



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

The Great Leap Forward

Bhilwara Spinners Limited



looking
beyond boundaries...



L. N. Jhunjhunwala
Chairman - Emeritus

consolidating
on leadership

The LNJ Bhilwara Group has always endeavoured to be at the forefront of all things new and dynamic, much like the first man who stepped on the moon. The many forays and ventures into diverse businesses, have been undertaken with enthusiasm, and driven by a passion to achieve excellence in every step. In this view, all the Group's companies have realised the importance in creating benchmarks, leading from the front with a responsibility to serve society at large.

And now it is breaking the shackles, empowering its highly-skilled workforce, and literally unleashing their latent powers... enabling the people that make up the companies of the Group, to raise the bar and look beyond boundaries, and to challenge limits at every step, in every situation.

L. N. Jhunjhunwala
Chairman - Emeritus
LNJ Bhilwara Group



LNJ BHILWARA GROUP INFORMATION

Textiles : Rajasthan Spinning & Weaving Mills Limited

- ✱ One of the largest producers and exporters of Polyester / Viscose Blended Yarn in India.
- ✱ Acquired Jaipur Polyspin Ltd., to manufacture Synthetic dyed Blended Yarn.
- ✱ Acquired an open-end plant with 1680 rotors from Philippines.
- ✱ Introduced ready-to-wear Apparels, manufactured at a newly set up unit in Bangalore.
- ✱ Setting up a 46 MW Captive Thermal Power Plant in Mordí.
- ✱ Setting up a Rs. 190 crore Denim manufacturing facility in Mordí.
- ✱ Announced plans to increase spindle capacity by 15%.

Knitted Garments : Maral Overseas Ltd.

- ✱ Recently, installed a 1,000 MT p.a. Yarn Dyeing facility to facilitate expansion of spinning, knitting and processing capacity.
- ✱ A 10 MW Captive Thermal Power Plant to be completed by end of FY 2007.

Suitings : BSL Limited

- ✱ Setting up a 6 MW Captive Thermal Power Plant; expanding spinning facility by 8,000 spindles.

Graphite / Steel / Power : HEG Limited

- ✱ Has the largest single site Graphite Electrodes manufacturing plant in South & South-East Asia and the Middle East; is the world's second-largest single site plant.
- ✱ Internationally recognised Bureau Veritas (BUQI) ISO140001-1996.
- ✱ Quality leadership enables exports to top 50 steel producers of the world.
- ✱ Production capacity in Mandideep scaled up to 52,000 MT p.a. from 30,000 MT last year.
- ✱ State-of-the-art R&D centre set up in Mandideep.
- ✱ New 25 MW Captive Power Plant commissioned in Mandideep.
- ✱ Set up a 1,00,000 MT production capacity Steel Billets project in Durg, M.P.

Power Generation : Malana Power Comapny Ltd. / AD Hydro Power Ltd.

- ✱ Malana Hydro Electric project commissioned in record construction time of 30 months.
- ✱ Work of 200 MW Allain-Duhangan Hydro Electric Project picked up momentum in Manali, H.P.; to be commissioned by second quarter of 2008.
- ✱ Bagged 75 MW prestigious hydro project in Punjab, through competitive bidding.
- ✱ Microsoft Dynamics Navision business suite ERP solution implemented for power companies connecting HO (Noida) with sites in Malana & AD Hydro on single platform.
- ✱ Design partner RSW, Canada, and equity partner SN Power, Norway, also connected on the same platform.

Power Consultancy : Indo Canadian Consultancy Services Ltd.

- ✱ Offers Engineering Consultancy Services to several prestigious Hydro & Thermal Power projects across India, besides handling ongoing Group projects.

GROUP FINANCIAL HIGHLIGHTS (Rs. in Crore)

PARTICULARS	2003-04	2004-2005	2005-2006
Turnover	1815	2049	2387
Export Sales	792	893	1016
PBIDT	259	274	374
PBDT	201	208	286
PBT	81	96	156
PAT	72	79	115
Gross Fixed Assets	1953	2494	2922
Net Worth	768	969	1382

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Bhilwara Spinners Limited**BOARD OF DIRECTORS**L. N. Jhunjhunwala, *Chairman-Emeritus*Ravi Jhunjhunwala, *Chairman*R. N. Gupta, *Managing Director*Shekhar Agarwal, *Director*A. R. Garde, *Director*B. N. Fitkariwala, *Director***KEY EXECUTIVES**Nirmal Kumar Jain, *Chief Operating Officer*R. S. Acharya, *Vice President (P & A)*P. P. Dasgupta, *Vice President (Tech.)***COMPANY SECRETARY**

Manoj Prasad Singh

BANKERS

State Bank of Bikaner & Jaipur

State Bank of Patiala

Bank of Baroda

The Bank of Rajasthan Ltd.

AUDITORS

K. S. Mehta & Co., New Delhi

REGISTERED OFFICE

26, Industrial Area

Bhilwara-311 001, Rajasthan

CORPORATE OFFICE

Bhilwara Towers, A-12, Sector-1

Noida-201 301 (U.P.)

FINANCIAL HIGHLIGHTS

(Rs. in Lac)

PARTICULARS	2003-2004	2004-2005 (18 Months)	2005-2006 (6 Months)
Turnover	10954.26	15491.25	5621.24
Exports	4569.12	852.77	—
PBIDT	570.58	2463.75	278.34
Interest	652.35	741.64	212.42
PBDT	(81.77)	1722.11	65.92
Depreciation	337.36	508.67	165.85
Taxation	(121.48)	292.57	47.44
PAT	(297.65)	920.87	(147.37)
Net Worth	136.04	1057.49	910.12
Capital Expenditure	218.22	147.28	39.94
Book Value per Share (Rs.)	2.00	15.54	13.36



DIRECTORS' REPORT

To The Members,

The Directors of your Company have pleasure in presenting their 25th Annual Report along with audited annual statements of Accounts for the six months period ended on 31st March, 2006.

FINANCIAL RESULTS

(Rs. in Crore)

	Six months period ended on 31st March, 2006	Eighteen months period ended on 30th Sept., 2005
Turnover	56.21	154.91
Profit/(Loss) before Depreciation	0.66	17.22
Depreciation	1.66	5.09
Profit/(Loss) before Tax	(1.00)	12.13
Provision for Income Tax		
– Current Tax	0.79	0.04
– Deferred Tax	(0.31)	2.88
Profit/(Loss) after Tax	(1.48)	9.21
Balance brought forward	(0.43)	(9.64)
Balance carried forward	(1.91)	(0.43)

FINANCIAL YEAR

As last financial year of the Company was extended to eighteen months, the financial statements for the current financial year pertain to six months only, i.e. for a period from 1st October, 2005 to 31st March, 2006.

OPERATIONS

With the infusion of funds received on sale of surplus land and various steps taken by the Management in improving product mix, rationalisation of workforce, reduction in operating cost and better operational efficiencies, the Company achieved operational cash profit of Rs.66 Lacs during the period under review.

The Company, during the period achieved a turnover of Rs.56.21 Crores against Rs 52.65 Crores in corresponding period. The Company produced 4565 Tons of yarn (4762 Tons in corresponding period).

Your Directors are hopeful that with the steps taken by the Management, the performance of the Company will further improve in coming years.

DIVIDEND

Your Directors do not recommend any Dividend on the Equity Shares in view of the operational performance of the Company.

INDUSTRY SCENARIO

Removal of quantitative restriction on import of textile products by developed countries has provided an opportunity to Indian textile industry to enlarge their operations on global scale. The textile exports from the country including yarn, fabrics and ready-made garments is increasing. Though the world markets have opened up for export of textile products, but there will also be greater competition particularly from neighbouring countries like China, Pakistan etc. not only in international market but in domestic market also, as textile imports are rising.

The synthetic blended yarn industry is presently in disadvantageous position vis-a-vis cotton textile industry because of various factors like easy and cheaper availability of cotton and increase in cost of synthetic fibre, the price of which depends on crude prices.

Your Company being a constituent of the synthetic blended yarn industry is gearing up to meet the stringent requirement of its customers in its products category.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A Statement of information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under 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 to the Directors' Report.

HUMAN RESOURCE DEVELOPMENT

The industrial relations have been cordial during the period under review. There was no loss of man-days in this financial year. The Company conducted programmes for training and development of skills of the employees. The employee strength at the end of financial period was approximately 1600.

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 (Particulars 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, 2006 and of the profit or loss of the Company for the six months period ended on 31st March, 2006;
- 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 a proper and adequate system of internal control supplemented by internal/ management audits conducted on a regular basis by independent auditors. The top Management and Audit Committee reviews the recommendations of the independent auditors regularly and implements them wherever found desirable.

VOLUNTARY DELISTING OF EQUITY SHARES

In terms of approval granted by the shareholders of the Company at the Annual General Meeting held on 25th September, 2003, the Company has made application to Calcutta Stock Exchange for delisting and their approval is awaited. The voluntary delisting will not affect the interests of the investors as the Company's Shares are listed on Bombay Stock Exchange Ltd. enabling shareholders across the country to deal in the Equity Shares.

DIRECTORS

Mr. Shekhar Agarwal, Director retires by rotation and being eligible, offers himself for re-appointment.

Mr. B. N. Fitkariwala was co-opted on the Board as additional Director with effect from 26th December, 2005. The Board recommends the appointment of Mr. B. N. Fitkariwala as Director.

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Mr. M. K. Doogar ceased to be Director of the Company with effect from 27th December, 2005 due to personal reasons. The Board places on record its appreciation of the invaluable services rendered by him.

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 re-appointment.

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

ACKNOWLEDGMENTS

Your Directors appreciate the valuable cooperation and continued support extended by the Customers, Financial Institutions, Bankers, State and Central Government. The Board also wishes to place on record its appreciation for the dedicated services of employees at all levels of the Company.

for and on behalf of the Board

Place : Noida
Date : 28th April, 2006

Ravi Jhunjunwala
Chairman

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE 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 period ended 31st March, 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India, with the relevant records and documents maintained by the Company and furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors of the Company.

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 above mentioned Listing Agreement.

On the basis of our review and according to the information and explanation given to us, we state that in respect of investor grievances received during the period ended 31st March, 2006, 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

Naveen Aggarwal
Partner
Membership No. 94380

Place : New Delhi
Date : 28th April, 2006

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, R. N. Gupta, Managing Director and P. S. Puri, Chief Financial Officer, of Bhilwara Spinners Limited, hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the period and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by Bhilwara Spinners Limited during the period which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining internal controls for financial reporting in Bhilwara Spinners Limited and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
 - (i) Significant changes in internal control over financial reporting during the period;
 - (ii) Significant changes in accounting policies during the period and the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system
- (e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct)
- (f) We further declare that all Board members and designated senior management have affirmed compliance with the Code of Conduct for the current period

Place : Noida
Date : 28th April, 2006

R. N. Gupta
Managing Director

P. S. Puri
Chief Financial Officer



ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988

I. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

1. Conversion of Dye House water discharge (Water Effluent Plant) from Chemical Treatment to Bio-Medical Treatment, which stops energy consumption by stopping pumps, air compressor and aeration fan, etc.
2. Replacement of existing spindles with energy efficient high speed spindles in Ring frames
3. Installation of energy conservative motors and pumps in place of old conventional high energy consuming pumps and motors, for power saving in Humidification

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

1. Installation of G.I. Duct to exhaust Wartsila Power Plant Alternator hot air into open atmosphere in place of engine room
2. Replacement of old spindles in Ring frames by light weight energy saving spindles

(c) Impact of the measures at (a) for reduction of energy consumption and consequent impact on the cost of production of goods:

The estimated saving on account of above measures is expected to be about Rs. 2 - 3 Lacs per month.

(A) POWER AND FUEL CONSUMPTION

		Current Period (6 Months)	Previous Period (18 Months)
1. Electricity			
(a) Purchased units	(No.)	2172750	2530380
Total Amount	(Rs.)	10145065	12330022
Rate per unit	(Rs.)	4.67	4.87
(b) Own generation			
Through Diesel Generator units	(No.)	73814	1312937
Units per litre of Diesel/Oil	(No.)	2.56	3.22
Cost per unit	(Rs.)	10.27	7.04
Through Furnace oil Generator units	(No.)	12871901	47341414
Units per litre of furnace oil/diesel	(No.)	4.17	4.16
Cost per unit	(Rs.)	3.74	2.82
2. Coal			
Quantity	(M.T.)	-	1200
Total Cost	(Rs.)	-	3716730
Average Rate/M.T.	(Rs.)	-	3097.28
3. Furnace Oil			
Quantity	(Ltr.)	3087587	11381265
Total Cost	(Rs.)	48098648	133368188
Average Rate/litre	(Rs.)	15.58	11.72

Coal is used in Boiler for generation of steam for use in Dye House, Auto clave and Humidification plant.

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(B) CONSUMPTION PER UNIT OF PRODUCTION

		Current Period (6 Months)	Previous Period (18 Months)
1. Products			
Blended yarn	(Lac kgs)	45.65	141.78
2. Electricity Consumption			
Blended yarn	(unit/kg)	3.31	3.61
3. Coal Consumption			
Blended yarn	(MT/kg)	–	0.085

II. TECHNOLOGY ABSORPTION

1. RESEARCH AND DEVELOPMENT

The Company has an R & D department equipped with the sophisticated machines to monitor the quality parameters at each stage of production. This ensures consistently good quality of yarn.

2. TECHNOLOGY ABSORPTION

The Company is not using imported technology. Emphasis is on continuous improvement of the quality and development of new types of yarns.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company has earned during the period foreign exchange of Rs. Nil at FOB price against an outgo on CIF basis of Rs. 2.02 Crores compared to previous period foreign exchange earning of Rs. 7.97 Crores and outgo of Rs. 2.28 Crores.

THE GROUP INITIATIVES FOR CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility has been an integral part of all the businesses of the LNJ Bhilwara Group ever since its inception. It has been involved in the overall development and progress of the society in which it operates. The areas covered under its CSR programme include education, employment generation, medical support, relief work at the time of natural calamities and active propagation of cultural, social, and religious fiber in the society. The CSR activities have been undertaken both individually and along with various philanthropic organizations like the Lions Club, and the Rotary Club.

Some recent CSR activities of the group included:

- Enabling the protection of the bank of the river, Parvati at Village Manikaran, Himachal Pradesh.
- Re-construction of the Vivekanand Vidya Mandir Middle School building at Limbdi, Gujarat.
- Rehabilitation of Shri Saraswati Shishu Mandir at Adipur, Kutch.
- Setting up a blood bank in the first private hospital at Bhilwara (Rajasthan).

The group is also involved with some long term projects in key development areas. These include:

Education: The Group has set-up schools near its manufacturing facilities, each of which have become instrumental in social development, by providing quality education to the children of its employees and of the people residing in surrounding communities. Annual contributions to these schools ensure that quality education is imparted to the children.

Health and Hygiene: The Group is deeply concerned about the health of the community. Primary Healthcare Dispensaries have been established in every manufacturing facility, which not only cater to the employees and their families, but even the community living in the area. Qualified healthcare professionals and free medication is a standard feature of these dispensaries. The healthcare professionals also educate the people on the importance of practicing hygiene in their daily living.

Drinking Water: Water shortage has been a long term problem for the general public in the semi-urban and rural areas of Rajasthan. The LNJ Bhilwara Group has installed hand pumps and required water lines in the villages that are in proximity to its manufacturing plants to help alleviate this critical problem of the local population. Education the public on water conservation has also been undertaken.

Environmental Responsibility: In its endeavor for nurturing a green and clean environment, the Group is actively involved with the preservation of medicinal plants and wildlife to maintain the ecological balance in its areas of activity. Education of the local populace is an integral part of this initiative.

Sports, Cultural & Religious Activities: The Group has sponsored several cultural and sports activities, as well as religious festivals, keeping in mind that entertainment is as important as work.

Natural Calamity - Tsunami: Social responsibility at LNJ Bhilwara Group is not only at a corporate level, but at the individual level as well. Each and every employee of the group contributed one day's pay towards the relief fund for the Tsunami victims. This was a voluntary initiative of the employees.

CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company follows principles of Corporate Governance through a Corporate culture of transparency, accountability and equity within the dynamics of business scenario and diverse interests of various stakeholders viz. shareholders, customers, employees, creditors, government, etc.

2. Board of Directors

The Company has six Directors on the Board, of which five are non-executive including the Chairman-Emeritus and the Chairman. Two Directors are 'Independent Directors'.

The composition of the Board of Directors and their attendance at the meetings during the six months period ended 31st March, 2006 and other relevant details are as follows:

Sl. No.	Name	Title	Category	No. of Meetings		No. of other Directorships and Committee membership/chairmanship#		
				Held during tenure	Attended	Directorships ¹	Committee memberships	Committee chairmanships
1.	Mr. L. N. Jhunjhunwala	Chairman-Emeritus	Promoter – Non-Executive	2	2	8	2	–
2.	Mr. Ravi Jhunjhunwala	Chairman	Promoter – Non-Executive	2	2	9	4	2
3.	Mr. Shekhar Agarwal	Director	Promoter – Non-Executive	2	2	7	2	–
4.	Mr. R. N. Gupta	Managing Director	Non-Promoter – Executive	2	2	1	2	2
5.	Mr. A. R. Garde	Director	Independent – Non-Executive	2	2	2	2	1
6.	Mr. B. N. Fitkariwala ¹	Director	Independent – Non-Executive	1	1	1	–	–
7.	Mr. M. K. Doogar ²	Director	Independent – Non-Executive	1	1	–	–	–

¹ Excludes Directorships held in private limited companies

Includes only Audit and Shareholders'/Investors' Grievance committees

¹ Inducted to the Board on 26th December, 2005

² Ceased to be Director from 27th December, 2005

The meetings of the Board of Directors during the six months period ended 31st March, 2006 were held on 25th October, 2005 and 27th January, 2006

The last Annual General Meeting of the Company held on 22nd December, 2005 was attended and chaired by Mr. R.N. Gupta, Managing Director. The Chairman of Audit Committee Mr. M. K. Doogar attended the Annual General Meeting. There were no clarifications sought relating to Audit by any member of the Company.

3. Audit Committee

The Audit Committee was reconstituted during the year due to resignation of Mr. M.K. Doogar from the Directorship of the Company. Mr. B.N. Fitkariwala, who was co-opted on the Board of Directors was also inducted in Audit Committee. The Audit Committee continues to comprise of three directors all of whom are non-executive and two of them are independent Directors. Mr. B. N. Fitkariwala, Independent Director is Chairman of the Audit Committee. Mr. Manoj Prasad Singh, Company Secretary is the secretary to the Committee.

The Audit Committee during the financial year continued to function in accordance with the prescribed terms of reference in Listing Agreement with Stock Exchanges and the Companies Act, 1956.

The Audit Committee met two times during the financial year which comprised of six months period. The Audit Committee meetings were held on 25th October, 2005 and 27th January, 2006. Attendance of the Committee Directors was as under.

Name of the Member	Position	No. of Meetings held during tenure	No. of Meetings Attended
Mr. Shekhar Agarwal	Promoter, Non-Executive	2	2
Mr. A. R. Garde	Independent	2	2
Mr. B. N. Fitkariwala ¹	Independent	1	1
Mr. M. K. Doogar ²	Independent	1	1

¹ Inducted to the Board on 26th December, 2005

² Ceased to be Director from 27th December, 2005

The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956