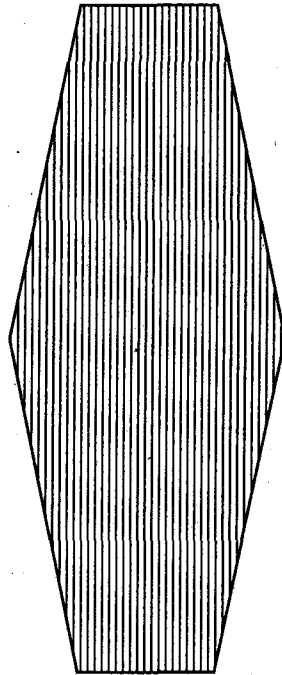


ANNUAL REPORT 2012-2013



Modern
THREADS (INDIA) LIMITED

BOARD OF DIRECTORS

- Shri Rajesh Ranka - Chairman & Managing Director
Shri Pradeep Kumar - Special Director (BIFR)
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 32nd Annual General Meeting of **Modern Threads (India) Limited** will be held on Thursday the 26th September, 2013 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 :

ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the statement of Audited Profit & Loss 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 H.L. Sharma 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.”

By order of the Board

Place : Mumbai (**B.L. SAINI**)
Date : 22nd June, 2013 Company Secretary

NOTES :

1. **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.**
2. The proxy should be deposited at the Registered Office of the Company not less than FORTYEIGHT hours before the commencement of the meeting.
3. 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.
4. The Share transfer books and Register of members shall remain closed from 23/09/2013 to 26/09/2013 (both days inclusive).

DIRECTORS' REPORT

The Members,

Your Directors present Annual Report and Audited Statement of Accounts for the year ended 31st March, 2013.

1. FINANCIAL RESULTS

(₹ in Crores)

	2012-13	2011-12
Net Profit for the year	4.77	8.72
Exceptional items	20.40	10.76
Net Profit for the year after exceptional items	25.17	19.48

2. OPERATIONS

The Woollen division of the Company is continuing its operations and has maintained the turnover of ₹ 78 crores as against ₹ 101 crores in previous year inspite of overall global economy in recession and lack of demand from most of the European countries. Your company has been able to generate net profit of ₹ 4.77 crores during the year under review as against net profit of ₹ 8.72 crores in previous year inspite of depressed market condition. The Yarn division of the Company at Raila continued to remain closed during the year under review on account of continuing strike by the workers and sealing of the entire plant and machinery by Ajmer Vidyut Vitran Nigam Limited. In view of accumulated losses, your directors are unable to declare any dividend for the year under review.

3. EXPORTS

The exports of the Woollen division during the year under review has suffered set back mainly due to adverse market condition and financial crises in Europe and middle east. The exports of Woollen division was of ₹ 45 crores as against the exports of ₹ 65 crores in previous year. The decline in exports have also affected adversely the performance of the Company. Woollen division has also initiated the efforts to retain existing customers base and contacting newer customers in overseas market with different product range in worsted yarn so that we can achieve improved performance and profitability in next year.

4. FUTURE PROSPECTS

In view of Company's inherent strengths in the field of manufacturing and market capabilities, future of 'Woollen division' looks optimistic. The Company is hopeful that the woollen division of the Company may be able to provide better contribution towards operating margins once the current recessionary trend prevailing in textile industry is over. 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.

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

As reported in the previous year the 100% of the secured lenders have approved the settlement of their dues. Pursuant to the direction of Hon'ble BIFR and discussions with Operating Agency, the Company has filed revised Draft Rehabilitation Scheme with the Hon'ble BIFR and same is now under examination with Operating Agency.

7. DIRECTORS

During the year under review Shri J.P. Agarwal has been appointed as an Additional Director w.e.f. 28/06/2012 and Board has also appointed him as Director and Senior President of the Company w.e.f. 01/07/2012. Shri R.R. Maheshwari has resigned from the directorship of the Company. The Board places on record its appreciation for the

valuable contribution given by Shri R.R. Maheshwari during his tenure as Director of the Company. Shri H.L. Sharma 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 2013-2014. 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 along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and ;
- the Directors have prepared the annual accounts on a going concern basis except Yarn Division of the Company which is not in operation for last few years on account of labour and other 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

Shri Pradeep Kumar

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, executives, staff, workers, financial institutions and Central as well as State Government.

ON BEHALF OF THE BOARD

(RAJESH RANKA)

Chairman & Managing Director

Place : Mumbai

Dated : 22nd June, 2013

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
	2012-2013	2011-12
(A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased Units (in lacs)	118.71	129.34
Total Amount (₹ in lacs)	686.23	696.49
Rate/Unit (₹)	5.78	5.38
b) Own Generation Units (in lacs)	1.26	1.90
Total Amount (₹ in lacs)	20.05	26.65
Units/Liters of Diesel oil	2.72	2.72
Cost/Unit (₹)	15.93	14.02
2. Coal :		
Quantity (MT)	1245	1166
Total Cost (₹ in lacs)	99.13	95.60
Average Rate / MT (₹)	7963	8197
(B) Consumption per unit of Production :		
Units	kgs.	kgs.
Electricity	4.13 (*)	3.98
Coal	0.43 (*)	0.34
(*) Consumption per unit of production increased in comparison to previous year on account of change in product mix.		

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 year foreign exchange of ₹ 4504.09 lacs at FOB price against an outgo of ₹ 3191.28 lacs.

INDEPENDENT AUDITORS' REPORT

To,
The Members of Modern Threads (India) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Modern Threads (India) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- (i) Dividend on cumulative redeemable preference shares amounting to ₹140.37 lacs for the year (₹2386.37 lacs up to the period) has not been provided in view of accumulated losses. (Note No. 1.6)
- (ii) Provision of interest on certain unsecured loans/ deposits amounting to ₹59.42 lacs has not been made as company expects waiver/ relief. The total amount of interest not provided till 31st March, 2013 amounts to ₹712.18 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 ₹62.94 lacs for the year (cumulative ₹396.08 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 Thread Division if any, not ascertained due to seizure of entire plant and office block by Ajmer Vidyut Vitaran Nigam Limited.

(Note No. 8.3 & 11)

- (vi) The accounts of the company have been prepared on going concern basis though the Board of Industrial and Financial Reconstruction (BIFR) has declared the company as a SICK Company.

We further report that without considering items mentioned at para (iv), (v) & (vi) above, the effect of which could not be determined, had the observations made by us in para (i), (ii) & (iii) above been considered, the profit for the year would have been ₹2394.37 lacs (as against the reported figures of ₹2516.73 lacs), reserves & surplus would have been ₹(26285.96 lacs) (as against the reported figures of ₹(22791.33 lacs), trade payables would have been ₹1949.40 lacs (as against reported figures ₹1553.32 lacs) and other current liabilities would have been ₹6482.88 lacs (as against reported figures of ₹3384.33 lacs).

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For S. S. Surana & Co.
 Chartered Accountants
 (FRN : 001079C)

(Pralhad Gupta)
 (Partner)

Place : Mumbai
 Date : 22nd June, 2013

M. No. 074458

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph under the heading of "Report on other Legal & Regulatory Requirements" of our 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 furniture and vehicle and it is 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 account.
- (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. During the course of 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 the 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, ES1, 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	₹	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	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
Central Excise Act	Sales tax (BST)	0.07	DC(A), Mumbai
	Excise duty	59.09	Commissioner Appeals, Jaipur
	Excise duty	16.05	CESTAT, Delhi
Textile Committee Cess	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, Bhillwara
	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	436.19	The Rajasthan High Court, Jaipur
The Rajasthan Tax on Entry For goods in to Local area Act.	Entry Tax	12.37	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 and in the immediately preceding 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) The Company has maintained proper records of the transactions and contracts in respect of dealing in mutual funds and timely entries have been made there in. All the investments have been held by the company in its own name. As informed to us the Company is not dealing/ trading in shares, debentures and other investments.
- (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 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 S. S. Surana & Co.
Chartered Accountants
(FRN : 001079C)

(Pralhad Gupta)
(Partner)

Place : Mumbai
Date : 22nd June, 2013

M. No. 074458

BALANCE SHEET AS AT 31ST MARCH, 2013
(₹ in lacs)

	Note No.	As at 31.03.2013	As at 31.03.2012
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
Share Capital	1	4,352.52	4,352.52
Reserves and Surplus	2	(22,791.33)	(25,308.06)
		<u>(18,438.81)</u>	<u>(20,955.54)</u>
2. Share Application Money Pending Allotment	3	1,450.00	1,450.00
3. Non Current Liabilities			
Long-term Borrowings	4	19,085.38	21,796.38
Long term Provisions	5	162.79	142.03
		<u>19,248.17</u>	<u>21,938.41</u>
4. Current Liabilities			
Trade payables	6	1,553.32	1,560.25
Other Current Liabilities	7	3,384.33	3,466.10
Short-term Provisions	5	44.65	48.27
TOTAL		<u>4,982.30</u>	<u>5,074.62</u>
		<u>7,241.66</u>	<u>7,507.49</u>
ASSETS			
1. Non-Current Assets			
Fixed Assets			
Tangible Assets	8	3,304.17	3,536.13
Capital work-in-progress		-	33.49
Non-Current Investments	9	0.46	0.46
Long-term Loans and Advances	10	109.92	100.16
Other non-current Assets	11	57.45	57.45
		<u>3,472.00</u>	<u>3,727.69</u>
2. Current Assets			
Current Investments	12	446.92	22.99
Inventories	13	2,022.41	1,873.17
Trade Receivables	14	900.92	998.10
Cash and Bank balances	15	149.50	609.98
Short-term loans and advances	10	249.91	275.56
TOTAL		<u>3,769.66</u>	<u>3,779.80</u>
		<u>7,241.66</u>	<u>7,507.49</u>

Significant Accounting Policies

Notes on Financial Statements

1 to 32

As per our report of even date attached

For and on behalf of the Board

For **S.S. SURANA & CO.**
Chartered Accountants
FRN 001079C
(Pralhad Gupta)
Partner
M. No. 74458

Rajesh Ranka – Chairman & Managing Director
Pradeep Kumar }
S.B.L. Jain } Directors
H.L. Sharma }

Place : Mumbai
Date : 22nd June, 2013

B.L. Saini – Company Secretary

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

Particulars	Note No.	2012-13	2011-12
INCOME			
Revenue from Operations	16	7,772.50	10,059.50
Other Income	17	153.33	186.13
Total Revenue		7,925.83	10,245.63
EXPENSES			
Cost of Materials Consumed	18	4,599.05	6,630.08
Changes in Inventories of Finished Goods and Stock-in-Process	19	(197.32)	(394.93)
Employee Benefits Expenses	20	714.98	736.15
Finance Costs	21	37.73	56.92
Depreciation and Amortization Expenses	8	350.40	364.63
Other Expenses	22	1,943.76	1,981.20
Total Expenses		7,448.60	9,374.05
Profit before Exceptional Items and Tax		477.23	871.58
Exceptional Items	23	2,039.50	1,076.34
Profit Before Tax		2,516.73	1,947.92
Tax Expenses	24	-	-
Current Tax		-	-
Deferred Tax		-	-
Profit for the year		2,516.73	1,947.92
Basic Earnings Per equity share (in ₹)	25		
– Before Exceptional Items		1.37	2.51
– After Exceptional Items		7.24	5.60
Diluted Earning per equity share (in ₹)	25		
– Before Exceptional Items		0.97	1.77
– After Exceptional Items		5.11	3.95
Significant Accounting Policies			
Notes on Financial Statements	I to 32		

As per our report of even date attached

For and on behalf of the Board

For S.S. SURANA & CO.
 Chartered Accountants
 FRN 001079C
 (Pralhad Gupta)
 Partner
 M. No. 74458

Rajesh Ranka – Chairman & Managing Director
 Pradeep Kumar
 S.B.L. Jain } Directors
 H.L. Sharma }

Place : Mumbai
 Date : 22nd June, 2013

B.L. Saini – Company Secretary

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 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. 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 at cost 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 excise duty and 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:

i) Transactions denominated in Foreign Currency are accounted for at equivalent rupee value converted at the rates prevailing at the time of transactions.

ii) Monetary items denominated in foreign currency are converted at exchange rate prevailing on the date of Balance Sheet.

iii) Foreign exchange difference arising at the time of transaction or settlement are recognized as income or expense in the Statement of Profit and Loss.

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

L) Impairment of Assets.

An asset is treated as impaired when carrying net of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired.

M) 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, 2013
(₹ In Lacs)

	As at 31.03.2013	As at 31.03.2012
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 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 The details of shareholders holding more than 5% shares

Name of the Share holder	As at 31.03.2013		As at 31.03.2012	
	No. of shares	% held	No. of shares	% held
Equity shareholders				
1) Invitation Investment Pvt. Ltd.	15,637,151	44.97	7,391,871	21.26
2) Vishwa Vapar Trading Pvt. Ltd.	7,000,000	20.13	-	-
3) Unit Trust of India	3,077,732	8.85	3,077,732	8.85
4) Modern Terry Towels Ltd.	-	-	10,778,000	30.99
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

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

	As at 31.03.2013		As at 31.03.2012	
	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

- 1.5 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.
 1.6 Dividend on cumulative redeemable preference shares amounting to ₹ 140.37 lacs for the year (Cumulative ₹ 2386.37 lacs) has not been provided in view of accumulated losses. The Company expects waiver / relief under rehabilitation scheme which is under consideration.
 1.7 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.
 1.8 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 31.03.2013	As at 31.03.2012
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 Account		
Net Surplus / (Deficit) as per last Balance Sheet	(34,721.45)	(36,669.37)
Add : Profit / (Loss) for the year	2,516.73	1,947.92
Net Surplus / (Deficit)	<u>(32,204.72)</u>	<u>(34,721.45)</u>
	<u>(22,791.33)</u>	<u>(25,308.06)</u>

3. SHARE APPLICATION MONEY PENDING ALLOTMENT

	(₹ in Lacs)	
	As at 31.03.2013	As at 31.03.2012
Share application money pending allotment	1,450.00	1,450.00
	<u>1,450.00</u>	<u>1,450.00</u>

- 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 31.03.2013		As at 31.03.2012	
	Non Current	Current	Non Current	Current
Debentures - Secured				
Optionally fully Convertible debentures	1,666.34	-	1,666.34	-
Non convertible Debentures	3,434.33	-	3,434.33	-
Accrued interest	3,438.76	-	3,438.76	-

Term Loans - Secured				
From others	6,074.13	600.00	8,741.63	600.00
Accrued Interest	4,366.29	-	4,366.29	-
Loans - Unsecured				
Sales Tax Loan	4.28	-	4.28	-
Deferred Sales Tax	101.25	33.75	144.75	23.99
Deposits - Unsecured				
Public Fixed Deposit	-	710.16	-	730.87
Interest accrued on Public Fixed deposit	-	847.59	-	847.96
Total	19,085.38	2,191.50	21,796.38	2,202.82
Less : Amount disclosed under head other current Liabilities (Refer Note No. 7)	-	2,191.50	-	2,202.82
Total	19,085.38	-	21,796.38	-

- 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 ₹ 3450 lacs payable ₹ 1150 lacs before 31/03/2013 (Paid and adjusted from above) and balance in 4 years i.e. ₹ 600 lacs p.a. from 2013-14 to 2015-16 and ₹ 500 lacs in 2016-17. The remaining amount ₹ 17279.85 lacs will be written back on discharge of full payment obligation.
- 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 ₹ 0.77 lacs for current year and cumulative ₹ 17.33 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 10 half yearly instalments commencing from 02/09/2012
- 4.4 Interest provision have not been made on Public fixed deposit amounting to ₹ 58.65 Lacs (Net of reversal of interest on amount repaid) for the year (cumulative ₹ 694.85 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 31.03.2013		As at 31.03.2012	
	Long Term	Short Term	Long Term	Short Term
For Employees benefit				
Gratuity	138.06	21.43	138.15	9.30
Un-availed leave	24.73	9.11	3.88	29.07
Other provisions	-	14.11	-	9.90
(Provision for excise duty on goods lying in bonded warehouse at the year end)				
	<u>162.79</u>	<u>44.65</u>	<u>142.03</u>	<u>48.27</u>

6. TRADE PAYABLES

	(₹ In Lacs)	
	As at 31.03.2013	As at 31.03.2012
	Trade Payables	1,553.32
	<u>1,553.32</u>	<u>1,560.25</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 ₹ 62.94 Lacs for the year and cumulative ₹ 396.08 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 31.03.2013	As at 31.03.2012
	Current maturity of secured long term borrowings	600.00
Current maturity of deferred sales tax	33.75	23.99
Unpaid Public Fixed Deposits	710.16	730.87
Interest Accrued and Due	847.59	847.96
Sub Total (Refer Note no 4)	<u>2,191.50</u>	<u>2,202.82</u>
Advance from customers	67.89	48.81
Sundry deposits	23.01	22.84
Other payable	<u>1,101.93</u>	<u>1,191.63</u>
	<u>3,384.33</u>	<u>3,466.10</u>

- 7.1 Other payable includes statutory 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 01.04.2012	457.77	736.69	1,651.96	18,602.11	136.39	75.86	21,660.78
Addition	-	5.35	3.41	75.09	13.62	22.38	119.85
Deduction	-	-	-	-	12.41	0.81	13.22
As at 31.03.2013	457.77	742.04	1,655.37	18,677.20	137.60	97.43	21,767.41
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
DEPRECIATION							
As at 01.04.2012	-	-	1,127.36	16,854.75	115.08	27.46	18,124.65
Charge for the year	-	-	24.21	314.59	4.26	7.34	350.40
Deduction	-	-	-	-	11.65	0.16	11.81
As at 31.03.2013	-	-	1,151.57	17,169.34	107.69	34.64	18,463.24
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
NET BLOCK							
As at 31.03.2013	457.77	742.04	503.80	1,507.86	29.91	62.79	3,304.17
As at 31.03.2012	457.77	736.69	524.60	1,747.36	21.31	48.40	3,536.13

8.1 Addition to land is on account of taxes.

8.2 Depreciation includes ₹ 177.10 lacs (Previous year ₹ 195.98 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. Further 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)

Investment in Government Securities (Unquoted)

National Saving Certificate

(Deposited with government department.)

As at 31.03.2013

As at 31.03.2012

0.46

0.46

0.46

0.46

10. LOANS & ADVANCES

(₹ in Lacs)

(Unsecured and Considered Good)

Capital advances
Interest accrued on Investment
Advances for supply of goods & Services
Balance with Revenue Authorities
TDS receivable
Prepaid expenses
Employees advances
Deposit with Government / Other Authorities
Other receivables (Includes Export benefits)

As at 31.03.2013

As at 31.03.2012

Long Term

Short Term

Long Term

Short Term

-

-

9.25

-

-

0.23

-

58.08

-

29.91

-

40.30

-

15.34

-

10.09

109.92

-

90.91

-

95.96

109.92

249.91

100.16

275.56

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 31.03.2013

As at 31.03.2012

57.45

57.45

57.45

57.45

12. CURRENT INVESTMENT

(₹ in Lacs)

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

Birla Sunlife CMIPG- Nil Unit (Previous year 12910.925 Units)

Birla Sunlife Floating Rate Fund- Log Term Growth-Regular Plan

326703.479 units (Previous year - Nil)

(Market value at year end ₹ 455.09 Lacs)

As at 31.03.2013

As at 31.03.2012

446.92

22.99

446.92

22.99

13 INVENTORIES

	(₹ in Lacs)	
	As at 31.03.2013	As at 31.03.2012
Raw Material	467.50	504.88
Stores & Spares (including Capital Stores)	57.60	68.30
Work in Process	310.80	338.92
Finished Goods	1,067.09	907.96
Waste	119.42	53.11
	<u>2,022.41</u>	<u>1,873.17</u>

14 TRADE RECEIVABLES (Unsecured)

	(₹ in Lacs)	
	As at 31.03.2013	As at 31.03.2012
Outstanding for a period exceeding six months from due date		
Considered good	58.18	8.07
Doubtful	28.30	28.30
	<u>86.48</u>	<u>36.37</u>
Less provision for doubtful receivables	28.30	28.30
	<u>58.18</u>	<u>8.07</u>
Other considered good	842.74	990.03
	<u>900.92</u>	<u>998.10</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 31.03.2013	As at 31.03.2012
Cash and Cash equivalents		
Cash on hand	1.13	3.58
Balances with Banks	125.62	99.72
Other Bank Balance		
Fixed Deposit with banks	22.75	506.68
(Including against Bank Guarantee margin ₹ 0.75 Lacs)		
(Previous Year ₹ 2.68 Lacs)	<u>149.50</u>	<u>609.98</u>
	<u>2012-13</u>	<u>2011-12</u>

16. REVENUE FROM OPERATIONS

Sale of Products	6,521.18	8,844.61
Export Incentive	204.31	497.85
Job work Income	1,070.58	749.10
	<u>7,796.07</u>	<u>10,091.56</u>
Less : Excise Duty	23.57	32.06
	<u>7,772.50</u>	<u>10,059.50</u>

16.1 Particulars of sale of products

Yarn	5,511.92	8,178.56
Wool Tops	471.06	127.23
Others	538.20	538.82
	<u>6,521.18</u>	<u>8,844.61</u>

17. OTHER INCOME

	2012-13	2011-12
Interest Income	13.80	29.90
Sundry Balances written back	0.18	2.19
Profit on Disposal of discarded Assets (Net)	-	9.24
Gain on Sale of Investment	44.93	2.99
Foreign exchange fluctuation gain	64.12	122.25
Miscellaneous Income	30.30	19.56
	<u>153.33</u>	<u>186.13</u>

18. COST OF MATERIALS CONSUMED

	As at 31.03.2013		As at 31.03.2012	
	₹ in Lacs	% age	₹ in Lacs	% age
Imported	2,991.48	65.05	4,672.94	70.48
Indigenous	1,607.57	34.95	1,957.14	29.52
	<u>4,599.05</u>	<u>100.00</u>	<u>6,630.08</u>	<u>100.00</u>
18.1 Details of Materials consumed				
- Wool	3,292.60		5,236.31	
- Wool Tops	561.40		497.42	
- Polyester / Other Tops	540.21		674.62	
- Dyes and Chemicals	204.84		221.73	
	<u>4,599.05</u>		<u>6,630.08</u>	

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

	(₹ in Lacs)	
	As at 31.03.2013	As at 31.03.2012
Inventory at the beginning 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>

Inventory at the end of the year		
Finished Goods	1,067.09	907.96
Work in Process	364.70	392.82
Waste	120.60	54.29
	<u>1,552.39</u>	<u>1,355.07</u>
	(197.32)	(394.93)

20. EMPLOYEE BENEFITS EXPENSES

	2012-13	2011-12
Salaries and Wages	589.63	616.99
Contribution to Provident Fund & Other Fund	62.79	64.37
Gratuity and Leave encashment	56.17	48.18
Employees Welfare Expenses	6.39	6.61
	<u>714.98</u>	<u>736.15</u>

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

Principal assumptions		
- Discounting Rate	8.50%	8.50%
- Expected rate of return on plan assets	-	-
- Expected rate of future salary increase	7.00%	7.00%

Change in present value of obligations

	2012-13		2011-12	
	Gratuity unfunded	Leave Encashment Unfunded	Gratuity unfunded	Leave Encashment Unfunded
- Present value of obligations as at beginning of the year	147.45	32.95	149.47	38.79
- Interest Cost	7.52	2.47	7.69	2.97
- Current Service Cost	13.24	5.90	12.41	5.72
- Benefits Paid	(22.35)	(20.89)	(29.27)	(26.77)
- Past Service Cost	-	-	-	-
- Actuarial (Gain) / Loss on Obligations	13.63	13.41	7.15	12.24
- Present value of Obligations as at close of the year	159.49	33.84	147.45	32.95
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	159.49	33.84	147.45	32.95
- Fair value of plan assets as at the end of the year	-	-	-	-
- Unrecognized Actuarial (Gain) / Loss	-	-	-	-
- Net (Assets) / Liability recognized in Balance Sheet	159.49	33.84	147.45	32.95
Expenses recognized in Statements of Profit and Loss Account				
- Current service cost	13.24	5.90	12.41	5.72
- Past Service Cost	-	-	-	-
- Interest Cost	7.52	2.47	7.69	2.97
- Expected Return on plan assets	-	-	-	-
- Net Actuarial (Gain)/Loss recognized during the year	13.63	13.41	7.15	12.24
Total Expenses recognized	34.39	21.78	27.25	20.93

21. FINANCE COSTS

	2012-13	2011-12
Interest Expenses	5.92	6.98
Bank Charges	31.81	49.94
	<u>37.73</u>	<u>56.92</u>

22. OTHER EXPENSES

	2012-13	2011-12
Manufacturing Expenses		
Packing Material	95.99	97.89
Stores & Spares	387.00	391.05
Power and fuel	812.24	824.43
Job charges	-	21.30
Excise duty on Increase / (Decrease) in finished goods	4.22	8.34
Repairs & Maintenance to:		
Plant & Machinery	55.54	38.61
Building	36.76	20.32
Others	2.65	2.84
Administrative Expenses		
Rent	28.14	6.41
Insurance (Net)	2.52	2.27
Rates & Taxes	2.00	2.50
Travelling and Conveyance	59.90	47.72
Legal and Professional expenses	27.77	30.75
Directors Fees	0.32	0.22
Payment to Auditors		
For Audit Fee	1.69	1.69
For Tax Audit Fee	0.56	0.56
For Expenses	1.04	1.10
Miscellaneous expenses	79.04	74.74

Selling Expenses				
Commission and Brokerage		122.26		171.61
Carriage outward (Net)		178.15		165.20
Rebate, Claims and Discounts		27.85		55.52
Others Selling expenses		17.55		16.13
Loss on disposal of Assets		<u>0.57</u>		<u>-</u>
		1,943.76		1,981.20
22.1 DETAILS OF STORES & SPARES CONSUMED	₹ in Lacs	% age	₹ in Lacs	% age
Imported	145.64	37.63	168.90	43.19
Indigenous	<u>241.36</u>	<u>62.37</u>	<u>222.15</u>	<u>56.81</u>
	387.00	100.00	351.05	100.00
23. EXCEPTIONAL ITEMS				(₹ in Lacs)
Amount written back on account of settlement of some of the loans/borrowings and interest thereon and others		<u>2012-13</u>	<u>2011-12</u>	
		2039.50	1076.34	
		<u>2039.50</u>	<u>1076.34</u>	
24. TAX EXPENSES				(₹ in Lacs)
		As at 31.03.2013	As at 31.03.2012	
Current Tax		-	-	
Deferred Tax		-	-	

- 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 31.03.2013	As on 31.03.2012
Depreciation	341.35	271.54
Carried forward losses / depreciation	3,198.68	3,266.43
Provision for doubtful debts	9.18	9.18
Others	<u>2,965.62</u>	<u>2,948.01</u>
Net Deferred Tax Assets	6,514.83	6,495.16

The Net Deferred Tax Assets of ₹ 6514.83 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	2012-13	2011-12
Profit / (Loss) for the year before exceptional items	477.23	871.58
Profit / (Loss) after exceptional items	2,516.73	1,947.92
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	1.37 2.51
		5.60
Diluted earning per share (in ₹)	- Before exceptional items - After exceptional items	0.97 5.11
		1.77 3.95

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, Carpet Yarn and Wool Tops
Yarn Synthetic Yarn
Others PTA Project (Shelved)

	2012-13				2011-12			
	Woollens	Yarn	Others	Total	Woollens	Yarn	Others	Total
Segment Revenue								
Net Sales	7,772.50	-	-	7,772.50	10,059.50	-	-	10,059.50
Segment Results								
Profit / (Loss) before Interest & Tax	700.43	(185.47)	-	514.96	1,137.15	(208.65)	-	928.50
Less : Financial cost				37.73				56.92
Profit before exceptional items				477.23				871.58
Exceptional Items				2,039.50				1,076.34
Total Profit/(Loss) After Exceptional Items				2,516.73				1,947.92
Capital Employed								
Segment Assets	5,473.71	1,066.52	701.43	7,241.66	5,567.98	1,243.43	696.08	7,507.49
Segment Liabilities	(5,539.85)	16,310.02	13,460.30	24,230.47	(4,782.88)	18,340.96	13,454.95	27,013.03
Capital Employed	11,013.56	(15,243.50)	(12,758.87)	(16,988.81)	10,350.86	(17,097.53)	(12,758.87)	(19,505.54)

b) Geographical Segment: -

Revenue by Geographical Market	2012-13	2011-12
In India	3,254.50	3656.25
Other than India	4,518.00	6403.25
Carrying Amounts of Segment Assets		
In India	6,714.21	7074.13
Other than India	527.45	433.36

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 Rajesh Ranka (Chairman and Managing Director)

Shri J.P. Agarwal (Director and Sr. President w.e.f. 01.07.2012)

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	
			2012-13	2011-12
Key Managerial Personnel	Remuneration etc	Shri Rajesh Ranka Shri J.P. Agarwal	8.33 8.13	6.98 -
Relatives of Key Managerial Personnel and their enterprises.	Rent	Shubham Corporate Advisory Services Pvt. Ltd	7.59	4.80

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 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

	As at 31.3.2013	As at 31.3.2012
i. Bank Guarantees	0.75	2.68
ii. Disputed demands of Sales Tax Cases under appeal. (Amount paid ₹ 1.80 Previous year ₹ 1.80)	249.16	249.94
iii. Disputed demand of Excise cases under appeal. (Amount paid ₹ 7.59 Previous year ₹ 5.16)	82.73	80.30
iv. Other disputed demands by Government departments (Amount paid ₹ 4.73 Previous year ₹ 4.73)	65.00	65.00
v. Disputed liabilities and claims not acknowledged as debts	1,535.02	1,361.33

30. VALUE OF IMPORTS ON CIF BASIS IN RESPECT OF

	As at 31.3.2013	As at 31.3.2012
Raw Material	2,911.01	4,282.05
Stores & Spares	126.24	147.71
Capital Goods	-	6.68

31. EXPENSES IN FOREIGN CURRENCY

	As at 31.3.2013	As at 31.3.2012
Commission on Sales	111.74	159.24
Travelling	14.46	11.39
Others	27.83	24.06

32. EARNINGS IN FOREIGN EXCHANGE

	As at 31.3.2013	As at 31.3.2012
F.O.B. Value of Exports	4,504.09	6,323.76

As per our report of even date attached

For and on behalf of the Board

For S.S. SURANA & CO.

Chartered Accountants

FRN 001079C

(Pralhad Gupta)

Partner

M. No. 74458

Place : Mumbai

Date : 22nd June, 2013

Rajesh Ranka – Chairman & Managing Director

Pradeep Kumar

S.B.L. Jain

H.L. Sharma

} Directors

B.L. Saini – Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

Particulars	2012-13	2011-12
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & exceptional items	477.23	871.58
ADJUSTMENTS FOR		
- Depreciation	350.40	364.63
- Loss /(Profit) on Disposal of discarded Assets	0.57	(9.24)
- Sundry balances (written back) / Written off	(0.18)	(2.19)
- Gain on Sale of Investment	(44.93)	(2.99)
- Interest and Financial Charges	37.73	56.92
Operating profit before working capital changes	<u>820.82</u>	<u>407.13</u>
ADJUSTMENTS FOR		
- Trade and other receivables	103.82	133.98
- Inventories	(149.24)	(465.75)
- Trade and other payable	(60.06)	126.26
Cash Generation from Operations	<u>715.34</u>	<u>1,073.20</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES		
- Fixed Assets (Including Capital Work in Progress/Advances)	(77.11)	(136.51)
- Disposal of discarded Assets	0.84	23.79
- Gain on Sale of Investment	44.93	2.99
- Sale /(Purchase) of Investments (Net)	(423.93)	(22.99)
Net cash used in investing activities	(455.27)	(132.72)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
- Proceeds from Borrowings		
Non-convertible debentures	-	(86.14)
Term Loans/Unsecured Loan	(682.45)	(340.04)
Interest and bank charges paid	(38.10)	(101.67)
Net Cash from financing activities	<u>(720.55)</u>	<u>(527.85)</u>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	<u>(460.48)</u>	<u>412.63</u>
Cash & Cash Equivalents - Opening Balance	609.98	197.35
Cash & Cash Equivalents - Closing Balance	<u>149.50</u>	<u>609.98</u>

Note :

- The figures of the previous year have been regrouped and rearranged wherever found 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
(Pralhad Gupta)
Partner
M. No. 74458

Rajesh Ranka – Chairman & Managing Director
Pradeep Kumar
S.B.L. Jain } Directors
H.L. Sharma }

Place : Mumbai
Date : 22nd June, 2013

B.L. Saini – Company Secretary

If undelivered please return to :



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