



## DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Seventy-fifth Annual Report of the Company along with the Audited Accounts for the year ended 31<sup>st</sup> March, 2009.

## FINANCIAL RESULTS

(Rupees in lacs)

	Financial Years	
	2008-09	2007-08
Gross Profit before depreciation	987.34	841.82
Less: Depreciation	101.27	105.12
Operating Profit	886.07	736.70
Profit Before Tax	886.07	736.70
Less		
Provision for Taxation (Including Fringe Benefit Tax)	221.64	78.86
Tax provision of earlier year	16.05	0
Deferred tax	14.03	251.72
Profit after Tax	634.35	117.00
Add: Balance brought forward	2520.34	2195.75
Less: Amount transferred to Capital Reserve	0	0
Balance available for Appropriation	3154.69	2195.75
<b>LESS: APPROPRIATION</b>		
Interim Dividend	0.00	75.09
Proposed Dividend	187.71	75.08
Tax on distributed profit	31.90	25.52
Transferred to General Reserve	47.58	40.56
Balance Carried to Balance Sheet	2887.49	2736.59

## DIVIDEND

Your Directors are pleased to recommend a dividend of Re.0.40ps. (20%) per Equity Share of Rs.2/- each for the year 2008-09 as also an additional Platinum Jubilee Year (75 Years) Dividend of Re.0.10 ps. (5%) per Equity Share of Rs.2/- each making total dividends of Re.0.50 ps. (25%) per Equity Share of Rs.2/- each. The Dividend for the year amounts to Rs.219.62 Lacs including the Dividend Distribution Tax.

## BUSINESS OPERATIONS

The business segments of the Company consist of Real Estate, Business Centre and Trading.

### Real Estate

An economy is considered to be in a recession when its real GDP growth for two or more successive quarters is negative. Growth in gross domestic product (GDP) at constant prices, as per the data made available by Central Statistical Organization (CSO), for the first two quarters of 2008-09 was 7.9 and 7.6 per cent, respectively, with growth during the first half of the year placed at 7.8 percent. The growth in real GDP for 2008-09 is estimated to be 7.1 percent as per the advance estimates of GDP released by CSO. Hence the Indian economy is not in recession at this juncture.

However, it is evident that estimated 7.14 percent growth for 2008-09 indicates that the economy has slowed down as compared with the 9.0 per cent growth experienced in 2007-08. The estimated growth in 2008-09 is composed of growth of 2.6 per cent in Agriculture and allied sectors, 4.8 per cent in Industry and 9.6 per cent in Services as compared to a growth of 4.9 per cent, 8.1 per cent and 10.9 per cent in 2007-08. The estimated GDP growth of real estate sector is 9.3 per cent for 2008-09.

The slow growth rate is on account of the US sub-prime effect emerged in mid-2008. The all-permeating effect of the US sub-prime brought recession in the real estate business also. This was further aggravated by the wait and watch attitude



among the players on account the General Elections in the Country. The General Elections also forced the present Central Government not to take any policy decision to tide over the recession in the Country. Now, the New Government's policies would decide the longitudinal presence of the recession and revival of the economy.

The Mumbai-26/11 type terror attack sends insecurity waves in the business areas. In order to create safety cover, security agencies, security systems, insurance against act of terror are required to be arranged. These increase cost and tension of remaining vigilant constantly.

Coming to the working of the Company, on receiving permission from the Urban Development Department of Government of Maharashtra permitting development/redevelopment of Mill land, the Company submitted its Building Plan to the Brihanmumbai Municipal Corporation. The approval of the plan is awaited.

#### **Business Centre:**

Central Bombay Infotec Park Joint Venture arm of Modern India Limited is running Business Centre named Modern Centre. The revenue from this segment has been Rs.1239.91 lacs as compared to Rs. 668.83 lacs in the previous year. During financial year 2008-09, renewal of business centre agreements were concluded at the then prevailing market rates and accordingly revenue from Business Centre activities has gone up proportionately

#### **Trading:**

Trading activities consist of cloth, yarn, software/ Revo Milling machine, sponge iron, G.I sheets and pipes. The export to the extent of Rs.765.31 lacs of certain goods was also made. Turnover, in this segment, has grown from Rs. 15,131.07 lacs to Rs. 19,342.46 registering a 28% growth. However, the margins were under pressure.

#### **SUBSIDIARY COMPANIES**

##### **MODERN INTERNATIONAL (ASIA) LIMITED, HONG KONG (MIAL)**

MIAL was set up to outsource products from China and other S. E. Asian Countries and is a B2B segment of the company where MIAL services local as well as international companies sourcing raw material/semi finished/finished products and customized products as per requirements. Six years ago, MIAL started with Textiles, Yarn and Fabric but now expanded range of commodities including Tyres, Steel, Chemicals, Paper, and Luggage sourcing from China, Indonesia, Thailand and Korea. However, the global melt-down has affected the performance of the company. The company could achieve a turnover of USD 11.60 millions as against USD 14.36 millions in the previous year. The loss incurred is USD 1,28,623 against the profit of USD 21,764 in the corresponding period of previous year. It has been significantly lower due to USD 414,531 loss in the value of securities.

##### **MODERN INDIA PROPERTY DEVELOPERS LIMITED (MIPDL):**

MIPDL is developing Electronic Hardware, Software including IT / ITeS Special Economic Zone at Khopoli, Dist. Raigad in Maharashtra. Company has received recommendation from Government of Maharashtra and formal approval from Board of Approval, Ministry of Commerce and Industry, New Delhi and has filed application for notification of the SEZ which is awaited. Various agencies for the project such as Master Planner, Advisor to SEZ, Architects, Environment Consultants, Structural Engineers and MEP Consultants have been appointed. The total outlay is expected to be Rs. 850.00 Crores. Loan arrangement has also been in place. However, looking to the present economic and business scenario, the slowdown in the economy the Directors may delay the implementation of the project.

##### **INDIAN INSTITUTE OF JEWELLERY LIMITED (IIJL)**

IIJL set up a premier autonomous jewellery institute, Indian Institute of Jewellery (IIJ), in the Asia Pacific region, which offers international standard education in Jewellery Manufacturing, Designing, and Gemology, etc. IIJ is a leading professional institute, recognized and accepted by the jewellery industry for quality training, state of the art infrastructure and industry relevant curriculum.

This year, IIJ is completing its 5<sup>th</sup> year. Many new programs have been introduced in-house.

IIJ has also established Gem Testing Laboratory with latest state-of-the-art technology.

IIJ got a feather in its hat when it entered into a Memorandum of Understanding with the University of Mumbai (MU) for Post-graduate Course in Gems and Jewellery at and in technical collaboration with Garware Institute of Career Education and Development, Vidyanagari, Kalina, a division of the MU. Under this arrangement, the MU will include in its syllabus and in suitable promotional material information mentioning that the course is being conducted in collaboration with the IIJ. Of the prescribed University syllabus, the IIJ will conduct the theory classes and practical work in technical subjects at its Institute at Mahalaxmi as per the accepted standards set by the MU.

Operations of the company impacted due to severe recession effect in the jewellery industry, which resulted in loss of



employment of existing employees as well as incumbent students seeking jewellery manufacturing and marketing as profession.

The income from operation and other income is Rs.68.18 lacs in the year 2008-09 against Rs.120.00 lacs in 2007-08. The net loss was Rs.215.15 lacs as against the loss of Rs.106.47 lacs last year.

In order to improve performance of IJL, the management is planning to conduct workshops in schools as art and craft classes, tied up/being tied up with various renowned educational institutions and colleges including that of University of Mumbai where Short Term and Long Term Programmes are conducted. This would yield results by March, 2010.

#### **MODERN INDIA REALITY & INFRASTRUCTURE LIMITED (MIRIL)**

With focus on infrastructure and real estate development, this Company had been floated to undertake new venture in this, in due course of time. However, since, no activities were carried out in MIRIL and whereas in view of the present economic situation, there is no plan to start any activity in near future, in MIRIL, and whereas the Board of Directors in its meeting held on 13<sup>th</sup> May, 2009 decided to divest the Company's holding in MIRIL for this reason, the Company has disinvested its entire shareholding in MIRIL on 2<sup>nd</sup> June, 2009. As such, Modern India Realty & Infrastructures Ltd is no more subsidiary of the Company.

#### **MODERN INDIA FREE TRADE WAREHOUSING PRIVATE LIMITED (MIFTWPL)**

The Company acquired 51% equity shareholding in Modern India Free Trade Warehousing Pvt. Ltd. on 4<sup>th</sup> July, 2008. This company has been incorporated to establish Free Trade Warehousing Zone (FTWZ). At present efforts are on to acquire land at Panvel to set up FTWZ.

#### **Joint Venture Companies**

The Company had formed two Joint Venture Companies with Gitanjali Gems Limited named Modali Gems Pvt. Ltd. (formerly known as Modali Distributors Private Limited) and Modali Jewels Private Limited. The Board of Directors felt it prudent to divest stake in favour of the JV Partner and accordingly, investment in Modali Jewels P. Ltd. was disinvested in favour of Gitanjali Gems Ltd. in the year 2007-08.

Since the business proceedings of Modali Gems Private Limited (MGPL) were not proceeding as per the business plan, stake in MGPL was also divested in favour of the JV Partner - Gitanjali Gems Ltd. in the year 2008-09.

#### **Business Operations**

The Company saw mixed performance in the Financial Year 2008-09 in Real Estate, Business Centre and Trading. Looking to the subdued condition of real estate, Company's intention to develop its land Bank at Mahalaxmi and construct about 8 lacs Sq. Feet of Gross Leasable Commercial Space has been kept on hold, for the time being.

#### **ANNUAL ACCOUNTS OF SUBSIDIARY COMPANIES**

The Ministry of Corporate Affairs has granted exemption from attaching a copy of Balance Sheet, Profit & Loss Account, and Report of the Board of Directors and Report of the Auditors of all the four Subsidiary Companies. However, as per the said permission certain details are published about the Subsidiaries. Moreover, pursuant to the Accounting Standard AS 21 issued by the Institute of Chartered Accountants of India, the Company includes the financial information of the Subsidiaries in its notes to the Annual Accounts. Any member of the Company, desirous of inspecting the same, may inspect and/or request for copy of these documents or any details relating to these documents.

#### **DIRECTORS**

Shri. Anand Didwania, Director of the Company, retire by rotation and, being eligible, offers himself for re-appointment.

Shri. Jimmy F. Pochkhanawalla resigned, w.e.f. 8<sup>th</sup> January, 2009, by reason of his remaining preoccupied with his flourishing legal practice.

Shri. Dilip Jayantilal Thakkar (72), a renowned Chartered Accountant by profession, was appointed Additional Director of the Company w.e.f. 23<sup>rd</sup> January, 2009. He is holding the directorship upto the commencement of the ensuing 75<sup>th</sup> AGM. However, a notice has been received from a member of the Company proposing his candidature as a Rotational Director at the ensuing AGM.

Smt. Vasanti B. Patel (58), a Legal Practitioner by profession, was appointed Additional Directress of the Company w.e.f. 20<sup>th</sup> March, 2009. She is holding the directorship upto the commencement of the ensuing 75<sup>th</sup> AGM. However, a notice has been received from a member of the Company proposing her candidature as a Rotational Director at the ensuing AGM.

The term of the Managing Directorship of Shri. Vijay Kumar Jatia is expiring on 31<sup>st</sup> July, 2009. In view of this, the Directors have re-appointed him for a further period of three (3) years with effect from 1<sup>st</sup> August, 2009 on certain remuneration. A

special resolution for approval of his remuneration as also resolution to appoint him as a permanent director is being put before the ensuing 75<sup>th</sup> AGM.

#### **CORPORATE EVENTS**

The Shareholders have passed Special Resolution, by means of postal ballot, for Inter-corporate loans and investments in excess of the limits specified in S.372A of the Companies Act, 1956. The results of the postal ballot were declared in the Extra-ordinary General Meeting held on 2<sup>nd</sup> December, 2008.

The Company is still awaiting permission from The National Stock Exchange of India Limited (NSE) for enlistment of its securities on it.

#### **CONSOLIDATION OF ACCOUNTS**

In pursuance of the mandatory compliance of the Accounting Standards AS21, AS23 and AS27 as issued by the Institute of Chartered Accountants of India, the Company has presented Consolidated Financial Statements, for the year under Report, consolidating its Accounts with the Accounts of its Subsidiary Companies, Modern International (Asia) Limited, Modern India Property Developers Ltd., Modern India Realty & Infrastructures Ltd., Indian Institute of Jewellery Limited and Modern India Free Trade Warehousing Pvt. Ltd. as also accounts of the Joint Venture – Central Bombay Infotec Park to the extent of the investment made by the Company. A separate Report of the Statutory Auditors, on consolidated Financial Statements also forms part of the same.

#### **DEFERRED TAX**

The total net deferred tax assets/(liabilities) as on 31.03.2009 is Rs. (113.05 lacs) [Previous Year Rs. (99.02) lacs]. Rs.14.03 lacs [Previous Year Rs. 117.00 lacs] have been debited to Profit & Loss account of the year in respect of the Deferred Tax.

#### **AUDITORS' APPOINTMENT**

Members are requested to appoint Auditors and fix their remuneration. The present Auditors, Messrs K.S. Aiyar & Company, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **AUDITORS' REPORT**

The Auditors' Report is attached with the audited statements. There are observations made by the Auditors that have been explained below.

##### **Auditors' Observations:**

Despite negative net worth of Indian Institute of Jewellery Limited (IIJL)(Subsidiary company), no provision for diminution has been made in respect of Company's long term investment of Rs.300 lacs or against loan of Rs.636.15 Lacs given to IIJL for the reasons mentioned in Note no. 11 of Schedule 18.

##### **Explanation to the Auditors' Observations:**

Indian Institute of Jewellery Limited is a wholly owned subsidiary of the Company (IIJL). The accumulated loss as at the end of the year, in IIJL, is Rs.5,05,21,017/- which has exceeded the net worth of IIJL. IIJL has Long Term Dynamic Business Outlook, aggressive marketing plans, initiative for setting up of new educational streams and future expansion/growth plans. IIJ has recently entered in an MoU with Mumbai University to start a postgraduate degree programme in jewellery related area which is expected to further enhance the business prospects of the IIJ. In view of these, the investment made by the Company is considered as strategic long term investment and no provision is considered necessary for diminution in the value of investment which in the opinion of the Management is of temporary nature and considered IIJL as a going concern. The Company has given a loan of Rs. 6,36,15,000/- to IIJL which is also considered fully recoverable.

#### **FIXED DEPOSITS**

During the year under Report, the Company has neither accepted nor renewed any Fixed Deposits, under Section 58A, read with Companies (Acceptance of Deposits) Rules, 1975.

#### **INSURANCE**

Adequate insurance cover has been taken for the properties of the Company including Stocks, Tools and Machineries, Furniture and Fixtures, Electronic and Electric Equipments, Vehicles and to cover Directors' and Officers' Liability.

By reason of 26/11 terror attack in Mumbai, security in and around the Modern Centre has been tightened by installation of surveillance gadgets and beefing up the security in and around Modern Centre.



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#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied them consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2009 and of its profit for the year ended as on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

#### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.**

In compliance with the provisions of Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement giving requisite information is given in Annexure 'A' forming part of this **Report**.

#### **PARTICULARS OF EMPLOYEES**

Information as per Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 is given in Annexure 'B' forming part of this Report.

#### **MANAGEMENT DISCUSSION AND ANALYSES**

As per the requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Management Discussion and Analyses of the events, which have taken place and the conditions prevailed, during the period under review, are elucidated in ANNEXURE - 1 to this Report.

#### **CORPORATE GOVERNANCE**

In compliance of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, a Report on Corporate Governance, along with a Certificate of the Auditors on Corporate Governance is annexed to this Report marked ANNEXURE - 2.

#### **ACKNOWLEDGMENT**

Your Directors wish to place on record their sincere thanks to the Valued Customers, Suppliers, Banks, Central Government, State Governments and various Consultants and Business Associates for their continued support, co-operation and guidance, during the year under review. Your Directors also wish to thank the employees and executives at all levels for their valuable contributions.

For and on behalf of the  
Board of Directors

**Vijay Kumar Jatia**  
**Chairman & Managing Director**

Mumbai, dated 10th June, 2009

#### **Registered Office:**

Modern Centre,  
Sane Guruji Marg,  
Mahalaxmi,  
Mumbai-400 011.

## ANNEXURE 'A' TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

### 1. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

As the Company has no manufacturing activities, the provisions of Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 relating to Conservation of Energy, Technology Absorption and R & D do not apply to your company.

### 2. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) - Activities relating to exports : The Company did undertake export activities during the period under review.
- Initiatives taken to increase exports : Continuous efforts to identify new markets for existing and new products are being made by the Company.
- Development of new markets for products & services & Export plans : Company is developing new export market for various products in USA, Asian and European countries. The Company does not have any definite export plan in view of the prevailing recessionary condition.
- (b) Total Foreign Exchange:
- (i) Earnings : Rs.7,67,87,976/-
- (ii) Outgoing : Rs. 26,54,488/-

## ANNEXURE 'B' TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2009

Sr. No.	Name/Age(Years)	Qualifications	Experi- -ence (years)	Date of Employ -ment	Designation/ Nature of Duties	Gross remunera- tion received (Rs.)	Last Employment held (Previous Designation/ Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Vijay Kumar Jatia (51)	B.Com.	34	01.08.2001	Chairman & Managing Director	47,05,320	Pudumjee Pulp & Paper Mills Ltd. - Jt. Managing Director

#### Notes:

- (a) Remuneration includes Salary, Commission on net profits, Leave Travel Assistance, Medical Expenses, Company's Contribution to Provident Fund and other facilities/benefits the monetary value of which has been evaluated as per the Income-tax Rules.
- (b) The above employee is relative of Smt. Gauri Jatia, Directress of the Company.

For and on behalf of the  
Board of Directors

**Vijay Kumar Jatia**  
Chairman & Managing Director

Mumbai, dated 10th June, 2009