

Annual Report 2001-2002

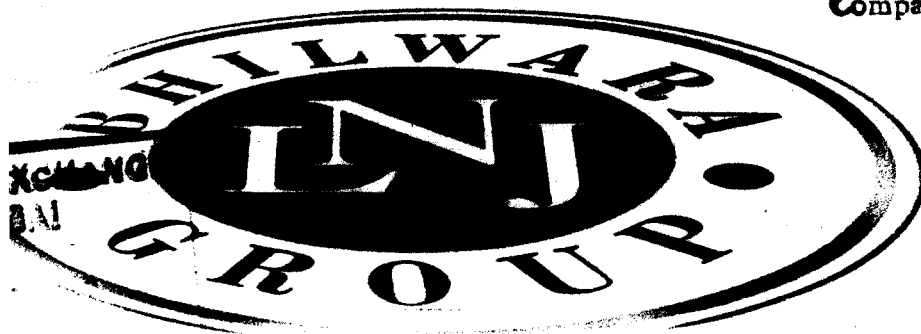
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Certified True
For Bhilwara Spinners Ltd.



Company Secretary



Bhilwara Spinners Limited

***"To me Bhilwara Group is not a business house,
I see it as an institution that is committed to seeking excellence"***

L. N. Jhunjhunwala, Chairman-Emeritus.

The LNJ Bhilwara Group follows the belief of creating modern, stable and successful companies that benefit all its stakeholders and begets their prosperity.

For decades, the Group has been concentrating all its resources to bring greater enrichment in product designing, creativity, innovation and work practices, with continuous ethos of quality & excellence. Realizing the need for worldwide integration, the Group's activities have been centered on quality, efficiency, customer satisfaction and sharing of ideas of people of all levels and going to great lengths to achieve them.

To bring the fruits of its philosophy to a greater number of people, it has taken up the task of continuing to identify new focus areas that will drive the growth of the group in the years to come.



GROUP SALIENT FEATURES

The LNJ Bhilwara Group, founded by Mr. L.N. Jhunjhunwala, is a business group with a global presence. It actively seeks growth and profitability by investing in a variety of systematically identified businesses making it a multi-product conglomerate with interests in a range of industries such as textiles, graphite electrodes, power generation, sponge iron, information technology and IT enabled services.

The Group started its operations in 1961 and more than 4 decades later, it has risen to become one of the largest business firms in the Indian federation, with over 20,000 employees and production units positioned at strategic locations across the country. Following the success of their earlier Hydro Electric Power Project - the 15 MW at Tawa Nagar (M.P) in early 1997, the group has recently commissioned, in July, 2001, India's first hydroelectric IPP 86 MW Malana Power Project in a record time of 30 months at Kullu (H.P).

Sensing the trend of greater integration in global economy it embarked on a strategy of its businesses abroad. It is no wonder hence that the export earnings has comprised as much as 46% of the group's turnover of Rs.1682 crores during 2001-2002.

The Group launched an innovative range of Flame Retardant, Lycra, Polynosic, Viloft and Tencel yarns & fabrics. In recent times, it has emerged as the leading supplier of specialised Automotive fabrics to all key automobile companies in India. The Group has been servicing world class customers and leading several global brands and for their knitted garments.

The domestic brands, Mayur Suitings, BSL Suitings, La Italia Fashions and Buddy Davis Leisurewears have a long and prosperous association in India.

Fulfilling its promise of giving its customers the highest level of quality and world-class products has led to the Group receiving coveted top export awards in different fields for several years in a row. Seven Group companies have also been awarded ISO certification for their continuous exemplary quality services.

It is evident that the Group's forte lies in finding new challenges for growth and identifying key operational improvements to maximise results.

GROUP FINANCIAL HIGHLIGHTS

(Rs. in Crores)

2001-2002	2000-2001	1999-2000
Turnover	1671	1682
Export Sales	750	767
PBIDT	271	272
PBDT	167	158
PBT	71	50
PAT	69	41
Gross Fixed Assets	1768	1899
Net Worth	851	695*

Directors' Report

Community Service

Annexure to the Directors' Report

Corporate Governance

Shareholders' Information

Auditors' Report

Balance Sheet

Profit & Loss Account

Schedules

Cash Flow Statement

* Net worth has declined due to deferred tax liability fund of Rs. 141 crores, created out of net worth.

**BHILWARA SPINNERS LTD.****FINANCIAL HIGHLIGHTS**

(Rs. in Lacs)

PARTICULARS	1999-2000	2000-2001	2001-2002
Turnover	9505.81	10893.03	9795.82
Exports	2072.51	4154.50	3777.95
PBIDT	623.88	773.35	848.29
Interest	823.82	871.47	793.76
PBDT	(199.94)	(98.12)	54.53
Depreciation	331.75	326.75	331.73
Taxation	-	-	14.05
PAT	(531.69)	(424.87)	(291.25)
Net Worth	1558.08	1137.46	25.76
Capital Expenditure	57.02	28.59	107.02
Book Value per Share (Rs.)	22.96	16.76	0.38



BHILWARA SPINNERS LTD.

BOARD OF DIRECTORS

Shri L. N. Jhunhunwala, Chairman Emeritus
 Shri Ravi Jhunhunwala, Chairman
 Shri R. N. Gupta, Managing Director
 Shri Shekhar Agarwal, Director
 Shri A. K. Ghose, Director
 Dr. P. K. Hari, Director
 Shri Santosh Bagrodia, Director

BANKERS

State Bank of Bikaner & Jaipur
 State Bank of Patiala
 Bank of Baroda
 The Bank of Rajasthan Ltd.

AUDITORS

M/s K. S. Mehta & Co., New Delhi

KEY EXECUTIVES

Shri Nirmal Kumar Jain, Vice President
 Shri R. S. Acharya, Vice President (P & A)

REGISTERED OFFICE & WORKS

26, Industrial Area,
 Bhilwara - 311 001, Rajasthan

COMPANY SECRETARY

Shri Manoj Prasad Singh

CORPORATE OFFICE

Bhilwara Towers,
 A-12, Sector-1,
 Noida - 201 301 (U.P.)



BHILWARA SPINNERS LTD.

DIRECTORS' REPORT

To The Members,

The Directors of your Company have pleasure in presenting the 21st Annual Report along with audited accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

	(Rs. in Crores)	
	This Year	Previous Year
Total Turnover		
– Domestic	60.18	67.39
– Export	37.78	41.54
Total	97.96	108.93
Profit/(Loss) before Depreciation	0.55	(0.98)
Depreciation	3.32	3.27
Profit/(Loss) before Tax	(2.77)	(4.25)
Provision for Income Tax		
– Current Tax	–	–
– Deferred Tax	0.14	–
Profit/(Loss) after Tax	(2.91)	(4.25)
Income Tax for earlier years	–	0.02
Balance brought forward	(11.00)	(6.73)
Adjusted against the General Reserve to the extent available	3.23	–
Balance carried forward	(10.68)	(11.00)

OPERATIONS

During the period under review, the operations of the Company continued to suffer on account of multiple factors. The persistent sluggish market condition, slow down in world economy resulting in recessionary trends, ongoing labour unrest at plant were major factors which affected the performance of the Company.

Despite the best efforts made by the management to restore harmonious working environment in the plant, operations were disrupted frequently. Non co-operative attitude of workers affected the productivity adversely thereby causing loss of operational efficiency and deterioration in quality. Due to inter union rivalry, the Company also faced 6 days strike during the year, which had an adverse impact on its profitability.

During the period under review, the Company produced 8876 M.T. and exported 3520 M.T. of yarn against 9042 M.T. and 3832 M.T. respectively in the previous year. Inspite of maintaining production and export levels, the Company suffered heavy operational loss of Rs. 412 lacs (excluding extra-ordinary income of Rs. 467 lacs) as domestic and export realisation declined significantly during the year as compared to previous year due to severe competition from other companies from India and other Asian countries. The Company recorded, during the year, a lower turnover at Rs. 97.96 crores against Rs.108.93 crores in the previous year. The exports were also lower at Rs. 37.78 crores as against Rs. 41.54 crores.

Your Directors are taking necessary measures for improving product mix, reducing cost of production and resolving labour issues which have shown positive impact in the last quarter working.

Your Directors wish to inform the members that as per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 the Company will report erosion of net worth to Board for Industrial and Financial Reconstruction after approval and adoption of accounts by the members.

DIVIDEND

Your Directors are unable to recommend Dividend on Equity Shares in view of the continuing losses and current financial position of the Company.

INDUSTRY SCENARIO

The textile industry in the country and world over is facing difficult times in view of prevalent recessionary conditions in export market due to slow down in Europe and USA and protracted sluggish market conditions in domestic market where raw material costs are increasing and price realizations are falling.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

Information on Conservation of Energy, Technology Absorption as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, is given in Annexure forming part of the report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Total exports on FOB basis were Rs. 35.49 crores as against imports on CIF basis of Rs. 2.15 crores.

HUMAN RESOURCE DEVELOPMENT

The management of the Company is taking all necessary steps to improve the efficiency and effectiveness of its employees at all levels. The Company has been imparting



continuous training to its personnel to improve their skills and motivate its workers to improve productivity. The Board of Directors are hopeful to overcome the labour unrest at plant and improve the working of the Company.

The Company has employee strength of approximately 2000 persons at the end of financial year.

PERSONNEL

There was no employee drawing remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors state that :

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company on 31st March, 2002 and of the profit or loss of the Company for the year ended on that date.
- 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.
- the Annual Accounts have been prepared on a going concern basis.

INTERNAL CONTROL SYSTEMS

The Company has an adequate internal control system. Internal/Management audits of the Company are regularly conducted by independent auditors.

DIRECTORS

Shri Ravi Jhunjhunwala and Shri Santosh Bagrodia, Directors retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS

The Company's Auditors, M/s. K. S. Mehta & Co., will hold office till the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

The observations in the Auditors' Reports are dealt within the notes to the accounts at appropriate place and are self-explanatory.

ACKNOWLEDGEMENTS

Your Directors wish to thank the Financial Institutions, Bankers, State and Central Governments and the Customers for the cooperation, assistance and support given by them throughout the year.

For and on behalf of the Board

Place : Noida (U.P.)
Date : 30th April, 2002

Ravi Jhunjhunwala
Chairman

COMMUNITY SERVICE

LNJ Bhilwara Group is committed to service towards communities at large. Over the years, It has not only supported community service financially, but has worked towards providing people with skills to earn a sustainable livelihood. The Group's long-term aim has been, and is, to contribute towards raising their economic standards.

The Group recently announced a donation of Rs. 51 lacs to the Himachal Pradesh Government for providing protection of the bank of River "Parbati" at Village Manikaran (HP) and facilitate development of the local area.

The Group also donated a sum of Rs. 21 lacs to Rama Krishna Mission's "Gujarat Earthquake Relief Fund" towards construction of the "Vivekanand Vidya Mandir Middle School" building at Limbdi, Taluka-Limbdi, Distt. Surendra Nagar (Gujarat) as part of the Gujarat Earthquake Rehabilitation Project (2001-2002).

It also donated Rs. 13.5 lacs to Shri Swami Vivekanand Trust for rehabilitation of Shri Saraswati Shishu Mandir at Adipur, Kutch.



BHILWARA SPINNERS LTD.

ANNEXURE TO DIRECTORS' REPORT

		This Year	Previous Year
(A) POWER AND FUEL CONSUMPTION			
1. Electricity			
(a) Purchased units	(No.)	1,470,408	1,495,016
Total Amount	(Rs.)	7,226,198	6,472,528
Rate per unit	(Rs.)	4.91	4.33
(b) Own generation			
Through Diesel Generator units	(No.)	2,205,779	2,205,245
Units per litre of Diesel/Oil	(No.)	3.18	3.10
Cost per unit	(Rs.)	5.69	4.89
Through Furnace Oil Generator units	(No.)	29,053,685	29,472,379
Units per litre of Furnace Oil/Diesel	(No.)	4.08	4.10
Cost per unit	(Rs.)	2.44	2.73
2. Coal			
Quantity	(M.T.)	1470	1606
Total Cost	(Rs.)	3,549,355	3,882,612
Average Rate/M.T.	(Rs.)	2414.53	2417.57
3. Furnace Oil			
Quantity	(Ltr.)	7,116,420	7,180,450
Total Cost	(Rs.)	63,694,905	72,606,594
Average Rate/ltr.	(Rs.)	8.95	10.11
Coal is used in Boiler for generation of steam for use in Dye House, Auto clave and Humidification plant.			
(B) CONSUMPTION PER UNIT OF PRODUCTION			
1. Products			
Blended yarn	(lac kgs)	88.76	90.42
2. Electricity Consumption			
Blended yarn	(unit/kg)	3.69	3.67
3. Coal Consumption			
Blended yarn	(MT/kg)	0.166	0.178



CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER LISTING AGREEMENT

**To The Members of
Bhilwara Spinners Limited**

We have examined the compliance of conditions of Corporate Governance by Bhilwara Spinners Limited, for the year ended on 31st March, 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For K. S. Mehta & Co.
Chartered Accountants**

**Place : New Delhi
Date : 30th April, 2002**

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**Yogesh Kumar Gupta
Partner**