

**ANNUAL REPORT  
2008-2009**



**Modern  
THREADS (INDIA) LIMITED**



## NOTICE

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of **Modern Threads (India) Limited** will be held on Wednesday the 30<sup>th</sup> September, 2009 at 11.30 A.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur – 302 004 to transact the following business :

### A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Audited Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri G.C. Baveja who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri M.L. Pamecha who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications, as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956,

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 :

- (5) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution :-

“RESOLVED THAT Shri S.B.L. Jain, who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

By order of the Board

Place : Mumbai

Date : 26<sup>th</sup> June, 2009

(B.L. SAINI)

Company Secretary

## NOTES :

1. The relative Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item number 5 of the notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.**
3. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
4. The Share transfer books and Register of members shall remain closed from 26.09.2009 to 30.09.2009 (both days inclusive).

## ANNEXURE TO NOTICE EXPLANATORY STATEMENT

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

### Item No.5

Shri S.B.L. Jain was appointed as an Additional Director of the Company w.e.f. 29/12/2008 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri S.B.L. Jain as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

None of Directors, except Shri S.B.L. Jain, is concerned or interested in the resolution.

## DIRECTORS' REPORT

The Members,

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

### 1. FINANCIAL RESULTS

(Rs. in crores)

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

### 2. OPERATIONS

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

The Yarn division of the Company at Raila continued to remain closed during the year under review on account of continuing strike by the workers and sealing of the entire plant and machineries by Ajmer Vidut Vitran Nigam Limited.

### 3. EXPORTS

During the year under review exports of Woollen division was of Rs. 56 crores as against the exports of Rs. 50 crores in previous year despite of deep recession and current financial crisis which erupted in the United States in mid of 2008 and quickly spread around the globe. The Woollen division is, however, putting continuous efforts in exploring possibilities of increasing its exports further by searching new international markets for its products.

### 4. FUTURE PROSPECTS

In view of Company's inherent strengths in the field of manufacturing and market capabilities, future of 'Woollen division' looks optimistic. Your directors are hopeful that once the current recessionary trend prevailing in textile industry world over subsides, the profitability of woollen division is likely to be improved. The implementation of PTA project of the Company remains abandoned as desired by the lenders. The possibility to restart the Yarn division of the Company seems to be very difficult.

### 5. PUBLIC FIXED DEPOSITS

In view of petition filed by the Company, the Hon'ble Company Law Board has passed an order on 17/04/2002 that "The repayment of fixed deposits shall be made by the Company in accordance with the "revival scheme" as and when approved by BIFR under the provisions of "SICA". However, payments on compassionate ground are continued to be made as per the decision of the Committee formed by Hon'ble Company Law Board for this purpose.

### 6. RESTRUCTURING OF DEBTS AND REFERENCE TO BIFR

Company has submitted proposal for settlement/restructuring of dues of the secured lenders and working capital bankers which includes rescheduling, one time settlement, waiver of entire penal and compound interest. So far about 57% of the secured lenders have settled their dues and as per settlements, the payments are being made by the Company. Settlements during the year under review has resulted into write back of principal and interest and have been included in the exceptional items shown in the financial results. The Company is making continuous efforts for settlement with remaining secured lenders.

As reported in the previous year, the Company has been declared 'Sick' by the Hon'ble BIFR and SBI has been appointed as Operating Agency. The Company is now in process of discussing settlement of dues of secured creditors based on various settlement options given to them for settlement

of their dues so as to file OTS based scheme to Hon'ble BIFR.

### 7. DIRECTORS

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

### 8. AUDITORS

M/s. S.S. Surana & Co., Chartered Accountants, Jaipur retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2009-2010. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 14 forming part of the accounts and hence need no further clarifications.

### 9. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

The Company has enjoyed healthy and cordial industrial relations throughout the period except that the workers of 'Yarn Division' are still on strike as the workers were demanding full wages, wages inspite of no work/partial work which Company was not in a position to pay. There is no employee getting remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

### 10. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that :-

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;
- the Directors have prepared the annual accounts on a going concern basis except Yarn Division of the Company which is not in operation for last few years on account of labour and other problem.

### 11. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The statement of particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2(A), 2(B) and 2(C) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

### 12. CONSTITUTION OF AUDIT COMMITTEE

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in section 292A of the Companies Act, 1956. The Audit Committee consists of member directors as under :-

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

### 13. ACKNOWLEDGEMENTS

The Board places on record its sincere thanks and gratitude for the assistance and continued co-operation that the Company has been receiving from its executives, staff, workers and Central as well as State Government.

ON BEHALF OF THE BOARD

Place : Mumbai  
 Dated : 26th June, 2009

(H.S. RANKA)  
 Chairman & Managing Director

## ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) read with the Companies  
 (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### 1. ENERGY CONSERVATION :

The company is making all efforts for the conservation of energy. To reduce the energy cost, periodical reviews and studies are undertaken from time to time.

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

### 2. TECHNOLOGY ABSORPTIONS :

Your Company is having research and development cell, headed by a senior and experienced textile technologist. Continuous watch on the quality of the product at various stages is being kept by the section. This section also keeps a regular track on latest advancement on the spinning technology in order to keep pace with the demand of the new products.

3. The Company has earned during the year foreign exchange of Rs. 5599.77 lacs at FOB price against an outgo of Rs. 3862.33 lacs.

**AUDITORS' REPORT**

To The Members,  
 of Modern Threads (I) Ltd.

We have audited the attached Balance Sheet of MODERN THREADS (INDIA) LIMITED as at 31<sup>st</sup> March, 2009, Profit and 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 and 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 and 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 and 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. 2738.67 lacs

and shown under the head Loans and Advances. Secured Loans and Loans and Advances are overstated to that extent.

- (iii) Note No.9 regarding non-provision of interest on certain secured, unsecured and other loans amounting to Rs 1995.10 lacs .The total amount of interest not provided till 31<sup>st</sup> March 2009 amounts to Rs 13709.57 lacs.
- (iv) Note No.10, regarding non-provision of penal and compound interest/liquidated damages, amount of which is unascertainable, pending confirmation/reconciliations with the lenders.
- (v) Note No.13, regarding non-provision of dividend on cumulative redeemable preference shares amounting to Rs 140.38 lacs for the year (Rs. 1824.91 lacs upto 31<sup>st</sup> March, 2009)
- (vi) Note No.14, 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. 17, The accounts of the company have been prepared on going concern basis though the accumulated losses of the company are exceeding its net-worth.
- (viii) Note no. 20, regarding exceptional income of Rs. 13322.33 lacs on account of settlement of Loans / borrowings and interest thereon, pending fulfillment of future obligation.
- (ix) Note no. 21, The name of small scale undertakings having overdue is not disclosed in view of none of suppliers has informed their status as SSI units.
- (x) Note no.22 The company has not received information from vendors regarding their status under the Micro, small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at year end together with interest paid / payable under this Act have not been given.

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 before tax and exceptional items would have been Rs. 2526.84 lacs (as against the reported figures of Rs. 531.74 lacs), cumulative losses would have been Rs.51032.51 lacs (as against the reported figures of Rs. 37322.94 lacs), loan funds would have been Rs. 42441.17 lacs (as against the reported figures of Rs. 28731.60 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 31<sup>st</sup> March, 2009 and
- (ii) In the case of Profit and 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 : 26th June, 2009

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:

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

(Rs in lacs)

(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 except the discarded assets 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 and 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, 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 and 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. 79.44 Lacs
iii) Textiles Committee Cess	Rs. 15.20 Lacs
iv) Excise Duty	Rs. 12.17 Lacs
v) Mumbai sales tax	Rs. 1.39 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 Laws	Sales tax (RST)	79.52	DC (A), Ajmer
	Sales tax (RST)	3.12	CTO, Jaipur
	Sales tax (UPST)	0.67	Comm. Mirzapur
	Sales tax (UPST)	6.82	HC, Allahabad
Central Excise Act	Excise duty	55.85	Commissioner Appeals, Jaipur
	Excise duty	16.05	CESTAT, Delhi
Raj. Land and Building tax Act	Land and 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., Bhilwara
Provident Fund Act	PF	4.67	Commissioner, Jaipur
The Rajasthan Agriculture Produce Markets Act	Mandi Tax	230.04	The Rajasthan High Court, Jaipur
The Raj. Land Revenue Act	Land tax	16.83	ACJM, Bhilwara
The Rajasthan Tax on Entry For Goods in local Areas Act, 1999	Entry Tax	5.45	The Rajasthan High 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.

(xi) As informed and explained to us, the company has defaulted in repayment of dues to Financial Institutions, Banks and Debenture holders since 1998, The amount of overdue work out to Rs.23971.32 lacs as on 31st March,2009. The above overdues are other than the amounts not provided for in the Books of Accounts as referred in para 2 and 9 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) The company is not a Chit fund or a Nidhi / Mutual Benefit Fund / Society. Accordingly the provisions of clause 4 (xiii) 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 4 (xiv) are not applicable.

(xv) The Company has given Corporate Guarantee in respect of loans taken by Modern Terry Towels Ltd amounting to Rs. 2084.07 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 the Register maintained under section 301 of the Companies Act, 1956.

(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 : 26th June, 2009

Membership No. 70331

**BALANCE SHEET**  
**AS AT 31ST MARCH, 2009**

(Rs. in lacs)

	Schedule	As at 31.03.2009	As at 31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	1	5802.52	4952.52
Reserves and Surplus	2	9413.39	9413.39
		<u>15215.91</u>	<u>14365.91</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	26970.17	39812.94
Unsecured Loans	4	1761.43	1795.29
		<u>28731.60</u>	<u>41608.23</u>
		<u>43947.51</u>	<u>55974.14</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	21563.23	21753.69
Less : Depreciation		17319.83	17190.04
Net Block		<u>4243.40</u>	<u>4563.65</u>
<b>INVESTMENTS</b>	6	0.67	0.67
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	1158.40	1494.41
Sundry Debtors		776.02	725.86
Cash and Bank Balances		126.49	214.86
Interest accrued on investment		0.27	0.45
Loans, Advances and Deposits		3095.36	1693.73
		<u>5156.54</u>	<u>4129.31</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>	8	2776.04	2827.88
<b>NET CURRENT ASSETS</b>		<u>2380.50</u>	<u>1301.43</u>
<b>Profit &amp; Loss Account</b>		37322.94	50108.39
	<b>TOTAL</b>	<u>43947.51</u>	<u>55974.14</u>
<b>NOTES ON ACCOUNTS</b>			
	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  
 Membership No. 70331

 Place : Mumbai  
 Date : 26th June, 2009

H.S. Ranka – Chairman &amp; Managing Director

 Sachin Ranka  
 S.B.L. Jain  
 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, 2009

(Rs. in Lacs)

Particulars	Schedule	2008-2009	2007-2008
<b>INCOME</b>			
Sales		8506.20	8333.94
Less : Excise Duty		<u>50.90</u>	<u>63.07</u>
Net Sales		8455.30	8270.87
Other Income	9	28.57	26.56
Increase/(Decrease) in Stock	10	<u>(38.11)</u>	<u>61.39</u>
		<u>8445.76</u>	<u>8358.82</u>
<b>EXPENDITURE</b>			
Material Cost	11	5354.27	5412.63
Employees Cost	12	609.43	590.91
Operational and Other Expenses	13	2626.37	3540.66
Depreciation		<u>387.43</u>	<u>388.18</u>
		<u>8977.50</u>	<u>9932.38</u>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAX AND EXCEPTIONAL ITEMS</b>		(531.74)	(1573.56)
Less : Provision for Fringe Benefit Tax		<u>5.14</u>	<u>3.88</u>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE EXCEPTIONAL ITEMS</b>		(536.88)	(1577.44)
Add : Exceptional items (Refer note no. 20 of Schedule no. 14)		13322.33	501.40
<b>PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS</b>		12785.45	(1076.04)
Add : Balance brought forward from last year		(50108.39)	(49032.35)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<u>(37322.94)</u>	<u>(50108.39)</u>
<b>Basic/Earning Per Share (Rs.)</b>			
– Before exceptional items		(1.54)	(4.54)
– After exceptional items		36.77	(3.09)
<b>Diluted Earning Per Share (Rs.)</b>			
– Before exceptional items		(1.54)	(4.54)
– After exceptional items		30.59	(3.09)
<b>NOTES ON ACCOUNTS</b>	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  
Membership No. 70331Place : Mumbai  
Date : 26th June, 2009

H.S. Ranka – Chairman &amp; Managing Director

Sachin Ranka	}	Directors
S.B.L. Jain		
G.C. Baveja		
H.L. Sharma		
R.R. Maheshwari		

B.L. Saini – Company Secretary

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

	As at 31.03.2009	As at 31.03.2008
<b>AUTHORISED</b>		
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>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
<b>EQUITY</b>		
3,47,75,160 Equity Shares of Rs. 10/- each	3477.52	3477.52
<b>PREFERENCE</b>		
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>1450.00</u>	<u>600.00</u>
	<u>5802.52</u>	<u>4952.52</u>

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

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

	As at 31.03.2009	As at 31.03.2008
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 31.03.2009	As at 31.03.2008
<b>DEBENTURES</b>		
Optionally fully Convertible Debentures	1733.47	1733.47
Non-Convertible Redeemable Debentures	4722.17	6398.47
	<u>6455.64</u>	<u>8131.94</u>
<b>TERMS LOANS</b>		
From Financial Institutions		
Rupee Loans	10758.29	11742.31
From Others	134.29	134.29
	<u>10892.58</u>	<u>11876.60</u>
Accrued Interest Convertible into 16% Optionally Fully Convertible Debentures (OFCDs)	91.64	1479.05
Bank Borrowings for Working Capital	1447.70	1858.69
Interest Accrued and due	8082.61	16466.66
	<u>26970.17</u>	<u>39812.94</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 and 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. It includes Rs. 1136.70 lacs paid against settlement shown under the schedule of Current Assets, Loans & Advances.
4. Optionally Fully Convertible Debentures (OFCDs) were redeemable in 32 equal quarterly instalments commencing from the quarter beginning April, 2000. The OFCD holders 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. 3857.26 lacs were redeemable in 15/30 half yearly/quarterly instalments commencing from 1st Oct. 2001 as per restructuring scheme approved in March, 1998.
  - b. Non Convertible Debentures amounting to Rs. 431.91 lacs settled and paid, shown under the schedule of Current Assets, Loan & Advance.
  - c. Non Convertible Debentures amounting to Rs.358.00 lacs are redeemable in 36 stepped up monthly instalments commencing from 16th August, 2006. The payment of Rs.300.00 lacs made towards settlement is shown under the schedule of Current Assets, Loans & Advances.
  - d. Non Convertible Debentures amounting to Rs.75.00 lacs are redeemable in monthly instalment commencing from March 2009 and to be redeemed by Nov.2009. The payment of Rs.35.00 lacs made towards settlement is shown under the schedule of Current Assets, Loans & Advances.
6. Rupee Loan includes Rs.922.06 lacs settled, against which payment made Rs.835.06 lacs shown under the schedule of Current Assets, Loans & Advances.

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

	As at 31.03.2009	As at 31.03.2008
Fixed Deposits	811.96	864.29
Sales Tax Loan	4.28	4.28
Deferred sales tax	96.59	77.85
Interest accrued and due	848.60	848.87
	<u>1761.43</u>	<u>1795.29</u>

1. Sales Tax loan from Rajasthan State Industrial Development and Investment Corporation Limited under interest free sales-tax loan scheme of the Government of Rajasthan is guaranteed by the Chairman and Managing Director 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 31.03.2008	Additions	Deductions	As at 31.03.2009	upto 31.03.2008	For the year	Deductions	upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Leasehold Land	457.77	-	-	457.77	-	-	-	-	457.77	457.77
Freehold Land	587.92	-	-	587.92	-	-	-	-	587.92	587.92
Buildings	1651.96	-	-	1651.96	958.80	42.14	-	1000.94	651.02	693.16
Plant & Machinery	18839.39	76.95	235.08	18681.26	16069.34	334.49	223.32	16180.51	2500.75	2770.05
Furniture & Fixtures & Office Equipments	164.22	5.25	39.30	130.17	135.15	6.73	33.54	108.34	21.83	29.07
Vehicles	52.43	4.53	2.81	54.15	26.75	4.07	0.78	30.04	24.11	25.68
Total	21753.69	86.73	277.19	21563.23	17190.04	387.43	257.64	17319.83	4243.40	4563.65
Previous Year	21737.98	16.19	0.48	21753.69	16802.04	388.18	0.28	17190.04	4563.65	

Deduction in Plant and Machinery and Furniture Fixtures/Office Equipments represents certain old Machinery/items discarded.

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

	As at 31.03.2009	As at 31.03.2008
<b>UNQUOTED</b>		
National Saving Certificate (Deposited with Government Departments)	0.67	0.67
	<u>0.67</u>	<u>0.67</u>

**SCHEDULE 7 : CURRENT ASSETS, LOANS & ADVANCES***(Rs. in lacs)*

	As at 31.03.2009	As at 31.03.2008
<b>A. CURRENT ASSETS</b>		
<b>INVENTORIES</b> (as taken, valued and certified by the Management)		
Raw Materials	201.08	425.89
Process Stock	249.56	312.54
Stores & Spare Parts	104.50	117.41
Finished stock	591.41	629.52
Waste	11.85	9.05
	<u>1158.40</u>	<u>1494.41</u>
<b>SUNDRY DEBTORS</b> (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	7.66	0.66
Considered Doubtful (including under litigation)	33.39	33.39
	<u>41.05</u>	<u>34.05</u>
Less : Provision for Doubtful Debts	33.39	33.39
	7.66	0.66
Others (Considered Good)	768.36	725.20
	<u>776.02</u>	<u>725.86</u>
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	3.72	5.73
Balances with Scheduled Banks –		
in Current Accounts, Cheques/Drafts in hand and remittances in transit	96.73	37.09
in Fixed Deposits Accounts against margin	26.04	172.04
	<u>126.49</u>	<u>214.86</u>
<b>OTHERS</b>		
Interest accrued on investments.	0.27	0.45
<b>Total (A)</b>	<u>2061.18</u>	<u>2435.58</u>
<b>B. LOANS AND ADVANCES</b> (Unsecured, Considered good)		
Advances recoverable in cash or in kind or for value to be received (Refer Note No. 6 of Schedule 14)	2843.63	1416.55
Sundry Deposits	86.55	100.18
Income Tax deducted at source	8.03	16.10
Claims and other Receivables	157.15	160.90
<b>Total (B)</b>	<u>3095.36</u>	<u>1693.73</u>
<b>Total (A+B)</b>	<u>5156.54</u>	<u>4129.31</u>

**SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS***(Rs. in lacs)*

	As at 31.03.2009	As at 31.03.2008
<b>(A) Current Liabilities</b>		
Sundry Creditors	1652.71	1685.46
Other Liabilities	916.44	782.38
Interest Accrued but not due	-	156.32
Sundry Deposits	27.12	24.10
	<u>2596.27</u>	<u>2648.26</u>
<b>(B) Provisions</b>		
For Gratuity & Leave Encashment	179.05	179.32
For Fringe Benefit Tax (Net of advance)	0.72	0.30
	<u>179.77</u>	<u>179.62</u>
	<u>2776.04</u>	<u>2827.88</u>

**SCHEDULE 9 : OTHER INCOME***(Rs. in lacs)*

Particulars	2008-2009	2007-2008
Scrap Sales	27.35	18.29
Sundry Balances /Liabilities Written Back	0.21	6.31
Miscellaneous Receipts	1.01	1.96
	<u>28.57</u>	<u>26.56</u>

**SCHEDULE 10 : INCREASE/(DECREASE) IN STOCK***(Rs. in lacs)*

Particulars	2008-2009	2007-2008
Closing Stock of Finished Goods	591.41	629.52
Less : Opening Stock of Finished Goods	629.52	568.13
	<u>(38.11)</u>	<u>61.39</u>

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

Particulars	2008-2009	2007-2008
<b>STOCK AT OPENING :</b>		
Raw Materials	425.89	439.05
In Process	312.54	328.95
Waste	9.05	15.61
	<u>747.48</u>	<u>783.61</u>
<b>Add : Purchases</b>	<b>5069.28</b>	<b>5376.50</b>
	<u>5816.76</u>	<u>6160.11</u>
<b>Less : STOCK AT CLOSING :</b>		
Raw Materials	201.08	425.89
In Process	249.56	312.54
Waste	11.85	9.05
	<u>462.49</u>	<u>747.48</u>
	<u>5354.27</u>	<u>5412.63</u>

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

Particulars	2008-2009	2007-2008
Salaries, Wages and other allowances	520.42	495.47
Contribution to Provident and other funds	51.54	48.60
Staff & Labour Welfare	6.20	5.63
Gratuity & Leave Encashment	31.27	41.21
	<u>609.43</u>	<u>590.91</u>

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

Particulars	2008-2009	2007-2008
<b>MANUFACTURING EXPENSES :</b>		
Packing	81.22	75.35
Stores and Spares	306.32	273.87
Power and Fuel	669.87	669.64
Job Charges	11.83	0.06
Excise duty on increase/decrease in finished stock	0.77	0.26
Repairs to :		
Plant & Machinery	34.73	24.91
Buildings	10.65	24.95
Others	2.19	2.70
	<u>1117.58</u>	<u>1071.74</u>
<b>ADMINISTRATIVE EXPENSES :</b>		
Rent	6.05	3.07
Insurance (Net)	5.72	8.16
Rates & Taxes	2.00	1.93
Travelling & Conveyance	72.20	66.02
Legal & Professional Charges	12.08	18.73
Directors Fees	0.07	0.11
Payment to Auditors :		
for Audit fee	1.65	1.69
for Tax Audit fee	0.55	0.56
for Expenses	0.33	0.36
Miscellaneous Expenses	63.97	64.47
	<u>164.62</u>	<u>165.10</u>
<b>FINANCIAL EXPENSES :</b>		
Interest on :		
Debentures/Fixed Loans	737.27	1296.70
Others	149.06	621.73
Bank Charges and other expenses	42.00	29.30
	<u>928.33</u>	<u>1947.73</u>
Less : Income	36.10	7.43
	<u>892.23</u>	<u>1940.30</u>
<b>SELLING EXPENSES :</b>		
Commission & Brokerage	180.32	127.33
Carriage Outward (Net)	215.00	190.59
Rebate, Claims and Discounts	44.88	31.83
Others	10.33	13.16
	<u>450.53</u>	<u>362.91</u>
<b>OTHER EXPENSES :</b>		
Loss on Sales of Fixed Assets	1.29	-
Sundry balances written-off	0.12	0.61
	<u>1.41</u>	<u>0.61</u>
	<u>2626.37</u>	<u>3540.66</u>

**SCHEDULE 14 : NOTES ON ACCOUNTS**
**1. Significant accounting policies :**
**(I) Basis of Preparation of Financial Statements:**

The Financial statements are prepared on accrual basis in accordance with the applicable accounting standards and the provisions of the Companies Act, 1956.

**(II) Fixed Assets :**

- Fixed Assets are stated at cost less accumulated depreciation. Impairment loss 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 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 are depreciated at old rates whereas such assets acquired thereafter 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 & 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 provision made for goods lying in bonded warehouse for domestic sales.
- The Cenvat credit in respect of Excise Duty and Service Tax are utilized for payment of Excise Duty on goods dispatched. The unutilized Cenvat credit is carried forward in the books.

**(VII) Revenue Recognition :**

Sales is shown inclusive of 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 :**

- The Employee and Company make monthly fixed Contribution to Government of India Employee's Provident Fund equal to a specified percentage of the Covered employee's salary. Provision for the same is made in the year in which services are rendered by the employee.
- The Liability for Gratuity to employees, which is a defined benefit plan is determined on the basis of actuarial Valuation based on Projected Unit Credit method. Actuarial gain / loss in respect of the same is charged to the profit and loss account.
- Leave encashment benefits to eligible employees has been ascertained on actuarial basis and provided for. Actuarial gain / loss in respect of the same is charged to the profit and loss account.

**(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.240.61 lacs (Previous Year Rs. 1789.31 lacs) against which Rs.4.18 lacs paid as margin (Previous year Rs. 166.54 Lacs).
  - Bills discounted with banks Rs. 23.53 lacs (Previous year Rs.772.94 lacs).
  - Guarantees given by the Company to others Rs. 2084.07 lacs (Previous year Rs. 2384.34 lacs).
  - Disputed demand for excise and customs Rs. 80.30 lacs ( Previous Year Rs. 80.30 lacs) and other demands by Government Department Rs.65.38 lacs (Previous Year Rs. 65.38 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. 251.18 lacs (Previous year Rs.243.23 lacs) against which amount paid Rs.1.80 lacs ( Previous year Rs. 1.34 lacs).
  - Claims not acknowledged as debts by the company Rs.773.88 lacs (Previous year Rs. 722.45 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.240.48 lacs (Previous year Rs. 241.45 lacs) provided on the assets of Threads Division, which is not in operation.
- Balances of debtors, creditors and advances have been taken as per books and are subject to reconciliation / confirmation and consequential adjustments, if any.
  - 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.1419.57 lacs paid during the year (Cumulative Rs.2738.67 lacs) 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. 474.65 lacs (Previous Year Rs. 352.01 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. 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. 30<sup>th</sup> September, 1998 converted / convertible into 16% optionally fully convertible debentures (OFCDs) amounting to Rs.111.25 lacs for the year (Cumulative Rs.1167.82 lacs).
  - On other loans/dues amounting to Rs. 55.56 lacs for the year (Cumulative Rs. 481.99 lacs).
  - On public fixed deposits amounting to Rs. 118.67 lacs for the year (Cumulative Rs.988.19 lacs).
  - On debentures and term loan of PTA project amounting to Rs.1709.62 lacs for the year (Cumulative Rs.11071.57 lacs).
10. 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.
11. Interest on bank borrowings has been provided including on non fund based borrowings after reducing fixed deposits towards margin money.
12. In view of the losses, Debenture Redemption reserve has not been created.
13. Dividend on cumulative redeemable preference shares amounting to Rs. 140.38 lacs for the year (Cumulative Rs.1824.91 lacs) has not been provided in view of losses. The company expects waiver / relief under rehabilitation scheme which is under consideration.
14. 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.
15. Loss for the year has been arrived at after adjusting prior year debts Rs. 1.46 lacs (Previous year Rs.3.82 lacs) charged to respective heads of account, other than those crystallised during the year.
16. Provisions for income tax for the current year has not been made in view of losses.
17. The net worth of the Company has been eroded fully as on 31<sup>st</sup> 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 31<sup>st</sup> 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.

18. 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.
19. 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.
20. Exceptional items consist of amount written back on account of settlement of some of the Loans / borrowings and interest there on Rs.13322.33 lacs (Previous year Rs.501.40 lacs)
21. 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.
22. The company has not received information from vendors regarding their status under the Micro, small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at year end together with interest paid / payable under this Act have not been given.
23. Remuneration and perquisites to the Chairman and Managing Director and Executive Director :

	2008-09	(Rs. in Lacs) 2007-08
Salary and Allowances	12.00	11.40
Contribution to Provident Fund	1.44	1.37
Perquisites	0.84	0.70
	<u>14.28</u>	<u>13.47</u>

24. The disclosure of Employee benefit as defined in the Accounting standard 15

Principal assumptions	
- Discounting Rate	8.00 %
- Expected rate of return on plan assets	-
- Expected rate of future salary increase	5.5 %

	2008-09		2007-08	
	Gratuity Unfunded	Leave Encashment Unfunded	Gratuity Unfunded	Leave Encashment Unfunded
Change in present value of obligations				
- Present value of obligations as at beginning of the year	152.23	27.09	145.59	25.06
- Interest Cost	7.51	1.90	6.74	1.63
- Current Service Cost	10.35	4.85	9.95	4.46
- Benefits Paid	(17.76)	(13.78)	(17.79)	(14.75)
- Actuarial (Gain) / Loss on Obligations	(3.50)	10.16	7.74	10.69
- Present value of Obligations as at close of the year	<u>148.83</u>	<u>30.22</u>	<u>152.23</u>	<u>27.09</u>
Change in fair value of plan assets	N.A.	N.A.	N.A.	N.A.
Liability recognized in the Balance Sheet				
- Present value of obligations as at close of the year	148.83	30.22	152.23	27.09
- Fair value of plan assets as at the end of the year	-	-	-	-
- Unfunded status	148.83	30.22	152.23	27.09
- Unrecognized Actuarial (Gain) / Loss	-	-	-	-
- Net (Assets) / Liability recognized in Balance Sheet	<u>148.83</u>	<u>30.22</u>	<u>152.23</u>	<u>27.09</u>
Expenses recognized in Profit and Loss Account				
- Current service cost	10.35	4.85	9.95	4.46
- Past Service Cost	-	-	-	-
- Interest Cost	7.51	1.90	6.74	1.63
- Expected Return on plan assets	-	-	-	-
- Net Actuarial (Gain) / Loss recognized during the year	(3.50)	10.16	7.74	10.69
Total Expenses recognized in Profit and Loss Account	<u>14.36</u>	<u>16.91</u>	<u>24.43</u>	<u>16.78</u>

25. 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)

	2008-09				2007-08			
	Woollens	Yarn	Others	Total	Woollens	Yarn	Others	Total
1. <b>Segment Revenue</b>								
Net Sales	8455.30	-	-	8455.30	8270.87	-	-	8270.87
2. <b>Segment Results</b>								
Profit/(Loss) before Interest & Tax	611.20	(250.71)	-	360.49	623.42	(256.68)	-	366.74
Less: Interest	-	-	-	892.23	-	-	-	1940.30
Profit/(Loss) before Tax	-	-	-	(531.74)	-	-	-	(1573.56)
Less: Provision for fringe benefit tax	-	-	-	5.14	-	-	-	3.88
Profit before exceptional items	-	-	-	(536.88)	-	-	-	(1577.44)
Exceptional items	-	-	-	13322.33	-	-	-	501.40
Total Profit/(Loss) After Exceptional items	-	-	-	<u>12785.45</u>	-	-	-	<u>(1076.04)</u>
3. <b>Capital Employed</b>								
Segment Assets	5039.86	3819.64	547.31	9406.81	4997.45	3148.87	547.31	8693.63
Segment Liabilities	(1814.76)	20030.20	13308.90	31524.34	1952.24	29174.67	13308.90	44436.11
Capital Employed	<u>6854.62</u>	<u>(16210.56)</u>	<u>(12761.59)</u>	<u>(22117.53)</u>	<u>3044.91</u>	<u>(26025.80)</u>	<u>(12761.59)</u>	<u>(35742.48)</u>

b) **Geographical Segment :**

Revenue by Geographical Market

	2008-2009	(Rs in Lacs) 2007-2008
In India	2755.35	3106.39
Other than India	5699.95	5164.48
<u>Carrying Amounts of Segment Assets</u>		
In India	8701.26	8033.65
Other than India	699.35	659.98

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

## (I) Related Party Relationships :

- a) Where Control Exists :  
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 :  
Shubham Corporate advisory Services Pvt. Ltd.
- d) Other Associates :  
Current Investments Pvt. Ltd.

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

(Rs. in lacs)

	Types of related Parties	Description of the nature of the transactions	Name of Party	Volume of transactions	
				2008-2009	2007-2008
a)	Where Control Exists :	Purchase of goods	Modern Terry Towels Ltd.	Nil	0.02
b)	Key Managerial Personnel	Remuneration etc.	Chairman & Managing Director Executive Director	6.75 7.53	6.75 6.72
c)	Relative of Key Managerial Personnel	Rent	Shubham Corporate Advisory Services Pvt. Ltd.	3.60	0.90

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

Particulars	2008-2009	2007-2008
Profit / (Loss) for the year before exceptional items (Rs. in Lacs)	(536.88)	(1577.44)
Profit / (Loss) after exceptional items (Rs in Lacs )	12785.45	(1076.04)
Weighted Avg. No. of Equity Shares used as Denominator for Calculating Basic Earning Per Shares	34775160	34775160
Weighted Avg. No. of Equity Shares used as Denominator for Calculating Diluted Earning Per Shares:		
- Before exceptional items	34775160	34775160
- After exceptional items	41790407	34775160
Nominal Value of Shares (Rs.)	10	10
<b>Basic Earning per Share (Rs.) :</b>		
- Before exceptional items	(1.54)	(4.54)
- After exceptional items	36.77	(3.09)
<b>Diluted earning per share (Rs.): -</b>		
- Before exceptional items	(1.54)	(4.54)
- After exceptional items.	30.59	(3.09)

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

## 28. 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 31.03.2009	(Rs. in Lacs) As on 31.03.2008
Depreciation	(114.24)	(104.35)
Impairment loss recognized in P&L a/c	2546.46	2546.74
Carried forward losses / depreciation	2968.20	5389.29
Provision for doubtful debts	11.35	11.35
Others	3167.85	6570.03
<b>Net Deferred Tax Assets</b>	<b>8579.62</b>	<b>14412.78</b>

The net Deferred Tax Assets of Rs. 8579.62 lacs have not been recognized in accounts due to the reasons as mentioned above.

29. 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.
30. Figures for the previous year have been re-arranged /re-grouped wherever considered necessary to make them comparable.
31. 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 31.03.2009		As at 31.03.2008	
<b>(A) Licenced &amp; Installed Capacity (as certified by the management)</b>				
i) Licenced Capacity		NA		NA
ii) Installed Capacity				
Synthetic Yarn (No. of Spindles)		49232		49232
Carpet Yarn (No. of Spindles)		840		1364
Worsted Yarn (No. of Spindles)		13752		12024
Wool Tops (MT)		2280		2280
<b>(B) Production, Sales &amp; Stocks</b>				
		<b>2008-09</b>		<b>2007-08</b>
		<b>Qty. (MT)</b>	<b>Amt. Rs. in Lacs</b>	<b>Qty. (MT)</b>
				<b>Amt. Rs. in Lacs</b>
i) Opening Stock				
Yarn		208	436.75	150
Wool Tops		65	192.77	74
Includes Job - Yarn 38 MT, wool Tops 16 MT (Previous year Yarn 3 MT, wool Tops 12 MT)				214.40
ii) Production				
Yarn (Including outside Conversion)		1961		2305
Wool Tops - meant for sale		1167		1095
Wool Tops - Captive		821		883
Includes Job - Yarn 147 MT, Wool Top 995 MT (Previous year Yarn 136 MT, Wool Top 891 MT).				
iii) Sales				
Yarn		2027	6928.32	2247
Wool Tops		1081	929.76	1104
Others			648.12	
Includes Job-Yarn 182 MT, Wool Top 931 MT (Previous year Yarn 101 MT, Wool Top 887 MT).				636.23
iv) Closing Stock				
Yarn		142	367.15	208
Wool Tops		151	224.26	65
Others				192.77
Includes Job- Yarn 3 MT, Wool Tops 80 MT (Previous year - Yarn 38 MT, Wool Tops 16 MT)				



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

	2008-09		2007-08	
	Rs. in lacs	% age	Rs. in lacs	% age
i) Raw Materials :				
- Imported	4022.17	75.21	4056.78	77.95
- Indigenous	1332.10	24.79	1355.85	22.05
	<u>5354.27</u>	<u>100.00</u>	<u>5412.63</u>	<u>100.00</u>
ii) Stores, Spares & Components :				
- Imported	107.79	35.19	102.55	37.44
- Indigenous	198.53	64.81	171.32	62.56
	<u>306.32</u>	<u>100.00</u>	<u>273.87</u>	<u>100.00</u>

**(D) Value of Imports Calculated on CIF Basis :**

	2008-09	(Rs. in lacs) 2007-08
- Raw Material	3588.62	3621.87
- Stores & Spares	100.68	84.61

**(E) Expenditure in Foreign Currency :**

- Travelling	25.04	21.60
- Others	147.99	150.66

**(F) Earning in Foreign Exchange :**

- FOB Value of Exports	5599.77	5001.49
------------------------	---------	---------

**32. Balance Sheet abstract and Company's General Business Profile :****(I) Registration Details :**

Balance Sheet date	31st March, 2009
Registration No.	2075
State Code	17

**(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)**

<b>Total Liabilities</b>	<b>Total Assets</b>
4394751	4394751
<b>Sources of Funds</b>	
Paid-up Capital	Reserve & Surplus
435252	941339
Share Application Money	
145000	
Secured Loans	Unsecured Loans
2697017	176143
<b>Application of Funds</b>	
Net Fixed Assets	Investments
424340	67
Net Current Assets	Miscellaneous Expenditure
238050	Nil
Profit and Loss Account	
3732294	

**(IV) Performance of Company (Rs. in thousands)**

Total Income	Total Expenditure
844576	897750
Profit before Tax	Profit After Tax
(Before exceptional items)	(Before exceptional items)
(53174)	(53688)
Basic Earning per Share	Dividend
before exceptional items (Rs.)	Nil
(1.54)	
Diluted Earning per Share	
before exceptional items (Rs.)	
(1.54)	

**(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

Membership No. 70331

Place : Mumbai

Date : 26th June, 2009

H.S. Ranka

- Chairman &amp; Managing Director

Sachin Ranka

S.B.L. Jain

G.C. Baveja

H.L. Sharma

R.R. Maheshwari

} Directors

B.L. Saini

- Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009**

Particulars	(Rs. in lacs)	
	2008-09	2007-08
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax & exceptional items	(531.74)	(1573.56)
ADJUSTMENTS FOR		
– Depreciation	387.43	388.18
– Loss/(Profit) on Sale of Fixed Assets	1.10	(0.08)
– Bad Debts written off	–	0.00
– Sundry balances (written back)/Written off	(0.09)	(5.70)
– Interest and Financial Charges	892.23	1940.30
Operating profit before working capital changes	748.93	749.14
ADJUSTMENTS FOR		
– Trade and other Receivables	(32.04)	(32.17)
– Inventories	336.01	(27.86)
– Trade and other payable	104.15	107.35
Cash Generation from Operations	1157.05	796.46
Interest and bank charges paid	(438.89)	(74.59)
Fringe Benefit Tax paid	(4.72)	(4.22)
<b>Net Cash from operating activities</b>	<b>713.44</b>	<b>717.65</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
– Fixed Assets (Including Capital Work in Progress)	(86.73)	(16.19)
– Sale of Fixed Assets	18.45	0.28
<b>Net cash used in investing activities</b>	<b>(68.28)</b>	<b>(15.91)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
– Proceeds from Equity Share Application Money	850.00	25.00
– Proceeds from Borrowings		
Bank Borrowings	(848.97)	(297.76)
Non-convertible debentures	(626.91)	(100.00)
Term Loans/Unsecured Loan	(107.65)	(562.88)
<b>Net Cash From financing activities</b>	<b>(733.53)</b>	<b>(935.64)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(88.37)</b>	<b>(233.90)</b>
<b>Cash &amp; Cash Equivalents - Opening Balance</b>	<b>214.86</b>	<b>448.76</b>
<b>Cash &amp; Cash Equivalents - Closing Balance</b>	<b>126.49</b>	<b>214.86</b>

**Note :**

1. The figures of the previous year have been regrouped and rearranged wherever necessary.
2. 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 and on behalf of the Board

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

**(R.N. GOYAL)**  
 Partner  
 Membership No. 70331

 Place : Mumbai  
 Date : 26th June, 2009

H.S. Ranka – Chairman &amp; Managing Director

 Sachin Ranka  
 S.B.L. Jain  
 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 EIGHTH ANNUAL GENERAL MEETING of the Company to be held on Wednesday the 30th September, 2009 at 11.30 A.M. and at any adjournment thereof.

Signed this ..... day of ..... 2009

Signature .....

Affix  
Re 1/-  
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)

**28th Annual General Meeting-30th September, 2009**

I hereby record my presence at the TWENTY EIGHTH ANNUAL GENERAL MEETING of the Company held at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 on Wednesday the 30th September, 2009 at 11.30 A.M.

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.**

**Book Post  
(Printed Matter)**



*If undelivered please return to :*

**Modern Threads (India) Limited  
A-4, Vijay Path, Tilak Nagar,  
Jaipur-302 004 (India)**