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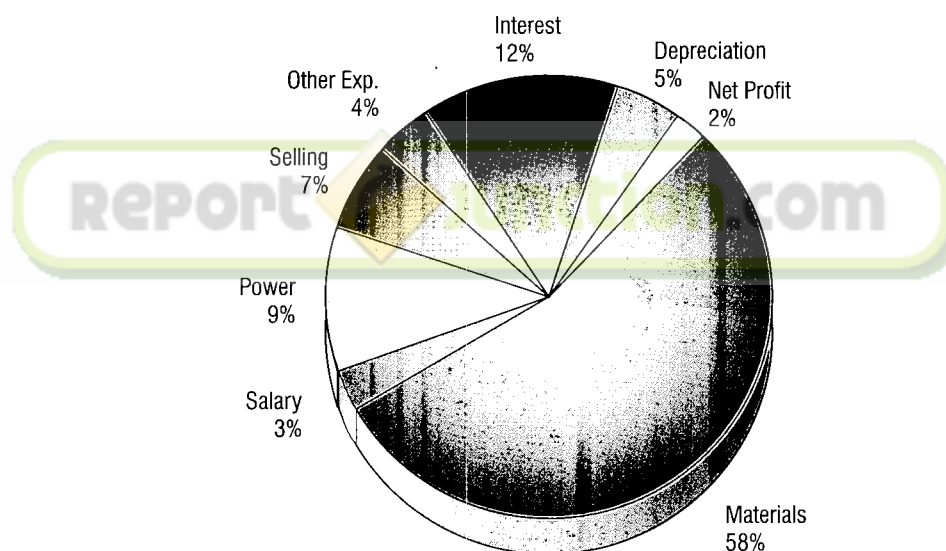
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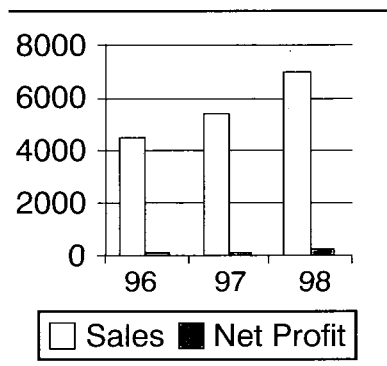
Financial Highlights

Year Ended March 31 st		1998	1997
Total Income	Rs. in Lacs	7016.17	5378.34
Interest / Sales	%	8.90	11.20
Net Profit	Rs. in Lacs	251.93	111.31
Operating Profit before Working Capital Charges	Rs. in Lacs	1139.88	963.77
Net Cash Generated from Operations	Rs. in Lacs	319.85	142.69
Cash Earnings Per Share	Rs.	3.06	2.12
Earnings Per Share	Rs.	1.48	0.65
Return on Average Capital Employed	%	17.80	16.40
Return on Average Net Worth	%	10.20	3.50
Average range of count spun		23.57	26.43
Number of Employees	Nos.	526	495

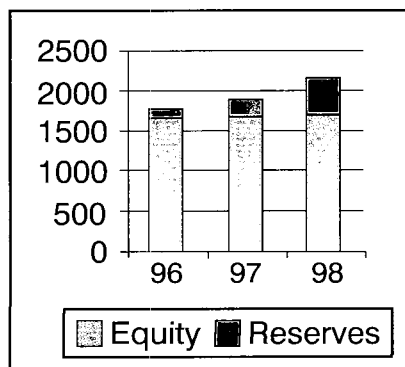
How a Rupee Earned Has Been Spent During 1997-98



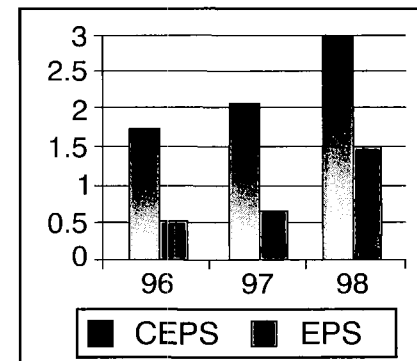
Sales And Net Profit



Net Worth



Earnings





VISION STATEMENT

"TO CREATE A CARING, INNOVATIVE WORLD CLASS ORGANISATION WHICH WILL ENSURE 100% SATISFACTION TO ITS CUSTOMERS, AS PERCEIVED BY THEM AND BE A COMMITTED PARTNER IN THE GROWTH OF ITS STAKE HOLDERS."

QUALITY POLICY

*"WE ARE COMMITTED TO SUPPLY CONSISTENT QUALITY YARN THAT SATISFIES THE NEED OF THE CUSTOMER
 WE SHALL ENDEAVOUR TO IMPROVE QUALITY OF YARN BY CONTINUOUS INTERACTION WITH CUSTOMERS
 AND
 IMPARTING TRAINING TO OUR EMPLOYEES"*

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COMPANY INFORMATION

BOARD OF DIRECTORS

Shri. K. K. Sheth	<i>Chairman</i>
Shri. Bharat P. Shah	<i>Vice Chairman & Managing Director</i>
Shri. H.N. Udani	<i>Director</i>
Shri. M.D.Vora	<i>Director</i>
Shri. Uday S. Kotak	<i>Director</i>
Shri. Y.R. Shah	<i>Director</i>
Shri. D.K.Vartak	<i>Nominee Director (IDBI)</i>

MANAGEMENT TEAM

Shri. R.Sampath	<i>President</i>
Shri. M.M.Kamath	<i>Vice President (Finance) & Company Secretary</i>
Shri. V.D.Mehta	<i>General Manager (Marketing)</i>

AUDITORS

M/s. B.S. Mehta & Co.
Chartered Accountants,
Mumbai

BANKERS

Bank of Baroda
Bank of India
State Bank of Mauritius Ltd

FINANCIAL INSTITUTIONS

Asian Finance & Investment Corpn. Ltd. (AFIC)
Industrial Development Bank of India
Unit Trust of India

REGISTERED & CORPORATE OFFICE

Lotus House, 5th Floor,
33-A, New Marine Lines,
Mumbai 400 020.
Tel. No.: 200 5195, 209 3068.
Fax No.: 209 3043, 206 3243.

E-Mail : asil@bom2.vsnl.net.in.

FACTORY

Gat No.47 & 48, Sangavade Village,
Kolhapur - Hupari Road, Taluka - Karveer,
Dist. Kolhapur - 416 005.
Tel. No.: 0231-676108, 676106.
Fax No.: 0231-676164

WEBSITE : [http:// www.indiaxs.com](http://www.indiaxs.com) / amit



JOURNEY OF COTTON..... FROM FIELD TO FABRIC

Even after thousands of years, cotton remains the most miraculous fibre under the sun. Noted for its versatility, appearance, performance and comfort, cotton provides thousands of useful products and creates millions of jobs as it moves year after year from field to fabric. The journey from field to fabric begins after land is cleared and precision planters place cottonseed in the soil at a uniform depth and interval. The journey ends with textile manufacturers constructing cotton fabrics used to create fashionable cotton clothing and home furnishings.

Cotton planting begins as early as June and as late as July in areas of the Cotton Belt. Seedlings emerge from the soil within one to two weeks after planting. Growers cultivate the rows of young cotton to provide a 6-to-8 week weed-free period following planting. Cotton minimises ground water contamination, adapts to poor soils and is an efficient user of fertilizer.

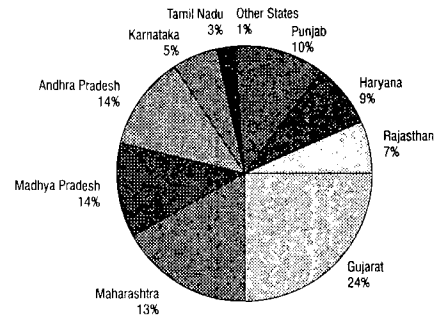
In India, almost 65 % of the cotton grown is rain dependent, but supplemental irrigation systems using equipment such as the centre pivot have helped increase acreage and stabilise yields. However much needs to be done towards improving the cotton yields. India is a major cotton producing country which accounts for 15 % of the total world production. But India has poor level of Yield as can be seen from the table given below.

Cotton Yield of Cotton Majors

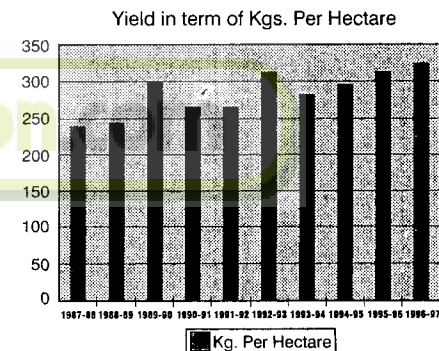
Country	1995-96		1996-97e	
	Yield/ hect	% of World Production	Yield/ hect	% of World Production
India	318	13.30	330	15.27
USA	602	19.48	792	20.99
China	879	23.83	890	20.39
Pakistan	629	8.99	506	8.22
Egypt	810	1.05	894	1.05
World	570	100	576	100

Squares or flower buds form on the cotton plants four to six weeks after the seedlings have emerged. Creamy to dark yellow blossoms that appear on the cotton plant three weeks after the buds form eventually turn pink and then dark red before falling off. After the bloom falls off, a tiny ovary left on the cotton plant ripens and enlarges into a pod called a cotton boll.

Cotton bolls open 50 to 70 days after bloom, letting air in to dry the white, clean fibre and fluff it for harvest. After leaves are removed to minimize staining of the lint, the mature seed cotton is ready to be harvested. In India cotton harvesting is done manually. The harvested cotton is formed into modules, covered with water resistant tarps and stored in the field until it can be ginned.



Share of Cotton Producing States 1996-97



Cotton Yield per hectare for the past 10 years



Cotton Bud



At many gins, cotton enters module feeders, which fluff up the cotton prior to conveyance to cleaners. Some gins use vacuum pipes to convey the cotton to cleaning equipment where foreign matter is removed. After the cleaning stage, cotton is conveyed to gin stands where revolving circular saws pull the lint through closely-spaced ribs that prevent the seed from passing through. Some of today's high-capacity gins can turn out in one hour as many as 60,500-pound bales of lint — the term used for fibre after the seeds have been removed at the gin. Packaged bales of lint are stored in warehouses



Yarn Spinning

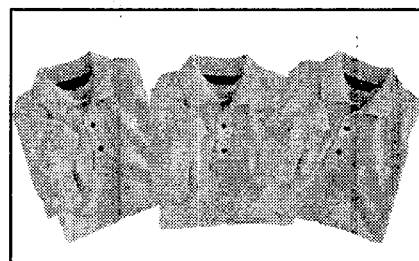
The opening of cotton bales at the textile mill is the most labour intensive as it involves hand picking of the foreign particles. The lint from several bales is combined to form a uniform blend of fibre. Carding machines separate and align the fibre into a thin web which is condensed into a rope-like strand known as "**Sliver**". Drawing frames provide additional blending and pull the soft rope thinner. It checks and corrects the weight of cotton sliver thereby ensuring a good quality end product. High speed open-end spinning machines further draw out and twist the strand making it tighter and thinner until it reaches the thickness or count needed for weaving or knitting.



Plant View at Kolhapur

A combing machine further cleans and straightens the fibres in preparation for ring spinning high quality yarns. In ring spinning, roving frames draw the cotton rope out even more thinly and insert the first twist. Ring spinning machines pull the roving finer, add twist and wind the yarn onto bobbins. After spinning, the yarns are tightly wound around tubes and are ready for fabric forming.

Some yarn is dyed before being woven or knitted into cloth and is used in producing gingham checks, plaids, woven stripes and some denim constructions. Hundreds of cotton yarns strand lay side by side on large steel spools are treated prior to weaving. Looms weave the yarn into fabric by interlacing the lengthwise yarns (warp) and the crosswise yarns (filling). Pad-batch dyeing on cotton cloth is similar to printing on paper. Knitting machines may use more than 2,500 needles in producing a wide variety of fabrics and shapes. Garments are inspected before they leave the textile mill.



End Product

Men's and boy's trousers (including jeans) and shorts are the top apparel market for cotton, followed by men's and boys' shirts and towels and washcloths. Demand for denim jeans has helped cotton achieve a significant share of the total apparel market. Cotton yarn is used for making towels, carpets, durries, cotton sweaters and many other products.



Chairman's letter to the Shareholders



Dear Shareholders,

The year 1998 has begun with lot of uncertainty in the economic field and, in particular, Textile Industry. There has been a crisis in Far East which has affected us very much. The sanctions imposed by the U.S. government as well as the political uncertainty at home has also created an atmosphere of uncertainty and lack of confidence in the general public as well as Industry.

In such a scenario, many companies have reported poorer results. With the Japanese economy still in the doldrums, there is a large threat looming over the global economic scenario. We do hope that the situation will not be very bad in times to come.

Monsoons so far have been normal and that augurs well for the Indian economy as well as Cotton Textile Industry. The cotton crop is likely to be good - both in quantity as well as quality - and that should help the beleaguered Indian Cotton Textile Industry.

The government is contemplating various steps to bolster the exports and we are all awaiting eagerly regarding the same. These steps would be very necessary if our exports are to pick up and the balance of payment situation not to deteriorate. The bottlenecks faced by the Industry in general and EOUs in particular are many. This is mainly due to lengthy procedures and lot of permissions which a Unit has to receive. The resultant delay increases the cost of the Indian exports significantly compared to competitors in advanced countries where such costs are minimal. The government has taken various steps from time to time to decrease such regulatory bottlenecks and we hope that, as mentioned in the budget of this year, further steps will be taken to de-regulate the economy and remove the impediments faced by the Industry.

I am very sure that though the times to come are very difficult, the Indian industry will rise to the occasion and, with the abundant talent available within India, we shall overcome these difficult times.

Place: Mumbai
Date: 27th July, 98

K. K. Sheth

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**AMIT SPINNING
INDUSTRIES
LIMITED**



MANAGING DIRECTOR'S BUSINESS REVIEW

1997-98 BUSINESS ENVIRONMENT

Overall cotton textile and cotton yarn industry scenario during F.Y. 1997-98 was good till the end of calendar year 1997. In year 1997, yarn exports were 514.5 million kgs which shows an increase of 21% over year 1996. However, from January'1998, things started going downward due to Far Eastern Crisis wherein particularly the Korean and Indonesian crisis hit our textile industry very badly.

On export front, in the first five months of 1998, the yarn exports declined by 14.5% in rupee terms and approximately 21% in dollar terms from the corresponding period of the last year. On the price front, the prices of cotton yarn have reduced by almost around 20% compared to the last year in dollar terms, however, devaluation of the rupee has given the Indian Exporters some respite, which has been in the vicinity of around 14%.

On Cotton front, the cotton crop for the last season is now estimated to be around 153 lakh bales which is higher than what was estimated earlier. However, the quality of the majority of the balance crop is low and the prices of cotton this season have been higher by 12 to 13% than last year. This year the monsoons have been good so far and the acreage have increased in Gujarat while there is a reported decline in Punjab. It is very hazardous to estimate the crop figure at this point in time but, if monsoons remain as good as it is now, the chances are that cotton crop will be good in next season. The Cotton crop in USA is lower than estimated while the crop in Pakistan has been good.

On capacity front, China is reportedly phasing out 10 million spindles, which are old. Domestically, nearly 280 units out of 1200 odd spinning mills are reported to be facing severe crisis.

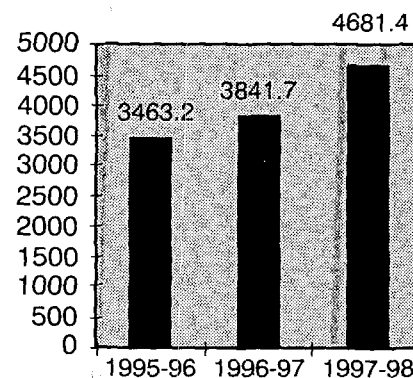
Thus overall scenario in spinning industry remains one of more supplies and listless demand and therefore the margins will be under pressure for some time to come.

STRATEGY AT AMIT

INCREASED CAPACITY UTILISATION : Lower utilisation of the installed capacity was a major bottleneck in the Optimum performance of the company in the past. The low utilisation of the installed capacity was mainly due to the teething problem faced in running the state of the art carding unit. We have successfully overcome this problem thereby increasing our capacity utilisation. During FY 97-98, we have been able to achieve a higher capacity utilisation of 90 % as against 85 % achieved during the FY 96-97. The capacity utilisation has been even better during the second half of FY 97-98 at 93%. Further, from April'98 onwards we increased our daily production from 14 tpd to 17 tpd by adding balancing equipment's.

SHIFT IN PRODUCT MIX : In spite of the tough market conditions we have been able to achieve a 30% Sales Value growth and 32% Sales Volume growth. The good growth has been possible mainly because of the change in our product mix in tune to the markets demands. There has been a shift in the demand from finer counts to courser count yarns. The average yarn count manufactured by the company during FY 97-98 was 23.57 counts as against the 26.43 counts produced during the FY 96-97.

Yarn Production in Mt. Tons



Countwise yarn mfg. pattern - India

Years	1994-95	1995-96	1996-97
1-10s	282	310	470
11-20s	389	415	511
21-30s	321	391	405
31-40s	470	490	515
41-60s	145	153	136
61-80s	46	95	60
81s & above	43	40	42
Total	1696	1894	2139



MAKING A DIFFERENCE IN COTTON PROCUREMENT

High level of contamination in cotton is a problem faced by almost all the domestic cotton yarn manufacturing units and our company is not an exception to this. The Company's efforts of personal supervision of the ginning activity has reduced this contamination to a great extent, thereby satisfying our overseas buyers.

DEVELOPING HUMAN RESOURCE

Individuals are the core of our company. To enhance their capabilities and develop their personalities is our goal. As a part of this various Human resource development programmes are being carried out. The Company's vision is to make Amit Spinning Industries Limited a world class organisation and therefore, at this stage, it has to be a learning organisation. In order to make our Company a learning organisation, shared vision, systems thinking, an atmosphere of participative and reflective openness, team learning and personal mastery are necessary. A comprehensive programme encompassing to instill each one of these disciplines has been launched, under which all levels of employees have been included and they are being given adequate training for the same. This is a process involving human beings and therefore it takes its own time but already the results are felt companywide, resulting in improved team working, better communication and thus improved productivity.

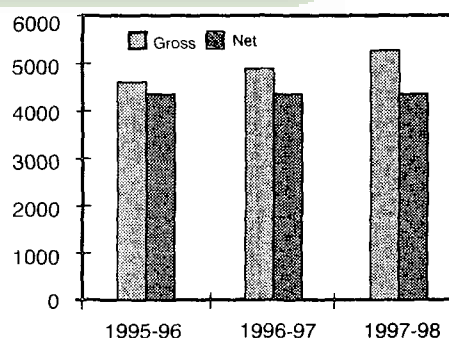


Employees Training Session
Training During the year 1997
2820 Mandays

As on 31st March'98, the company employed 526 people as compared to 495 people on 31st March'97.

CAPITAL EXPENDITURE : During FY 97-98 we have incurred a capital expenditure of Rs. 1129.80 lacs. as compared to Rs. 283.21 lacs during the previous year. The expenditure on Plant and Machinery was Rs.1068.11 lacs. (FY 96-97 Rs.171.94 lacs) which is mainly towards the 2.7 MW DG set and installation of Balancing equipment's in the Carding section. For the current year 1998-99, we have budgeted a Capex of Rs. 600 lacs. We have decided to fund all our future expansion through Internal generation and suitable borrowings.

Gross & Net Block



CAPTIVE POWER PROJECT : The current power tariff applicable to our company is very high at Rs.3.3 per unit. Further, the company has also suffered because of poor quality of power. These problems to a large extent have been overcome by installation of the 2.7 MW DG in April'98 at a cost of Rs 800 lacs. The lower cost of captive power generation, at Rs.2.1 per unit will result in substantial saving in cost to the company. The DG set will be sufficient for meeting the power requirements of 25000 spindles as against the 20160 spindles installed by the company.

FOREX MANAGEMENT : During the year there has been sharp fluctuations in Dollar Rupee exchange rates. Compared to March'97 rate, the dollar had appreciated by almost 10%. After the end 1998, this has further appreciated by another 4%. Due to this:

- Since all our exports are in Dollar, the dollar appreciation has helped us in better foreign exchange realisation against the export earnings during the year. But due to South East Asian Currency crisis there has been reduction of absolute dollar prices of yarn which has more than impact of devaluation of rupee. Due to depressed market conditions, in the first quarter of 1998-99 the prices in terms of dollar rate have continued to be low. We believe, our forex gains as mentioned in Note No. 7 to Accounts are mainly due to our focussed foreign exchange management efforts and are not one time in nature.

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- b) Foreign exchange loans have become costlier in terms of interest and repayment of principal. We have currently about USD 4.5 Mn of foreign currency loans. As per the guidelines of Institute of Chartered Accountants of India, the loss on devaluation of rupee are capitalised by adding to the cost of assets financed by these loans.

INTEREST COST : Currently the average cost of borrowing is around 12.5%. As stated in our last years annual report, we have targeted to reduce our interest cost as a percentage of sales to 5% level in due course. During the FY 97-98, Interest cost as a percentage of Sales has come down sharply to 8.9% as against 11.2% during the FY 96-97. The lower interest cost is a result of the improved working of the company coupled with a tight management of funds and working capital. With continued efforts we are hopeful of improving this ratio in time to come.

CHANGE IN ACCOUNTING POLICY : During the year under review, there were no changes in the major accounting policies adopted by the company except valuation of Finished Goods which are valued at lower of cost or net realisable value instead of at net realisable value as in earlier years. This has resulted in reduction of finished goods value by Rs. 10.31 lacs and consequently reduction in profit by same amount.

WORKING CAPITAL MANAGEMENT : During the year working capital requirements were maintained at previous year level inspite of substantial increase in turnover. Working capital interest as %age of turnover was reduced from 5.95% to 4.88% during 1997-98.

SHAREHOLDER WEALTH CREATION : At Amit, creating value for shareholders is certainly a priority. As you would see in the report we have applied world class bench marks like the Economic Value Added and wish to do our best to improve the same in time to come.

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Place : Mumbai

BHARAT P. SHAH

Date : 27th July, 1998