



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

Setting Benchmarks

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BSL Limited

Annual Report 2006-2007

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A Passion for Excellence

Having been built on solid, reliable foundations, the LNJ Bhilwara Group has evolved beyond its rich heritage, steeped in integrity, reliability, quality... and most importantly, an innate ability for innovation.

This ethos has catapulted the Group onto a global platform, having set several benchmarks along the years, driven by a passion for excellence.

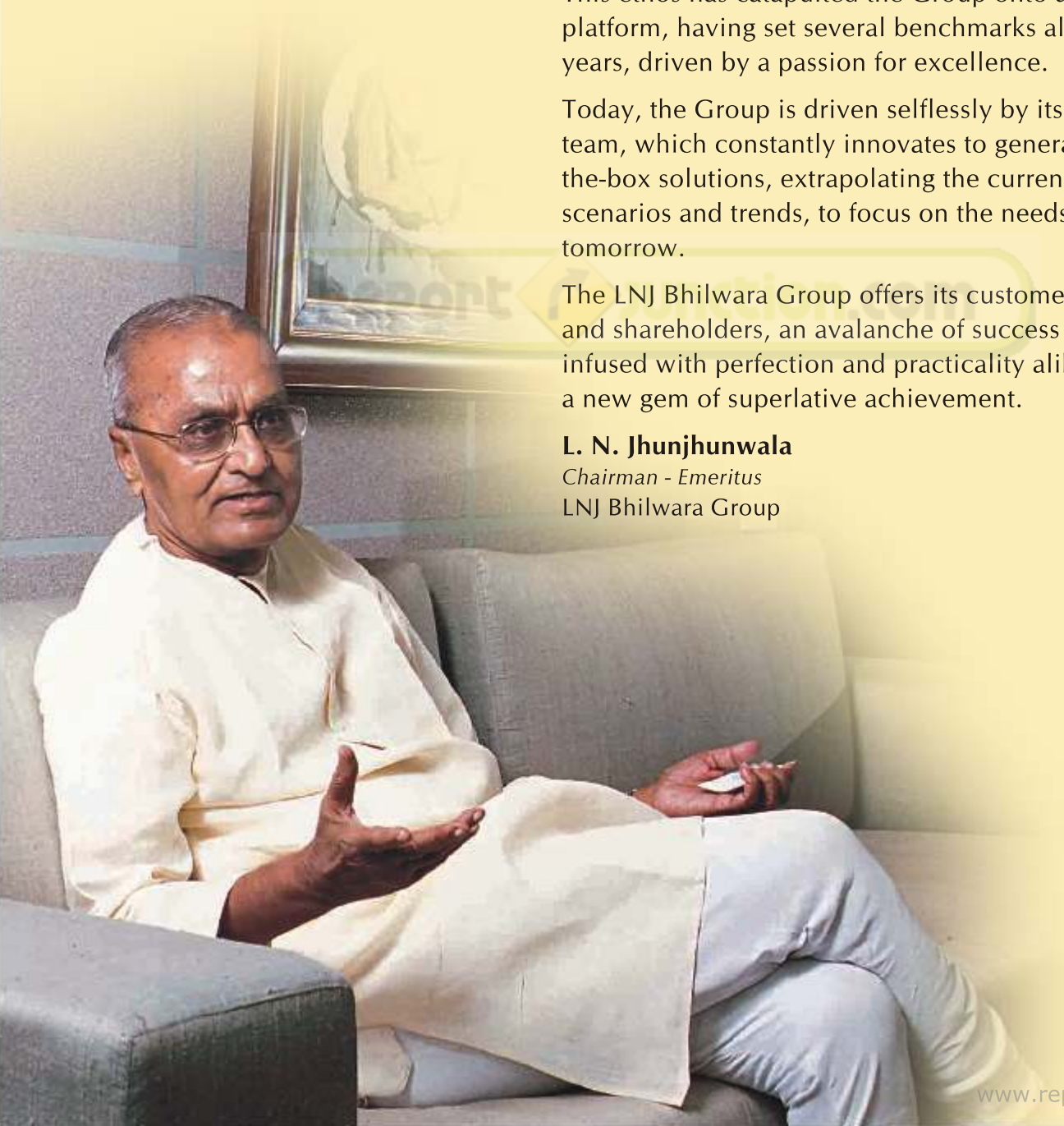
Today, the Group is driven selflessly by its dedicated team, which constantly innovates to generate out-of-the-box solutions, extrapolating the current market scenarios and trends, to focus on the needs of tomorrow.

The LNJ Bhilwara Group offers its customers, clients and shareholders, an avalanche of success stories, infused with perfection and practicality alike, each one a new gem of superlative achievement.

L. N. Jhunjunwala

Chairman - Emeritus

LNJ Bhilwara Group



Group Salient Features : 2006-07

Textiles



- **RSWM Limited** (yarn, fabric, garments, technical textiles, Denim)
- **Maral Overseas Ltd.** (cotton yarn, fabric & knitted garments)
- **BSL Ltd.** (fabric - worsted, polyester & silk furnishing)
- **BMD Pvt. Ltd.** (automotive fabric)
- **Bhilwara Spinners Ltd.** (yarn)
- **Bhilwara Processors Ltd.** (process house)

Graphite Electrodes / Steel



- HEG Limited

Power



- **Hydro Power Generation**
 1. **Bhilwara Energy Ltd.**
 2. **Malana Power Company Ltd.**
 3. **AD Hydro Power Ltd.**
- **Captive Power**
 1. Thermal
 2. Hydro
 3. Waste Heat Recovery
 4. Wind Energy
- **Power Consultancy**
 1. **Indo Canadian Consultancy Services Ltd.**

- RSWM Limited is the new name for Rajasthan Spinning & Weaving Mills Ltd.
- RSWM has initiated a Rs. 900 crore expansion plan. Its Denim & Captive Thermal Power Plants are nearing completion.
- RSWM, Maral Overseas and BSL Limited expand their spindle capacities.
- RSWM was recently felicitated with Rajiv Gandhi National Quality Award.
- RSWM announced the acquisition of Cheslind Textiles Ltd., a Bangalore based textile unit.
- RSWM International B.V., Holland, incorporated, a 100% subsidiary of RSWM, executes a 50:50 JV with SISA S.A., Spain. The new JV entity is known as RSWM SISA.
- RSWM ropes in Salman Khan as brand ambassador for Mayur Suitings.
- HEG's 52,000 MT per annum, Graphite Electrode plant stabilised.
- HEG institutes LNJ Award for outstanding work in the field of Carbon.
- HEG initiated Rs. 110 crore Capex during the year.
- Bhilwara Energy Limited incorporated as the Holding Company for the Group's power businesses.
- Bhilwara Energy Limited bags three Hydel Power projects in Arunachal Pradesh.
- Bhilwara Energy formalises agreement with Punjab State Electricity Board to develop and run a 75 MW power plant near Pathankot.
- MPCL becomes the first hydro power company in India to implement ERP.
- Bhilwara Scribe ranked amongst the top 5 BPOs in the Healthcare segment.

GROUP FINANCIAL HIGHLIGHTS

(Rs. in crore)

PARTICULARS	2004-05	2005-06	2006-07
Turnover	2049	2387	2859
Export Sales	893	1016	1361
PBIDT	274	374	434
PBDT	208	286	323
PBT	96	156	193
PAT	79	115	134
Gross Fixed Assets	2494	2922	3835
Net Worth	969	1382	1525



BSL Limited



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Corporate Information

BOARD OF DIRECTORS

A. K. Churiwal *Chairman & Managing Director*

Ravi Jhunjunwala

Shekhar Agarwal

R. P. Khaitan

B. D. Mundhra

Sushil Kumar Churiwala

Sushil Jhunjunwala

R. N. Gupta

Riju Jhunjunwala

Nivedan Churiwal *Executive Director*

CFO & COMPANY SECRETARY

Praveen Jain

KEY EXECUTIVES

M. C. Maheshwari *Vice President (Export)*

S. Sen Gupta *Vice President (Spinning)*

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, Dist. Bhilwara - 311 001 (Rajasthan)

WIND ENERGY PLANT

Village Gorera, Jaisalmer - 345 001 (Rajasthan)

BSL FINANCIAL HIGHLIGHTS *(Rs. in Crore)*

PARTICULARS	2004-2005	2005-2006	2006-2007
Turnover	151.49	173.35	182.09
Exports	67.28	93.44	102.14
P B I D T	16.58	17.73	16.80
Interest	7.05	6.94	8.45
Depreciation	9.48	8.59	7.58
Taxation	(1.08)	0.34	1.17
PAT	1.13	1.86	(0.40)
Gross Block	156.56	160.50	202.41
Less : Depreciation	89.89	98.30	106.35
Net Block	66.67	62.20	96.06
Net Worth	45.98	47.51	46.68

Message from the Chairman



Ravi Jhunjhunwala
Group Chairman

Dear Shareholders,

Sixteen years after the advent of economic liberalization in June 1991, India is now clearly moving along a high growth path.

The revised estimates from the Central Statistical Organisation have pegged real GDP growth for 2006-07 at 9.4%. This is not only more than the 9% growth achieved in 2005-06, but also higher than the earlier estimate of 9.2% for 2006-07.

With this, India's compounded annual growth rate over the last four years has exceeded 8.6%. Among the large economies of the world, only China has performed better.

What is amazing about this high growth in 2006-07, is that it has occurred despite a lacklustre performance from agriculture, which grew at a mere 2.7%.

To be sure, from the point of view of economic policy and governance, persistently low rates of agricultural growth are a cause of concern. And the government should, as it has indicated it will, take up several initiatives to ensure that the agricultural sector raises its average growth rate to at least 4% per annum.

Even a decade ago, such low rates of growth in agriculture would have severely impacted the fortunes of India's manufacturing and services. However, thanks to growing urbanization and significant structural shifts in the economy, this is no longer the case.

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 2007-08.

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





BSL Limited



Message from the Chairman & Managing Director



A.K. Churiwal
Chairman & Managing Director

Dear Shareholders,

The year 2006-07 was again a challenging year for domestic & exports markets. There has been a paradigm shift in the domestic textile market and new contours are emerging. The advent of mall culture has shifted the preference of the middle and affluent consumer from fabric to ready-to-wear garments. This inclination of the urban consumer has resulted in the loss of branded fabric over unorganized sector's fabric. Lack of time and a rapidly developing taste for the international brands or label has suppressed the importance of fabric quality. In the Institutional market however, things remain difficult.

The BSL Limited has been focusing on emerging markets of Indo-China, Middle-East and Latin America, where traditional systems are still thriving. Your Company in the year 2006-07 for the first time crossed Rs.100 crore export mark, and anticipates growth in these and other developing countries.

Innovative designs and products are becoming essential to meet consumers' ever evolving demands and choices. The Company therefore has set up a state-of-the-art Technology Design Centre.

The diversification program of Silk weaving is near completion and commercial production will start from July, 2007. It will have value added niche products.

The expansion of spinning has been completed and this will enable the just-in-time delivery for exports.

Looking at the above measures taken by the Company, it is expected that Company will perform better in the coming period.

A. K. Churiwal
Chairman & Managing Director

Management Discussion and Analysis



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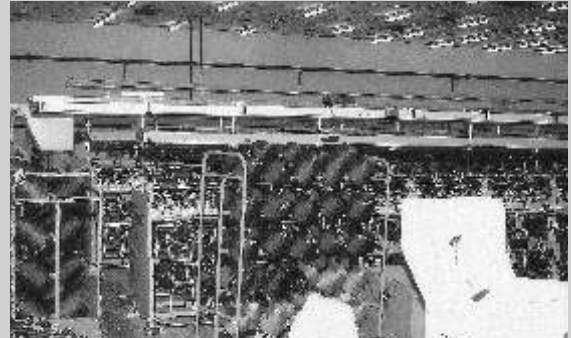
Industry Structure & Developments

During the year 2006-2007, the Textile Industry particularly Fabric Industry went through unforeseen movements. The demand front in domestic sector was weaker for branded industry due to severe competition from unbranded suppliers. The increasing trend of retail consumers towards garments has also affected the demand for branded fabric.

To come over this situation, Company is focusing on the institutional marketing and to corporate buyers.

The Profitability has also been affected due to higher raw material prices which could not be passed over to the customers due to fierce competition.

In Exports, the volumes have increased and Company in its history has achieved the Export turnover mark of Rs. 100 Crore. The profitability in exports has also been affected due to higher Raw Material Prices, Reduction in DEPB Rates and Reversal of Target plus incentive. The strengthening of rupee Vis-a-vis USD has also affected the profitability.



To diversify the Company's business operations, Company has installed 8 Looms for Silk Weaving. By entering into the Silk sector, the profitability and volumes will be improved.

Opportunities, Threats & Outlook

With the entry of Company in Silk sector, the higher value products will add to the bottom line of the Company. The Company will try to encash all the opportunities available in the domestic market to increase its turnover and profits.

In the Export Sector, due to continuous strengthening of Rupee vis-à-vis Dollar, the Company's profitability have been affected. The Company will make all its efforts to increase the prices to that extent.





Performance

The productwise performance during the year is as under :

Particulars	This year		Pervious year	
	Qty.	Value (Rs. Crore)	Qty.	Value (Rs. Crore)
Fabrics (Lac Mtrs.)	182.15	174.00	164.32	164.91
Yarn (Tons)	207.78	4.95	100.78	2.72
Readymade Garments (No.of pcs)	35387	1.15	90225	1.85
Wind Power (Lac units)	33.58	1.18	35.26	1.21
Others		0.81		2.66
		182.09		173.35

Raw Material Prices Risk

The Company is exposed to the risk of raw material prices of Polyester, Viscose, Silk and Wool & Synthetic Yarn. The Company manage this risk by way of 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.

The Profitability of the Company is as under :

(Rs. in Crore)

Particulars	2006-2007	2005-2006
PBIDT	16.80	17.73
PBDT	8.35	10.79
PBT	0.77	2.20

The fabric turnover during the year has increased mainly due to increase in exports. The profitability of the Company has been affected due to higher Raw Material Prices, Reduction in DEPB Rates, Higher Finance Cost , Higher Fuel Cost and Reversal of Target Plus incentive.

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.

Risks & Concerns :

The Company is having the risks of market fluctuations of foreign exchange, Government policies, interest rates, raw material prices, tax rates and several other external and internal factors.

Foreign Exchange Risk

The Company's policy is to hedge in a systematic manner its Exports & 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 some times availed in foreign exchange at Fixed rate of interest.





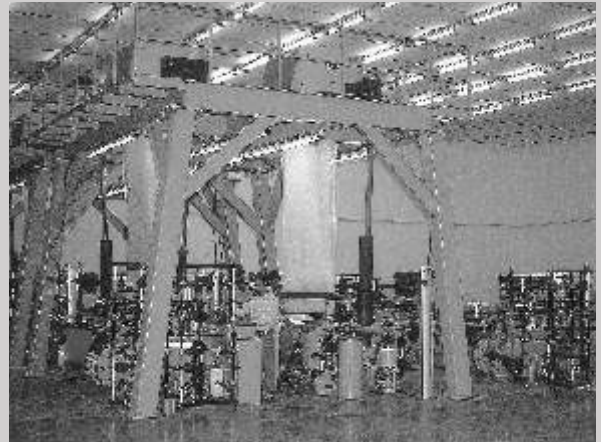
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The existing system is continuously being improved and modified to meet the changes in the business environment.

The Audit Committee of the Board of Directors reviews the adequacy of internal control systems and suggests the areas for its improvement. Apart from this, the Company is also having strong Management Information systems assisted by External professionals which is also part of this system.

Human Resource and Industrial Relations :

During the year, various HR measures were taken to make the HR policies upto the required business needs. The Company has strong dedicated force of employees and they have shown commitment, competence and dedication in all areas of business. The appraisal systems based on KRAs are in place for senior management staff. For workers, technical and safety training programs are given periodically. Industrial Relations remained cordial in the plant throughout the year.



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 these expressed or implied. Several factors that may effect 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 and 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.



**BSL LIMITED**

DIRECTORS' REPORT

To The Members,

The Board of Directors have pleasure to present the 36th Annual Report and Statement of Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS (Rs. in Crore)

Particulars	This Year	Previous Year
Total Turnover		
a) Domestic	79.95	79.91
b) Exports	102.14 182.09	93.44 173.35
Profit before interest and Depreciation	16.80	17.73
Less : Interest (Net)	8.45	6.94
Profit before Depreciation	8.35	10.79
Less : Depreciation	7.58	8.59
Profit before Income Tax	0.77	2.20
Provision for Income Tax	0.08	0.32
Provision for Deferred Tax	0.87	(0.30)
Provision for Fringe Benefit Tax	0.22	0.32
Profit after Tax	(0.40)	1.86

2. OPERATIONS

The division wise performance is as under :

Particulars	This Year Qty.	This Year Value	Previous Year Qty.	Previous Year Value
a) Fabric (Lac Mtrs.)				
Domestic	74.23	73.90	74.60	75.16
Exports	107.92	100.10	89.72	89.75
Total	182.15	174.00	164.32	164.91
b) Yarn (Tonnes)				
Domestic	85.18	2.92	46.79	1.50
Exports	122.60	2.03	53.99	1.22
Total	207.78	4.95	100.78	2.72
c) Readymade Garments				
Domestic (No. of Pcs.)	35387	0.64	90225	1.53
Exports		0.51		0.32
Total		1.15		1.85

(Rs. in Crore)

Particulars	This Year Qty.	This Year Value	Previous Year Qty.	Previous Year Value
d) Wind Power				
Generation (Lac Units)	33.58	1.18	35.26	1.21
e) Others		0.81		2.66
		182.09		173.35

3. EXPORTS

The Company's Exports exceeded Rs.100 Crore mark for the first time. The Company is planning to explore new markets during the year in Africa and CIS Countries. The Company is supplying its products to some of the reputed customers like C&A, Germany and JC Penny in USA. The Company continues to focus on some other renowned brands.

4. SYNTHETIC SPINNING EXPANSION PLAN

During the year, the Company has installed 8448 Synthetic Spindles thus doubling its synthetic spinning capacity. The Commercial production on the same has been commenced w.e.f. 27th March, 2007.

5. SILK PROJECT

The Silk Weaving Project is progressing as per schedule and the commercial activities of the same will be commenced in the early next financial year. By entering into this sector, the Company's profitability will be significantly improved.

6. OUTLOOK FOR COMPANY'S ACTIVITIES

The Company is also focusing more on developing new markets in exports and interior penetration of Domestic market. The Company is also focusing on corporate and institutional marketing in domestic markets.

7. WIND POWER PROJECT

The Company's Wind Power Project at Jaisalmer had generated 33.58 Lac units during the year.

8. AMALGAMATION OF BSL WULFING LIMITED (SUBSIDIARY COMPANY) WITH THE COMPANY

Hon'ble High Court of Rajasthan have approved the Scheme of Amalgamation of BSL Wulfling Limited (Subsidiary Company) with the Company. The Balance Sheet as on 31st March, 2007 is inclusive of BSL Wulfling Limited.

9. DIVIDEND

The Board of Directors have recommended dividend @5% during the year.

10. AUDIT COMMITTEE

As mentioned in the last year's Directors' Report, Audit committee is covering all the areas as provided for in the Companies Act, 1956 as amended and as mentioned in