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A momentous past A successful present An exciting future

BHILWARA SPINNERS LIMITED

Annual Report 1998-99

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We, the LNJ Bhilwara Group, are a multi-product Group with interests in diverse fields. With over three decades of experience, production units spread across the country at 19 locations and the prestigious ISO 9002 certification for five of our Group companies, quality comes to us naturally !



Yarns and Fabrics



Knitwears



Graphite Electrodes



Power Generation



Telecommunications



Sponge Iron

Indeed, quality manifests itself in various forms. Excellence, leadership status and rapid growth being some important benchmarks. Hallmark brand names such as Mayur Suitings, BSL Suitings, La Italia Trousers, Buddy Davis T-Shirts & Polos, range of knitwears, Champs & Bhilwara Classique men's undergarments are from the house of Bhilwara.

Consistent efforts have led us to coveted top export awards in different fields for several years in a row. Conforming to international standards in quality and technology, have led us to prestigious overseas collaborations.

Almost a third of our turnover comes from exports, which stands as a unique distinction !

Textiles

Graphite Electrodes

Power Generation

Telecommunications

Sponge Iron

Financial Services

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GROUP SALIENT FEATURES

Particulars	(Rs. Crores)	
	1997-98	**1998-99**
Turnover	1353	**1426**
Export Sales	516	**544**
PBIDT	250	**262**
PBDT	150	**150**
PBT	83	**69**
PAT	77	**65**
Gross Fixed Assets	1275	**1403**
Net Worth	610	**670**

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BHILWARA SPINNERS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

Particulars	1996-97	1997-98	1998-99
Turnover	10430.03	10579.52	8427.22
Exports	928.20	473.68	878.54
PBIDT	955.98	996.52	456.64
Interest	554.87	451.02	623.16
PBDT	401.11	545.50	(166.52)
Depreciation	250.85	255.43	271.84
Taxation	19.50	30.50	–
PAT	130.76	259.57	(438.36)
Net Worth	2470.15	2623.87	2083.34
Capital Expenditure	31.10	1538.74	439.12
EPS (Rs.)	1.93	3.83	–
CEPS (Rs.)	5.62	7.59	–
Book Value (Rs.)	36.40	38.67	30.70

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BHILWARA SPINNERS LIMITED

BOARD OF DIRECTORS

CHAIRMAN EMERITUS
Shri L.N. Jhunjhunwala

CHAIRMAN
Shri Ravi Jhunjhunwala

MANAGING DIRECTOR
Shri R. N. Gupta

DIRECTORS
Shri Shekhar Agarwal
Shri A.K. Ghose
Dr. P.K. Hari
Shri Santosh Bagrodia

PRESIDENT
Shri D.R. Agarwal

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

REGISTERED OFFICE & WORKS
26, Industrial Area
Bhilwara, Rajasthan

HEAD OFFICE
Bhilwara Towers
A-12, Sector-1
Noida-201301 (U.P.)

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

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DIRECTORS' REPORT

To The Members,

The Directors of your Company have pleasure in presenting their 18th Annual Report along with audited statements of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

(Rs. in Crores)

	Current Year	Previous Year
Total Turnover		
– Domestic	**74.72**	100.67
– Export	**9.55**	5.13
	84.27	105.80
Profit / (Loss) before Depreciation	**(1.66)**	5.45
Depreciation	**2.72**	2.55
Profit / (Loss) before Tax	**(4.38)**	2.90
Provision for Income Tax	**–**	0.30
Profit / (Loss) after Tax	**(4.38)**	2.60
Income Tax for earlier years	**1.09**	–
Balance brought forward	**4.06**	3.08
Amount available for appropriation	**(1.41)**	5.68
APPROPRIATIONS		
Transfer to General Reserve	**–**	0.50
Dividend on Shares	**–**	1.02
Tax on Proposed Dividend	**–**	0.10
Balance carried forward	**(1.41)**	4.06

OPERATIONS

The overall performance of the Company has been severely affected during the period under review due to overall recession in the textile industry and sluggish market conditions. The Company had terminated the lease of the process house at Mordi,Banswara last year after eight months of operations as the desired benefits had not materialized and accordingly the turnover for the year is not comparable with that of the previous year.

During the period under review,the Company produced 7924 tons of yarn as against 7995 tons produced in the previous year.The Company emphasized on a better product mix and produced 5105 tons of dyed yarn as against 3925 tons in the previous year.This has helped the Company to reduce its operational losses.The Company continued its efforts on the export front and exported 855 tons of yarn as against 505 tons during the previous year thereby registering a growth of 74.49%.The Directors of your Company are hopeful that with all the efforts that are being made to achieve better product mix,aggressively pursue exports and optimize operations,the Company will be able to record an overall improvement in its operations during 1999-2000.

EXPANSION CUM MODERNISATION PROGRAMME

Your Directors in their report had indicated the initiative taken by the Company to install several machinery to manufacture better quality of yarn to cater to specific needs of the customers both in the domestic and international market.Your Directors are pleased to inform that the Company completed the installation of 3 Autoconers and 8 Two for one twisters to replace the ordinary winding and doubling machines.This expansion cum modernisation programme was completed in October'1998 at a total cost of Rs.12.35 crores.With this modernisation the Company is now producing better quality of yarn for overseas buyers and accordingly recorded a growth in its export sales as indicated previously.

POWER DIVISION

Your Directors feel great pleasure in informing the members that the power division has successfully set up a power plant of 4.25 MW capacity in October 1998. With the implementation of the above, the Company is getting continuous and quality power supply at economical cost which has also enabled the Company to achieve better economies in the overall cost of production.

AMALGAMATION OF COMPANY WITH RAJASTHAN SPINNING & WEAVING MILLS LIMITED

The Scheme of Amalgamation of the Company with M/s Rajasthan Spinning & Weaving Mills Limited was approved by the members and creditors of the Company in their respective meetings convened by order of the Hon'ble High Court of Rajasthan. The Company has, subsequently,filed a petition with the Hon'ble High Court of Rajasthan for approval of the above scheme.The scheme of amalgamation is now pending for approval before the Hon'ble High Court of Rajasthan.

DIVIDEND

In view of the financial position of the Company and in the absence of any profit,your Directors are unable to recommend dividend on the equity shares.

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INFORMATION TECHNOLOGY

During the year,your Company has taken effective steps to overcome the Y2K problem.The Company is in the process of identification of Y2K compliant system in the existing set up so that non Y2K compliant system could be replaced/ eliminated well in time.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required to be disclosed pursuant to 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 - I forming part of the report.

POLLUTION CONTROL

Your Directors reaffirm the commitment of the Company to maintain high standards in pollution related issues and confirm that the Company has taken all necessary steps to prevent pollution.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Total exports on FOB basis were Rs. 8.79 crores as against imports on CIF basis of Rs.4.02 crores.

PUBLIC DEPOSITS

The Company has not accepted deposits either from the Public or from the Shareholders.

PERSONNEL

Your Company continues to enjoy cordial relations with employees at all levels.Relevant particulars pursuant to Section 217 (2A) of the Companies Act,1956 and particulars of Employees Rules,1975,are given as per Annexure - II of this report.

DIRECTORS

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

During the year,The Industrial Finance Corporation of India Ltd. withdrew the nomination of Smt.S.P.Lavakare as a Director of the Company.

Your Directors place on record their appreciation of the services rendered by Smt.S.P.Lavakare as Director of your Company.

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' Report are dealt within the notes to the accounts at appropriate place and are self explanatory.

ACKNOWLEDGEMENTS

Your Directors acknowledge with gratitude the co-operation and assistance given by the Financial Institutions,Bankers and the State & Central Government and the business constituents.

For and on behalf of the Board

Place : Noida
Date : 30th April,1999

Ravi Jhunjhunwala
Chairman

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AUDITORS' REPORT

The members

Bhilwara Spinners Limited

We have audited the attached Balance Sheet of Bhilwara Spinners Limited as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date, annexed thereto, and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as it appears from our examination of the books.

3. The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account.

4. In our opinion,the Profit & Loss Account and the Balance Sheet comply with the mandatory Accounting standard,specified by the Institute of Chartered Accountants of India as referred to in Sub-section (3C) of Section 211 of the Companies Act.

5. The Company has been technically advised and has accordingly considered Plant & Machinery of spinning unit as a 'Continuous Process Plant' within the meaning of Note No.7 to Schedule XIV of the Companies Act, 1956 and has accordingly provided depreciation. This being a technical matter, we cannot form an independent opinion on such classification of assets and are therefore unable to comment thereon.

6. Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and notes given in Schedule 14, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-

   a) In case of Balance Sheet, of the State of affairs of the Company as at 31st March, 1999.

   b) In case of Profit and Loss Account, of the loss for the year ended on that date.

7. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 in our opinion and to the best of our information and according to the explanations given to us, we further report that :-

   i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. As per the information and explanations given to us, the Company has a system of physical verification of all its major fixed assets once every year. As explained to us, all the major fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification as compared to book records.

   ii) None of the fixed assets have been revalued during the year.

   iii) The stocks of finished goods, raw materials and stores and spares were physically verified by the management at the end of the accounting year. In respect of stocks lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.

   iv) In our opinion and according to the information and explanation given to us, the physical verification procedures followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

   v) The discrepancies noticed on verification between physical stocks and book-records have been properly dealt with in the books of account during the year.

   vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

   vii) The rate of interest and other terms and conditions of loans taken from companies listed in the register maintained under Section 301 are not prima facie prejudicial to the interest of the Company. We have been explained that there are no companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.

   viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

   ix) The Company has given interest free loans and advances in the nature of loans to the employees who are generally repaying the same as per stipulation, wherever made.

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