ground that the rehabilitation proposals submitted by the company/promoters were not found acceptable to the secured creditors. The company has filed its objections with BIFR against the aforesaid show cause notice and the matter is pending. In view of above, the accounts are continued to be prepared on 'going concern' basis (Note No. 22 (a))
2. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1998 and on the basis of such checks as we considered appropriate, we give in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in paragraph 2 above
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion the Balance Sheet and Profit & Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, except for our comments in para (g) (ii) (vii), (viii), (ix) and note 4 below;
 - (e) Attention is invited to Note No. 29 regarding non disclosure of the amounts payable to small scale industrial undertaking for reasons stated therein.
 - (f) Reference is invited to following notes to accounts where we are unable to report the effect of consequential adjustments thereof on the accounts of the Company:
 - (i) Note No.17 regarding inability to obtain some of the accounting and financial records lying in various offices of the company and in the Plant necessary for preparing the annual accounts due to lockout.
 - (ii) Note No 19 regarding loans/balances of advances/deposits and sundry creditors of the company, some of which are subject to reconciliation.
 - (iii) Note No. 23 regarding lock-out matters and the legal cases pending in different courts.
 - (iv) Note No. 26 regarding Sundry Debtors which include old dues of Rs.379.54 lacs and against which there exist provision of Rs.132.29 lacs. Though the company is making efforts to realise the debts, it may face difficulty in realising these old dues as the Company's operations are closed.
 - (g) No provision has been made in the accounts in respect of following :
 - i) Depreciation on the appreciation entered in the books by writing up the fixed assets to appraised values as determined by independent valuers for reasons stated in Note No. 17. However this has no impact on the loss for the year as equivalent amount will be withdrawn from the revaluation reserve to compensate the charge of depreciation on appreciation.
 - ii) Loan and interest accrued thereon amounting to Rs. 21.50 lacs given to a company declared a sick industrial undertaking under the Sick Industrial Undertaking under the Sick Industrial Companies (Special Provisions) Act, 1985 where, we are unable to formulate an opinion on recoverability of amount due (Note No. 18).
 - iii) In respect of Excise duty liability in relation to PME case referred to in Note No. 20 where Assessing Authority has raised a demand for Rs. 1589 lacs and the Company's appeal against the said Order is pending before the Commissioner of Central Excise (Appeals). The Company has provided Rs. 660 lacs being the adhoc amount paid and bank guarantees invoked. The balance liability is undetermined until the disposal of appeal and hence unprovided for.
 - iv) Wages to workers at Mumbai Plant and various other offices estimated at Rs. 6083 lacs {including interest thereon} relating to lockout matters pending in Courts {Note No.24 (a) (1) }.
 - v) Interest amounting to Rs. 754.77 lacs due to Financial Institutions and Banks { Note No.24 (a) (ii) and (iii) }.
 - vi) Interest due on short term loan and raw materials loan from Holding Company and also on security deposits from customers amount not ascertained {Note No. 24 (a) (ii) and (iii) }.
 - vii) Interest liability on customs duty accrued on bonded materials amounting to Rs.40.18 lacs {Note No. 24 (v)}.
 - viii) Interest liability on account of non-payment of Gratuity in respect of employees who are no longer in the services of the Company estimated at Rs. 115 lacs {Note No. 24 (a) (vi) }.
 - xi) The inventories as at the date of reporting have become partly deteriorated/damaged and obsolete and their values have declined. The inventories, therefore, may not be fully realisable to the extent stated in the accounts. In the absence of technical evaluation, we are unable to formulate an opinion on the provisions for writing down these inventories (Note No. 25).
4. Subject to matters stated in paragraphs 1,3(e) 3 (f) and 3 (g) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - a) In the case of the Balance Sheet-of the state of affairs of the Company as at 30th September, 2000 and
 - b) In the case of the Profit and Loss Account of the loss for the year ended on that date.

For FORD, RHODES, PARKS & CO.
Chartered Accountants

Place : New Delhi
Date : 2nd January, 2001

A.D.SHENOY
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF THE REPORT

1. The company's Fixed assets registers have not been updated. The fixed assets have not been physically verified by the Management during the year due to continued lockout at Plant and some sale offices/depots. In view of non verification and updation of records showing quantitative details and situation of fixed assets, it is not possible for us to comment on discrepancies or condition of assets.
2. None of the fixed assets have been revalued during the period.
3. i) The stocks of finished goods, stores, spare parts, raw materials and work-in-process have not been physically verified by the Management during the year due to continued lock-out and suspension of operations in factory and other places as explained in Notes 17 & 25.
 ii) In view of non-verification, it is not possible for us to comment on discrepancies and condition of inventories.
 iii) As explained in Note No. 27, the inventories have become partly deteriorated/damaged and obsolete and their values have declined. However, the valuation of stocks has been done in accordance with same basis and accounting principles as in the preceding years. In the absence of technical evaluation, we are unable to comment on the basis followed for valuation of stocks.
4. In our opinion, the rate of interest and terms and conditions on which unsecured loans have been obtained from a company listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. No provision for payment of interest on aforesaid loan has been made in the accounts as explained in Note 24 (a) (iv).
5. Recovery of loan and interest accrued thereon given to a company as mentioned in Note No. 18 will be in the manner as may be decided by the Board for industrial and Financial Reconstruction (BIFR).
6. In respect of loans given by the Company to its employees, steps are being taken to recover the same from final settlement claims of respective employees.
7. As explained in Note No. 23 and 25, the Company's operations in factory/some depots have been suspended due to continued lock-out and there are no purchases of stores, raw materials, plant and machinery, equipment and other assets. In view of above, there is no application of this clause with regard to adequate internal control procedures.
8. In our opinion and according to the information and explanations given to us, there are no transactions of sale of goods and materials made in pursuance of arrangements entered in the register maintained under Section 301 of the Companies Act, 1956. Hence the clause is not applicable.
9. As explained to us, unserviceable or damaged stores and raw materials have not been determined by the company due to continued lock-out in the Factory and some depots. In the absence of technical evaluation, we are unable to comment on the non-provision in the accounts for the loss arising on the items so determined.
10. The Company has not accepted or renewed any deposits from the public during the year and has only unclaimed matured deposits in the books. In respect of these cases, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder.
11. During the year there were no sale of disposal scrap. The Company has no by-products.
12. In view of continued lock-out and suspension of operations, no internal audit was carried out during the year.
13. During the year, there were no manufacturing activity carried in the Factory due to continued lock-out and hence maintenance of cost records under Section 209 (1) (d) does not apply.
14. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities during the year.
15. According to the books and records examined by us and the information and explanations given to us, there were no undisputed amounts payable in respect of Income-tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 30th September, 2000.
16. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligation or in accordance with generally accepted business practice.
17. The Company is a Sick Industrial Company within the meaning of clause (o) of Section 3 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985, as mentioned in Note. 22.
18. There were no damaged goods in the case of goods purchased by the Company for resale.

For FORD, RHODES, PARKS & CO.
Chartered Accountants

Place : New Delhi
Date : 2nd January, 2001

A.D.SHENOY
Partner