WELSPUN SYNTEX LIMITED

18th ANNUAL REPORT 2000 - 2001

WELSPUN SYNTEX LIMITED

BOARD OF DIRECTORS

BOARD OF DIRECTORS	Mr. G.R. GOENKA	
	Mr. B.K. GOENKA	MANAGING DIRECTOR
	Mr. R. R. MANDAWEWALA	EXECUTIVE DIRECTOR
	Mr. NARESH SALUJA	NOMINEE IFCI
	Mr. M. V. BADRINATH	NOMINEE IDBI
	Mr. S. K. GOENKA	
	Mr. M. L. MITTAL	DIRECTOR (FINANCE)
	Mr. A. K. SHAH	
	Mr. R. K. JAIN	
	Mr. V. L. BHUTRA	DIRECTOR (OPERATIONS)

COMPANY SECRETARY
Mr. K. N. KAPASI

AUDITORS
MGB & CO
CHARTERED ACCOUNTANTS

BANKERS
BANK OF BARODA
STATE BANK OF BIKANER & JAIPUR

REGISTERED OFFICE
SURVEY NO. 394(p),
VILLAGE SAILY, SILVASSA,
UNION TERRITORY OF DADRA & NAGAR HAVELI.

CORPORATE OFFICE
KAMANI WADI, 1ST FLOOR,
542, JAGANATH SHANKAR SETH ROAD,
CHIRA BAZAR, MUMBAI - 400 002.
E-mail : welspun@vsnl.com
Website: www.welspunsyntex.com

FACTORY
SURVEY NO. 394(p),
VILLAGE SAILY, SILVASSA,
UNION TERRITORY OF DADRA & NAGAR HAVELI.

PLOT NO. 145/15,
DEWAN INDUSTRIAL ESTATE,
PALGHAR,
DISTRICT THANE, MAHARASHTRA

LISTING OF SHARES
THE STOCK EXCHANGE, MUMBAI
Phiroze, Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001.
THE DELHI STOCK EXCHANGE ASSOCIATION LIMITED
DSE House. 3/1, Asaf Ali Road, New Delhi - 110 002.

CONTENTS

DIRECTORS' REPORT

The Members,

WELSPUN SYNTEX LIMITED

Your Directors have pleasure in presenting the Eighteenth Annual Report together with Audited Statement of Accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS :

(Rs. in Lacs)

	2000-2001 (12 months)	1999-2000 (6 months)
Gross Profit before Depreciation & Finance Expenses	**2585.47**	803.90
Less: Finance Expenses	**2114.17**	1424.79
Depreciation	**1499.41**	746.04
Profit/(Loss) before tax	**(1028.11)**	(1366.93)
Provision for tax	**0.00**	0.00
Profit/(Loss) after tax	**(1028.11)**	(1366.93)
Extra Ordinary Items(Loss)	**(786.20)**	0.00
(Loss) After Extra Ordinary Items	**(1814.31)**	(1366.93)
Profit/(Loss) brought forward	**(2954.25)**	(1652.87)
Excess provision of Income Tax written back	**1.67**	Nil
Prior year adjustments	**(147.16)**	25.96
Transfer from General Reserve	**0.00**	39.59
Profit/(Loss) carried to Balance Sheet	**(4914.05)**	(2954.25)

In view of the accumulated losses, no dividend could be recommended.

PERFORMANCE :

During the year under review, the Sales and Gross Profit Before Interest and Depreciation were Rs. 26007.49 lacs and Rs. 2585.47 lacs respectively as compared to Rs. 13133.64 lacs and Rs. 803.90 lacs respectively for the previous period (six months). Export was at Rs. 4504 lacs as against Rs. 2208 lacs of previous period.

The productions of POY and texturised yarns were 20783.78 MTPA and 18211.42 MTPA respectively as compared to 8994.17 MTPA and 8566.63 MTPA respectively in the previous period.

Sales of Polyester Yarn during the year remained stationary mainly due to de-stocking of inventories; cessation of business activities for about three weeks following the devastating *earthquake in the state of Gujarat in the month* of January 2001; Go Slow agitation of weavers at Surat by reducing operations by 30% during December, 2000; and the strike observed by traders, weavers and texturisers in March, 2001 protesting the changes in excise duty structure in the background of general slow down.

Your directors regret to state that the financial performance as mentioned above is lower as compared to the profitability of Rs. 2759 lacs as projected in the Prospectus dated 18th May' 1998 due to aforesaid reasons.

During the year under report, your Company endeavoured to spread marketing network and concentrated on speciality yarn rather than commodity yarn which contributed favourably for maintaining the export at Rs. 4504 lacs. Your directors viewed the exports at this level as an achievement in the backdrop of *the recessionary trend prevailed in the international market* and anti dumping duty imposed by Turkey. Despite slowdown, the Company could increase exports to European countries. Pursuing the thrust of widening its market network, the Company extended it to 34 countries from 25 countries attained till the last year.

On the product innovation part, your Company developed Dope Dyed POY for Air Tex / Texturising Dope Dyed FDY in various colours and spectrum of yarns including Super Micro Yarns for Mill Sector.

INDUSTRY STRUCTURE AND DEVELOPMENT

The Polyester Yarn Industry has been ailing for last 3 - 4 years which began with turmoil of the South East Asian economy. This was aggravated by the over capacity in the industry and consequent glut in the market. This also led to dumping on a large scale in good market areas. Presently, the global industry capacity exceeds the demand which had come under tremendous pressure with the slow down in the economies of various countries. To add to the woe of the industry, the prices of basic raw material for Polyester yarn Industry ruled high with the flare up of oil prices in last one year. This further narrowed down the margin for the industry.

In India, the industry suffered from the miserable picture of the global industry which impacted the bottomlines of the units across the board. The units with global economic size could sustain the brunt to some extent whereas a large number of units bore major hit. However, the measures taken by Government of India couple of months back to prevent dumping from a large number of countries from the Asia Pacific Region, lent support to the industry to counter the unfair competition. On the other hand, the reduction in export incentive from 15% to 10% on FOB value of export under Duty Entitlement Pass Book Scheme announced in the last budget deprived the industry of its smile.

Opportunities :

With the sustained growth of GDP in India in the range of 5 - 7% p.a., the demand scenario in India is not expected to be hit badly. In particular, the Polyester yarn Industry which caters to the demand from economy class segment, the demand could sustain the growth trend. Secondly, the per capita consumption in India which is amongst the lowest in the world, further deceleration in consumption seems to be ruled out. Besides, your directors visualise significant export opportunities for the Company's products which, due to their speciality nature, have competitive edge in the international arena.

Threat :

Excess capacities in the global market pose a threat of eating away margin of contribution on the products. Further expansions underway in Asia could expose the industry to adverse scenario to make the recovery path more difficult.

To overcome the threats, the Company expects to subside the effects on its performance by innovating marketing of its specialised products, cost cutting, restructuring of finances and a thrust for continuous improvements in its quality and operations.

OUTLOOK

The reduction in import duty on chips from 35% to 25% announced in the last budget would help reduce the cost of raw material to bring in tandem with international level. Besides, the anti dumping duty on POY imposed in India helped revival of prices to fetch better yield for local suppliers. However, this measure could not do away the supplies at low price from EOUs in India.

Your directors take comfort in visualising a better performance in the years ahead with the changes effected in tax / duty structure and supplemented by the Company's constant thrust for development of new products. Further, the Company could bring more returns by continuing its focus on value addition to its products.

Internal Control System and their adequacy

The Company has a proper and adequate system of internal controls to ensure safety and better utilisation of its assets. Under the system, the transactions are properly authorised, timely recorded and reported to enable the effective decision making at management level for the purpose of planning and control.

The Company has internal audit system, which covers cost saving aspects, system and procedure improvement. Such reports are regularly reviewed by the management and corrective measures are timely taken for improving efficiency.

FINANCE

During last couple of years, your directors realised that the finance cost and its structure is not sustainable to the prevailing finance and industrial scenario. The rate of interest fixed in the financial boom period far exceeds today's level of rates and the same needs to be brought in parity with current levels. Further, the finance pattern needs to be suitably amended to provide the company breathing time to consolidate its position in the business and assure its revival and debt repayment in the course of time. With this view, the Company had approached leading financial institutions viz. IFCI Ltd. and Industrial Development Bank of India with a restructuring proposal which has been approved by them. The approval for restructuring is subject to the reduction of equity share capital by 40 % to wipe out the accumulated losses. The said reduction has been approved by the Board of Directors in the month of March,2001 subject to statutory approvals.

The Company proposes to file a Scheme for the aforesaid restructuring / reduction of capital u/s. 100 and 391 of the Companies Act, 1956 in the High Court. Further, the Company is striving to have similar restructure of the finances given by other financial institutions / banks.

DIRECTORS RESPONSIBILITY STATEMENT :

Your Directors confirm that:

i. In the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures.

ii. the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made 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 that period.

iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. That the directors have prepared the accounts on a going concern basis.

CORPORATE GOVERNANCE :

The Company has reconstituted Audit Committee, Share Transfer Committee in order to match the requirement of Corporate Governance, even though the Company is at liberty to implement the amendments of new Clause 49 of the listing requirements by the end of March 31' 2002.

AUDIT COMMITTEE

The Company has reconstituted an Audit Committee of Directors as mandated by Section 292 (A) of the Companies Act, 1956 as amended. Mr. Naresh Saluja (IFCI Nominee), Mr. A. K. Shah and Mr. R. K. Jain are members of the Audit Committee.

CAPITAL STRUCTURE

5,00,000-13.5% Fully Convertible Debentures of RS. 100/- each aggregating to Rs. 5,00,00,000 issued on private placement have been converted into 50,00,000 equity shares of Rs. 10/- each fully paid up at par with effect from 21st May' 2001 as per guidelines issued by SEBI.

PUBLIC DEPOSITS

The Company has not accepted deposits during the year within the meaning of Section 58A of the Companies Act, 1956 read with The Companies (Acceptance of Deposit) Rules, 1975.

DIRECTORS

Mr. S. K. Bhoan was nominated by IFCI Limited as its nominee with effect from 30th January' 2001 in place of Mr. C. V. Kamlaker. Mr.Naresh Saluja is now nominated by IFCI as its nominee vide their letter dated 4th June, 2001 in place of Mr. S.K.Bhoan. Board appreciated services rendered by them during the tenure of their office.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. G. R. Goenka, Mr. M. L. Mittal and Mr. R. K. Jain retire by rotation at the forthcoming Annual General Meeting. They are eligible for reappointment.

AUDITORS

Your Company's Auditors, M/s. MGB & Co, Chartered Accountants, (formerly known as M/s. M. G. Bhandari & Co) retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as Auditors of the Company. Members are requested to consider their reappointment as the Auditors of the Company for the current year and to fix their remuneration.

AUDITORS' REPORT

Your directors refer to para no.2 (f) of the Auditors' Report wherein they have drawn in attention to note no. 7 regarding financial restructuring package for reliefs and concessions in rate of interest and waiver of liquidated damages which will be effective on compliance of certain conditions and approval of the arrangement by the court, pending such compliance, the interest on such loans is provided at the concessional rate envisaged in the package as the management is confident that requisite conditions will be fulfilled.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your Directors are pleased to give the particulars as prescribed therein in the Annexure, which forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES:

None of the employees has drawn remuneration during the year in excess of the limits prescribed under the Companies (Particulars of Employees) Rules,1975.

HRD AND PERSONNEL:

The Company has been consistently undertaking comprehensive program to develop and nurture its Human Resource to face the challenges of the New Millennium. Industrial relations at your Company's plant remained cordial during the year under review. Your Directors wish to place on record their sincere appreciation of the valued contribution, unstinted efforts and spirit of dedications shown by the employees at all levels.

APPRECIATION

Your Directors take this opportunity to express gratitude for valuable assistance and co-operation extended to the Company by Financial Institutions, Mutual Funds, Commercial Banks, Govrnment and other authorities.

For and on behalf of the Board of Directors

B. K. Goenka	**V. L. Bhutra**
Managing Director	Director (Operations)

Place : Mumbai
Date : 30th JUNE, 2001.

ANNEXURE
FORM - A
(SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year 2000-2001	Previous Period 1999-2000
A Power and fuel consumption		
1 Electricity		
(a) Purchased		
Units (In '000S)	**49072.90**	18384.28
Total Amount (Rs.in Lacs)	**1362.09**	510.33
Rate / Unit (Rs.)	**2.78**	2.78
(b) Own Generation		
(i) Through Diesel / Gas Generator		
Units (In '000S)	**6108.74**	8333.27
Units per Ltr.Of Diesel Oil	**3.63**	3.60
Cost / Unit (Rs.)	**4.87**	3.97
(ii) Through Steam Turbine / Generator	**Nil**	Nil
2 Coal (Specify Quality and Where used)	**Nil**	Nil
3 Furnace Oil		
Quantity (K.Ltrs.)	**618.22**	298.40
Total amount (Rs.in Lacs)	**69.86**	32.27
Average Rate (K.Ltrs.)	**11299.65**	10814.34
4 Others / Internal Generation	**Nil**	Nil

B CONSUMPTION PER UNIT OF PRODUCTION

	STANDARDS	CURRENT YEAR	PREVIOUS PERIOD
Products (With Details)			
Unit	—	Kg.	Kg.
Electricity	—	1.44	1.53
Furnace Oil	—	—	—
Coal (Specify Quality)	—	—	—
Others (Specify)	—	—	—

ANNEXURE
FORM B
(SEE RULE 2)

Form for disclosure of particulars with respect to absorption. Research and Development (R&D)

1 Specific areas in which R&D is carried out by the Company
   – Development of Special types of Yarn

2 Benefit derived as a result of the above R&D
   – On the product innovation part, your Company developed Dope Dyed POY for Air Tex/Texturising Dope Dyed FDY in various colours and spe trums of yarns including Super Micro Yarns for Mill Sector.

3 Future plan of action – NIL

4 Expenditure on R&D
   (a) Capital – NIL
   (b) Recurring – NIL
   (c) Total – NIL
   (d) Total R&D expenditure as a percentage of total turnover – NIL

Technology absorption, adaptation and Innovation.

1 Efforts, in brief made towards technology absorption, adaptation and inno vation
   – The Company had imported one SPFY line from M/s. Rieter Chemical Fiber System in the year 1996-97and 6 SPFY Lines from M/s.Mitsubishi Corporation in the Year 1998-99. The technology has been fully absorbed, the Company not taken any assistance from the Technology supplier in last two years.

2 Benefits derived as a result of the above efforts,etc. Produc improvement, cost reduction, product development, imports substitution, etc.
   – As a result of continuous improvement, the Company had developed in house spin pack,etc., which resulted in cost reduction and produce High Quality Yarn.

3 In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: –
   (a) Technology imported – NIL
   (b) Year of import – N.A.
   (c) Has technology been fully absorbed ? – N.A.
   (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. – N.A.

Foreign exchange earnings and outgo:

(1) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services and export plans
   – The Company has maintained export by spreading network inspite of recession in international market.

(2) Total foreign exchange used and earned
   Used : Rs.1336.30 Lacs
   Earned : Rs.3901.52 Lacs