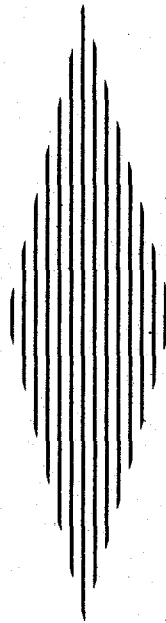


# **ANNUAL REPORT 2009-2010**



**Modern**  
**THREADS (INDIA) LIMITED**

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**BOARD OF DIRECTORS**

Shri H.S. Ranka	– Chairman & Managing Director
Shri Sachin Ranka	– Director
Shri Arun Ramanathan	– Special Director (BIFR)
Shri G.C. Baveja	– Director
Shri R.R. Maheshwari	– Director
Shri H.L. Sharma	– Director
Shri S.B.L. Jain	– 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 29th Annual General Meeting of **Modern Threads (India) Limited** will be held on Thursday the 30th September, 2010 at 12.30 P.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 to transact the following business :

### A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri R.R. Maheshwari who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri H.L. Sharma 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 a Special Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 269, 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) and further subject to the approval of Central Government, wherever required and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the re-appointment of Shri H.S. Ranka as Chairman & Managing Director of the Company from 01/01/2010 for a further 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  
Date : 30th June, 2010

(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 28.09.2010 to 30.09.2010 (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. As term of his appointment expired on 31/12/2009, therefore, the Board considered it desirable that the Company continue to avail his services for a further period of 3 years w.e.f. 01/01/2010. The terms & conditions & payment of remuneration to Shri H.S. Ranka as Chairman & 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. 60,000/- (Rupees Sixty Thousand only) per month.
- (B) Detail of 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 herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

## DIRECTORS' REPORT

The Members,

Your Directors present Annual Report and Audited Statement of Accounts for the year ended 31st March, 2010.

### 1. FINANCIAL RESULTS

	(Rs. in crores)	
	2009-10	2008-09
Net Profit / (Loss) for the year	(4.48)	(5.37)
Balance Brought forward from last year	(373.23)	(501.08)
Exceptional items	7.10	133.22
Balance carried to Balance Sheet	(370.61)	(373.23)

### 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 and has maintained the turnover of Rs.77 crores inspite of sluggish demand of Woollen Worsteds Yarn from various countries. The Company has suffered net loss of Rs. 4.48 crores during the year against Rs. 5.37 crores during the previous year. Your Directors are unable to declare any dividend for the year under review due to losses suffered by the Company.

The production facilities of the Company at Raila plant remained closed during whole of the year under review on account of continuing strike by the workers and sealing of the entire plant and machinery by Ajmer Vidyut Vitran Nigam Limited.

### 3. EXPORTS

The exports of the Woollen division during the year under review has suffered set back mainly because of higher wool prices and poor off take from overseas countries due to recession all over the world. The division could achieve export turnover of Rs. 46 crores during the year under review as against Rs. 56 crores in previous year. The decline in exports have also affected adversely the performance of the Company. Despite of adverse features, the Woollen division of the Company is one of the major exporter of the Woollen worsted yarn from the country. The Woollen division has also initiated the efforts in developing newer international market for spreading its overseas business.

### 4. FUTURE PROSPECTS

The worsted yarn segment of Textile Industry is moving ahead and likely to grow fast in coming years. The turn of Woollen as a fashion fabric in global as well as domestic markets, coupled with renewed attention on speciality and high value added yarns will be strong growth drivers for woollen division of the Company. The ongoing efforts of management for improving operational efficiency, cost reduction and better management of available financial resources is expected to bring in improved performance of woollen division in future. The possibility to restart of yarn division of the Company seems to be very difficult and 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 Company Law Board for this purpose.

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

The Company is making continuous efforts for settlement of dues of the secured lenders and working capital bankers which includes reschedulement, one time settlement, waiver of entire penal and compound interest. So far about 97% 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 remaining secured creditors so as to file OTS based scheme to Hon'ble BIFR.

### 7. DIRECTORS

Shri R.R. Maheshwari and Shri H.L. Sharma are liable to retire by rotation and being eligible, offers themselves for reappointment. The Board of Industrial and Financial Reconstruction has nominated Shri Arun Ramanathan as Special Director on the Board. The IFCI Ltd. has withdrawn the nomination of Shri T.K. Ray. The SUUTI has withdrawn the nomination of Shri Punit Saxena. The Board welcomes Shri Arun Ramanathan and places on record its appreciation for the valuable contribution made by Shri T.K. Ray and Shri Punit Saxena during their tenure as Directors of the Company. The Board of Directors has re-appointed Shri H.S. Ranka as Chairman and Managing Director of the Company for a further period of three years.

### 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 2010-2011. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 14 forming part of the accounts and hence need no further clarifications.

### 9. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

The Company has enjoyed healthy and cordial industrial relations throughout the period except that the workers of 'Yarn Division' are still on strike. There is no employee getting remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

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

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

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

### 12. CONSTITUTION OF AUDIT COMMITTEE

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

Shri G. C. Baveja, Chairman  
Shri T. K. Ray ( upto 15/12/2009)  
Shri H. L. Sharma  
Shri S.B.L. Jain

### 13. ACKNOWLEDGEMENTS

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

ON BEHALF OF THE BOARD

Place : Mumbai  
Dated : 30th June, 2010

(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 2009-2010	Previous Year 2008-2009
<b>(A) Power and Fuel Consumption :</b>		
<b>1. Electricity :</b>		
(a) Purchased Units (In lacs)	126.94	127.67
Total Amount (Rs. in lacs)	559.76	541.34
Rate/Unit (Rs.)	4.41	4.24
(b) Own Generation Units (In lacs)	2.06	0.84
Total amount (Rs. in lacs)	22.98	9.17
Units/Litres of Diesel oil	2.81	2.81
Cost/Unit (Rs.)	11.13	10.89
<b>2. Coal :</b>		
Quantity (MT)	1587	2795
Total Cost (Rs. in lacs)	82.84	115.00
Average Rate/MT (Rs.)	5221	4115
<b>(B) Consumption per unit of Production :</b>		
Units	kgs.	kgs.
Electricity	3.17	3.25
Coal	0.39	0.71

### 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. 4556.00 lacs at FOB price against an outgo of Rs.3420.61 lacs.

## AUDITORS' REPORT

### To The Members, of Modern Threads (India) Limited.

We have audited the attached Balance Sheet of MODERN THREADS (INDIA) LIMITED as at 31<sup>st</sup> March, 2010, 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. 1724.67 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 1982.22 lacs. The total amount of interest not provided till 31<sup>st</sup> March, 2010 amounts to Rs 15647.25 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.11 regarding non-reorganization of the exchange difference of Rs.119.29 Lacs on trade creditors payable in foreign currency.
- (vi) Note No.13, regarding non-provision of dividend on cumulative redeemable preference shares amounting to Rs 140.38 lacs for the year (Rs. 1965.29 lacs upto 31<sup>st</sup> March, 2010)
- (vii) Note No.14, regarding non-verification of records related to fixed assets and inventories of Threads Division due to seizure of entire plant and office block by Ajmer Vidyut Vitran Nigam Ltd.
- (viii) 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.
- (ix) Note no. 20, regarding exceptional income of Rs. 638.25 lacs on account of settlement of Loans / borrowings and interest thereon and Rs.71.38 lacs for others obligations.
- (x) 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.
- (xi) 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 would have been Rs. 2549.17 lacs (as against the reported figures of Rs. 447.66 lacs), cumulative losses would have been Rs.52827.51 lacs (as against the reported figures of Rs. 37060.97 lacs), loan funds would have been Rs. 43139.94 lacs (as against the reported figures of Rs. 27492.69 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, 2010 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  
Firm Registration No.1079

R.N. GOYAL  
Partner

Place : Mumbai  
Date : 30th June, 2010

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 except furniture and vehicle and its not 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, 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. 79.44 Lacs |
| iii) Textiles Committee Cess | Rs. 15.20 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
	Sales tax (UPST)	0.67	Comm.Mirzapur
	Sales tax (UPST)	6.82	H C, Allahabad
	Sales tax (BST)	1.31	DC(A), Mumbai
Central Excise Act	Excise duty	55.85	Commissioner Appeals, Jaipur
	Excise duty	16.05	CESTAT, Delhi
Textile Committee Cess	TC Cess	19.08	Textile Commissioner, Delhi
Rajasthan 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
Provident Fund Act	PF	4.67	Commissioner, Jaipur
The Rajasthan Agriculture Produce Marketing Committee Act	Mandi Tax	269.93	The Rajasthan High Court, Jaipur
The Rajasthan Land Revenue Act	Land Tax	16.83	ACJM, Bhilwara
The Rajasthan Tax on Entry for Goods into Local Area Act	Entry Tax	7.51	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 & Debenture holders since 1998, The amount of overdue work out to Rs.24030.93 lacs as on 31 st March,2010 . The above overdues are other than the amounts not provided for in the Books of Accounts as referred in para 2 & 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) As informed to us Corporate Guarantee in respect of loans taken by Modern Terry Towels Ltd amounting to Rs.500.00 Lacs was outstanding at the end of the year, 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) As informed and explained to us, no fund raised on short term basis have been used for long term investments.
- (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  
Firm Registration No. 1079

Place : Mumbai  
Date : 30th June, 2010

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

**BALANCE SHEET**  
**AS AT 31ST MARCH, 2010**

(Rs. in lacs)

	Schedule	As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	1	5802.52	5802.52
Reserves and Surplus	2	9413.39	9413.39
		<u>15215.91</u>	<u>15215.91</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	25755.60	26970.17
Unsecured Loans	4	1737.09	1761.43
		<u>27492.69</u>	<u>28731.60</u>
<b>TOTAL</b>		<u>42708.60</u>	<u>43947.51</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	21596.61	21563.23
Less : Depreciation		17694.94	17319.83
Net Block		<u>3901.67</u>	<u>4243.40</u>
<b>INVESTMENTS</b>	6	0.46	0.67
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories		1439.04	1158.40
Sundry Debtors		596.98	776.02
Cash and Bank Balances		436.35	126.49
Interest accrued on investment		0.14	0.27
Loans, Advances and Deposits		2101.40	3095.36
		<u>4573.91</u>	<u>5156.54</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>	8	2828.41	2776.04
<b>NET CURRENT ASSETS</b>		<u>1745.50</u>	<u>2380.50</u>
<b>Profit &amp; Loss Account</b>		<u>37060.97</u>	<u>37322.94</u>
<b>TOTAL</b>		<u>42708.60</u>	<u>43947.51</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  
Firm Registration No. 1079

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

Place : Mumbai  
Date : 30th June, 2010

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

Sachin Ranka  
G.C. Baveja  
S.B.L. Jain  
H.L. Sharma  
R.R. Mahashwari

} Directors

B.L. Saini – Company Secretary



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Lacs)

Particulars	Schedule	2009-2010	2008-2009
<b>INCOME</b>			
Sales		7709.96	8506.20
Less : Excise Duty		22.89	50.90
Net Sales		7687.07	8455.30
Other Income	9	23.97	28.57
Increase/(Decrease) in Stock	10	38.87	(38.11)
		<u>7749.91</u>	<u>8445.76</u>
<b>EXPENDITURE</b>			
Material Cost	11	4706.15	5354.27
Employees Cost	12	672.39	609.43
Operational and Other Expenses	13	2443.25	2626.37
Depreciation		375.78	387.43
		<u>8197.57</u>	<u>8977.50</u>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>(447.66)</b>	<b>(531.74)</b>
Less : Provision for Fringe Benefit Tax		—	5.14
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE EXCEPTIONAL ITEMS</b>		<b>(447.66)</b>	<b>(536.88)</b>
Add : Exceptional items (Refer note no. 20 of Schedule no. 14)		709.63	13322.23
<b>PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS</b>		<b>261.97</b>	<b>12785.45</b>
Add : Balance brought forward from last year		(37322.94)	(50108.39)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b><u>(37060.97)</u></b>	<b><u>(37322.94)</u></b>
<b>Basic Earning Per Share (Rs.)</b>			
– Before exceptional items		(1.29)	(1.54)
– After exceptional items		0.75	36.77
<b>Diluted Earning Per Share (Rs.)</b>			
– Before exceptional items		(1.29)	(1.54)
– After exceptional items		0.53	30.59
<b>NOTES ON ACCOUNTS</b>		14	

As per our report of even date attached

For **S.S. SURANA & CO.**  
Chartered Accountants  
Firm Registration No. 1079

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

Place : Mumbai  
Date : 30th June, 2010

For and on behalf of the Board

H.S. Ranka – *Chairman & Managing Director*

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

B.L. Saini – *Company Secretary*

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

	As at 31.03.2010	As at 31.03.2009
<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>
<b>EQUITY SHARE APPLICATION MONEY</b>	<u>1450.00</u>	<u>1450.00</u>
	<u>5802.52</u>	<u>5802.52</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.  
 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 31.03.2010	As at 31.03.2009
<b>Capital Reserve</b>	35.90	35.90
<b>Share Premium</b>	7985.77	7985.77
<b>Debenture Redemption Reserve</b>	970.00	970.00
<b>Capital Redemption Reserve</b>	421.72	421.72
	<u>9413.39</u>	<u>9413.39</u>

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

	As at 31.03.2010	As at 31.03.2009
<b>DEBENTURES</b>		
Optionally fully Convertible Debentures	1733.47	1733.47
Non-Convertible Redeemable Debentures	4812.74	4822.17
	<u>6546.21</u>	<u>6555.64</u>
<b>TERMS LOANS</b>		
From Financial Institutions		
Rupee Loans	10177.29	10758.29
From Others	105.37	134.29
	<u>10282.66</u>	<u>10892.58</u>
Accrued Interest Convertible into 16% Optionally Fully Convertible Debentures (OFCDs)	88.93	91.64
Bank Borrowings for Working Capital	605.70	1447.70
Interest Accrued and due	8232.10	7982.61
	<u>25755.60</u>	<u>26970.17</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. Bank borrowing for working capital amounting to Rs. 605.70 lacs settled and paid, 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. 3947.83 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. 864.91 lacs settled and paid, shown under the schedule of Current Assets, Loans & Advances.
6. Rupee Loan includes Rs. 254.06 lacs settled and paid, shown under the schedule of Current Assets, Loans & Advances.

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

	As at 31.03.2010	As at 31.03.2009
Fixed Deposits	776.15	811.96
Sales Tax Loan	4.28	4.28
Deferred sales tax	108.23	96.59
Interest accrued and due	848.43	848.60
	<u>1737.09</u>	<u>1761.43</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 31.03.2009	Additions	Deductions	As at 31.03.2010	upto 31.03.2009	For the year	Deductions	upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
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	1000.94	42.14	-	1043.08	608.88	651.02
Plant & Machinery	18681.26	9.73	-	18690.99	16180.51	326.47	-	16506.98	2184.01	2500.75
Furniture & Fixtures & Office Equipments	130.17	2.11	1.07	131.21	108.34	3.83	0.39	111.78	19.43	21.83
Vehicles	54.15	0.35	0.28	54.22	30.04	3.34	0.28	33.10	21.12	24.11
Total	21563.23	12.19	1.35	21574.07	17319.83	375.78	0.67	17694.94	3879.13	4243.40
Capital work in progress	-	22.54	-	22.54	-	-	-	-	22.54	-
Total	21563.23	34.73	1.35	21596.61	17319.83	375.78	0.67	17694.94	3901.67	4243.40
Previous Year	21753.69	86.73	277.19	21563.23	17190.04	387.43	257.64	17319.83	4243.40	

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

	As at 31.03.2010	As at 31.03.2009
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**UNQUOTED**

National Saving Certificate  
 (Deposited with Government Departments)

0.46	0.67
<u>0.46</u>	<u>0.67</u>

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

	As at 31.03.2010	As at 31.03.2009
<b>A. CURRENT ASSETS</b>		
<b>INVENTORIES</b> (as taken, valued and certified by the Management)		
Raw Materials	322.20	201.08
Process Stock	364.01	249.56
Stores & Spare Parts	105.56	104.50
Finished stock	630.28	591.41
Waste	16.99	11.85
	<u>1439.04</u>	<u>1158.40</u>
<b>SUNDRY DEBTORS</b> (Unsecured)		
Outstanding for a period exceeding six months		
Considered Good	6.83	7.66
Considered Doubtful (including under litigation)	28.30	33.39
	<u>35.13</u>	<u>41.05</u>
Less : Provision for Doubtful Debts	28.30	33.39
	6.83	7.66
Others (Considered Good)	590.15	768.36
	<u>596.98</u>	<u>776.02</u>
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	3.06	3.72
Balances with Scheduled Banks –		
in Current Accounts, Cheques/Drafts in hand and remittances in transit	156.11	96.73
in Fixed Deposits Accounts (including against margin)	277.18	26.04
	<u>436.35</u>	<u>126.49</u>
<b>OTHERS</b>		
Interest accrued on investments	0.14	0.27
<b>Total (A)</b>	<u>2472.51</u>	<u>2061.18</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)	1832.59	2843.63
Sundry Deposits	86.47	86.55
Income Tax deducted at source	13.61	8.03
Claims and other Receivables	168.73	157.15
<b>Total (B)</b>	<u>2101.40</u>	<u>3095.36</u>
<b>Total (A+B)</b>	<u>4573.91</u>	<u>5156.54</u>

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

	As at 31.03.2010	As at 31.03.2009
<b>(A) Current Liabilities</b>		
Sundry Creditors	1634.56	1652.71
Other Liabilities	969.63	916.44
Sundry Deposits	29.78	27.12
	<u>2633.97</u>	<u>2596.27</u>
<b>(B) Provisions</b>		
For Gratuity & Leave Encashment	194.44	179.05
For Fringe Benefit Tax (Net of advance)	-	0.72
	<u>194.44</u>	<u>179.77</u>
	<u>2828.41</u>	<u>2776.04</u>

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

Particulars	2009-2010	2008-2009
Scrap Sales	20.98	27.35
Sundry Balances /Liabilities Written Back	1.63	0.21
Miscellaneous Receipts	1.36	1.01
	<u>23.97</u>	<u>28.57</u>

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

Particulars	2009-2010	2008-2009
Closing Stock of Finished Goods	630.28	591.41
Less : Opening Stock of Finished Goods	591.41	629.52
	<u>38.87</u>	<u>(38.11)</u>

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

Particulars	2009-2010	2008-2009
<b>STOCK AT OPENING :</b>		
Raw Materials	201.08	425.89
In Process	249.56	312.54
Waste	11.85	9.05
	462.49	747.48
<b>Add : Purchases</b>	4946.86	5069.28
	5409.35	5816.76
<b>Less : STOCK AT CLOSING :</b>		
Raw Materials	322.20	201.08
In Process	364.01	249.56
Waste	16.99	11.85
	703.20	462.49
	4706.15	5354.27

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

Particulars	2009-2010	2008-2009
Salaries, Wages and other allowances	567.94	520.42
Contribution to Provident and other funds	54.54	51.54
Staff & Labour Welfare	7.25	6.20
Gratuity & Leave Encashment	42.66	31.27
	672.39	609.43

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

Particulars	2009-2010	2008-2009
<b>MANUFACTURING EXPENSES :</b>		
Packing	83.54	81.22
Stores and Spares	292.06	306.32
Power and Fuel	670.28	669.87
Job Charges	3.79	11.83
Excise duty on increase/decrease in finished stock	0.60	0.77
Repairs to :		
Plant & Machinery	28.21	34.73
Buildings	10.85	10.65
Others	2.24	2.19
	1091.57	1117.58
<b>ADMINISTRATIVE EXPENSES :</b>		
Rent	6.25	6.05
Insurance (Net)	3.75	5.72
Rates & Taxes	2.26	2.00
Travelling & Conveyance	77.83	72.20
Legal & Professional Charges	12.25	12.08
Directors Fees	0.15	0.07
Payment to Auditors :		
for Audit fee	1.65	1.65
for Tax Audit fee	0.55	0.55
for Expenses	0.46	0.33
Miscellaneous Expenses	58.49	63.97
	163.64	164.62
<b>FINANCIAL EXPENSES :</b>		
Interest on :		
Debentures/Fixed Loans	753.47	737.27
Others	41.09	149.06
Bank Charges and other expenses	42.27	42.00
	836.83	928.33
Less : Income	18.68	36.10
	818.15	892.23
<b>SELLING EXPENSES :</b>		
Commission & Brokerage	126.86	180.32
Carriage Outward (Net)	219.24	215.00
Rebate, Claims and Discounts	8.92	44.88
Bad Debts Written-off	5.09	-
Less- Available provision	5.09	-
Others	14.46	10.33
	369.48	450.53
<b>OTHER EXPENSES :</b>		
Loss on Sales of Fixed Assets	-	1.29
Sundry balances written-off	0.41	0.12
	0.41	1.41
	2443.25	2626.37

**SCHEDULE 14 : NOTES ON ACCOUNTS**
**I. 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.
- 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.

**(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. 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. Raw Material is valued at cost and Stores & Spares are valued on weighted average basis.
- 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 other than litigation, 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.

**2. Contingent Liabilities not Provided for :**

- Bank Guarantees and Letter of credits outstanding Rs.4.18 lacs (Previous Year Rs. 240.61 lacs) against which Rs.4.18 lacs paid as margin (Previous year Rs. 4.18 Lacs).
  - Bills discounted with banks Rs. Nil (Previous year Rs.23.53 Lacs).
  - Guarantees given by the Company to others Rs.500.00 lacs (Previous year Rs. 2084.07 lacs).
  - Disputed demand for excise and customs Rs. 77.06 lacs ( Previous Year Rs. 80.30 lacs) and other demands by Government Department Rs.65.00 lacs (Previous Year Rs. 65.38 lacs ) against which amount paid Rs.5.16 lacs ( Previous Year Rs.5.16 lacs ) and Rs.4.23 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. 251.18 lacs) against which amount paid Rs.1.80 lacs ( Previous year Rs. 1.80 lacs).
  - Claims not acknowledged as debts by the company Rs.848.44 lacs (Previous year Rs. 773.88 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.223.36 lacs (Previous year Rs. 240.48 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.98.00 lacs paid during the year (Cumulative Rs.1724.67 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. 475.60 lacs (Previous Year Rs. 474.65 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.110.82 lacs for the year (Cumulative Rs.1274.07 lacs).
  - On other loans/dues amounting to Rs. 50.35 lacs for the year (Cumulative Rs. 492.37 lacs).
  - On public fixed deposits amounting to Rs. 111.43 lacs for the year (Cumulative Rs.1099.62 lacs).
  - On debentures and term loan of PTA project amounting to Rs.1709.62 lacs for the year (Cumulative Rs.12781.19 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 being submitted to BIFR.
11. Exchange fluctuations on Trade creditors (under litigation) amounting to Rs.119.29 Lacs have not been recognized as an expense as the company expects waiver / relief under rehabilitation Scheme being submitted to BIFR.
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.1965.29 lacs) has not been provided in view of losses. The company expects waiver/relief under rehabilitation scheme being submitted to BIFR.
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 debits Rs. 0.72 lacs (Previous year Rs. 1.46 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 638.25 lacs (Previous year Rs. 13322.33 lacs) & others Rs.71.38 lacs (previous year Nil).
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 & Managing Director and Executive Director:

	2009-10	(Rs. in Lacs) 2008-09
Salary and Allowances	12.30	12.00
Contribution to Provident Fund	1.48	1.44
Perquisites	0.84	0.84
	<u>14.62</u>	<u>14.28</u>

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

Principal assumptions	
- Discounting Rate	7.50 %
- Expected rate of return on plan assets	-
- Expected rate of future salary increase	5.00 %

	2009-10		2008-09	
	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	148.83	30.22	152.23	27.09
- Interest Cost	7.67	2.18	7.51	1.90
- Current Service Cost	11.01	5.71	10.35	4.85
- Benefits Paid	(14.28)	(12.99)	(17.76)	(13.78)
- Actuarial (Gain) / Loss on Obligations	6.15	9.94	(3.50)	10.16
- Present value of Obligations as at close of the year	<u>159.38</u>	<u>35.06</u>	<u>148.83</u>	<u>30.22</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	159.38	35.06	148.83	30.22
- Fair value of plan assets as at the end of the year	-	-	-	-
- Unfunded status	<u>159.38</u>	<u>35.06</u>	<u>148.83</u>	<u>30.22</u>
- Unrecognized Actuarial (Gain) / Loss	-	-	-	-
- Net (Assets) / Liability recognized in Balance Sheet	<u>159.38</u>	<u>35.06</u>	<u>148.83</u>	<u>30.22</u>
Expenses recognized in Profit and Loss Account				
- Current service cost	11.01	5.71	10.35	4.85
- Past Service Cost	-	-	-	-
- Interest Cost	7.67	2.18	7.51	1.90
- Expected Return on plan assets	-	-	-	-
- Net Actuarial (Gain) / Loss recognized during the year	6.15	9.94	(3.50)	10.16
Total Expenses recognized in Profit and Loss Account	<u>24.83</u>	<u>17.83</u>	<u>14.36</u>	<u>16.91</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)

	2009-10				2008-09			
	Woollens	Yarn	Others	Total	Woollens	Yarn	Others	Total
1. <b>Segment Revenue</b>								
Net Sales	7687.07	-	-	7687.07	8455.30	-	-	8455.30
2. <b>Segment Results</b>								
Profit/(Loss) before Interest & Tax	608.20	(237.71)	-	370.49	611.20	(250.71)	-	360.49
Less : Interest	-	-	-	818.15	-	-	-	892.23
Profit/(Loss) before Tax	-	-	-	(447.66)	-	-	-	(531.74)
Less: Provision for fringe benefit tax	-	-	-	-	-	-	-	5.14
Profit before exceptional items	-	-	-	(447.66)	-	-	-	(536.88)
Exceptional items	-	-	-	709.63	-	-	-	13322.33
Total Profit/(Loss) After Exceptional items	-	-	-	261.97	-	-	-	(12785.45)
3. <b>Capital Employed</b>								
Segment Assets	5130.00	2798.73	547.31	8476.04	5033.66	3819.64	547.31	9400.61
Segment Liabilities	(2177.15)	19189.35	13308.90	30321.10	(1831.46)	20030.20	13308.90	31507.64
Capital Employed	<u>7307.15</u>	<u>(16390.62)</u>	<u>(12761.59)</u>	<u>(21845.06)</u>	<u>6865.12</u>	<u>(16210.56)</u>	<u>(12761.59)</u>	<u>(22107.03)</u>

- b) **Geographical Segment :**

	2009-10	(Rs in Lacs) 2008-09
<b>Revenue by Geographical Market</b>		
In India	3030.73	2755.55
Other than India	4656.34	5699.95
<b>Carrying Amounts of Segment Assets</b>		
In India	7953.50	8701.26
Other than India	522.54	699.35

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

- (I) Related Party Relationships :
- Where Control Exists :  
Modern Insulators Ltd.
  - Key Management Personnel :  
Shri H.S. Ranka (Chairman and Managing Director)  
Shri M.L. Pamecha (Executive Director)
  - Relative of Key Management Personnel and their enterprises, where transaction have taken place :  
Shubham Corporate advisory Services 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	
			2009-2010	2008-2009
Key Managerial Personnel	Remuneration etc.	Chairman & Managing Director Executive Director	7.09	6.75
			7.53	7.53
			14.62	14.28
Relative of Key Managerial Personnel	Rent	Shubham Corporate Advisory Services Pvt. Ltd.	3.60	3.60

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

Particulars	2009-2010	2008-2009
Profit / (Loss) for the year before exceptional items (Rs. in Lacs)	(447.66)	(536.88)
Profit / (Loss) after exceptional items ( Rs. in Lacs )	261.97	12785.45
Weighted Avg. No. of Equity Shares used as Denominator for Calculating <b>Basic Earning Per Shares</b>	34775160	34775160
Weighted Avg. No. of Equity Shares used as Denominator for Calculating <b>Diluted Earning Per Shares:</b>		
- Before exceptional items	34775160	34775160
- After exceptional items	49275160	41790407
Nominal Value of Shares (Rs.)	10	10
<b>Basic Earning per Share (Rs.):</b>		
- Before exceptional items	(1.29)	(1.54)
- After exceptional items	0.75	36.77
<b>Diluted Earning per Share (Rs.): -</b>		
- Before exceptional items	(1.29)	(1.54)
- After exceptional items.	0.53	30.59

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 31.03.2010	(Rs. in Lacs) As on 31.03.2009
Depreciation	138.29	(114.24)
Impairment loss recognized in P&L a/c	2546.74	2546.74
Carried forward losses / depreciation	2204.08	2968.20
Provision for doubtful debts	9.62	11.35
Others	3240.10	3167.85
<b>Net Deferred Tax Assets</b>	<b>8138.83</b>	<b>8579.90</b>

The net Deferred Tax Assets of Rs. 8138.83 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 31.03.2010		As at 31.03.2009		
<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		840	
Worsted Yarn (No. of Spindles)		13752		13752	
Wool Tops (MT)		2280		2280	
<b>(B) Production, Sales &amp; Stocks</b>					
		<b>2009-10</b>		<b>2008-09</b>	
		Qty. (MT)	Amt. Rs. in Lacs	Qty. (MT)	Amt. Rs. in Lacs
i) Opening Stock					
Yarn		142	367.15	208	436.75
Wool Tops		151	224.26	65	192.77
Includes Job - Yarn 3 MT, Wool Tops 80 MT (Previous year Yarn 38 MT, Wool Tops 16 MT)					
ii) Production					
Yarn (Including outside Conversion)		2165		1961	
Wool Tops - meant for sale		1079		1167	
Wool Tops - Captive		821		821	
Includes Job -Yarn 134 MT, Wool Top 1045 MT (Previous year Yarn 147 MT, Wool Top 995 MT).					
iii) Sales					
Yarn		2169	6536.31	2027	6928.32
Wool Tops		1127	521.51	1081	929.76
Others			652.14		648.12
Includes Job-Yarn 125 MT, Wool Top 1068 MT (Previous year Yarn 182 MT, Wool Top 931 MT).					
iv) Closing Stock					
Yarn		138	420.21	142	367.15
Wool Tops		103	210.07	151	224.26
Others					
Includes Job- Yarn 13 MT, Wool Tops 57 MT (Previous year - Yarn 3 MT, Wool Tops 80 MT)					



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

	2009-10		2008-09	
	Rs. in lacs	% age	Rs. in lacs	% age
i) Raw Materials :				
– Imported	3417.83	72.62	4022.17	75.21
– Indigenous	1288.32	27.38	1332.10	24.79
	<u>4706.15</u>	<u>100.00</u>	<u>5354.27</u>	<u>100.00</u>
ii) Stores, Spares & Components :				
– Imported	112.73	38.60	107.79	35.19
– Indigenous	179.33	61.40	198.53	64.81
	<u>292.06</u>	<u>100.00</u>	<u>306.32</u>	<u>100.00</u>

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

	2009-10	(Rs. in lacs)
– Raw Material	3145.77	3588.62
– Stores & Spares	107.50	100.68
(E) Expenditure in Foreign Currency :		
– Foreign Travelling	27.68	25.04
– Others	139.66	147.99
(F) Earning in Foreign Exchange :		
– FOB Value of Exports	4556.00	5599.77

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

(I) Registration Details :	
Balance Sheet date	31st March, 2010
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>
4270860	4270860
<b>Sources of Funds</b>	
Paid-up Capital	Reserve & Surplus
435252	941339
Share Application Money	
145000	
Secured Loans	Unsecured Loans
2575560	173709
<b>Application of Funds</b>	
Net Fixed Assets	Investments
390167	46
Net Current Assets	Miscellaneous Expenditure
174550	Nil
Profit and Loss Account	
3706097	
(IV) Performance of Company (Rs. in thousands)	
Total Income	Total Expenditure
774991	819757
Profit before Tax	Profit After Tax
(Before exceptional items)	(Before exceptional items)
(44766)	(44766)
Basic Earning per Share	Dividend
before exceptional items (Rs.)	Nil
(1.29)	
Diluted Earning per Share	
before exceptional items (Rs.)	
(1.29)	
(V) Generic name of principal products of Company (As per Monetary terms)	
<b>Product Description</b>	<b>Item Code No. (ITC Code)</b>
Yarn	551130.01
Woollen Carpet Yarn	510710.04
Worsted Weaving Yarn	550952.00

As per our report of even date attached

For S.S. SURANA & CO.  
Chartered Accountants  
Firm Registration No. 1079

(R.N. GOYAL)

Partner

Membership No. 70331

Place : Mumbai

Date : 30th June, 2010

For and on behalf of the Board

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

Sachin Ranka

G.C. Baveja

S.B.L. Jain

H.L. Sharma

R.R. Mahashwari

} Directors

B.L. Saini

– Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

Particulars	(Rs. in lacs)	
	2009-10	2008-09
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax & exceptional items	(447.66)	(531.74)
ADJUSTMENTS FOR		
- Depreciation	375.78	387.43
- Loss/(Profit) on Sale of Fixed Assets	(0.28)	1.10
- Sundry balances (written back)/Written off	(1.22)	(0.09)
- Interest and Financial Charges	818.15	892.23
Operating profit before working capital changes	744.77	748.93
ADJUSTMENTS FOR		
- Trade and other Receivables	159.13	(32.04)
- Inventories	(280.64)	336.01
- Trade and other payable	125.69	104.15
Cash Generation from Operations	748.95	1157.05
Interest and bank charges paid	(108.64)	(538.89)
Fringe Benefit Tax paid	(0.72)	(4.72)
<b>Net Cash from operating activities</b>	<b>639.59</b>	<b>613.44</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
- Fixed Assets (Including Capital Work in Progress)	(34.73)	(86.73)
- Sale of Fixed Assets	0.96	18.45
- Sale of Investments	0.21	-
<b>Net cash used in investing activities</b>	<b>(33.56)</b>	<b>(68.28)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
- Proceeds from Equity Share Application Money	-	850.00
- Proceeds from Borrowings		
Bank Borrowings	(174.00)	(848.97)
Non-convertible debentures	(98.00)	(526.91)
Term Loans/Unsecured Loan	(24.17)	(107.65)
<b>Net Cash From financing activities</b>	<b>(296.17)</b>	<b>(633.53)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>309.86</b>	<b>(88.37)</b>
<b>Cash &amp; Cash Equivalents - Opening Balance</b>	<b>126.49</b>	<b>214.86</b>
<b>Cash &amp; Cash Equivalents - Closing Balance</b>	<b>436.35</b>	<b>126.49</b>

**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 and on behalf of the Board

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

H.S. Ranka - *Chairman & Managing Director*
**(R.N. GOYAL)**  
Partner  
Membership No. 70331

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

Place : Mumbai  
Date : 30th June, 2010

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 NINETH ANNUAL GENERAL MEETING of the Company to be held on Thursday the 30th September, 2010 at 12.30 P.M. and at any adjournment thereof.

Signed this ..... day of ..... 2010 Signature .....

Affix Re 1/- Revenue Stamp
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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)

**29th Annual General Meeting-30th September, 2010**

I hereby record my presence at the TWENTY NINETH ANNUAL GENERAL MEETING of the Company held at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 on Thursday the 30th September, 2010 at 12.30 P.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)**