

**ANNUAL REPORT
2006-2007**



Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

Shri H.S. Ranka	- Chairman & Managing Director
Shri Sachin Ranka	- Director
Shri A.K. Choudhary	- 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 26th Annual General Meeting of Modern Threads (India) Limited will be held on Saturday the 29th September, 2007 at 12.00 Noon 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, 2007 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 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, 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, wherever required and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the appointment of Shri H.S. Ranka as Managing Director of the Company from 01/01/2007 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 : 30th June, 2007

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 27.09.2007 to 29.09.2007(both days inclusive).

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT**

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

Item No. 5

Shri H.S. Ranka was appointed as Managing Director of the Company for a period of 3 years w.e.f. 01/01/2007. The terms & conditions & payment of remuneration to Shri H.S. Ranka as Managing 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.
- (B) Perquisites and allowances :
 - (i) Fees of clubs - subject to a maximum of two clubs & maximum amount of Rs. 75,000/- per annum.
 - (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 one half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/-.
 - (iv) Free use of car with driver, for Company's business.
 - (v) 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 H.S. Ranka and Shri Sachin Ranka, is concerned or interested in the said resolution in item No.5. The details set out hereinabove 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, 2007.

1. FINANCIAL RESULTS

	(Rs. in crores)	
	2006-07	2005-06
Gross Profit / (Loss) before Depreciation	(10.99)	(28.35)
Depreciation	3.83	3.00
Net Profit / (Loss) before Tax	(14.82)	(31.35)
Fringe benefit Tax	0.04	0.06
Net Profit / (Loss) for the Year	(14.86)	(31.41)
Exceptional Items	173.89	12.53
Balance Brought forward from Last Year	(649.35)	(630.47)
Balance carried to Balance Sheet	(490.32)	(649.35)

2. OPERATIONS

The Woollen division of the Company has been operating reasonably over past few years, despite of stiff competition in domestic and international markets. Its worsted yarn products are well established in the international market and enjoying international clientele. During the year under review, the Woollen division has achieved turnover of Rs.85 crores. The gross loss before depreciation has reduced to Rs.11 crores as against Rs. 28 crores in the previous year on account of increased production in Woollen division and lower interest cost on account of the settlements made with some of the secured lenders. Your directors are unable to declare any dividend for the year under review in absence of profits.

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

3. EXPORTS

The exports of the Woollen division during the year under review has suffered set back mainly because of higher wool prices. This division could achieve export turnover of Rs.46 crores during the year under review as against Rs. 51 crores in previous year. Despite of adverse features, the Woollen division of the Company continues to be one of the large exporters of woollen and worsted yarn from the country.

4. FUTURE PROSPECTS

In view of Company's inherent strengths in the field of manufacturing and market capabilities, future of Woollen division looks optimistic and thus Woollen division of the Company may be able to provide better contribution towards operating margins. The possibility to restart of yarn division of the Company seems to be very difficult. The PTA division of the Company remains abandoned as desired by the lenders.

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

Company has submitted proposal for settlement / restructuring of outstanding debts to all the term lenders and working capital bankers which includes different options for settlement, waiver of entire interest of any nature, settlement of preference shares etc. So far about 33% of the secured lenders have settled their dues and company is making payments as per settlement. This has resulted into write back of principal & interest during the year under review 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. As directed by Hon'ble BIFR, Company has appointed M/s.Hardicon Limited for conducting Techno Economic Viability Study of the company and awaiting its report.

7. DIRECTORS

Shri H.S. Ranka has been appointed as Managing Director of the Company w.e.f. 01.01.2007 for a period of 3 years. During the year under review Shri K.K. Baheti has resigned from the directorship of the company. The Board welcomes Shri H.S. Ranka and places on record its appreciation for the valuable contribution given by Shri K.K. Baheti during his tenure as a Director of the Company. Shri G.C. Baveja and Shri M.L. Pamecha are liable to retire by rotation and being eligible, offer themselves for reappointment.

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 2007-2008. 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;
- 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 this Act 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

13. CORPORATE GOVERNANCE

The Company is making all efforts for complying with the provisions relating to Corporate Governance pursuant to clause 49 of the Listing Agreement with Stock Exchange(s).

14. 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, Financial institutions, working capital bankers and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai
 Dated : 30th June, 2007

(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 2006-2007	Previous Year 2005-2006
(A) Power and Fuel Consumption :		
1. Electricity :		
(a) Purchased Units (KWH) (Units in lacs)	124.58	87.15
Total Amount (Rs. in lacs)	543.47	382.02
Rate/Unit (Rs.)	4.36	4.38
(b) Own Generation Units (In lacs)	1.96	1.83
Total amount (Rs. in lacs)	20.11	17.53
Units/Litre of Diesel oil	2.92	2.84
Cost/Unit (Rs.)	10.26	9.58
2. Coal :		
Quantity (MT)	2781	2536
Total Cost (Rs. in lacs)	95.15	82.51
Average Rate/MT (Rs.)	3421	3253
3. Furnace Oil (Thousand Liters)	N.A.	N.A.
(B) Consumption per unit of Production :		
Units	Kgs.	Kgs.
Electricity	2.74	2.11
Coal	0.60	0.54

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. 4634.91 lacs at FOB price against an outgo of Rs. 3897.87 lacs.

AUDITOR'S REPORT

To,

The Members of Modern Threads (India) Ltd.

We have audited the attached Balance Sheet of MODERN THREADS (INDIA) LIMITED as at 31st March, 2007, Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Ministry of Finance, Department of Company Affairs in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes 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 such books.
- (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with accounting standards referred in Section 211(3C) of the Companies Act, 1956, except otherwise appearing in Schedule 14-Notes on accounts.
- (e) The directors, other than nominee directors, of the Company are restricted from being appointed as Director in any other public Company under clause (g) of section 274(1) of the Companies Act, 1956. As per opinion obtained by the Company, existing directors of the Company can continue to be in office during their entire tenure and they can also be re-appointed as a director on the expiry of their tenure. We have been informed that the Company has made representation to the Central Government (Department of Company Affairs) seeking appropriate exemption from the applicability of the section.
- (f) In our opinion and to the best of our information and according to explanations given to us said accounts, read together with Notes on Accounts as per schedule 14 and subject to:

- (i) Note No. 4, regarding balances of debtors, creditors, advances, secured and unsecured lenders etc. are subject to confirmation and reconciliation, if any.

- (ii) Note No. 6, regarding amount paid towards restructuring / Settlement to various secured lenders Rs. 520.00 lacs and shown under the head Loans and Advances. Secured Loans and Loans and Advances are overstated to that extent.
- (iii) Note No.10, regarding non-provision of interest on certain secured, unsecured and other loans amounting to Rs 1694.37 lacs. The total amount of interest not provided till 31st March, 2007 amounts to Rs. 12725.52 lacs.
- (iv) Note No.11, regarding non-provision of penal and compound interest/liquidated damages, amount of which is unascertainable, pending confirmation/reconciliations with the lenders.
- (v) Note No.14, regarding non-provision of dividend on cumulative redeemable preference shares amounting to Rs 140.38 lacs for the year (Rs. 1544.15 lacs upto 31st March, 2007)
- (vi) Note No.15, regarding non-verification of certain records of Threads Division due to seizure of entire plant and office block by Ajmer Vidyut Vitran Nigam Ltd.
- (vii) Note No. 18, the accounts of the company have been prepared on going concern basis though the accumulated losses of the company have exceeded its net-worth.
- (viii) Note No. 21, regarding exceptional income of Rs. 14638.78 lacs on account of settlement of borrowings and interest overdues, pending fulfillment of future obligation.
- (ix) Note No. 22, the name of small scale undertakings having overdue is not disclosed in view of none of suppliers has informed their status as SSI units.

We further report that, had the observations made by us for the para 2 (f) (iii) above taken care of, the loss for the year would have been Rs. 3176.52 lacs (as against the reported figures of Rs. 1482.15 lacs), cumulative losses would have been Rs.61757.87 lacs (as against the reported figures of Rs. 49032.35 lacs), loan funds would have been Rs. 52386.40 lacs (as against the reported figures of Rs. 40405.46 lacs), liabilities would have been Rs.3514.43 lacs (as against the reported figures of Rs. 2769.85 lacs).

Give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2007 and
- (ii) In the case of Profit & Loss Account, of the loss for the year ended on that date.
- (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.S. SURANA & CO.
Chartered Accountants

R.N. GOYAL
Partner

Place : Mumbai

Date : 30th June, 2007

Membership No. 70331

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of Report of even date to the Members of MODERN THREADS (INDIA) LIMITED:

(i) The Company has maintained proper records showing full particulars including quantitative details and situations of its fixed assets other than furniture and fixtures for which detailed records are not maintained. According to the information and explanations given to us, the fixed assets were physically verified by the management except of Threads Division being under attachment by AVVNL, at reasonable intervals during the year in accordance with a program of physical verification and no material discrepancies were noticed on such verification as compared to the available records. No substantial part of Fixed Assets have been disposed off during the year affecting going concern of the company.

(ii) As explained to us, physical verification except of Threads Division of the Company being under attachment of AVVNL, has been conducted by the management at reasonable intervals in respect of finished goods, stores & spare parts and raw material except stocks in transit and lying with third parties which have generally been confirmed. In our opinion and according to the information and explanations given to us, the procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. According to the records produced to us for our verification, there were no material discrepancies noticed on physical verification of stocks as compared to book records and the same have been properly dealt within the books of accounts.

(iii) The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956, during the year. Since the Company has neither granted nor taken any loans, Secured or Unsecured to/from companies, firms or other parties covered in the Register under section 301 of the Companies Act, 1956, during the year, hence clauses (iii) (a) to (iii) (g) of the order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of Inventory and Fixed Assets and for sale of goods and services.

(v) In respect of transactions covered under section 301 of Companies Act, 1956 :

(a) In our opinion and according to the information and explanations given to us the particulars of contracts or agreements, that needs to be entered in to the register maintained U/s 301 of the Companies Act, 1956, have been so entered.

(b) According to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) As per information and explanations given to us, the company has not accepted fresh deposits during the year. In respect of deposits accepted in earlier years, the compliance with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are subject to order of Company Law Board Dated 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 the BIFR under the Provisions of 'SICA' ". However the Company is making payment on compassionate grounds as per decisions of committee formed by the Company Law Board.

(vii) In our opinion the company has an internal audit system, commensurate with the size and nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to Section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie prescribed records have been maintained. We have not however, made a detailed examination of such records, so as to ascertain whether they are accurate or complete.

(ix) In respect of statutory dues:

a) The company is generally regular in depositing undisputed statutory dues including Provident fund, Investor education & protection fund, ESI, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authority except the following, which are outstanding for more than 6 months :

i) Central Sales Tax	Rs. 13.05 Lacs
ii) Rajasthan Sales Tax	Rs. 81.05 Lacs
iii) Textiles Committee Cess	Rs. 13.97 Lacs
iv) Excise Duty	Rs. 12.17 Lacs

b) The disputed statutory dues, which have not been deposited on account of matters pending before appropriate authorities are as under:-

(Rs in lacs)

Name of statute	Nature of dues	Amount net of advance	Forum where dispute is pending
Central Sales Tax Act	Sales tax	0.78	DC (A), Ajmer
	Sales tax	154.93	DC (A), Jaipur
	Sales tax	2.23	CTO, Jaipur
State Sales Tax Act	Sales tax (RST)	79.52	DC (A), Ajmer
	Sales tax (RST)	3.12	CTO, Jaipur
Central Excise Act	Excise duty	86.07	Commissioner Appeals, Jaipur
	Excise duty	16.05	CESTAT, Delhi
Raj. Land & Building tax Act	Land & Building Tax	4.11	High Court, Jaipur
Employee State Insurance Act	ESI	28.09	High Court, Jodhpur
	ESI	7.07	Labour Tribunal, Delhi
	ESI	0.19	C.J.M., Bhillwara
Provident Fund Act	PF	3.28	Commissioner, Jaipur
The Rajasthan Agriculture	Mandi Tax	124.60	The Rajasthan High
Product Markets Act			Court, Jaipur

(x) The accumulated losses of the company at the end of financial year are more than its net worth and it has incurred cash losses during the financial year and in the preceding financial year. However due to waiver of principal & interest an amount of Rs.14638.78 lacs by secured lenders and write back of Rs.2750.00 lacs of advance subscription against right issue, which have been accounted for as exceptional income, it has resulted into profit for the year.

(xi) As informed and explained to us, the company has defaulted in repayment of dues to Financial Institutions, Banks & Debenture holders since 1998. Amount overdue Rs.36890.09 lacs, as on 31st March, 2007 worked out as per restructuring scheme considered by financial institutions during March, 1998. The above overdues are other than the amounts not provided for in the Books of Accounts as referred in para 2 & 10 of schedule 14.

(xii) As informed and explained to us the company has not granted any loan and advances on the basis of security by way of pledge of shares, Debentures and other securities during the year.

(xiii) Since the company is not a Chit fund or a Nidhi / Mutual Benefit Fund / Societies, the provisions of clause 4 (xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.

(xiv) As-informed to us the Company is not dealing/trading in securities, shares, debentures and other investments. Hence the provisions of clause are not applicable.

(xv) The Company has given Corporate Guarantee in respect of loans taken by Modern Terry Towels Ltd. amounting to Rs.3039.51 Lacs. As per information and explanation given to us, the terms and conditions thereof were not prejudicial to the interest of the company when such guarantee was tendered.

(xvi) The Company has not raised fresh Term Loans during the year.

(xvii) During the year, the Company has raised funds from share application money from promoters and their associates and the same have been used for the purpose the same was intended to be used.

(xviii) As informed and explained to us the company has not made Preferential allotment to the parties and companies covered in Register maintained under section 301 of the Act, at the price which is not prejudicial to the interest of the company, during the year under report.

(xix) As informed and explained to us the company has created securities and charges in respect of debentures issued in earlier years except for the cases where debenture trust deeds are yet to be executed.

(xx) The company has not raised any money by way of public issue during the year.

(xxi) As informed and explained to us no fraud on or by the company has been noticed or reported during the year.

For S.S. SURANA & CO.
Chartered Accountants

R.N. GOYAL
Partner

Place : Mumbai

Date : 30th June, 2007

Membership No. 70331

BALANCE SHEET AS AT 31ST MARCH, 2007

(Rs. in lacs)

	Schedule	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	1	4927.52	4702.52
Reserves and Surplus	2	9413.39	9413.39
		<u>14340.91</u>	<u>14115.91</u>
LOAN FUNDS			
Secured Loans	3	38582.09	52000.30
Unsecured Loans	4	1823.37	4616.18
		<u>40405.46</u>	<u>56616.48</u>
TOTAL		<u>54746.37</u>	<u>70732.39</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	21737.98	21454.95
Less : Depreciation		16802.14	16451.08
Net Block		4935.84	5003.87
Capital work in Progress		-	177.52
		<u>4935.84</u>	<u>5181.39</u>
INVESTMENTS			
	6	0.67	0.67
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	1466.55	1153.98
Sundry Debtors		732.48	977.69
Cash and Bank Balances		448.76	632.23
Interest accrued on investment		0.38	0.32
Loans, Advances and Deposits		899.19	569.86
		<u>3547.36</u>	<u>3334.08</u>
LESS : CURRENT LIABILITIES AND PROVISIONS	8	2769.85	2719.04
NET CURRENT ASSETS		<u>777.51</u>	<u>615.04</u>
Profit & Loss Account		<u>49032.35</u>	<u>64935.29</u>
TOTAL		<u>54746.37</u>	<u>70732.39</u>
NOTES ON ACCOUNTS			
	14		

As per our report of even date attached

For and on behalf of the Board

 For S.S. SURANA & CO.
 Chartered Accountants

 (R.N. GOYAL)
 Partner

 Place : Mumbai
 Date : 30th June, 2007

H.S. Ranka – Chairman & Managing Director

 Sachin Ranka
 A.K. Choudhary
 G.C. Baveja
 H.L. Sharma
 R.R. Maheshwari
 } Directors

B.L. Saini – Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in Lacs)

Particulars	Schedule	2006 - 2007	2005 - 2006
INCOME			
Sales		8533.65	8560.60
Less : Excise Duty		81.82	50.83
Net Sales		8451.83	8509.77
Other Income	9	43.24	33.44
Increase/(Decrease) in Stock	10	250.03	(175.78)
		8745.10	8367.43
EXPENDITURE			
Material Cost	11	5571.53	5356.56
Employees Cost	12	524.65	404.10
Operational and Other Expenses	13	3748.42	5441.66
Depreciation		382.65	300.01
		10227.25	11502.33
PROFIT/(LOSS) FOR THE YEAR BEFORE TAX AND EXCEPTIONAL ITEMS		(1482.15)	(3134.90)
Less : Provision for Fringe Benefit Tax		3.69	6.48
PROFIT/(LOSS) FOR THE YEAR BEFORE EXCEPTIONAL ITEMS		(1485.84)	(3141.38)
Add : Exceptional items (Refer note no. 21 of Schedule no. 14)		17388.78	1253.28
PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS		15902.94	(1888.10)
Add : Balance brought forward from last year		(64935.29)	(63047.19)
BALANCE CARRIED TO BALANCE SHEET		(49032.35)	(64935.29)
Basic/Earning Per Share (Rs.)			
- Before exceptional items		(4.68)	(9.44)
- After exceptional items		45.33	(5.83)
Diluted Earning Per Share (Rs.)			
- Before exceptional items		(4.25)	(9.43)
- After exceptional items		41.16	(5.83)
NOTES ON ACCOUNTS	14		

As per our report of even date attached

For and on behalf of the Board

For S.S. SURANA & CO.
Chartered Accountants(R.N. GOYAL)
PartnerPlace : Mumbai
Date : 30th June, 2007

H.S. Ranka – Chairman & Managing Director

Sachin Ranka	} Directors
A.K. Choudhary	
G.C. Baveja	
H.L. Sharma	
R.R. Maheshwari	

B.L. Saini – Company Secretary

SCHEDULE 1 : SHARE CAPITAL*(Rs. in lacs)*

	As at 31.03.2007	As at 31.03.2006
AUTHORISED		
18,50,00,000 Equity shares of Rs. 10/- each	18500.00	18500.00
20,00,000 Preference shares of Rs. 100/- each	2000.00	2000.00
	<u>20500.00</u>	<u>20500.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
EQUITY		
3,47,75,160 Equity Shares of Rs. 10/- each	3477.52	3477.52
Equity Share Application Money	575.00	350.00
	<u>4052.52</u>	<u>3827.52</u>
PREFERENCE		
75,000 16.5% Cumulative Redeemable Preference Share of Rs. 100/- each, fully paid-up	75.00	75.00
8,00,000 16% Cumulative Redeemable Preference Share of Rs. 100/- each, fully paid-up	800.00	800.00
	<u>875.00</u>	<u>875.00</u>
	<u>4927.52</u>	<u>4702.52</u>

Note : 1. Equity capital includes 1,94,42,900 shares allotted in pursuance to the scheme of arrangement for reconstruction/amalgamation.
 2. Equity Share Application money represents subscription pursuant to the restructuring/settlement scheme. The necessary instruments will be issued on full implementation of the scheme.
 3. Preference Shares were redeemable in 4 equal annual instalments commencing from the year 2003-04. The same will now be redeemed as per rehabilitation scheme which is under consideration.

SCHEDULE 2 : RESERVES & SURPLUS*(Rs. in lacs)*

	As at 31.03.2007	As at 31.03.2006
Capital Reserve	35.90	35.90
Share Premium	7985.77	7985.77
Debenture Redemption Reserve	970.00	970.00
Capital Redemption Reserve	421.72	421.72
	<u>9413.39</u>	<u>9413.39</u>

SCHEDULE 3 : SECURED LOANS*(Rs. in lacs)*

	As at 31.03.2007	As at 31.03.2006
DEBENTURES		
Optionally fully Convertible Debentures	1733.47	2069.47
Non-Convertible Redeemable Debentures	6398.47	7739.01
	<u>8131.94</u>	<u>9808.48</u>
TERM LOANS		
From Financial Institutions		
Foreign Currency Loans	6996.80	7139.20
Rupee Loans	4086.47	5868.49
From Others	134.29	134.29
	<u>11217.56</u>	<u>13141.98</u>
Accrued Interest Convertible into 16% Optionally Fully Convertible Debentures (OFCDs)	1479.05	2448.39
Bank Borrowings for Working Capital	1997.75	3342.21
Interest Accrued and due	15755.79	23259.24
	<u>38582.09</u>	<u>52000.30</u>

1. Debentures, Term Loans from financial institutions / Banks and accrued interest convertible into 16 % OFCD are secured / to be secured by way of first charge and equitable mortgage of respective immovable properties both present & future consisting of land, building and plant and machinery and hypothecation of all movable assets of the Company ranking pari passu subject to prior charge in favour of the bankers against borrowings for working capital, which is further guaranteed by some of the directors.

2. Term loans from others taken under hire purchase scheme are secured against hypothecation of specific assets.
3. Borrowings for working capital are secured by hypothecation of stocks and book debts and second charge on fixed assets and are personally guaranteed by some of the Directors.
4. Optionally Fully Convertible Debentures (OFCDs) were redeemable in 32 equal quarterly instalments commencing from the quarter beginning April, 2000. The OFCD holders will have right to convert such OFCD into equity shares of the Company at par at any time during the currency of repayment period.
5.
 - a. Non Convertible Debentures amounting to Rs. 6040.47 lacs were redeemable in 15/30 half yearly/quarterly instalments, commencing from 1st October, 2001 as per restructuring scheme approved in March, 1998.
 - b. Non Convertible Debentures amounting to Rs. 358.00 lacs are redeemable in 36 stepped up monthly instalment commencing from 16th August, 2006. The payment of Rs. 40.00 lacs made towards settlement is shown under the schedule of Current Assets, Loans & Advances.
6. Rupee Loans includes Rs. 1089.68 lacs to be converted into non convertible redeemable debentures as per restructuring scheme approved in March, 1998 and the payment of Rs. 226.00 lacs made towards settlement, shown under the schedule of Current Assets, Loans & Advances.

SCHEDULE 4 : UNSECURED LOANS*(Rs. in lacs)*

	As at 31.03.2007	As at 31.03.2006
Fixed Deposits	915.12	985.77
Sales Tax Loan	4.28	4.28
Advance subscription against right issue from promoters and associates (Refer Note No. 21 of Schedule 14)	-	2750.00
Deferred sales tax	54.90	23.99
Interest accrued and due	<u>849.07</u>	<u>852.14</u>
	<u>1823.37</u>	<u>4616.18</u>

1. Sales Tax loan from Rajasthan State Industrial Development & Investment Corporation Limited under interest free sales - tax loan scheme of the Government of Rajasthan is guaranteed by the Chairman of the Company.
2. Deferred sales tax is as per Sales Tax deferment Scheme 1987 being availed w.e.f. 02.03.2005 and repayable after 7 Years in Half yearly instalments.

SCHEDULE 5 : FIXED ASSETS*(Rs. in lacs)*

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Addi- tions	Deductions	As at 31.03.2007	upto 31.03.2006	For the year	Deductions upto 31.03.2007	upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Leasehold Land	457.77	-	-	457.77	-	-	-	-	457.77	457.77
Freehold Land	587.92	-	-	587.92	-	-	-	-	587.92	587.92
Buildings	1647.30	4.66	-	1651.96	874.54	42.12	-	916.66	735.30	772.76
Plant & Machinery	18570.77	297.42	32.12*	18836.07	15435.14	329.19	28.28	15736.05	3100.02	3135.63
Furniture & Fixtures & Office Equipments	156.04	5.29	3.46	157.87	121.19	8.40	3.19	126.40	31.47	34.85
Vehicles	35.15	11.64	0.40	46.39	20.21	2.94	0.12	23.03	23.36	14.94
Total	21454.95	319.01	35.98	21737.98	16451.08	382.65	31.59	16802.14	4935.84	5003.87
Capital work in progress	177.52	-	177.52	-	-	-	-	-	-	177.52
Total	21632.47	319.01	213.50	21737.98	16451.08	382.65	31.59	16802.14	4935.84	5181.39
Previous Year	20728.77	935.26	31.56	21632.47	16151.40	300.01	0.33	16451.08	5181.39	

* Deduction in plant & machinery represents assets discarded.

SCHEDULE 6 : INVESTMENTS*(Rs. in lacs)*

	As at 31.03.2007	As at 31.03.2006
UNQUOTED		
National Saving Certificate (Deposited with Government Departments)	<u>0.67</u>	<u>0.67</u>
	<u>0.67</u>	<u>0.67</u>


SCHEDULE 7 : CURRENT ASSETS, LOANS & ADVANCES

(Rs. in lacs)

	As at 31.03.2007	As at 31.03.2006
A. CURRENT ASSETS		
INVENTORIES (as taken, valued and certified by the Management)		
Raw Materials	439.05	291.14
Process Stock	328.95	459.89
Stores & Spare Parts	114.81	73.65
Finished stock	568.13	318.10
Waste	15.61	11.20
	<u>1466.55</u>	<u>1153.98</u>
SUNDRY DEBTORS (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	0.81	98.03
Considered Doubtful (including under litigation)	34.75	571.18
	<u>35.56</u>	<u>669.21</u>
Less : Provision for Doubtful Debts	34.75	571.18
	0.81	98.03
Others (Considered Good)	731.67	879.66
	<u>732.48</u>	<u>977.69</u>
CASH AND BANK BALANCES		
Cash in Hand	6.92	7.03
Balances with Scheduled Banks –		
in Current Accounts, Cheques/Drafts in hand and remittances in transit	207.78	215.44
in Fixed Deposits Accounts (including against margin)	234.06	409.76
	<u>448.76</u>	<u>632.23</u>
OTHERS		
Interest accrued on investments	0.38	0.32
Total (A)	<u>2648.17</u>	<u>2764.22</u>
B. LOANS AND ADVANCES (Unsecured, Considered good)		
Advances recoverable in cash or in kind or for value to be received (Refer Note No. 6 of Schedule 14)	608.79	115.72
Sundry Deposits	87.46	89.41
Income Tax deducted at source	10.68	5.59
Claims and other Receivables	192.26	359.14
	<u>899.19</u>	<u>569.86</u>
Total (B)	<u>899.19</u>	<u>569.86</u>
Total (A+B)	<u>3547.36</u>	<u>3334.08</u>

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

(Rs. in lacs)

	As at 31.03.2007	As at 31.03.2006
(A) Current Liabilities		
Sundry Creditors	1653.18	1642.31
Other Liabilities	766.20	686.15
Interest Accrued but not due	156.32	205.96
Sundry Deposits	22.84	18.66
	<u>2598.54</u>	<u>2553.08</u>
(B) Provisions		
For Gratuity & Leave Encashment	170.67	162.73
For Fringe Benefit Tax (Net of advance)	0.64	3.23
	<u>2769.85</u>	<u>2719.04</u>

SCHEDULE 9 : OTHER INCOME

(Rs. in lacs)

Particulars	2006-2007	2005-2006
Scrap Sales	20.97	20.17
Sundry Balances /Liabilities Written Back	15.82	7.25
Miscellaneous Receipts	6.45	6.02
	<u>43.24</u>	<u>33.44</u>

SCHEDULE 10 : INCREASE/(DECREASE) IN STOCK

(Rs. in lacs)

Particulars	2006-2007	2005-2006
Closing Stock of Finished Goods	568.13	318.10
Less : Opening Stock of Finished Goods	318.10	493.88
	<u>250.03</u>	<u>(175.78)</u>

SCHEDULE 11 : MATERIAL COST*(Rs. in lacs)*

Particulars	2006-2007	2005-2006
STOCK AT OPENING :		
Raw Materials	291.14	417.08
In Process	459.89	380.21
Waste	11.20	14.38
	<u>762.23</u>	<u>811.67</u>
ADD : Purchases	5592.91	5307.12
	<u>6355.14</u>	<u>6118.79</u>
Less : STOCK AT CLOSING :		
Raw Materials	439.05	291.14
In Process	328.95	459.89
Waste	15.61	11.20
	<u>783.61</u>	<u>762.23</u>
	<u>5571.53</u>	<u>5356.56</u>

SCHEDULE 12 : EMPLOYEES COST*(Rs. in lacs)*

Particulars	2006-2007	2005-2006
Salaries, Wages and other allowances	452.32	345.97
Contribution to Provident and other funds	41.77	34.53
Staff & Labour Welfare	5.66	4.23
Gratuity & Leave Encashment	24.90	19.37
	<u>524.65</u>	<u>404.10</u>

SCHEDULE 13 : OPERATIONAL & OTHER EXPENSES*(Rs. in lacs)*

Particulars	2006-2007	2005-2006
MANUFACTURING EXPENSES :		
Packing	76.54	67.03
Stores and Spares	270.23	207.48
Power and Fuel	664.22	486.76
Job Charges	147.46	474.33
Excise duty on increase/decrease in finished stock	(2.49)	1.00
Repairs to :		
Plant & Machinery	42.67	39.40
Buildings	26.71	35.80
Others	2.42	1.84
	<u>1227.76</u>	<u>1313.64</u>
ADMINISTRATIVE EXPENSES :		
Rent	2.51	2.35
Insurance (Net)	9.77	11.91
Rates & Taxes	2.08	5.13
Travelling & Conveyance	56.25	73.00
Legal & Professional Charges	26.83	21.91
Directors Fees	0.15	0.15
Payment to Auditors :		
for Audit fee	1.69	1.65
for Tax Audit fee	0.56	0.55
for Expenses	0.36	0.40
Miscellaneous Expenses	54.59	60.45
	<u>154.79</u>	<u>177.50</u>
FINANCIAL EXPENSES :		
Interest on :		
Debentures/Fixed Loans	1288.29	1814.89
Others	767.52	1513.01
Bank Charges and other expenses	36.75	183.58
	<u>2092.56</u>	<u>3511.48</u>
Less : Income - Includes Rs. 142.40 lacs exchange gain on foreign currency loan (Previous year exchange loss of Rs. 140.80 lacs included in Bank charges and other expenses)	155.98	16.71
	<u>1936.58</u>	<u>3494.77</u>
SELLING EXPENSES :		
Commission & Brokerage	160.43	133.08
Carriage Outward (Net)	149.31	198.99
Rebate, Claims and Discounts	70.70	66.49
Bad Debts Written Off	554.46	230.18
Less : Available provision for doubtful debts	536.43	202.30
Provision for Doubtful Debts	-	9.00
Others	28.61	9.54
	<u>427.08</u>	<u>444.98</u>
OTHER EXPENSES :		
Loss on Sales of Fixed Assets	1.08	0.14
Sundry balance written-off	1.13	10.63
	2.21	10.77
	<u>3748.42</u>	<u>5441.66</u>

SCHEDULE 14 : NOTES ON ACCOUNTS
I. Significant accounting policies :

- (I) **Basis of Preparation of Financial Statement:**
The Financial statements are prepared on accrual basis, in accordance with the applicable accounting standards and the provisions of the Companies Act, 1956 as adopted consistently by the Company.
- (II) **Fixed Assets :**
- Fixed Assets are stated at cost (including additions in value due to revaluation as mentioned in note no. 3 below) less accumulated depreciation. Impairment loss of fixed assets has been deducted from respective assets.
 - Project and pre-operative expenses incurred prior to date of commencement of commercial production are being allocated to Fixed Assets.
 - No amount is written off against leasehold land of the company and the same will be charged to the profit and loss account only in the year in which the respective lease period expires.
 - Cenvat credit on capital goods is accounted for by reducing the cost of capital goods.
- (III) **Depreciation :**
- Depreciation on fixed assets is provided on straight line method at the rates and in the manner specified in schedule XIV of the Companies Act, 1956 as amended vide Notification No. GSR-756 (E) dated 16th December, 1993 issued by the Department of Company Affairs. Depreciation on impaired assets related to Threads division is charged on a systematic basis after reducing its residual value from revised carrying amounts over the remaining useful life
 - Depreciation on incremental / decremental cost arising on account of translation of foreign currency liabilities for fixed assets upto 31.03.04 which is being amortised over the residual life of the assets.
 - Assets costing less than Rs.5000/- acquired prior to 01.04.1993 have been depreciated at old rates whereas such assets acquired after that date have been fully depreciated.
 - Profit /Loss on Assets sold is computed on the basis of gross value of such assets less depreciation.
- (IV) **Investments :**
Investments are stated at cost.
- (V) **Inventories :**
- Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. Raw Material and Stores and Spares are valued at cost. Finished goods and process stock includes cost of conversion, applicable overheads and other costs incurred in acquiring the inventory and bringing them to their present location and condition.
 - Obsolete, defective, unserviceable and slow / non-moving stock are provided for.
 - Waste is valued at estimated net realisable value.
- (VI) **Excise Duty/Cenvat :**
- Excise duty is accounted for on the basis of payments made in respect of goods cleared and provisions made for goods lying at factory / bonded warehouse.
 - Cenvat credit on excise duty paid goods is accounted for by reducing the purchase cost of related goods.
- (VII) **Sales :**
Sales includes excise duty, job charges, export benefits and waste sales.
- (VIII) **Borrowing Cost :**
Borrowing cost which are attributable to acquisition or construction of qualifying assets are capitalised as part of cost of such assets. A qualifying asset is one which necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- (IX) **Retirement Benefits:**
- Liability of gratuity to employees is determined and accounted for on the basis of actuarial valuation as on the Balance Sheet date.
 - Monthly contributions to recognized provident fund are considered on accrual basis in the accounts.
 - Leave encashment entitlement is accounted for on the basis of actuarial valuation as on the Balance sheet date.
- (X) **Foreign Currency Transactions:**
- Purchases and Sales in Foreign Currency are accounted for at equivalent rupee value converted at the rates prevailing at the time of transactions. However, where payments / realisation of purchases/sales is pending, the rates prevailing at the year end are considered and accordingly accounted for.
 - Foreign Currency Loan availed if any, to acquire plant and machinery / Technology & Basic engineering is accounted in Indian Rupee at the exchange rates prevailing on the date of disbursement. The difference due to exchange rate fluctuations at the time of repayment of Foreign Currency Loan / Installments and translation of such Foreign currency liabilities at the year end are accounted as income / expenditure as per Accounting Standard 11 issued by The Institute of Chartered Accountants of India.
- (XI) Liability for import duty, if any towards export obligation is accounted for on crystallisation.
- (XII) **Provisions, Contingent Liabilities and Contingent Assets:**
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. Contingent Assets are neither recognized nor disclosed in the financial statement.
- (XIII) Fund based Bank Borrowings are being accounted for as debited by Bank except bills discounted. Non fund based Borrowings unless discharged by the company is credited to respective parties.
- 2. CONTINGENT LIABILITIES NOT PROVIDED FOR :**
- Bank Guarantees and Letter of credits outstanding Rs. 2421.17 lacs (Previous Year Rs. 4577.46 lacs) against which Rs. 232.03 lacs paid as margin (Previous year Rs. 409.76 Lacs).
 - Bills discounted with banks Rs.963.11 lacs (Previous year Rs.1873.76 lacs).
 - Guarantees given by the Company to others Rs.3039.51 lacs (Previous year Rs. 9277.88 lacs).
 - Disputed demand for excise and customs Rs.102.75 lacs (Previous Year Rs. 102.75 lacs) and other demands by Government Department Rs.65.38 lacs (Previous Year Rs. 47.16 lacs) against which amount paid Rs.5.16 lacs (Previous Year Rs.5.16 lacs) and Rs. 4.42 lacs (Previous year Rs 4.42 lacs) respectively.
 - Sales Tax demand against various assessment years disputed by the Company Rs.243.30 lacs (Previous year Rs. 242.09 lacs) against which amount paid Rs. 1.34 lacs (Previous year Rs. 1.41 lacs).
 - Claims not acknowledged as debts by the company Rs.631.73 lacs (Previous year Rs. 603.35 Lacs).
 - In respect of restructured debts future payment obligation are to be fulfilled as stipulated, failing which the original liability will fall back with interest and penal interest, amount of which is not ascertainable.
3. Depreciation includes Rs.241.49 lacs (Previous year Rs. 242.02 lacs) provided on the assets of Threads Division, which is not in operation.
4. a) Balances of debtors, creditors and advances have been taken as per books and are subject to reconciliation / confirmation and consequential adjustments, if any.
b) Balances of secured and unsecured lenders have been taken as per books and are subject to reconciliation / confirmation, pending settlement with respective lenders.
5. Inventories include goods in transit and those lying with consignment agents / third parties.
6. Pending fulfillment of terms and conditions of restructuring / settlement and / or satisfaction of charge, Rs.520.00 lacs paid during the year to various secured lenders has been shown as Advances recoverable in Cash or in Kind or for value to be received and secured loan amount has been shown accordingly.
7. Sales includes Job charges Rs. 440.00 lacs (Previous Year Rs. 233.34 lacs).
8. Effect of restructuring / rescheduling of debts and liabilities as per the restructuring scheme considered by financial institutions during March, 1998 has been given in Accounts. In some cases instruments are yet to be issued, pending approval/documentation / reconciliation.
9. A profit of Rs. 143.12 lacs (Net) on account of exchange difference consequent to the realignment of rupee value in term of foreign currency value of revenue nature taken to respective heads of account in Profit and Loss Account (Previous year loss of Rs.109.79 lacs.)
10. Interest Provisions have not been made in case of following dues as the company expects waiver/relief under rehabilitation scheme which is under consideration :
- On accrued interest upto cut off date i.e. 30th September, 1998 converted/ convertible into 16% optionally fully convertible debentures (OFCDs) amounting to Rs.333.23 lacs for the year (Cumulative Rs.2832.12 lacs).
 - On other loans/dues amounting to Rs. 55.09 lacs for the year (Cumulative Rs. 370.88 lacs).
 - On public fixed deposits amounting to Rs.133.58 lacs for the year (Cumulative Rs. 744.58 lacs).
 - On debentures and term loans of PTA project amounting to Rs.1172.47 lacs for the year (Cumulative Rs.8777.94 lacs).
11. Compounding interest, penal interest and liquidated damages have not been considered on dues of Financial Institutions, Banks and others, amount of which is unascertainable; pending reconciliations/confirmation with respective lenders. The company expects waiver / relief under rehabilitation scheme which is under consideration.
12. Interest on bank borrowings has been provided including on non fund based borrowings after reducing fixed deposits towards margin money.
13. In view of the losses, Debenture Redemption reserve has not been created.
14. Dividend on cumulative redeemable preference shares amounting to Rs. 1544.15 lacs (including for the year Rs.140.38 lacs) has not been provided in view of losses. The company expects waiver / relief under rehabilitation scheme which is under consideration.
15. *Ajmer Vidyut Vitran Nigam Ltd. (AVVNL) had issued notices for recovery of their dues amounting to Rs. 241.60 lacs against Threads division of the Company and in exercise of power conferred under Rajasthan Land Revenue Act, 1956 attached the entire plant and office block at Raila on 19.10.2001. Therefore the physical verification of assets and inventories could not be carried out and certain records lying at plant could not be produced to auditors for their verification.*

16. Loss for the year has been arrived at after adjusting prior year debits Rs.19.17 lacs (Previous year Rs.13.62 lacs) charged to respective heads of account, other than those crystallised during the year.
17. Provisions for income tax for the current year has not been made in view of losses.
18. The net worth of the Company has been eroded fully as on 31st March,2001 as per provisions of Sick Industrial Companies (Special Provisions) Act, 1985. The Company has also filed fresh reference based on audited accounts for the financial year ended 31st March, 2004. The Board for Industrial and Financial Reconstruction (BIFR) has declared the company as "Sick Company" and State Bank of India has been appointed as operating Agency. Accordingly, pending approval of rehabilitation scheme, the accounts of the company has been prepared on going concern basis.
19. The Hon'ble Company Law Board has passed order on 17.04.2002 that "The repayment of fixed deposits of Modern Threads (India) Limited shall be made by the company in accordance with the revival scheme as and when approved by the BIFR under provisions of "SICA". However payment on compassionate grounds are being made regularly as per decision of the committee formed by Hon'ble Company Law Board for this purpose.
20. In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value of realisation at least equal to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made in accounts for all known liabilities except stated otherwise.
21. Exceptional items consist of amount written back on account of settlement of some of the borrowings and interest dues Rs. 14638.78 lacs (Previous year Rs 1253.28 lacs) and write back of advance subscription received against right issue of PTA project Rs 2750.00 Lacs (Previous year Rs. Nil)
22. In view of insufficient information from suppliers regarding their status as SSI units, the name of such small - scale undertakings could not be ascertained and accordingly could not be disclosed.
23. Remuneration and perquisites to the Managing Director & Executive Director :

	2006-07	(Rs. in Laacs) 2005-06
Salary and Allowances	6.30	4.80
Contribution to Provident Fund	0.70	0.58
Perquisites	0.62	0.62
	<u>7.62</u>	<u>6.00</u>

24. Segment Information as per Accounting Standard 17, as issued by ICAI :

- a) Primary Segment reporting (By Business Segment) :-

The composition of business segments are :

- (i) Woollen Worsted Yarn, Carpet Yarn and Wool Tops
 (ii) Yarn Synthetic Yarn
 (iii) Others PTA Project (Shelved)

	2006-07				2005-06			
	Woollens	Yarn	Others	Total	Woollens	Yarn	Others	Total
1. Segment Revenue								
Net Sales	8451.83	-	-	8451.83	8509.77	-	-	8509.77
2. Segment Results								
Profit/(Loss) before Interest & Tax	714.19	(259.76)	-	454.43	645.87	(283.28)	(2.72)	359.87
Less : Interest				1936.58				3494.77
Profit/(Loss) before Tax				<u>(1482.15)</u>				<u>(3134.90)</u>
Less : Provision for fringe benefit tax				3.69				6.48
Profit before exceptional items				<u>(1485.84)</u>				<u>(3141.38)</u>
Exceptional items				17388.78				1253.28
Total Profit/(Loss) After Exceptional items				<u>15902.94</u>				<u>(1888.10)</u>
3. Capital Employed								
Segment Assets	5297.47	2639.09	547.31	8483.87	5111.87	2856.96	547.31	8516.14
Segment Liabilities	3587.90	26937.55	12649.86	43175.31	5971.42	37821.84	15542.26	59335.52
Capital Employed	<u>1709.57</u>	<u>24298.46</u>	<u>12102.55</u>	<u>34691.44</u>	<u>859.55</u>	<u>34964.88</u>	<u>14994.95</u>	<u>50819.38</u>

- b) Geographical Segment :

	2006-2007	(Rs in Laacs) 2005-2006
Revenue by Geographical Market		
In India	3758.20	3270.12
Other than India	4693.62	5239.65
Carrying Amounts of Segment Assets		
In India	7852.02	7622.92
Other than India	623.84	893.22

25. Related Party Disclosure as per Accounting Standard 18 as issued by ICAI :

- (I) Related Party Relationships :

- a) Where Control Exists :

Modern Syntex (I) Ltd.
 Modern Denim Ltd.
 Modern Terry Towels Ltd.
 Modern Insulators Ltd.

- b) Key Management Personnel :

Shri H.S. Ranka (Chairman and Managing Director)
 Shri M.L. Pamecha (Executive Director)

- c) Relative of Key Management Personnel and their enterprises, where transaction have taken place :

Nil

- d) Other Associates : Current Investments Pvt. Ltd.

- (II) Transactions with related parties and outstanding at the end of the year :

Types of related Parties	Description of the nature of the transactions	Volume of transactions	
		2006-2007	2005-2006
a) Where Control Exists :	Purchase of goods and Others	1.94	1.02
	Amount Outstanding of Payables	Nil	Nil
	Sale of goods and Others	30.90	8.65
	Amount Outstanding of Receivable	Nil	Nil
b) Key Managerial Personnel	Remuneration etc.	7.62	6.00
c) Relative of Key Managerial Personnel	No Transaction	N.A.	N.A.
d) Other associates	Share Application Money	35.00	125.00

26. Earning per Share as per Accounting Standard 20, As issued by ICAI :

Particulars	2006-2007	2005-2006
Equity Shares (Nos.)	34775160	34775160
Profit/(Loss) for the year before exceptional items (Rs. in lacs)	(1485.84)	(3141.38)
Add : Unprovided dividend on Preference Shares (Rs. in lacs)	140.38	140.38
Profit/(Loss) before exceptional items (Rs. in lacs)	(1626.22)	(3281.76)
Less : Exceptional items (Rs. in lacs)	17388.78	1253.28
Profit/(Loss) after exceptional items (Rs. in lacs)	15762.56	(2028.48)
Basic Earning Per Share (Rs.) :-		
- Before exceptional items	(4.68)	(9.44)
- After exceptional items	45.33	(5.83)
Dibuted earning per share (Rs.)		
- Before exceptional items	(4.25)	(9.43)
- After exceptional items	41.16	(5.83)

The Earning per share is calculated without considering the impact if any, on account of rehabilitation scheme, pending approval and implementation.

27. The Company is entitled for set off of carried forward losses and unabsorbed depreciation against the future income under the Income Tax Act. However, based on present scenario, the company is not confident of earning sufficient profits to utilize these carried forward losses and unabsorbed depreciation in future and accordingly the Company has recognized deferred tax assets only to the extent there is deferred tax liability in compliance with Accounting Standard 22 issued by The Institute of Chartered Accountants of India. The major components of deferred tax assets and liabilities on account of timing difference are as given below:

Particulars	As on 31.03.2007	(Rs. in Lacs) As on 31.03.2006
Depreciation	(-) 89.24	(-) 53.32
Impairment loss recognized in P&L a/c	2521.74	2521.74
Carried forward losses / depreciation	7486.32	8738.02
Provision for doubtful debts	11.70	192.26
Others	6200.22	6635.15
Net Deferred Tax Assets	16130.74	18033.85

The net Deferred Tax Assets of Rs. 16130.74 lacs have not been recognized in accounts due to the reasons as mentioned above.

28. In Pursuance to Accounting Standard 28 issued by The Institute of Chartered Accountants of India, the fixed assets of the company pertaining to the Thread Division and PTA project have been valued as at 01/04/2004 and necessary provision made for the impairment loss amounting to Rs 22303.48 lacs during the financial year 2004-2005, based on valuation report by an expert. Since then there has not been further impairment of assets.
29. Figures for the previous year have been re-arranged /re-grouped wherever considered necessary to make them comparable.
30. Additional information pursuant to the provisions of Paragraph 3 and 4 of Part II of Schedule VI to the Companies Act, 1956

Particulars	As at 31.03.2007	As at 31.03.2006
(A) Licenced & Installed Capacity (as certified by the management)		
(i) Licenced Capacity	NA	NA
(ii) Installed Capacity		
Synthetic Yarn (No. of Spindles)	49232	49232
Carpet Yarn (No. of Spindles)	1364	1364
Worsted Yarn (No. of Spindles)	12024*	9528
Wool Tops (MT)	2280	2280

*Capacity enhanced w.e.f. May, 2006

(B) Production, Sales & Stocks

	2006-07		2005-06	
	Qty. (MT)	Amt. Rs. in Laes	Qty. (MT)	Amt. Rs. in Laes
i) Opening Stock				
Yarn	157	277.25	164	319.77
Wool Tops	23	40.85	71	174.11
Includes Job - Yarn 3 MT, wool Tops 8 MT (Previous year Yarn 3 MT, wool Tops 14 MT)				
ii) Production				
Yarn (Including outside Conversion)	2769		2642	
Wool Tops - meant for sale	1162		1141	
Wool Tops - Captive	844		934	
Includes Job -Yarn 192 MT, Wool Top 980 MT (Previous year Yarn 17 MT, Wool Top 871 MT).				
iii) Sales				
Yarn	2776	7322.93	2649	6779.89
Wool Tops	1111	714.17	1189	1176.48
Others		496.55		604.23
Includes Job-Yarn 192 MT, Wool Top 976 MT (Previous year Yarn 17 MT, Wool Top 877 MT).				
iv) Closing Stock				
Yarn	150	353.73	157	277.25
Wool Tops	74	214.40	23	40.85
Includes Job - Yarn 3 MT, Wool Tops 12 MT (Previous year - Yarn 3 MT, Wool Tops 8 MT)				

(C) Value of Raw Materials, Stores & Spares and Components consumed :

	2006-07		2005-06	
	Rs. in lacs	% age	Rs. in lacs	% age
i) Raw Materials :				
- Imported	3731.33	66.97	4143.09	77.35
- Indigenous	1840.20	33.03	1213.47	22.65
	5571.53	100.00	5356.56	100.00
ii) Stores, Spares & Components :				
- Imported	106.91	39.56	64.03	30.86
- Indigenous	163.32	60.44	143.45	69.14
	270.23	100.00	207.48	100.00

(D) Value of Imports Calculated on CIF Basis :

	(Rs. in lacs)	
	2006-07	2005-06
-- Raw Material	3485.06	3644.14
-- Stores & Spares	112.15	62.02
(E) Expenditure in Foreign Currency :		
-- Foreign Travelling	22.32	23.72
-- Others	278.34	654.78
(F) Earning in Foreign Exchange :		
-- FOB Value of Exports	4634.91	5130.29

31. Balance Sheet abstract and Company's General Business Profile :

(I) Registration Details :		31st March, 2007
Balance Sheet date		2075
Registration No.		17
State Code		
(II) Capital raised during the year (Rs. in thousands)		
Private Placement		Nil
Public		Nil
Right/Bonus issue		Nil
(III) Position of Mobilisation & Deployment of funds (Rs. in thousands)		
Total Liabilities		Total Assets
5474637		5474637
Sources of Funds		
Paid-up Capital		Reserve & Surplus
435252		941339
Share Application Money		
57500		
Secured Loans		Unsecured Loans
3858209		182337
Application of Funds		
Net Fixed Assets		Investments
493584		67
Net Current Assets		Miscellaneous Expenditure
77751		Nil
Profit and Loss Account		
4903235		
(IV) Performance of Company (Rs. in thousands)		
Total Income		Total Expenditure
874510		1022725
Profit before Tax		Profit After Tax
(Before exceptional items)		(Before exceptional items)
(148215)		(148584)
Basic Earning per Share		Dividend
before exceptional items (Rs.)		Nil
(4.68)		
Diluted Earning per Share		
before exceptional items (Rs.)		
(4.25)		
(V) Generic name of principal products of Company (As per Monetary terms)		
Product Description		Item Code No. (ITC Code)
Yarn		551130.01
Woollen Carpet Yarn		510710.04
Worsted Weaving Yarn		550952.00

As per our report of even date attached

For and on behalf of the Board

For **S.S. SURANA & CO.**
Chartered Accountants

(**R.N. GOYAL**)
Partner

Place : Mumbai

Date : 30th June, 2007

H.S. Ranka – Chairman & Managing Director

Sachin Ranka
A.K. Choudhary
G.C. Baveja
H.L. Sharma
R.R. Maheshwari } Directors

B.L. Saini – Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	2006-07	2005-06
<i>(Rs. in lacs)</i>		
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & exceptional items	(1482.15)	(3134.90)
ADJUSTMENTS FOR		
- Depreciation	382.65	300.01
- Loss/(Profit) on Sale of Fixed Assets	1.08	0.14
- Provision for doubtful debts	-	9.00
- Bad Debts written off	18.03	27.88
- Sundry balances (written back)/Written off	(14.69)	3.38
- Interest and Financial Charges	1936.58	3494.77
Operating profit before working capital changes	841.50	700.28
ADJUSTMENTS FOR		
- Trade and other Receivables	417.79	(358.76)
- Inventories	(312.57)	215.36
- Trade and other payable	117.73	149.78
Cash Generation from Operations	1064.45	706.66
Interest and bank charges paid	(531.96)	(96.57)
Fringe Benefit Tax paid	(6.28)	(3.25)
Net Cash from operating activities	526.21	606.84
(B) CASH FLOW FROM INVESTING ACTIVITIES		
- Fixed Assets (Including Capital Work in Progress)	(141.49)	(908.66)
- Sale of Fixed Assets	3.31	4.49
Net cash used in investing activities	(138.18)	(904.17)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
- Proceeds from Equity Share Application Money	225.00	350.00
- Proceeds from Borrowings		
Bank Borrowings	(490.55)	(345.73)
Non-convertible debentures	(148.21)	-
Term Loans/Unsecured Loan	(157.74)	(44.23)
Net Cash From Financing Activities	(571.50)	(39.96)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(183.47)	(337.29)
Cash & Cash Equivalents - Opening Balance	632.23	969.52
Cash & Cash Equivalents - Closing Balance	448.76	632.23

Note :

- The figures of the previous year have been regrouped and rearranged wherever necessary.
- The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

As per our report of even date attached

 For **S.S. SURANA & CO.**
 Chartered Accountants

(R.N. GOYAL)
 Partner

Place : Mumbai

Date : 30th June, 2007

For and on behalf of the Board

H.S. Ranka – Chairman & Managing Director

 Sachin Ranka
 A.K. Choudhary
 G.C. Baveja
 H.L. Sharma
 R.R. Maheshwari
 } Directors

B.L. Saini – Company Secretary



MODERN THREADS (INDIA) LIMITED
REGISTERED OFFICE : A-4, Vijay Path, Tilak Nagar, Jaipur-302 004

PROXY FORM

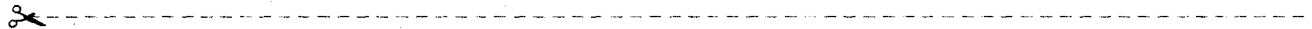
Reg. Folio No. No. of Shares held

I/We
of
being a Member/Members of MODERN THREADS (INDIA) LIMITED hereby appoint
..... of
or failing him of
as my/our proxy to vote for me/us on my/our behalf at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company to be held on Saturday the 29th September, 2007 at 12.00 Noon and at any adjournment thereof.

Signed this day of 2007 Signature

Affix
Revenue
Stamp

Note : This form duly completed and signed must be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the Meeting.



MODERN THREADS (INDIA) LIMITED

Registered Office : A-4, Vijay Path, Tilak Nagar, Jaipur-302 004

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

26th Annual General Meeting-29th September, 2007

I hereby record my presence at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company held at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 on Saturday the 29th September, 2007 at 12.00 Noon

Full Name of Member (IN BLOCK LETTERS)

Reg. Folio No. No. of Shares held

Full Name of Proxy (IN BLOCK LETTERS)

Member's/Proxy's Signature

NOTE : ADMISSION WILL BE STRICTLY PERMITTED FOR SHAREHOLDERS/VALID PROXY HOLDERS ONLY.

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