



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

The Great Leap Forward



BSL Limited

Annual Report 2005-2006

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**BSL Limited**

L. N. Jhunjhunwala
Chairman - Emeritus

looking
beyond boundaries...

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



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**BSL Limited**

LNJ Bhilwara Group

milestones

Suitings : BSL Limited

Setting up a 6 MW Captive Thermal Power Plant; expanding spinning facility by 16,000 spindles.

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 Phillipines.

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.

Graphite / Steel / Power : HEG Limited

Has the largest single site Graphite Electrodes manufacturing plant in South & South-East Asia and the Middle East; which is also the world's second-largest single site plant.

Internationally recognised Bureau Veritas (BVQI) ISO14001-1996.

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.

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, Chhattisgarh.

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	2004-05	2005-06
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



corporate

BOARD OF DIRECTORS**A. K. Churiwal** *Chairman & Managing Director***Ravi Jhunjhunwala****Shekhar Agarwal****R. P. Khaitan****B. D. Mundhra****Sushil Kumar Churiwala** (*w.e.f. 17.5.2006*)**Sushil Jhunjhunwala****R. N. Gupta****Riju Jhunjhunwala****Nivedan Churiwal** *Executive Director***PRESIDENT****M. D. Gagrani****KEY EXECUTIVES****M. C. Maheshwari** *Vice President (Exports)***S. Sen Gupta** *Vice President (Spinning)*

information

COMPANY SECRETARY**Praveen Jain****BANKERS**

State Bank of India

Oriental Bank of Commerce

The Bank of Rajasthan Limited

Union Bank of India

AUDITORS

M/s A. L. Chechani & Co.,

Chartered Accountants

Bhilwara

REGISTERED OFFICE

26, Industrial Area, Post Box No. 17

Gandhi Nagar, Bhilwara - 311 001 (Rajasthan)

WORKS

Mandpam, Distt. Bhilwara - 311 001 (Rajasthan)

WIND ENERGY PLANT

Village Gorera, Jaisalmer - 345 001 (Rajasthan)

BSL FINANCIAL HIGHLIGHTS (*Rs. in Crore*)

PARTICULARS	2003-2004	2004-2005	2005-2006
Turnover	137.44	151.49	173.35
Exports	50.91	67.28	93.44
P B I D T	16.37	16.58	17.73
Interest	5.38	7.05	6.94
Depreciation	10.62	9.48	8.59
Taxation	(0.16)	(1.08)	0.34
PAT	0.53	1.13	1.86
Gross Block	136.93	156.56	160.50
Less : Depreciation	80.82	89.89	98.30
Net Block	56.11	66.67	62.20
Net Worth	44.06	45.98	47.51



BSL Limited

group chairman's

message

Dear Shareholders,

India has performed excellently yet again. The initial estimate of India's Real GDP growth in 2005-06 is 8.1%. For the textile industry, there has been another positive; dismantling of quota restrictions on 1st January, 2005, with the expiry of the Multi-Fibre Agreement, has provided opportunities for Indian players who have the scale and the ability to consistently produce yarn, fabric and garments, that meet increasingly demanding global standards.

These developments present us with both opportunities and challenges. Your Company has done well to leverage this opportunity by focusing on building fresh capacities and consolidating the operations. In addition, your Company has also firmed up its plans to enter the silk fabric business.

The margins have been under pressure in the last few years and we are expecting the trend to continue in the future also. Our continued efforts in upgrading and modernising of operations in the past have borne results, and with investments lined up for a captive thermal power project, we can further increase productivity and secure attractive price points, so as to continue increasing operational efficiencies. It is not an easy task in a market as competitive as textiles. But if anyone can do it, it has to be your Company's employees. Time and time again they have risen to challenges. And I am confident that the elixir of growth will stimulate the best out of them in the years to come.

Your Company is confident of getting the best out of its larger, more consolidated and technologically modern operations, to further leverage the goodwill that its products enjoy in domestic and global markets. I am therefore looking forward to an even better performance in 2006-07.



May I request you to bestow your good wishes upon all those at BSL Limited, who are responsible for making this growth possible? And please allow me to express my heartfelt thanks and gratitude for your continuing support.

India will grow. And with it, BSL Limited.

Jai Hind!

Ravi Jhunjhunwala
Group Chairman



chairman & managing director's message

Dear Shareholders,

The year 2005-2006 has been a challenging one for the textile industry, in terms of both domestic, as well as export markets.

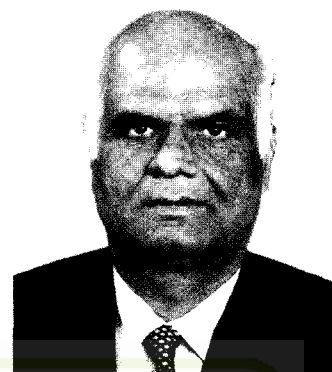
Competition in the domestic market from the non-mill sector has been increasing continuously. The import of fabric from neighbouring countries has an exponential effect on marketing challenges. The increase in input costs, particularly fuel cost, is another aspect of the challenges. Meeting the challenges are no longer issues for any industry and your Company has taken them in its stride.

One of the best ways to meet the challenge of imports is to turn them into export opportunities, and your Company has been doing just that. It is a matter of great satisfaction that the Company has been able to maintain its exports growth rate, and is now exporting Worsted and Synthetic fabric.

Product innovation and diversification are other mandatory requirements for contemporary markets, more so in the case of the textile industry. Current fashion and trends no longer change with seasons, rather consumers now expect new creations on a monthly, and even fortnightly basis. Your Company has been continuing with synthetic fibres for three decades, and with wool for half that period.

In this view, your Company has decided to step into the premium fibres range. Synthetic fibres have become common and Wool has seasonal demand. The Company has thus opted for another premium fibre, namely Silk.

In the current year, your Company plans to start production of Silk fabric, both for apparels and non-apparel articles. This will be a maiden venture for the mill sector, for this premium fibre.



As a part of the Company's backward integration efforts, in the fiscal year 2004-05, BSL set up its own synthetic spinning mill.

This enabled the Company to respond just in time to meet the requirements of the market.

The Company therefore decided to increase its synthetic spinning capacity to 16,000 spindles. This expansion is expected to be completed in the current financial year.

Besides silk and synthetic expansion, the Company has also introduced a new range of natural fibres, which are both eco- and skin-friendly, viz. *Vanaspati Vastra* range.

Increase in input costs, particularly fuel, is having an adverse impact on the operational results. The Company has thus decided to set up its own thermal power station, from which continuous and high-quality power will be available at competitive prices, ensuring that market challenges are duly met.

The Company is moving in the right direction. I am sure that with your best wishes, we will do better in the future.

A. K. Churiwal

Chairman & Managing Director



BSL Limited

management discussion and analysis

Industry Structure and Developments

Year 2004-2005 was the period that witnessed the complete opening of the global textile trade. The full impact of the same was felt in the year 2005-2006. The horizons for competition around the globe have been opened up, with a simultaneous challenge for quality upgradation and schedule delivery. India has emerged as a major beneficiary of this opportunity, after China. India is also now being seen as a reliable quality supplier to the world. India is one of the few countries in the world that has the infrastructure for the entire value chain of the textiles and apparels

business, from Fibre, Spinning, Weaving, Processing and Garment-making. The Company has positioned itself in the quota-free regime to take advantage of the opportunities. The Company's strategy for international markets will be to become a premier supplier with world-class

manufacturing facilities for a variety of fabric, like Poly-Viscose, Poly-Wool and others.

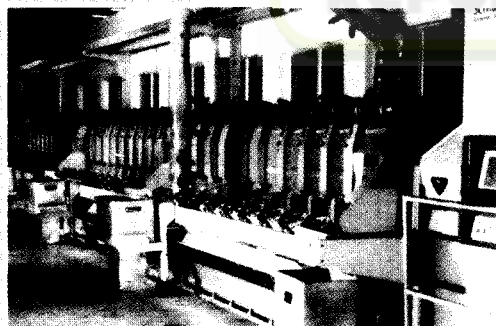
The world-class manufacturing facilities will also help the Company to face the competition in the domestic market, from both Indian and international suppliers. The Company will also be in an advantageous position due to its strong brand name and large marketing network, both in domestic as well as international markets. Apart from the above, the Company is also focusing more on product innovation and on achieving a leadership

position, through the introduction of improved qualities. The Company already has a good R&D Centre, catering to its manufacturing facilities in Bhilwara (Rajasthan). With its strong technical and managerial talent, and through constant upgradation, the Company will always take advantage of the opportunities in the textile industry, both in domestic and international markets.

Opportunities, Threats & Outlook

With the opening up of world trade, there are a lot of opportunities with many challenges ahead. As exports are increasing on a year-to-year basis, the Company is facing intense competition from other countries, as well as from other exporters in India, causing severe pressure on the margins and price realisation per metre. To overcome this situation, the Company is focusing on maintaining and further improving the quality of its products, reduction in the delivery period and introduction of new fabric in fashion. There is competition also in the domestic market from the local power loom sector and cheaper imports.

The industry may also face further problems, since the TUFS and DEPB Schemes are only up to 31st March, 2007. With rising oil prices, the input cost will be further increased and higher inflation may cause another problem for the growth of the industry.



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*Segment-wise Performance*

Particulars	2005-2006		2004-2005	
	Qty.	Value (Rs. Crore)	Qty.	Value (Rs. Crore)
Fabric (Lac mtrs.)	164.32	164.91	141.91	141.15
Yarn (Tonnes)	100.78	2.72	128.02	4.32
Readymade Garments (No. of pcs.)	90225	1.85	57236	2.44
Wind Power (Lac units)	35.26	1.21	38.85	1.32
Others		2.66		2.26
		173.35		151.49

The fabric turnover during the year has increased mainly due to increase in exports. Due to higher exports, the Company is again eligible for Target Plus Scheme benefits. The profitability during the year is also higher as compared to the previous year, due to a higher turnover.

Key Indicators of Profitability

(Rs. in Crore)

Particulars	2005-2006			2004-2005		
	Textiles	Wind Power	Total	Textiles	Wind Power	Total
PBIDT	15.69	2.04	17.73	14.58	2.00	16.58
PBDT	9.44	1.35	10.79	8.22	1.31	9.53
PBT	1.41	0.79	2.20	-0.70	0.75	0.05

*Risks Management**Market Risk*

The Company is facing risks in the form of market fluctuations of foreign exchange, government policies, interest rates, raw material prices, tax rates and several other factors.

Foreign Exchange Risk

The Company's policy is to hedge in a systematic manner, its exports and imports on a regular basis, by keeping constant watch over the rates.

Interest Rate Risk

The Company's policy is to borrow long-term borrowings in Indian rupees to avoid any rate variation risks. The short-term borrowings are sometimes availed of in foreign exchange at a fixed rate of interest.

Raw Material Price Risk

The Company is exposed to the risk of raw material prices of Polyester, Viscose yarn and Wool. The Company manages this risk by way of better inventory management, vendor selection process and forward booking.

Other Risks

The Company is also exposed to other risks like various government policies, and certain operating business risks, which are managed by regular monitoring and timely actions.





BSL Limited

management discussion

Internal Control Systems & their Adequacy

The Company has adequate internal control systems to safeguard the Company's assets from any loss or damage, to control cost, prevent revenue loss and required financial and accounting controls, and to effectively implement the applicable accounting standards. The existing system is continuously being improved and modified to meet changes in the business environment. The Audit Committee of the Board of Directors reviews the adequacy of internal control systems and suggests the areas for improvement. Apart from this, the Company also has a strong management information system assisted by external professionals, which is also part of this system. The Company is also implementing an Enterprise Resource Planning (ERP) solution covering all its manufacturing, planning and accounting processes.

Human Resources

During the year, various HR measures are taken to bring the Company's HR policies up to the required business needs. The Company has a strong dedicated force of employees and they have shown commitment, competence and dedication in all areas of

business. The appraisal systems are based on KRAs, and are in place for senior management staff. For workers, technical and safety training programmes are conducted periodically. Industrial Relations remained cordial in the plant throughout the year.



and analysis

Corporate Social Responsibility

In today's world, success of a company is not only measured by its assets, but also by the Corporate Social Responsibility (CSR) initiatives it engages in. At BSL, we constantly strive towards contributing to society in our own ways, including the social and economic development of areas adjoining is manufacturing plants, the development and support of primary and higher secondary educational institutions. The Company also provides healthcare facilities like mobile dispensaries, free medical camps and regular supply of medicines to dispensaries, besides actively participating in local cultural events and festivities.

Cautionary Statement

Statements in this Management Discussion and Analysis Report describing the Company's objectives, estimates, etc., may be *Forward Looking Statements* within the applicable laws and regulations. Actual results may vary from those expressed or implied. Several factors that may affect the Company's operations, include raw material prices, government policies, cyclical demand and pricing in the Company's main markets, and economic developments within India and countries in which the Company conducts its business, besides several other factors.

The Company takes no responsibility for any consequence of decisions made, based on such statements, and holds no obligation to update these in the future.