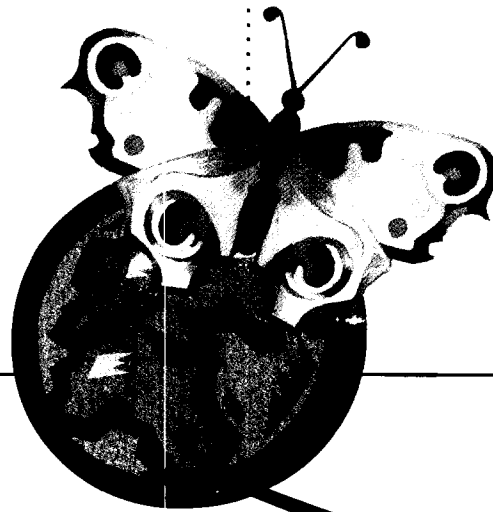


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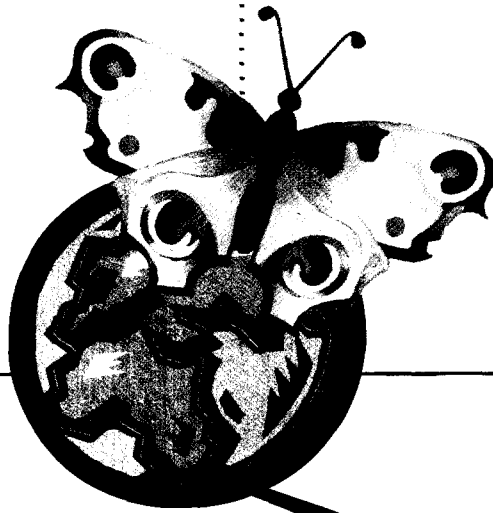


In pursuit
of
Quality
and
Excellence

A N I S O 9 0 0 2 C O M P A N Y

AMIT SPINNING
INDUSTRIES LIMITED





Quality

Is what we believe in,
is our constant endeavour.

We at Amit are committed to
total Customer Service, not
only at home, but around the globe.

With respect for life
we contribute in our own way
towards the well being of our
fellow beings.

AMIT SPINNING INDUSTRIES LIMITED



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 A.B. Shah	<i>Director</i>
Shri K.R. Choksey	<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 & Company Secretary</i>
Shri. V.D.Mehta	<i>Vice President (Marketing)</i>

AUDITORS

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

BANKERS

Bank of Baroda Ltd.
Bank of India Ltd.
State Bank of Mauritius Ltd.

Report

FINANCIAL INSTITUTIONS

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

REGISTERED & CORPORATE OFFICE

Lotus House, 5th Floor,
33-A, New Marine Lines,
Mumbai 400 020.
Tel. No.: 200 5195, 209 3068.
Fax No.: 2093043, 206 3243
E-mail:
asil@bom2.vsnl.net.in.
amitgroup@vsnl.com

WORKS

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Tel. No.: 0231-6760108, 676106.
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E-mail : asil@bom2.vsnl.net.in.
WEBSITE
[http: //www.amitgroup.com](http://www.amitgroup.com)

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INTELLECTUAL CAPITAL
AT AMIT SPINNING INDUSTRIES LTD.
HUMAN CAPITAL

Breaking away from the traditional style in which most Indian Spinning Mills are managed, ASIL has established a new benchmark by incorporating the best management practices adapted from both manufacturing and service organisations.

With total conviction, we believe that our real strength is the quality of our people – both in terms of their personal and professional caliber. For this, the Company started a process that began with evolving a collective, shared Vision of the future: “where we wish to be”, as total clarity of the destination (and participating in creation of the destination) brings out the best in people. This exercise involved not only the senior management of the Company, but the average shop-floor workers too. Heavy investments were made in terms of commitment and time that an exercise of this magnitude takes.

The entire team has deliberated extensively in larger and smaller groups, and has evolved its own strategic priorities that tie up with, and is aligned to the shared Corporate Vision.

The blue print for human development that evolved has resulted in several interventions, all of which form a part of the concerted and holistic growth plan of the Company. A few of the illustrative interventions are given below:

- ◆ The entire work force of the Company underwent three-day programmes on Personal Leadership – taking charge of own life.
- ◆ The top six levels of people in the Company have gone through an intensive, 12-day Transformational Leadership Lab. that helps align Personal Missions with the Corporate Vision.
- ◆ Facilitation, Training and Counselling skills have been imparted to everyone from Top management team to supervisory levels.
- ◆ TQM activities are going on with considerable success. Quality Circles are operating in various areas, and are bringing workers' commitment and participation in the operations and well being of the Company.
- ◆ The process of “Hoshin Kanri” involving over 250 people at all levels was begun to provide a holistic support to the change process that was initiated. The Company is one of the very few Companies in India to have started this process.
- ◆ Clarity on every ones' role and Key Result Areas is being brought about.

We firmly believe that these processes are an investment – we are investing in a better, clearer future that will be shaped by our people, and will bring happiness to all our stake holders.



Chairman's Address

I welcome all of you to the 8th annual general meeting of your Company.

At the outset, I would like to pay my homage to our brave soldiers who have sacrificed their lives, defending our motherland; but for their heroic deeds the country and hence the industry would not have peaceful time in which it can prosper and progress.

The year in retrospect has once again been a bad year for cotton yarn spinning industry.

Cotton yarn output in the country declined by around 9% and even then there has been pressure on yarn prices. Internationally, cotton yarn prices declined sharply making export non-competitive. At global level, an ITMF survey reveals that investment activities in the world's primary textile industry suffered a sharp reversal in 1998 when compared to 1997. The areas most affected have been spinning and weaving. The survey reveals that shipments of cotton spindles have been less by 16% and those of shuttle-less looms have been less by 33% compared to 1997. The trend continues in 1999.

The cotton crop in India in year 98-99 was satisfactory; however, late rains created problems of quality and overall during the year Indian cotton prices ruled higher than the international cotton prices. Due to all these reasons, about 80 spinning mills and 13 composite mills have reportedly closed down during the year and many more are on the verge of closure.

Thus the picture of 1998-99 is very gloomy. However, in F.Y. 1999-2000, the economy in general shows the signs of recovery. The Industrial production has grown at an average rate of 5.6% in the first quarter. In May, exports have risen by 11.68% on year to year basis. Southeast Asian countries have shown signs of recovery and cotton yarn shipments from India to these countries have grown substantially. The Monsoon seems to be normal and the inflation has touched its lowest in 17 years. The elections are ahead of us and with a stable government at the helm of affairs, one can expect a sharp revival in economy, and though cotton yarn industry is still not out of woods, I hope for better times ahead. I hope the new Government will take bold policy decisions, which should help exports and revive the textile industry. Technology Upgradation Fund Scheme (TUFIS) has been one such measure.

Regarding the steps taken by your company to face this adverse situation have been spelt out by the managing director in his report. I hope that year 1999-2000, will be a better year.

Place : Mumbai.

Date : 5th August, 1999.

K.K.Sheth

Chairman

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Managing Director's Business Report

Dear Amit Family Members,

As per our practice, I am pleased to communicate to you about developments taking place in cotton textile industry and in your company in the year gone by.

Cotton Textile Industry continued its bad patch.

The FY 1998-99 was particularly bad for the cotton textile industry as it felt the accumulated effect of the South East Asian meltdown. The sluggish market conditions resulted in large idle capacities and excess supply, both domestically as well as internationally. Competition from the man made fiber/filament industry also acted as a hurdle. The effect of the downturn in the South East Asian economies is still strong in India. High cotton prices coupled with continued sluggishness in both international as well as domestic demand, has resulted in negative growth in the cotton yarn production in the country for the first time in the last decade and a half.

Yarn Type	Production In Million Kilograms		Growth In %
	1998-99	1997-98	
Spun Cotton Yarn	2022.0	2213.0	-8.6
Blended Yarn	595.0	583.0	2.1
100% non-cotton Yarn	192.0	177.0	8.5

Exports of cotton yarn from India in 1998-99 were at US\$ 1516.12 million. They fell short of the target of US\$ 1700 million by US\$ 183.88 million. They were even less than the actual exports of 1997-98 which were US\$1577.63 million; this was a fall of US\$61.51 million, or 4.02 percent. However in quantity term the exports have risen marginally by 485.17 million kg in 1997-98 to 486.78 million kg in 1998-99. This represents a rise of 0.33 percent.

Performance of Amit Spinning

Your company has shown remarkable resilience against this global and local downturn in cotton textile industry. This fact is more ably demonstrated in the table given below which shows the aggregate performance of fifteen 100% cotton yarn EOUs and Amit Spinning in FY 98-99.

Particulars	Aggregate of 15 100% cotton yarn EOUs			Amit Spinning		
	98-99 Rs.Cr.	97-98 Rs.Cr.	Growth %	98-99 Rs.Cr.	97-98 Rs.Cr.	Growth %
Sales/accretion in stocks	1307.22	1060.56	23.30	79.90	70.47	13.38
Other Income	10.94	13.03		0.13	0.15	
Total Income	1381.16	1073.59	22.8	80.03	70.62	13.32
Total Expenditure	1106.46	847.34	30.6	68.96	59.35	16.19
PBDIT	211.70	226.25	-6.4	11.07	11.27	-1.77
Interest	126.70	102.79	23.3	6.18	6.07	1.81
PBDT	85.00	123.46	-31.4	4.90	5.20	-5.77
Depreciation/write off	69.69	59.81		3.32	2.68	23.88
Taxation	0.06	0.18		0.0	0.0	
PAT	15.22	63.47	-76.0	1.57	2.52	-37.70
Key Ratios						
OPM(excl O.I.)	15.4%	20.1%		13.7%	15.8%	
Interest/Sales	9.7%	9.7%		7.8%	8.7%	
Gross Profit Margin	6.4%	11.5%		6.1%	7.4%	
Net Profit Margin	1.2%	5.9%		2.0%	3.6%	



I shall deal with each parameter of our performance.

1. Sales Revenue.

We continued to grow our volumes and value of sales at 14.4% and 13.38% respectively. However, our sales growth was lower compared to the sample EOUs shown above. Our shift to coarser count in the year gone by was ahead of the time compared to many others and was successfully established in terms of quality with our customers. It was this flexible production planning and market understanding, which enabled us to record higher and profitable revenues, despite continues sagging trend in the industry as a whole.

2. Total Expenditure.

The total expenditure increased at a higher rate of 16.19% than the sales growth of 13.38%. The main increase in expenditure came from raw material cost, which did not go down commensurately with the fall in average realizations. As conveyed in the earlier report, our concentration was on reduction in power and interest cost. On power front, due to timely implementation of our captive power project, we recorded a sharp reduction in our power cost from 7.4% of sales in F.Y.97-98 to 4% of sales in F.Y. 98-99. The other costs were also controlled well.

In future our concentration will be on Raw Material cost, though in the first half of 98-99, we shall have to bear the higher cost, till the new cotton season starts.

3. Interest Cost.

The interest cost during 98-99 was well contained despite increase in sales by 13.38% and cost of the power project. The interest cost came down to 7.8% of the sales in F.Y.98-99, from 8.7% of the sales in F.Y.97-98. With softening of interest rates, we expect some more saving in the interest expense in current financial year.

4. Working Capital Management.

The working capital management on the whole was satisfactory in the year gone by. At the end of the year, the advances rose substantially, as we started our experiment of buying Kapas and getting it ginned under our supervision. This has helped us in getting quality cotton and encouraged by the results we are expanding this experiment. This ultimately will help us in reducing the cost of cotton. The average raw material inventory was reduced from 56 days in 97-98 to 43 days in 98-99. We improved our average collection period from 49 days in F.Y. 97-98 to 19 days in F.Y.98-99. The average finished goods inventory was somewhat higher at 17 days in 98-99 compared to 13 days in 97-98.

5. Marketing.

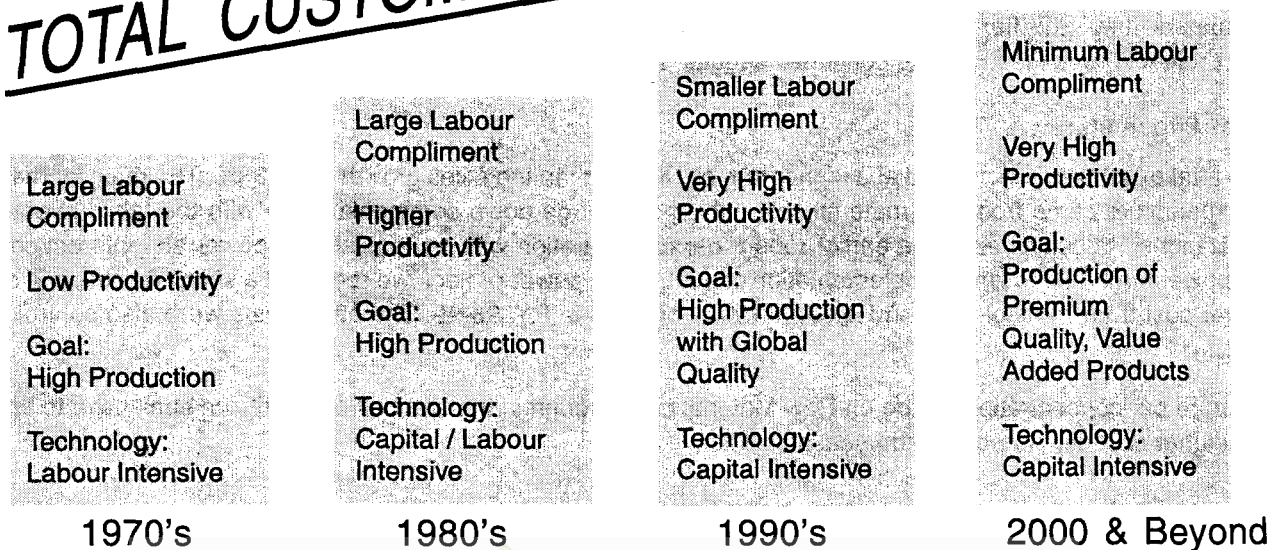
As conveyed in our vision statement, concept of complete satisfaction of customers is getting woven into our fabric. We feel that this, in times to come will make real difference. Accordingly, we have implemented and practice high quality product standards and have shown flexible production capabilities depending upon change in market demand. Continuous interaction with the customers and thus getting to know their requirements help us in planning our production patterns and capital investment.

I would like to present a typical business model of a cotton yarn company that has undergone a metamorphosis in last five decades and in the new millenium.

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TOTAL CUSTOMER SERVICE ORIENTATION →



6. Shareholder Value.

At Amit, it is our endeavour to strive and create shareholder value. Typically, being in capital intensive business and facing rough weather in the past few years has not enabled us to succeed in this motive so far. However, it is the adversity, which brings out the best. We are not only expanding to take full advantage of the infrastructure created so far, but are also reshaping our business in a manner, which has a room to generate higher profitability in time to come with lesser investments. For this we need to create and explore our core competencies fully. Thus we will be a company to be least affected by cyclical downturn, but at the same time can reap the benefit of any upturn.

We have put in practice some of the most important measures of delivering value to all of you. For example, we have improved the disclosures of how our business is run and have been transparent in communication to you. We have exercised good corporate governance in every possible area. Each business decision is intensely debated and discussed and put under stringent parameters like the 'Economic value added' which for the FY 1998-99 is -280.98 and so on, so as to bring out the best performance. We are acutely aware of our failures so far and therefore are committed to implement all other avenues that shall increase shareholder value in time to come.

In quarter 1 of the current financial year we have already shown better working despite continued sluggishness in the industry and this gives me more confidence regarding the working of the current year, hopefully culminating in a better shareholder value.

Place : Mumbai
Date : 5th August 1999.

Bharat P. Shah
Managing Director.



NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of AMIT SPINNING INDUSTRIES LIMITED will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, Mumbai 400 001 on the day of 25th September, 1999 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, 1999 and Profit and Loss Account for the financial year ended on that date together with Directors' Report and Auditors' Report thereon.
2. To declare dividend on Preference Shares.
3. To appoint a Director in place of Shri Y.R. Shah 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 Shri Amit B. Shah whose terms of office as an Additional Director of the Company expires at the conclusion of this Annual General Meeting and in respect of whom the Company has received a notice U/s 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Amit B. Shah for the office of Director, be and is hereby appointed as a Director of the Company.

6. As an Ordinary Resolution.

RESOLVED THAT Shri Kisan R. Choksey whose terms of office as an Additional Director of the Company expires at the conclusion of this Annual General Meeting and in respect of whom the Company has already received a notice U/s 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Kisan R. Choksey for the office of Director, be and is hereby appointed as a Director of the Company.

7. 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. 17,00,00,000/- (Rupees Seventeen Crores Only) 1,70,00,000 (One Crore Seventy Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and Rs. 8,00,00,000/- (Rupees Eight Crores Only) 8,00,000 (Eight Lacs) Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred only) each.

8. 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 1,70,00,000 (One Core Seventy Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 8,00,000 (Eight Lacs) Redeemable Preference Shares 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

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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.

9. As a Special Resolution.

RESOLVED THAT pursuant to the provisions 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 1,70,00,000 (One Core Seventy Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 8,00,000 (Eight Lacs) Redeemable 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 shareholder, capital subject to the provisions of the Act.

10. 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. 5,00,00,000/- (Rupees Five 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/Compa-