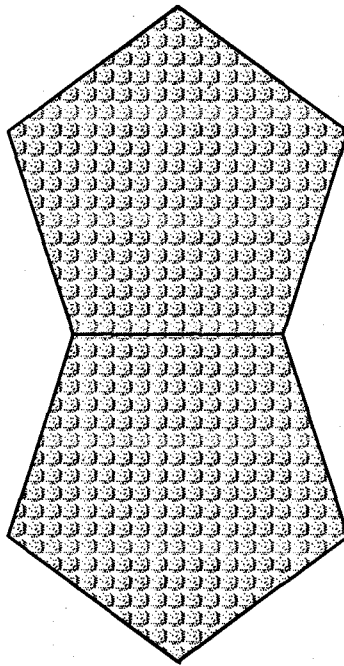


ANNUAL REPORT 2011-2012



Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Shri B.L. Saini

AUDITORS

M/s S.S. Surana & Co.,
Chartered Accountants,
Jaipur-302 015

REGISTERED OFFICE

A-4, Vijay Path,
Tilak Nagar,
Jaipur-302 004
(Rajasthan)

CORPORATE HEADQUARTER

68/69, Godavari,
Poachkhanwala Road,
Worli, Mumbai-400 030

PLANTS

Yarn Division

Village Raila,
Distt. Bhilwara (Rajasthan)

Woollens Division

Hamirgarh Road,
Bhilwara-311 001 (Rajasthan)

NOTICE

Notice is hereby given that the 31st Annual General Meeting of **Modern Threads (India) Limited** will be held on Friday the 21st September, 2012 at 4.00 P.M. at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur – 302 004 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri R.R. Maheshwari who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution with or without modifications, as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956, M/s. S.S. Surana & Co., Chartered Accountants, Jaipur, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company.”

B. SPECIAL BUSINESS:

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

Resolution :-

“RESOLVED THAT Shri Jagdish Prasad Agarwal, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 28/06/2012 and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT pursuant to the provisions of Section 269, 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) and further subject to the approval of Central Government, wherever required and the provisions of Schedule XIII to the said Act, Company hereby accords its approval and consent to the appointment of Shri Jagdish Prasad Agarwal as Director & Senior President of the Company for a period of two years with effect from 01/07/2012 on the terms & conditions of remuneration as specified in the explanatory statement annexed hereto.”

By order of the Board

Place : Jaipur
Date : 28th June, 2012

(B.L. SAINI)
Company Secretary

NOTES :

1. The relative Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item number 4 & 5 of the notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.**
3. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
4. The Ministry of Corporate affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued circulars stating that services of notices/documents including Annual Report can be sent by e-mail to its members. To support this objective of the Government, members are requested to register their e-mail addresses with the registered office of the Company.
5. The Share transfer books and Register of members shall remain closed from 18/09/2012 to 21/09/2012 (both days inclusive).

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

Item No.4

Shri Jagdish Prasad Agarwal was appointed as an Additional Director of the Company with effect from 28/06/2012 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri Jagdish Prasad Agarwal as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services. None of Directors, except Shri Jagdish Prasad Agarwal, is concerned or interested in the resolution.

Item No.5

Shri Jagdish Prasad Agarwal was appointed as Director & Senior President of the Company for a period of 2 years w.e.f. 01/07/2012 by the Board of Directors of the Company. The terms & conditions and payment of remuneration to Shri Jagdish Prasad Agarwal as Director & Senior President has also been approved by the Remuneration Committee of Directors of the Company.

The terms & conditions of remuneration referred to above are as under :-

- 1) Appointment of Shri Jagdish Prasad Agarwal, as Director & Senior President of the Company with remuneration for a period of 2 years with effect from 1st July, 2012 at the following terms and conditions of his remuneration :-
 - (A) Basic Salary – Rs.75000/- per month for first year and thereafter increase not exceeding 20% of basic salary of previous year for second year.
 - (B) Perquisites and allowances:
 - (i) Reimbursement of expenses on account of medical benefits and leave travel concession for self & family, the total cost of which to the Company shall not exceed 8% of the basic salary.
 - (ii) Company's contribution towards provident fund as per the rules of the Company but not exceeding 12% of the salary.
 - (iii) Gratuity not exceeding half month's salary for each completed year of service, as provided in the Gratuity Act.
 - (iv) Free use of car with driver, for Company's business.
 - (v) Free telephone facility at residence for Company's business.
 - (vi) Encashment of leaves as per Company's Rules.
 - (C) He shall not be paid any sitting fees for attending the meetings of Board of Directors or Committee thereof.

None of Directors, except Shri Jagdish Prasad Agarwal, is concerned or interested in the said resolution in item No. 5. The details set out herein above may be treated as an abstract under section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

The Members,

Your Directors present Annual Report and Audited Statement of Accounts for the year ended 31st March, 2012.

1. FINANCIAL RESULTS

(₹ in Crores)

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

2. OPERATIONS

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

3. EXPORTS

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

4. FUTURE PROSPECTS

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

5. PUBLIC FIXED DEPOSITS

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

6. RESTRUCTURING OF DEBTS AND REFERENCE TO BIFR

The company is glad to report that the dues of remaining secured lenders have also been settled during the year under review. Thus, 100% of the secured lenders have approved the settlement of their dues. Settlement made during the year under review has resulted into write back of principal and interest which has been included in the exceptional items shown in the financial statements. The Company has filed a Draft Rehabilitation Scheme with the Hon'ble BIFR with copy to Operating Agency and same is now under examination for necessary action and circulation.

7. DIRECTORS

Shri R.R. Maheshwari is liable to retire by rotation and being eligible, offers himself for reappointment. Appropriate resolution for the

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

8. AUDITORS

M/s. S.S. Surana & Co., Chartered Accountants, Jaipur retire at the forthcoming Annual General Meeting. Your Directors recommend their reappointment as Auditors of the Company for the year 2012-2013. The observations made by the Auditors are self explanatory and have been dealt with in the notes forming part of the financial statements and hence need no further clarifications.

9. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES

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

10. DIRECTOR'S RESPONSIBILITY STATEMENT

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

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

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

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

12. CONSTITUTION OF AUDIT COMMITTEE

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

Shri S.B.L. Jain, Chairman

Shri H.L. Sharma

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

13. ACKNOWLEDGEMENTS

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

ON BEHALF OF THE BOARD

Place : Mumbai

Dated : 28th June, 2012

(RAJESH RANKA)

Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT
Information as per Section 217 (1)(e) read with the Companies
(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. ENERGY CONSERVATION :

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

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

2. TECHNOLOGY ABSORPTION :

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

3. The Company has earned during the period foreign exchange of ₹ 6323.76 lacs at FOB price against an outgo of ₹ 4631.13 lacs.

AUDITORS' REPORT

To,

The Members of Modern Threads (India) Limited

We have audited the attached Balance Sheet of MODERN THREADS (INDIA) LIMITED as at 31st March, 2012, Statement of Profit & Loss 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, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) *In our opinion, the Balance Sheet, Statement of Profit & Loss 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 Notes on Financial Statements.*
 - e) *On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.*
 - f) In our opinion and to the best of our information and according to explanation given to us, said accounts read together with Significant Accounting Policies and Notes thereon and subject to:
 - i) *Dividend on cumulative redeemable preference shares amounting to ₹ 140.37 lacs for the year (₹ 2246 lacs*

upto the period) have not been provided in view of accumulated losses. (Note No.1.7)

- ii) *Provision of interest on certain unsecured loans / deposits amounting to ₹ 104.54 lacs has not been made as company expects waiver / reliefs. The total amount of interest not provided till 31st March 2012 amounts to ₹ 652.76 lacs. (Note No.4.2 & 4.4)*
- iii) *Effect of change in foreign exchange rates prevailing at the year end on trade payables (under litigation) amounting to ₹ 127.82 lacs for the year (cumulative ₹ 333.14 lacs) have not been recognized as an expense. (Note No.6.3)*
- iv) *Balances of trade payables and receivables are subject to confirmation and reconciliation, if any. (Note No. 6.2 & 14.2)*
- v) *Impairment loss and impact of depletion in inventories of Threads Division if any, not ascertained due to seizure of entire plant and office block by Ajmer Vidyut Vitran Nigam Ltd. (Note No. 8.4 & 11).*
- vi) *The accounts of the company have been prepared on going concern basis though the Board for Industrial and Financial Reconstruction (BIFR) has declared the Company as a SICK Company.*

We further report that without considering items mentioned at para 2 (f) (iv), (v) & (vi), the effect of which could not be determined, had the observations made by us in para 2 (f) (i), (ii) & (iii) above been considered, the Profit for the year would have been ₹ 639.22 lacs (as against the reported figures of ₹ 871.58 lacs), Reserves and Surplus would have been ₹ (28539.96) lacs (as against the reported figures of ₹ (25308.06) lacs), Trade Payables would have been ₹ 1893.39 lacs (as against reported figures ₹ 1560.25 lacs) and Other Current Liabilities would have been ₹ 6364.86 lacs (as against reported figures of ₹ 3466.10 lacs).

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

- (i) In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2012 and
- (ii) In the case of Statement of Profit & Loss, of the Profit 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. 001079C

R N Goyal

Partner

Membership No. 70331

Place : Mumbai

Date : 28th June, 2012

ANNEXURE TO THE AUDITOR'S 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 certain discarded plant and machinery, 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 inventories 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 Companies (Auditors Report) order, 2003 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. During the course our audit, we have not observed any continuing failure to correct the major weakness in internal control system.
- (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.
- (ix) In respect of statutory dues:
- a) The company is generally regular in depositing undisputed statutory dues including Provident fund, Investor Education & Protection Fund, ES, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the

appropriate authority except the following pertaining to Threads Division, which are outstanding for more than 6 months:

i) Central Sales Tax	₹	13.05 Lacs
ii) Rajasthan Sales Tax	₹	79.44 Lacs
iii) Textiles Committee Cess	₹	15.20 Lacs
iv) Excise Duty	₹	12.17 Lacs

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

(₹ 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
State Sales Tax Act	Sales tax	2.23	CTO, Jaipur
	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
Central Excise Act	Sales tax (BST)	0.07	DC(A), Mumbai
	Excise duty	59.09	Commissioner Appeals, Jaipur
Textile Committee Cess	Excise duty	16.05	CESAT, Delhi
	TC Cess	19.08	Textile Commissioner Delhi
Raj. Land & Building tax Act	Land & Building Tax	4.11	High Court, Jaipur
The Raj. Land Revenue Act	Land Tax	1.83	DJ, Bhilwara
	Land Tax	14.50	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 Product Markets Act	Mandi Tax	396.25	The Rajasthan High Court Jaipur
The Rajasthan Tax on Entry For goods in to Local area Act	Entry Tax	11.25	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 not incurred cash losses during the financial year.
- (xi) The Company is now regular in repayment of its settled dues.
- (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 and explained to us, the Company has not given any guarantee for loans taken by others from Bank or financial institutions.
- (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 favour of assignee in respect of secured debentures assigned by financial institutions.
- (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 SS. Surana & Co.
Chartered Accountants
Firm Registration No. 001079C

RN Goyal
Partner

Place : Mumbai
Date : 28th June, 2012

Membership No. 70331

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in lacs)

	Note No.	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
Share Capital	1	4,352.52	4,352.52
Reserves and Surplus	2	(25,308.06)	(27,255.98)
		<u>(20,955.54)</u>	<u>(22,903.46)</u>
2. Share Application Money Pending Allotment	3	1,450.00	1,450.00
3. Non Current Liabilities			
Long-term Borrowings	4	21,796.38	23,640.99
Long term Provisions	5	142.03	139.60
		<u>21,938.41</u>	<u>23,780.59</u>
4. Current Liabilities			
Trade payables	6	1,560.25	1,603.67
Other Current Liabilities	7	3,466.10	3,001.75
Short-term Provisions	5	48.27	50.22
TOTAL		<u>5,074.62</u>	<u>4,655.64</u>
		<u>7,507.49</u>	<u>6,982.77</u>
ASSETS			
1. Non-Current Assets			
Fixed Assets			
Tangible assets	8	3,536.13	3,821.37
Capital work-in-progress		33.49	0.17
Non-current investments	9	0.46	0.46
Long-term loans and advances	10	100.16	91.06
Other non-current assets	11	57.45	57.45
		<u>3,727.69</u>	<u>3,970.51</u>
2. Current Assets			
Current Investments	12	22.99	-
Inventories	13	1,873.17	1,407.42
Trade Receivables	14	998.10	1,034.24
Cash and Bank balances	15	609.98	197.35
Short-term loans and advances	10	275.56	373.25
TOTAL		<u>3,779.80</u>	<u>3,012.26</u>
		<u>7,507.49</u>	<u>6,982.77</u>
Significant Accounting Policies			
Notes on Financial Statements	1-33		

As per our report of even date attached

For and on behalf of the Board

For **S.S. SURANA & CO.**
 Chartered Accountants
 FRN 001079C
(R.N. GOYAL)
 Partner
 Membership No. 70331

Rajesh Ranka – Chairman & Managing Director
 Pradeep Kumar
 S.B.L. Jain
 R.R. Maheshwari
 H.L. Sharma
 B.L. Saini – Company Secretary

Place: Mumbai
 Date : 28th June, 2012

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012
(₹ in lacs)

Particulars	Note No.	2011-12	2010-11
INCOME			
Revenue from Operations	16	10,059.50	8,869.01
Other Income	17	186.13	130.18
Total Revenue		10,245.63	8,999.19
EXPENSES			
Cost of Materials Consumed	18	6,630.08	5,345.57
Changes in Inventories of Finished Goods and Stock-in-Process	19	(394.93)	51.14
Employee Benefits Expenses	20	736.15	772.36
Finance Costs	21	56.92	785.16
Depreciation and Amortization Expenses	8	364.63	353.67
Other Expenses	22	1,981.20	1,918.14
Total Expenses		9,374.05	9,226.04
Profot before Exceptional Items and Tax		871.58	(226.85)
Exceptional Items	23	1,076.34	618.45
Profit Before Tax		1,947.92	391.60
Tax Expenses	24		
Current Tax		–	–
Deferred Tax		–	–
Profit for the year		1,947.92	391.60
Basic Earnings Per equity share (in ₹)	25		
– Before Exceptional Items		2.51	(0.65)
– After Exceptional Items		5.60	1.13
Diluted Earning per equity share (in ₹)	25		
– Before Exceptional Items		1.77	(0.65)
– After Exceptional Items		3.95	0.79
Significant Accounting Policies			
Notes on Financial Statements	1 to 33		

As per our report of even date attached

For and on behalf of the Board

For **S.S. SURANA & CO.**
Chartered Accountants
FRN 001079C
(R.N. GOYAL)
Partner
Membership No. 70331

Rajesh Ranka – Chairman & Managing Director
Pradeep Kumar
S.B.L. Jain
R.R. Maheshwari
H.L. Sharma
B.L. Saini – Company Secretary

Place: Mumbai
Date : 28th June, 2012

SIGNIFICANT ACCOUNTING POLICIES
A) Basis of Preparation of Financial Statements :

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material aspects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis (unless otherwise stated) and under historical cost convention. The accounting policies are consistent with those used in previous year.

B) Fixed Assets :

Fixed Assets are stated at cost Net of Recoverable Taxes 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 statement of profit and loss account only in the year in which the respective lease period expires.

C) 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 ₹ 5000/- acquired prior to 01.04.1993 are depreciated at old rates whereas such assets acquired thereafter have been fully depreciated.

D) Investments :

Current investments are stated at lower of cost & Quoted / Fair value. Long term investment are stated at cost.

E) Inventories :

Raw Material is valued at cost and Stores & Spares are valued on weighted average basis. Finished goods and Process stock 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. Waste is valued at estimated net realizable value after providing for obsolescence if any.

F) 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.

G) Revenue Recognition :

Sales is shown inclusive of waste sales.

H) 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

I) 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 Statement of profit and loss.

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 Statement of profit and loss.

J) 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 / Instalments 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.

Liability for import duty, if any towards export obligation is accounted for on crystallisation.

K) 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 on financial statements. Contingent Assets are neither recognized nor disclosed in the financial statements.

Notes on Financial Statements for the year ended 31st March, 2012
(₹ In Lacs)

	As at 31.03.2012	As at 31.03.2011
1. SHARE CAPITAL		
Authorised :		
18,50,00,000 (Previous year 18,50,00,000) Equity Shares of ₹ 10/- each	18,500.00	18,500.00
20,00,000 (Previous year 20,00,000) Preference Shares of ₹ 100/- each	2,000.00	2,000.00
	<u>20,500.00</u>	<u>20,500.00</u>
Issued, Subscribed and Paid-up		
Equity		
3,47,75,160 (Previous year 3,47,75,160) Equity Shares of ₹ 10/- each fully paid up	3,477.52	3,477.52
Preference		
75,000 (Previous year 75,000) 16.5% Cumulative Redeemable preference share of ₹ 100/- each fully paid up	75.00	75.00
8,00,000 (Previous year 8,00,000) 16% Cumulative Redeemable Preference Share of ₹ 100/- each fully paid up	800.00	800.00
	<u>875.00</u>	<u>875.00</u>
	<u>4,352.52</u>	<u>4,352.52</u>

- 1.1 Equity capital includes 19442900 shares allotted in pursuance to the scheme of arrangement for reconstruction / amalgamation.
 1.2 Each Equity share holder is entitled to one vote per share.
 1.3 In the event of liquidation of the company the holders of the equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amount. The distribution will be in proportion to the number of equity shares held by the share holder.
 1.4 **The details of shareholders holding more than 5% shares**

Name of the Share holder	As at 31.03.2012		As at 31.03.2011	
	No. of shares	% held	No. of shares	% held
Equity shareholders				
1) Invitation Investment Pvt. Ltd.	7,391,871	21.26	6,636,709	19.08
2) Modern Terry Towels Ltd.	10,778,000	30.99	10,778,000	30.99
Preference Shareholders				
16.50% Preference share holders				
National Insurance Company Limited, Mumbai	75,000	100.00	75,000	100.00
16% Preference share holders				
1) General Insurance Corporation of India, Mumbai	150,000	18.75	150,000	18.75
2) The New India Assurance Company Limited, Mumbai	150,000	18.75	150,000	18.75
3) United India Insurance Company Limited, Mumbai	100,000	12.50	100,000	12.50
4) Oriental Insurance Company Limited, Mumbai	100,000	12.50	100,000	12.50
5) GIC Housing Finance Limited, Mumbai	100,000	12.50	100,000	12.50
6) LIC Housing Finance Limited, Mumbai	200,000	25.00	200,000	25.00

- 1.5 **The Reconciliation of the number of shares outstanding is set out below :**

	As at 31.03.2012		As at 31.03.2011	
	Equity Share Nos.	Preference Share Nos.	Equity Shares Nos.	Preference Share Nos.
Equity Shares at the beginning of the year	3,47,75,160	8,75,000	3,47,75,160	8,75,000
Add : Shares issued	-	-	-	-
Less : Shares cancelled on buy back of equity shares	-	-	-	-
Equity Shares at the end of the year	3,47,75,160	8,75,000	3,47,75,160	8,75,000

- 1.6 Preference Shares were redeemable in 4 equal annual instalments commencing from the year 2003-04. The same will now be redeemed as per rehabilitation scheme.
 1.7 Dividend on cumulative redeemable preference shares amounting to ₹ 140.37 lacs for the year (Cumulative ₹ 2246.00 lacs) have not been provided in view of accumulated losses. The Company expects waiver / relief under rehabilitation scheme which is under consideration.
 1.8 The Cumulative Redeemable Preference Share holders are entitled to cumulative dividend at the rate specified. Each share holder of Cumulative Redeemable Preference Shares is entitled to one vote per share only on resolution placed before the company, which directly affects the rights attached to cumulative redeemable preference shares. Since the dividend in respect of cumulative preference share holders has not been paid for more than two years, cumulative redeemable preference share holder have right to 10 votes per share on every resolution placed before the company in a meeting.
 1.9 In the event of liquidation of the company the holder of cumulative redeemable preference shares will have priority over equity share holders in the payment of dividend and re-payment of capital.

2. **RESERVES AND SURPLUS**

	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Capital Reserve		
As per last Balance Sheet	35.90	35.90
Capital Redemption Reserve		
As per last Balance Sheet	421.72	421.72
Securities Premium Account		
As per last Balance Sheet	7,985.77	7,985.77
Debentures Redemption Reserve		
As per last Balance Sheet	970.00	970.00
Surplus / (Deficit) in Statement of Profit and Loss		
Net Surplus / (Deficit) as per last Balance Sheet	(36,669.37)	(37,060.97)
Add : Profit / (Loss) for the year	1,947.92	391.60
Net Surplus / (Deficit)	(34,721.45)	(36,669.37)
	(25,308.06)	(27,255.98)

3. **SHARE APPLICATION MONEY PENDING ALLOTMENT**

	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
	1,450.00	1,450.00
	1,450.00	1,450.00

- 3.1 Equity share application money represents subscription pursuant to the rehabilitation scheme. The instruments will be issued on sanction of the scheme by BIFR.

4. **LONG TERM BORROWINGS**

	As at 31.03.2012		As at 31.03.2011	
	Non Current	Current	Non Current	Current
Debentures - Secured				
Optionally fully Convertible debentures	1,666.34	-	1,733.47	-
Non convertible Debentures	3,434.33	-	3,764.83	-
Accrued interest (Crystallized)	3,438.76	-	4,113.22	-

Term Loans - Secured				
From others	8,741.63	600.00	9,473.90	300.00
Accrued Interest (Crystallized)	4,366.29	-	4,421.13	-
Loans - Unsecured				
Sales Tax Loan	4.28	-	4.28	-
Deferred Sales Tax	144.75	23.99	130.16	-
Deposits - Unsecured				
Public Fixed Deposit	-	730.87	-	757.09
Interest accrued on Public Fixed deposit	-	847.96	-	848.39
Total	21,796.38	2,202.82	23,640.99	1,905.48
Less : Amount disclosed under head other current Liabilities (Refer Note No. 7)	-	2,202.82	-	1,905.48
Total	21,796.38	-	23,640.99	-

- 4.1 Debentures, Term Loans and accrued interest are secured by way of first charge and equitable mortgage of respective immovable properties both present & future consisting of land, building and plant and machinery and hypothecation of all movable assets of the Company. The said borrowings have been settled with the assignee at ₹ 3475 lacs payable ₹ 550 lacs before 31/03/2012 (Paid and adjusted from above) and balance in 5 years up to 31st March, 2017. The remaining amount of ₹ 18722.35 lacs will be written back on discharge of full payment obligation, as per terms & conditions of the settlement.
- 4.2 Sales Tax loan from Rajasthan State Industrial Development & Investment Corporation Limited under interest free sales-tax loan scheme of the Government of Rajasthan is guaranteed by the Ex-Director of the Company and after due date of re-payment interest has not been provided for current year ₹ 0.77 Lacs and cumulative ₹ 16.56 lacs as the company expects waiver / relief under rehabilitation scheme.
- 4.3 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 instalments commencing from 02/09/2012
- 4.4 Interest provision have not been made on Public fixed deposit amounting ₹ 103.77 Lacs for the year (cumulative ₹ 636.20 Lacs) as the company expects waiver / relief under rehabilitation scheme which is under consideration.
- 4.5 The Hon'ble Company Law Board had 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".

In view of above, the company has been advised that as the repayment of the matured fixed deposits are covered by the above referred order and the DRS is pending for consideration before the Hon'ble BIFR, the same are not remained unclaimed and unpaid within the meaning of section 205C of the Companies Act, 1956, and as such no amounts are required to be transferred to the Investor Education and Protection Fund. 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.

5. PROVISIONS

	(₹ In Lacs)			
	As at 31.03.2012		As at 31.03.2011	
	Long Term	Short Term	Long Term	Short Term
For Employees benefit				
Gratuity	138.15	9.30	135.72	13.75
Un-availed leave	3.88	29.07	3.88	34.91
Other provisions	-	9.90	-	1.56
(Provision for excise duty on goods lying in bonded warehouse at the year end)				
	<u>142.03</u>	<u>48.27</u>	<u>139.60</u>	<u>50.22</u>

6. TRADE PAYABLES

	(₹ In Lacs)	
	As at 31.03.2012	As at 31.03.2011
	Long Term	Short Term
Trade Payables	1,560.25	1,603.67
	<u>1,560.25</u>	<u>1,603.67</u>

- 6.1 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.
- 6.2 The balances have been taken as per books of accounts and are subject to confirmation.
- 6.3 Exchange fluctuations on Trade payables (under litigation) amounting to ₹ 127.82 Lacs for the year and cumulative ₹ 333.14 Lacs have not been recognized as an expense as the Company expects waiver/relief under Rehabilitation Scheme.

7. OTHER CURRENT LIABILITIES

	(₹ In Lacs)	
	As at 31.03.2012	As at 31.03.2011
Current maturity of secured long term borrowings	600.00	300.00
Current maturity of deferred sales tax	23.99	-
Unpaid Public Fixed Deposits	730.87	757.09
Interest Accrued and Due	847.96	848.39
Sub Total (Refer Note no 4)	<u>2,202.82</u>	<u>1,905.48</u>
Advance from customers	48.81	18.80
Sundry deposits	22.84	29.42
Other payables	<u>1,191.63</u>	<u>1,048.05</u>
	<u>3,466.10</u>	<u>3,001.75</u>

- 7.1 Other payables includes Mandi tax, Employees dues and liabilities for expenses etc.

8. FIXED ASSETS

(₹ In Lacs)

Particulars	TANGIBLE ASSETS						
	Lease Hold Land	Free Hold Land	Building	Plant & Machinery	Furniture Fixtures & Office Equipments	Vehicles	Total
GROSS BLOCK							
As at 01.04.2011	457.77	731.70	1,651.96	18,677.42	133.00	45.22	21,697.07
Addition	-	4.99	-	43.40	6.89	38.66	93.94
Deduction	-	-	-	118.71	3.50	8.02	130.23
As at 31.03.2012	457.77	736.69	1,651.96	18,602.11	136.39	75.86	21,660.78
As at 01.04.2010	457.77	587.92	1,651.96	18,690.99	131.21	54.22	21,574.07
Addition	-	143.78	-	155.88	5.48	0.43	305.57
Deduction	-	-	-	169.45	3.69	9.43	182.57
As at 31.03.2011	457.77	731.70	1,651.96	18,677.42	133.00	45.22	21,697.07
DEPRECIATION							
As at 01.04.2011	-	-	1,085.22	16,650.54	112.30	27.64	17,875.70
Charge for the year	-	-	42.14	315.23	3.55	3.71	364.63
Deduction	-	-	-	111.02	0.77	3.89	115.68
As at 31.03.2012	-	-	1,127.36	16,854.75	115.08	27.46	18,124.65
As at 01.04.2010	-	-	1,043.08	16,506.98	111.78	33.10	17,694.94
Charge for the year	-	-	42.14	304.53	3.83	3.17	353.67
Deduction	-	-	-	160.97	3.31	8.63	172.91
As at 31.03.2011	-	-	1,085.22	16,650.54	112.30	27.64	17,875.70
NET BLOCK							
As at 31.03.2012	457.77	736.69	524.60	1,747.36	21.31	48.40	3,536.13
As at 31.03.2011	457.77	731.70	566.74	2,026.88	20.70	17.58	3,821.37

- 8.1 Addition to land is on account of taxes and deduction to plant and machinery are on account of items discarded.
 8.2 Deprecation includes ₹ 195.98 lacs (Previous year ₹ 198.14 lacs) provided on the assets of Threads Division which is not in operation
 8.3 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 ₹ 22303.48 lacs during the financial year 2004-2005, based on valuation report by an expert.
 8.4 Impact of impairment if any in respect of assets of thread Division of the company not ascertainable as the unit is attached by AVVNL for recovery of their dues.

9. NON CURRENT INVESTMENTS

(₹ In Lacs)

(Long term investment at cost)

Other Investments (Unquoted non trade)**Investment in Government Securities**

National Saving Certificate

(Deposited with government department.)

As at 31.03.2012

As at 31.03.2011

0.46

0.46

0.46

0.46

10. LOANS & ADVANCES

(₹ In Lacs)

(Unsecured and Considered Good)

As at 31.03.2012

As at 31.03.2011

	As at 31.03.2012		As at 31.03.2011	
	Long Term	Short Term	Long Term	Short Term
Capital advances	9.25	-	-	-
Interest accrued on Investment	-	0.20	-	0.18
Advances for supply of goods & Services	-	76.18	-	96.51
Balance with Revenue Authorities	-	76.92	-	95.90
TDS receivable	-	21.40	-	11.77
Prepaid expenses	-	14.73	-	15.91
Employees advances	-	11.29	-	6.90
Deposit with Government Authorities	90.91	-	91.06	-
Other receivables (Includes Export benefits)	-	74.84	-	146.08
	<u>100.16</u>	<u>275.56</u>	<u>91.06</u>	<u>373.25</u>

11. OTHER NON-CURRENT ASSETS

(₹ In Lacs)

INVENTORIES

(Pertaining to Threads Division of the company which is lying closed.

It includes Raw Material ₹ 0.12 lacs. Process stock ₹ 53.90 lacs. Stores and Spares ₹ 2.25 lacs and Waste ₹ 1.18 lacs. Physical verification of the same could not be carried out and impact of depletion if any is not ascertainable.)

As at 31.03.2012

As at 31.03.2011

57.45

57.45

57.45

57.45

12. CURRENT INVESTMENT

(₹ In Lacs)

Non - Trade Investment

Investment in mutual fund quoted, fully paid-up. 12910.925 units

(Previous year - Nil) of Birla Sunlife CMIPG

(Market value at year end ₹ 23.21 Lacs)

As at 31.03.2012

As at 31.03.2011

22.99

-

22.99

-

13 INVENTORIES

	(₹ In Lacs)	
	As at 31.03.2012	As at 31.03.2011
Raw Material	504.88	419.99
Stores & Spares	68.30	82.37
Work in Process	338.92	434.57
Finished Goods	907.96	444.24
Waste	53.11	26.25
	<u>1,873.17</u>	<u>1,407.42</u>

14 TRADE RECEIVABLES (Unsecured)

	(₹ In Lacs)	
	As at 31.03.2012	As at 31.03.2011
Outstanding for the period exceeding six months from the date they are due for payment Unsecured, considered good	8.07	2.10
Doubtful	28.30	28.30
	<u>36.37</u>	<u>30.40</u>
Less provision for doubtful receivables	28.30	28.30
	<u>8.07</u>	<u>2.10</u>
Other Trade receivables unsecured, considered good	990.03	1,032.14
	<u>998.10</u>	<u>1,034.24</u>

14.1 Trade receivables includes ₹ 12 lacs under litigation (Previous year ₹ 12 Lacs) for which adequate provision has been made.

14.2 Balances of Trade receivables have been taken as per books are subject to reconciliation / confirmation and consequential adjustments, if any.

15. CASH AND BANK BALANCES

	(₹ In Lacs)	
	As at 31.03.2012	As at 31.03.2011
Cash and Cash equivalents		
Cash on hand	3.58	2.50
Balances with Banks	99.72	185.83
Other Bank Balance		
Fixed Deposit with banks	506.68	9.02
(Including against Bank Guarantee margin ₹ 2.68 Lacs) (Previous Year ₹ 9.02 Lacs)	<u>609.98</u>	<u>197.35</u>

16. REVENUE FROM OPERATIONS

	(₹ In Lacs)	
	2011-12	2010-11
Sale of Products	8,844.61	7,750.62
Export Incentive	497.85	562.82
Job work Income	749.10	590.59
	<u>10,091.56</u>	<u>8,904.03</u>
Less : Excise Duty	32.06	35.02
Total	<u>10,059.50</u>	<u>8,869.01</u>
16.1 Particulars of sale of products		
Yarn	8,178.56	7,166.03
Wool Tops	127.23	235.82
Others	538.82	348.77
	<u>8,844.61</u>	<u>7,750.62</u>

17. OTHER INCOME

	(₹ In Lacs)	
	2011-12	2010-11
Interest Income	29.90	9.94
Sundry Balances written back (Net)	2.19	0.20
Profit on Disposal of discarded Assets (Net)	9.24	14.37
Gain on Sale of Investment	2.99	-
Foreign exchange fluctuation gain	122.25	69.00
Miscellaneous Income	19.56	36.67
	<u>186.13</u>	<u>130.18</u>

18 COST OF MATERIALS CONSUMED

	As at 31.03.2012		As at 31.03.2011	
	₹ in Lacs	% age	₹ in Lacs	% ag
Imported	4,672.94	70.48	3,872.69	72.45
Indigenous	1,957.14	29.52	1,472.88	27.55
	<u>6,630.08</u>	<u>100.00</u>	<u>5,345.57</u>	<u>100.00</u>
18.1 Details of Materials consumed				
– Wool	5,236.31		4,165.84	
– Wool Tops	497.42		276.08	
– Polyester / Other Tops	674.62		641.68	
– Dyes and Chemicals	221.73		261.97	
	<u>6,630.08</u>		<u>5,345.57</u>	

19. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK IN PROCESS

	(₹ In Lacs)	
	As at 31.03.2012	As at 31.03.2011
Inventory at the beginning of the year		
Finished Goods	444.24	630.28
Work in Process	488.47	364.01
Waste	27.43	16.99
	<u>960.14</u>	<u>1,011.28</u>

Inventory at the end of the year				
Finished Goods		907.96		444.24
Work in Process		392.82		488.47
Waste		54.29		27.43
		<u>1,355.07</u>		<u>960.14</u>
		<u>(394.93)</u>		<u>51.14</u>
20. EMPLOYEE BENEFITS EXPENSES				(₹ In Lacs)
		2011-12		2010-11
Salaries and Wages		616.99		650.58
Contribution to Provident Fund & Other Fund		64.37		62.05
Gratuity and Leave encashment		48.18		51.89
Employees Welfare Expenses		6.61		7.84
		<u>736.15</u>		<u>772.36</u>
20.1 The disclosure of Employee benefit as defined in the Accounting standard 15				
Principal assumptions				
– Discounting Rate		8.50%		8.00%
– Expected rate of return on plan assets		–		–
– Expected rate of future salary increase		7.00%		5.50%
Change in present value of obligations		2011-12		2010-11
		Gratuity unfunded		Gratuity unfunded
		Leave Encashment Unfunded		Leave Encashment Unfunded
– Present value of obligations as at beginning of the year		149.47		159.38
– Interest Cost		7.69		8.03
– Current Service Cost		12.41		11.34
– Benefits Paid		(29.27)		(41.40)
– Past Service Cost		–		2.41
– Actuarial (Gain)/ Loss on Obligations		7.15		9.71
– Present value of Obligations as at close of the year		147.45		149.47
Change in fair value of plan assets		N.A.		N.A.
Liability recognized in the Balance Sheet				
– Present value of obligations as at close of the year		147.45		149.47
– Fair value of plan assets as at the end of the year		–		–
– Unrecognized Actuarial (Gain)/ Loss		–		–
– Net (Assets)/ Liability recognized in Balance Sheet		147.45		149.47
Expenses recognized in Statements of Profit and Loss				
– Current service cost		12.41		11.34
– Past Service Cost		–		2.41
– Interest Cost		7.69		8.03
– Expected Return on plan assets		–		–
– Net Actuarial (Gain)/Loss recognized during the year		7.15		9.71
Total Expenses recognized		27.25		20.40
21. FINANCE COSTS				(₹ In Lacs)
		2011-12		2010-11
Interest on Borrowings		6.98		740.32
Bank Charges		49.94		44.84
		<u>56.92</u>		<u>785.16</u>
22. OTHER EXPENSES				(₹ In Lacs)
		2011-12		2010-11
Manufacturing Expenses				
Packing Material		97.89		94.65
Stores & Spares		391.05		326.56
Power and fuel		824.43		746.68
Job charges		21.30		41.65
Excise duty on Increase/(Decrease) in finished goods		8.34		0.19
Repairs & Maintenance to:				
Plant & Machinery		38.61		40.79
Building		20.32		8.60
Others		2.84		2.51
Administrative Expenses				
Rent		6.41		6.27
Insurance (Net)		2.27		3.73
Rates & Taxes		2.50		2.69
Travelling and Conveyance		47.72		48.80
Legal and Professional expenses		30.75		29.27
Directors Fees		0.22		0.13
Payment to Auditors				
For Audit Fee		1.69		1.65
For Tax Audit Fee		0.56		0.55
For Expenses		1.10		0.48
Miscellaneous expenses		74.74		103.69

Selling Expenses

Commission and Brokerage	171.61	177.26
Carriage outward (Net)	165.20	229.52
Rebate, Claims and Discounts	55.52	37.04
Others Selling expenses	16.13	15.43
	<u>1,981.20</u>	<u>1,918.14</u>

22.1 DETAILS OF STORES & SPARES CONSUMED

	₹ in Lacs	% age	₹ in Lacs	% age
Imported	168.90	43.19	121.23	37.12
Indigenous	222.15	56.81	205.33	62.88
	<u>391.05</u>	<u>100.00</u>	<u>326.56</u>	<u>100.00</u>

23. Exceptional items consist of amount written back on account of settlement of some of the loans/borrowings and interest thereon and others ₹ 1076.34 lacs (Previous year ₹ 618.45 lacs).

24. TAX EXPENSES

(₹ In Lacs)

	As at 31.03.2012	As at 31.03.2011
Current Tax	-	-
Deferred Tax	-	-
	<u>-</u>	<u>-</u>

24.1 Provisions for income tax for the current year has not been made in view of accumulated losses.

24.2 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 31.03.2012	As on 31.03.2011
Depreciation	271.54	206.05
Impairment loss recognized in P&L a/c	2,430.34	2,488.59
Carried forward losses / depreciation	836.09	2,474.21
Provision for doubtful debts	9.18	9.40
Others	2,948.01	3,257.86
Net Deferred Tax Assets	<u>6,495.16</u>	<u>8,436.11</u>

The Net Deferred Tax Assets of ₹ 6495.16 lacs have not been recognized in accounts due to the reasons as mentioned above.

25. EARNING PER SHARE (as per Accounting Standard 20, As issued by ICAI)

Particulars	2011-12	2010-11
Profit / (Loss) for the year before exceptional items	871.58	(226.85)
Profit / (Loss) after exceptional items	1,947.92	391.60
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	49275160	49275160
Nominal Value of Shares (in ₹)	10	10
Basic Earning per Share (in ₹)	- Before exceptional items - After exceptional items	(0.65) 1.13
Diluted earning per share (in ₹)	- Before exceptional items - After exceptional items	(0.65) 0.79

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

26. SEGMENT INFORMATION AS PER ACCOUNTING STANDARD 17, AS ISSUED BY ICAI:**a) Primary Segment reporting (By Business Segment): -**

The composition of business segments are :

Woollen	Worsted Yarn and Wool Tops
Yarn	Synthetic Yarn
Others	PTA Project (Shelved)

	2011-12				2010-11			
	Woollens	Yarn	Others	Total	Woollens	Yarn	Others	Total
Segment Revenue								
Net Sales	10,059.50	-	-	10,059.50	8,869.01	-	-	8,869.01
Segment Results								
Profit / (Loss) before Interest & Tax	1,137.15	(208.65)	-	928.50	773.14	(214.83)	-	558.31
Less : Financial cost				56.92				785.16
Profit before exceptional items				871.58				(226.85)
Exceptional Items				1,076.34				618.45
Total Profit/(Loss) After Exceptional Items				1,947.92				391.60
Capital Employed								
Segment Assets	5,567.98	1,243.43	696.08	7,507.49	4,852.37	1,439.31	691.09	6,982.77
Segment Liabilities	(4,782.88)	18,340.96	13,454.95	27,013.03	(3,440.99)	18,427.26	13,449.96	28,436.23
Capital Employed	10,350.86	(17,097.53)	(12,758.87)	(19,505.54)	8,293.36	(16,987.95)	(12,758.87)	(21,453.46)

b) Geographical Segment: -

Revenue by Geographical Market	2011-12	2010-11
In India	3656.25	3083.55
Other than India	6403.25	5785.46
Carrying Amounts of Segment Assets In India	7074.13	6159.94
Other than India	433.36	822.83

27. RELATED PARTY DISCLOSURE
(as per Accounting Standard 18 as issued by ICAI)

Names and Relationship of related parties

Where Control exists:

NIL

Key Management personnel and relatives :

Shri H.S. Ranka (Chairman and Managing Director up to 31.01.2011)

Shri Rajesh Ranka (Chairman and Managing Director)

Shri M.L.Pamecha (Executive Director up to 31.03.2011)

Relative of Key Management Personnel and their enterprises, where transactions have taken place:

Shubham Corporate advisory Services Pvt.Ltd.

Transactions with related parties and outstanding at the end of the year:

(₹ in Lacs)

Types of related Parties	Description of the nature of the transactions	Name of Party	Volume of transactions	
			2011-12	2010-11
Key Managerial Personnel	Remuneration etc	Shri H S Ranka	-	6.75
		Shri Rajesh Ranka	6.98	1.13
		Shri M.L.Pamecha	-	8.28
Other associates	Rent	Shubham Corporate Advisory Services Pvt. Ltd	4.80	3.60

28. The net worth of the Company has been eroded fully as on 31st March, 2001 as per provisions of Sick Industrial Companies (Special Provisions) Act 1985. The Company has also filed fresh reference based on audited accounts for the financial year ended 31st March, 2004. The Board for Industrial and Financial Reconstruction (BIFR) has declared the company as "Sick Company" pending approval of rehabilitation scheme, the accounts of the company has been prepared on going concern basis.

(₹ In Lacs)

29. CONTINGENT LIABILITIES NOT PROVIDED FOR

i. Bank Guarantees

ii. Disputed demands of Sales Tax Cases under appeal.

(Amount paid ₹ 1.80 Previous year ₹ 1.80)

iii. Disputed demand of Excise cases under appeal.

(Amount paid ₹ 5.16 Previous year ₹ 5.16)

iv. Other disputed demands by Government departments

(Amount paid ₹ 4.73 Previous year ₹ 4.23)

v. Disputed liabilities and claims not acknowledged as debts

	As at 31.03.2012	As at 31.03.2011
	2.68	2.68
	249.94	251.18
	80.30	80.30
	65.00	65.00
	1,361.33	926.49
		(₹ In Lacs)
	As at 31.03.2012	As at 31.03.2011
	4,282.05	3,688.46
	147.71	99.79
	6.68	84.01
		(₹ In Lacs)
	As at 31.03.2012	As at 31.03.2011
	159.24	125.01
	11.39	14.31
	24.06	22.07
		(₹ In Lacs)
	As at 31.03.2012	As at 31.03.2011
	6323.76	5,662.66

30. **VALUE OF IMPORTS ON CIF BASIS IN RESPECT OF**
Raw Material
Stores & Spares
Capital Goods
31. **EXPENSES IN FOREIGN CURRENCY**
Commission on Sales
Travelling
Others
32. **EARNINGS IN FOREIGN EXCHANGE**
33. The previous year figures have been regrouped and rearranged to make them comparable with the current year. Till the year ended 31st March, 2011, the company was using pre-revised schedule VI to the Companies Act, 1956 for preparation and presentation of its financial statements. During the year ended 31st March, 2012 revised schedule VI notified under the companies Act 1956, has been applicable to the company. The Company has re-classified previous years figures to confirm to this classification. The adoption of revised schedule VI does not impact recognition and measurement principals followed for preparation of financial statements. However it significantly impact presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report of even date attached

For and on behalf of the Board

For **S.S. SURANA & CO.**

Chartered Accountants

FRN 001079C

(R.N. GOYAL)

Partner

Membership No. 70331

Place: Mumbai

Date : 28th June, 2012

Rajesh Ranka – Chairman & Managing Director

Pradeep Kumar

S.B.L. Jain

R.R. Maheshwari – Directors

H.L. Sharma

B.L. Saini – Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012
(₹ in lacs)

Particulars	2011-12	2010-11
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & exceptional items	871.58	(226.85)
ADJUSTMENTS FOR		
– Depreciation	364.63	353.67
– Profit on Disposal of discarded Assets	(9.24)	(14.37)
– Sundry balances (written back) / Written off	(2.19)	(0.20)
– Interest and Financial Charges	56.92	785.16
Operating profit before working capital changes	1,281.70	897.41
ADJUSTMENTS FOR		
– Trade and other receivables	133.98	(518.00)
– Inventories	(465.75)	(25.83)
– Trade and other payable	126.25	57.57
Cash Generation from Operations	1,076.18	411.15
Interest and financial charges paid	(101.67)	(90.85)
Net Cash from operating activities	974.51	320.30
(B) CASH FLOW FROM INVESTING ACTIVITIES		
– Fixed Assets (Including Capital Work in Progress/Advances)	(136.51)	(283.20)
– Disposal of discarded Assets	23.79	24.03
– Sale of Investments	(22.99)	–
Net cash used in investing activities	(135.71)	(259.17)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
– Proceeds from Borrowings		
Non-convertible debentures	(86.14)	(53.00)
Term Loans/Unsecured Loan	(340.04)	(247.13)
Net Cash from financing activities	(426.18)	(300.13)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	412.63	(239.00)
Cash & Cash Equivalents - Opening Balance	197.35	436.35
Cash & Cash Equivalents - Closing Balance	609.98	197.35

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
FRN 001079C
(R.N. GOYAL)
Partner
Membership No. 70331

Rajesh Ranka – Chairman & Managing Director
Pradeep Kumar
S.B.L. Jain
R.R. Maheshwari
H.L. Sharma } Directors
B.L. Saini – Company Secretary

Place: Mumbai
Date : 28th June, 2012



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)
31st Annual General Meeting – 21st September, 2012

I hereby record my presence at the THIRTY FIRST ANNUAL GENERAL MEETING of the Company held at Registered Office of the Company at A-4, Vijay Path, Tilak Nagar, Jaipur-302 004 on Friday the 21st September, 2012 at 4.00 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.



MODERN THREAD (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 here by appoint

..... of.....

or failing him of

as my/our proxy to vote for me/us on my/our behalf at the THIRTY FIRST ANNUAL GENERAL MEETING of the Company to be held on Friday the 21st September, 2012 at 4.00 P.M. and at any adjournment thereof.

Signed this day of 2012

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.

If undelivered please return to :

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

