

A N N U A L R E P O R T 2 0 0 1 - 2 0 0 2



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AMIT SPINNING INDUSTRIES LIMITED

AN ISO 9002 COMPANY



AMIT SPINNING INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri. Bharat P. Shah	<i>Chairman & Managing Director</i>
Shri. A.B. Shah	<i>Joint Managing Director</i>
Shri. K.R. Choksey	<i>Director</i>
Shri. Y. R. Shah	<i>Director</i>
Shri. Pravin Shah	<i>Director</i>
Shri. Tushar Jani	<i>Director</i>
Shri. R. Sampath	<i>Technical Director</i>

Shri. Darshan D. Majmudar Chief Finance Officer & Company Secretary

AUDITORS

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

BANKERS

Bank of Baroda.
Bank of India.
State Bank of Mauritius Ltd.
Bank of Rajasthan Ltd.
Development Credit Bank Ltd.

FINANCIAL INSTITUTIONS

Industrial Development Bank of India Ltd.
SICOM Ltd.

REGISTERED & CORPORATE OFFICE

Lotus House, 5th Floor,
33-A, New Marine Lines,
Mumbai 400 020.
Tel. Nos.: 2315801- 6 lines
Fax Nos.: 2315808 / 09

E-mail:

asil@bom2.vsnl.net.in.
asil@bol.net.in

WORKS

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

WEBSITE

http: //www.amitgroup.com

CONTENTS

	Page No.
Notice of A. G. M.	2
Directors' Report	4
Managing Director's Business Report	6
Report of Corporate Governance	8
Auditors' Report	12
Balance Sheet	14
Profit and Loss Account	15
Schedules	16
Notes to Accounts	20
Additional Shareholders Information	22
Cash Flow Statement	23
Balance Sheet Abstract	24
Proxy Form	

11th ANNUAL REPORT 2001-2002

AMIT SPINNING INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the **AMIT SPINNING INDUSTRIES LIMITED** will be held at Hotel, The Residence, Saki Vihar Road, Before Nitie Powai, Mumai 400 087 on Tuesday the 24th day of September, 2002 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002 and Profit and Loss Account for the financial year ended on that date together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri K.R. Choksey who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Tushar Jani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modifications, the following Resolutions:

5. As an Ordinary Resolution.

RESOLVED THAT the Authorised Share Capital of the Company of Rs. 25,00,00,000/- (Rupees Twenty Five Crores) be and is hereby reclassified into Rs. 19,00,00,000/- (Rupees Nineteen Crores Only) 1,90,00,000 (One Crore Ninety Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and Rs. 6,00,00,000/- (Rupees Six Crores Only) 6,00,000 (Six Lacs) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred only) each.

6. As a Special Resolution.

RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by substituting the following new clause in its place:-

V. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 19,00,00,000/- (Rupees Nineteen Crores Only) 1,90,00,000 (One Crore Ninety Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and Rs. 6,00,00,000/- (Rupees Six Crores Only) 6,00,000 (Six Lacs) Redeemable Cumulative Preference of Rs. 100/- (Rupees Hundred only) each with rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being in force.

The Company has power, from time to time, to increase or reduce its capital and to divide the shares in the capital for the time being into other classes and to attach thereto, respectively, such preferential, deferred, qualified or other rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions or restrictions in such manner as may, for the time being be permitted by the Articles of Association of the Company or the legislative provisions for the time being in force in that behalf.

7. As a Special Resolution.

RESOLVED THAT pursuant to the provision of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered in the following manner :-

- (i) In place of the existing Article 3, the following new article be substituted:

3. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 19,00,00,000/- (Rupees Nineteen Crores Only) 1,90,00,000 (One Crore Ninety Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and Rs. 6,00,00,000/- (Rupees Six Crores Only) 6,00,000 (Six Lacs) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred only) each. The Company's Shareholders have power to increase, consolidate, sub-divide, reduce and otherwise alter its capital subject to the provisions of the Act.

8. As a Special Resolution

"RESOLVED THAT in accordance with the provisions of Section 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval of the Government of India (GOI), Financial Institutions (FIs), Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned Authorities, if any, and to the extent necessary and subject to such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter, referred to as the "Board") and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board, to offer, issue and allot Equity Shares and/or Redeemable Preference Shares whether cumulative or Non-Cumulative, (hereinafter, referred to as "Securities") as the Board at its sole discretion may at anytime or times hereafter decide for an aggregate amount not exceeding Rs. 2,00,00,000/- (Rupees Two Crores Only), inclusive of such premium as may be fixed on such Securities, to anyone or more of the Members, Promoters, Directors, Employees, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Banks, Financial Institutions, Investment Institutions, Mutual funds, Foreign Institutional Investors (FIIs), Companies (including Foreign Companies or Body Corporates), other Entities/Authorities and to such other person or persons, whether member of the Company or not, through public issue, rights issue, private placement, exchange of securities, conversion of loans or otherwise for project funding and for general corporate purposes including capital expenditure, working capital requirements, strategic investments as the Board may deem fit and/or by any one or more or a combination of the above modes/methods or



otherwise and in one or more tranches on such terms and conditions as attached to such instrument, at such price or prices, or in such manner as the Board or Committee thereof may in its absolute discretion, think fit, in consultation with the lead Managers, underwriters, advisors and such other persons, and on such terms and conditions including the number and type of shares to be issued, face value, premium, rate of dividend, mode of payment, redemption period, manner of redemption, amount of premium on redemption, fixing of record date or book closure and related or incidental matters.

RESOLVED THAT such of these Securities to be issued/ as are not subscribed, may be disposed off by the Board/Committee thereof, to such persons and in such manner and on such terms as the Board or Committee thereof may in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Funds/Foreign Institutional Investors/Companies (including Foreign Companies or Body corporates) or such other persons as the Board or Committee thereof may, in its absolute discretion decide.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the proceeds of the issue of the Shares and further to do all such acts, deeds, matters and things and to finalize and execute all such deeds, documents and writings as may be necessary, desirable or expedient as it may deem fit."

By Order of the Board of Directors
For AMIT SPINNING INDUSTRIES LIMITED

Regd. Office:

Lotus House, 5th Floor,
33-A New Marine Lines
MUMBAI 400 020
Date: 30th July, 2002

(D. D. Majmudar)
Chief Finance Officer
& Company Secretary

NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- 2. INSTRUMENTS OF PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE AT LOTUS HOUSE, 5TH FLOOR, 33-A NEW MARINE LINES, MUMBAI 400 020 NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.**
- 3. MEMBERS DESIRING ANY INFORMATION ON THE ACCOUNTS AT THE ANNUAL GENERAL MEETING ARE REQUESTED TO WRITE TO THE COMPANY AT LEAST SEVEN DAYS IN ADVANCE, SO AS TO ENABLE THE COMPANY TO KEEP THE INFORMATION READY AT THE MEETING.**
- 4. AS A MEASURE OF ECONOMY, COPIES OF THE ANNUAL REPORT WILL NOT BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING. MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT TO THE MEETING.**
- 5. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY SHALL REMAIN CLOSED FROM, 19TH SEPTEMBER, 2002 TO 24TH SEPTEMBER, 2002 (BOTH DAYS INCLUSIVE) FOR ANNUAL CLOSURE AS PER THE LISTING AGREEMENTS.**
- 6. MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY ANY CHANGE OF ADDRESS TO THEIR DEPOSITORY PARTICIPANTS (DPS) IN RESPECT OF THEIR ELECTRONIC SHARE ACCOUNTS AND TO THE COMPANY AT ITS SHARE DEPARTMENT AT LOTUS HOUSE, 5TH FLOOR, 33-A NEW MARINE LINES, MUMBAI 400 020 IN RESPECT OF THEIR PHYSICAL SHARE FOLIOS, IF ANY.**

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956, forming part of and attached to the Notice dated 30th July, 2002 of the Annual General Meeting setting out all material facts relating to the Special Business mentioned in the said notice:

ITEM NO: 5,6,7

Your Company has applied to IDBI for restructure of its long term debt with IDBI in order to ease out the constraints on the cashflow and also to bring down financial charges by way of reduction in the interest rates and deferment of principal payment by 2 years. The Company has also requested IDBI to convert the sacrifice amount into equity which is under consideration. Hence the Company proposes to reclassify the authorised share capital of your Company and issue equity shares of Rs. 10/- each upto Rs. 2,00,00,000/- as may be decided by IDBI.

Resolution Nos 5, 6, & 7 are for consequential changes to be carried out in the relevant clauses of the Memorandum and Articles of Association.

Your Directors feel that the above resolutions are in the interest of the Company and, therefore, recommend the same for your approval.

None of the Directors of the Company is concerned or interested in the aforesaid resolutions.

ITEM NO: 8

As already explained above, to reduce the interest and immediate repayment burden and to ease out the cashflow of the Company, it is proposed to issue Equity shares of Rs.10/- each upto Rs. 2,00,00,000/- to IDBI, the main lender of the Company. The said equity shares will be issued on such terms and conditions and in such manner as mentioned in the resolution and as the Board of Directors may think fit and in the interest of the Company.

As per the provisions of Section 81(1-A) of the Companies Act, 1956 and provisions of the listing agreement with the Stock Exchanges, where the shares of the Company are listed, consent to the issue of shares is required by way of Special Resolution of the shareholders and hence, the above resolution for your approval.

The Company, in consultation with financial institutions/ other advisors, will fix up the detailed terms of the issue, which will be in line with the requirements of the guidelines issued by the Securities and Exchange Board of India and as permitted by the Reserve Bank of India and other concerned Authorities.

Your Directors recommend the above resolution for your approval.

All the Directors of the Company may be deemed to be concerned or interested in the said resolution to the extent of the Securities that may be issued, offered and allotted to them, to the Companies or other concerns in which they are in any way interested.

The Board commends the resolution for approval.

None of the Directors are interested or concerned in this item of business.

By Order of the Board of Directors
For AMIT SPINNING INDUSTRIES LIMITED

Regd. Office:

Lotus House, 5th Floor,
33-A New Marine Lines
MUMBAI 400 020
Date: 30th July, 2002

(D. D. Majmudar)
Chief Finance Officer
& Company Secretary

AMIT SPINNING INDUSTRIES LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting to you the Eleventh Annual Report of the company with the Audited Statement of Accounts for the year ended March 31, 2002.

1. FINANCIAL RESULTS

	For the year ended 31.3.2002 (Rs. in lacs)	For the year ended 31.3.2001 (Rs. in lacs)
Sales	10062.57	9452.72
Other Income	54.96	38.50
Profit before depreciation, interest & write-offs	569.39	1240.82
Depreciation & write-offs	433.63	345.84
Interest	914.18	714.44
Profit/(Loss) before Tax	(778.42)	180.54
Provision for taxation	—	—
Profit/(Loss) after tax	(778.42)	180.54
Add. Balance as per last Balance Sheet	382.54	323.98
Deferred Tax Asset	436.35	—
Profit available for appropriations	40.47	504.52

2. APPROPRIATIONS

In the view of losses your Directors regret inability to declare any dividend on equity as well as preference capital.

3. CAPITAL

During the year 300,000 16% Redeemable Preference shares of Rs.100 aggregating to Rs 3 Crores has been redeemed and new 300,000 12% Redeemable Preference shares of Rs 100 have been re-issued to existing holders.

4. REVIEW OF OPERATIONS

The year under review was worst for the textile industry and the industry was caught into the recessionary trend. The situation got aggravated with 11th September tragedy in U.S. which led to cancellations of export orders, delay in shipment and slowdown in export market.

In a sluggish market, sales for the period closed at Rs.10062.57 lacs registering a growth of 6.06% over the previous period. Due to lower price realization of yarn, higher cost of cotton, increased interest cost of Rs.199.74 lacs (partially due to swapping of foreign currency loan into rupee loan) and higher inventory carrying cost resulted in to a loss of Rs. 778.42 lacs after providing depreciation of Rs.424.41 lacs. The zeal and dedication to retain the name of the company in international market as Manufacturer and exporter of quality yarn, the company had undertaken expansion of its unit by way of addition of 8500 spindles. The expansion of the unit is over and trial runs have been satisfactory, and commercial production has commenced.

5. OUTLOOK

During the month of April and May this year workers at the Kolhapur unit had gone on strike for wage related issues for long term settlement which was finally arrived at on satisfactory terms. The illegal strike continued for 18 days thereby resulting in to losses in the first two months of the first quarter of the year.

The yarn industry particularly cotton yarn has been improving and firming up of prices has been reported. Availability of cotton is also expected to be normal as this year forecast for Monsoon is normal. Company has developed regular customer base and is acknowledged as the best supplier in Canada, Mauritius and Australia market.

6. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. K.R.Choksey and Mr. Tushar Jani Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.



7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2A), of the Companies (Amendment) Act, 2000, the directors confirm:

- That in the preparation of the annual accounts, the applicable standards have been followed and there has been no material departure;
- That the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit or loss of the Company for the aforesaid period.
- That proper and sufficient care has been taken 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;
- That the annual accounts have been prepared on a going concern basis.

8. CORPORATE GOVERNANCE

The Company's shares are listed on Mumbai, Delhi, Ahmedabad and National stock exchanges and have to comply with listing agreement requirements. The Company has complied in all material respects with the features of corporate governance as specified in the listing requirements.

A certificate of compliance from the Auditors together with a report on corporate governance forms part of this Report.

9. AUDIT COMMITTEE

The Company already has an Audit Committee consisting of 3 Non-executive Directors of the Company viz. Mr. K.R. Choksey, Mr. Pravin Shah, and Mr. Tushar Jani. Mr.K.R.Choksey is the chairman of the committee.

10. STATUTORY INFORMATION

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is given in Annexure "A" to this Report.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules 1975, and forming part of the Directors' Report is given in Annexure "B" to this Report.

Fixed Deposit accepted from the Shareholders and the Public stood at Rs. 71.45 lacs as on 31st March 2002, there were 39 unclaimed deposits amounting to Rs. 12.39 lacs.

11. DELISTING FROM STOCK EXCHANGES AT DELHI AND AHMEDABAD

The equity shares of the Company are presently listed on the Stock Exchanges at Mumbai, Delhi and Ahmedabad. Your Directors had recommended the delisting of the equity shares of the Company from the Stock Exchanges at Delhi and Ahmedabad due to lack of any trading volume. The members had also approved of the same at the AGM held on 28th August, 2001. However on the request of few shareholders it has been deferred.

12. AUDITORS

Your Company's auditor's M/s. B.S. Mehta & Co. Chartered Accountants retire at the close of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

13. ACKNOWLEDGEMENTS

The Directors gratefully acknowledge the contribution made by the employees towards the success of the Company. The directors are also thankful for the co-operation and assistances received from the financial institutions, banks, customers, Central and State Government departments and local authorities.

The Directors would also like to acknowledge the continued support of the Company's shareholders.

For and on behalf of the Board

Sd/-

BHARAT P. SHAH

Chairman & Managing Director

Place : Mumbai.

Date : June 28, 2002.

AMIT SPINNING INDUSTRIES LIMITED

MANAGING DIRECTOR'S BUSINESS REPORT

Dear Shareholder Friends,

I had said last time in my report, "The year that went by was probably the worst year in the last 25 years of the history of the spinning industry. ...The outlook for this year is no different." At that time I had not seen the year that was to come, hence I was right till that point. Now I can definitely say that the year that went by (2001-2002) was THE worst year.

As the quote of Paul Valery in the beginning of that balance sheet mentioned, "... in a word, all that gave nations and individuals some confidence in the morrow... all this seems badly compromised.. Never has humanity combined so much power with so much disorder, so much anxiety with so many playthings, and so much knowledge with so much uncertainty." We were coasting along fairly well, when September 11 occurred and it again changed the balance year into a nightmare.

This is not to say we also did not commit errors. I shall go one by one into all areas, as we have made a loss for the first time in our history. I shall also give you an idea of the plan of action that we have devised, to get back into the black ink.

Raw materials

The price of cotton fell from 62 cents per lb. To 39 cents per lb., last year in international market. This is a drop of 37%. In the local market the price per quintal dropped from Rs. 5851 in April-June 2001, to Rs. 4382 in the last quarter of financial year. Thus in constantly dropping market, even though we minimized our forward booking to 1.5 to 2 months, we incurred heavy losses; and in international bookings where it takes 35 to 45 days to arrive, we lost even further. The losses due to RM thus constitute about 30 % of total loss.

Sales Prices

The cotton yarn prices throughout the year went on falling. The prices of 20s combed fell from a high of Rs. 103 in the beginning of the year to a low of Rs. 75 per kg (after taking approx. 6% devaluation of into account). This is approx. a drop of 28% in the price. As a matter of fact, our major count had been 20s earlier and by March we almost stopped making it for want of demand. The loss due to this is estimated to be approximately 33 % of loss.

One of the mistakes was to take part of a Unit based in north India on a conversion basis. Due to problems of co-ordination, transport (peculiar to this unit due to unionization of transport services in that area) and bad market conditions, losses were made. These losses contributed about 7 % of total loss.

Labour and Union problems

In the Kolhapur region, for the first time union problems started coming to the fore. The non-cooperative attitude of the union leaders contributed in lower capacity utilization. Our capacity utilization dropped from 96% to even 88% in some months. This area contributed about 10 % of losses in 2001-02.

A new labour leader tried to enter at a time the three major units in Kolhapur were up for a long-term labour agreement. The resultant tussle between the two ended in an illegal strike of 18 days (in April/May of 2002) at our unit, as the new one captured the committee of the old one by promising matters, which were not only against our values but disciplinary atmosphere of the unit. I have to thank the neighbouring village sarpanches who intervened and forced the new union people to end the illegal strike. Finally the long-term agreement was signed for a period of five years in a mutually satisfactory manner.

High interest cost

Because of extreme dull conditions post September 11 the stocks of finished goods were very high, resulting in high interest cost. Also the expansion to unit two increased the interest cost.

Also we swapped one foreign currency loan to the Indian rupee loan, which also resulted in a loss. The losses due to higher interest contributed about 10 % of loss.

High Power cost

The OPEC led production cuts increased the price of furnace oil. From a low of around Rs 6.5 per liter, this price climbed to Rs. 8.85 per liter resulting in high cost of power, which contributed about 10 % to the total loss.

After analysis of these losses, we have taken some significant steps.

Raw materials

This year fortunately saw the cotton prices stabilizing at a low level for some time. This gave us the opportunity to cover our requirement at low price levels up to almost the beginning of the new season. This we have done despite tremendous cash flow restrictions.

Sales Prices

In the beginning of this financial year markets have shown a positive trend. The inventory levels have come down substantially. This should help us a great deal. Our order books again are full.

We are also developing new customers and last year we had done a lot of work on developing new products (Which also resulted in lower utilization). This should help us in developing a new product mix that is more profitable.

The strike this year created problems not only for delivery, but also robbed us of an opportune time to make some profits.



We thank our valued customers to put up with all the inconvenience caused to them and support us during this difficult period.

Workers and Union matters

Finally we have been able to enter into a five-year wage agreement with the workers. In any problem with the workers, I always feel that the management has more responsibility. Stoppage of work at whim and fancy of a few so-called leaders was becoming the order of the day. 98 to 99% of our workers are fine people; like majority of Indians, they are peace loving and like to remain away from conflicts.

The strike has caused us a large loss, but this strict decision should be an eye opener to all concerned.

We are now developing the leadership in the true sense. We shall take help of the labour institutes of GOI, to impart the true leadership qualities to some of the workers. We also have started taking action against the rowdy elements in the work force in accordance with the law.

A grievance committee under the chairmanship of our technical director is looking into day-to-day problems of the workers. Also as the development of the workers and through them the social fabric of the neighbouring villages is one of our vision, I shall personally be looking into these matters. This is a work that requires patience and time, but we have that in abundance. Our various OD interventions (like training of supervisors in behavioral and functional areas) and training to workers will continue. The relationship between workers' families and the company also will be enhanced.

Lowering of interest cost

This is the one single most reason of inadequate profitability since the beginning.

We are working hard for restructuring in a way that would reduce the cost of funds substantially. Meanwhile the Joint Managing Director and his team are working very hard on cash flow planning and the results are encouraging.

Lowering of Power cost

High on our agenda is the energy conservation issue and we are achieving good results due to efforts taken by the team led by our Technical director.

Reduction in Overheads

Under the leadership of the Joint Managing Director, the team for this matter has achieved good results. We have been able to reduce overheads by almost 20%. Also we are on the way of becoming one location company, which should reduce these expenses further.

Other matters

Unit 2 with the help of TUF loan from IDBI has become fully operational from March.

We have implemented SAP R/3 system. This will not only keep all information online but also give managers greater time to analyze and take corrective action where necessary.

The company has been re-certified by SGS for ISO 9002.

Mr. M.M.Kamath, our vice president and company secretary since the inception of the company is resigning w.e.f. 30th June, to pursue an independent consultant's career. His contribution to the growth of the company is immense. I wish him all the best in his new *Avatar*. However, he shall continue to work with the company in an advisory capacity.

I also take this opportunity to welcome our new Chief Finance Officer & Company Secretary Mr. Darshan Majmudar.

Another Major event that occurred is our parting ways from the Joint Venture with the Italian company, Tessitura Monti Spa. The board felt that as we do not at this juncture have enough resources, conservation of resources is the best policy. Therefore we decided to part ways with Tessitura Monti. However, Dr. Manual Monti has told me and also has gone on public record that he will be sourcing about 50% of his requirements (about 1/3 rd of our present capacity) from us when Tessitura Monti plant comes on stream. Also, in future if any expansion takes place, both of us are looking forward to be partners again.

As the quote on the inside cover page of this balance sheet from Meg Wheatley's book, "Leadership and the New Science" says, "every system that seeks to stay alive must hold within it the potential for chaos...It is chaos' great destructive energy that dissolves the past and gives us the gift of a new future. It releases us from the imprisoning patterns of the past by offering us its wild ride into newness. *Only chaos creates the abyss in which we can recreate ourselves.*"

So in the abyss in which industry finds itself, it has started recreating itself. Along with that I see a good future for Amit Spinning Industries Ltd.

Thanking you.

For and on behalf of the Board

Sd/-

BHARAT P. SHAH

Chairman & Managing Director

Place : Mumbai.
Date : June 28, 2002.