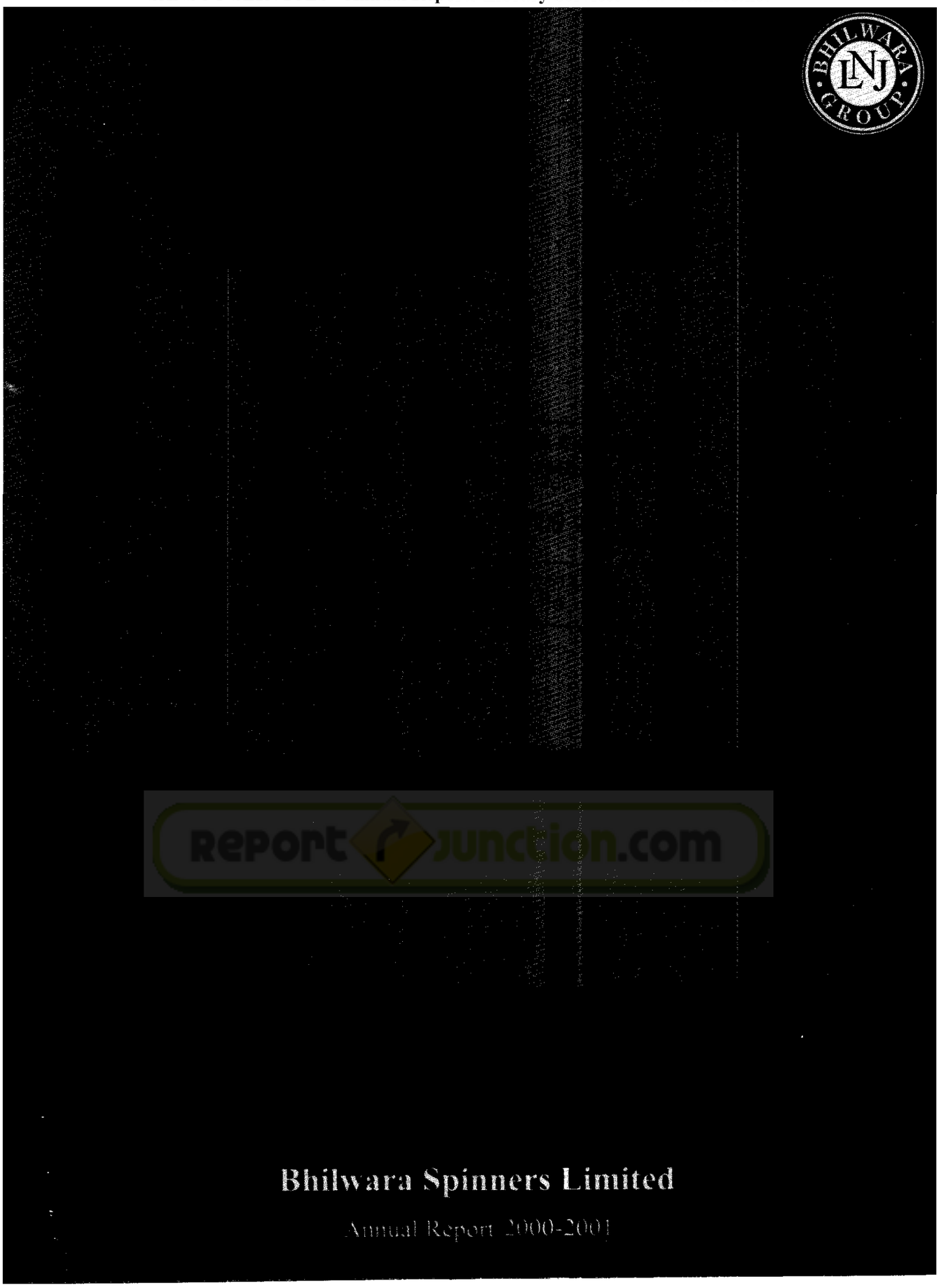
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Bhilwara Spinners Limited

Annual Report 2000-2001

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The LNJ Bhilwara Group is committed to always satisfy its customers, stakeholders, partners, suppliers and employees alike, by adopting world-class practices in all facets of its businesses.

To achieve its objectives, the Group has leveraged its collective resources and capabilities of product designing, creativity, innovation and work practices.

The Group's goals of achieving global standards of productivity, efficiency, quality, customer satisfaction, empowering and involving of people at all levels, have together guided its conduct and action both with internal and external interfaces.

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GROUP SALIENT FEATURES

(Rs. in Crores)

Particulars	1999-2000	**2000-2001**
Turnover	1538	**1687**
Export Sales	617	**750**
PBIDT	274	**271**
PBDT	161	**167**
PBT	71	**71**
PAT	70	**69**
Gross Fixed Assets	1516	**1768**
Net Worth	762	**851**

The LNJ Bhilwara Group is a diverse, multi-location and multi-product conglomerate established in 1961, having business interests in ***Textiles, Graphite Electrodes, Power Generation, Sponge Iron, Information Technology & IT Enabled Services.*** *Headquartered at Noida (near New Delhi), the Group employs 20,000 people and has 18* ***production units*** *spread across the country. The fact that export earnings comprise as much as 45% of the groups' turnover of Rs.1687 crores during 2000-2001 underlines its high quality standards.*

The Groups' plants are all state-of-the-art and having the latest technology from world leaders.

The Group manufactures a complete range of yarns, fabrics, knitted fabrics and knitwears. In the recent past, the group has also launched new range of fabrics: Flame Retardant, Lycra, Polynosic and Tencel.

The Group has also ventured into international quality ***Specialised Automotive Fabrics*** *and is currently supplying to the major automobile companies in India. The group has been servicing world class customers and leading several global brands for their knitted garments. The domestic brands,* ***'Mayur Suitings', 'BSL Suitings', 'La Italia' Trousers & Shirts*** *and* ***'Buddy Davis'*** *Leisurewears are well respected by the customers.*

The Graphite exports constitute about 80% of total sales volumes of graphite division.

In its ***four-decade*** *long existence, the group has come to be identified with quality and world-class technologies.* ***Seven Group companies*** *have been awarded* ***ISO 9002 certification*** *for their exemplary quality services.*

Certified True Copy

For Bhilwara Spinners Ltd.

Authorised Signatory

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BHILWARA SPINNERS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Particulars	1998-99	1999-2000	**2000-2001**
Turnover	8427.22	9505.81	**10893.03**
Exports	878.54	1913.46	**3865.56**
PBIDT	456.64	623.88	**773.35**
Interest	623.16	823.82	**871.47**
PBDT	(166.52)	(199.94)	**(98.12)**
Depreciation	271.84	331.75	**326.75**
PAT	(438.36)	(531.69)	**(424.87)**
Net Worth	2083.34	1558.08	**1137.46**
Capital Expenditure	439.12	57.02	**29.18**
Book Value per Share (Rs.)	30.70	22.96	**16.76**

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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

CORPORATE OFFICE
Bhilwara Towers
A-12, Sector-1
Noida-201 301 (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 20th Annual Report along with audited accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

(Rs. in Crores)

	This Year	Previous Year
Total Turnover		
– Domestic	**67.39**	74.33
– Export	**41.54**	20.73
	108.93	95.06
Profit/(Loss) before Depreciation	**(0.98)**	(2.00)
Depreciation	**3.27**	3.32
Profit/(Loss) before Tax	**(4.25)**	(5.32)
Provision for Income Tax	–	–
Profit/(Loss) after Tax	**(4.25)**	(5.32)
Income Tax for earlier years	**0.02**	–
Balance brought forward	**(6.73)**	(1.41)
Balance carried forward	**(11.00)**	(6.73)

OPERATIONS

During the year, the operations of the Company continued to be affected due to lower realisation because of protracted sluggish market conditions, on-going labour unrest at plant and increase in costs including fuel costs.

During the year, the workers continued to disrupt the operations of the Company by resorting to frequent and partial strikes thereby causing loss of operating efficiencies, production, deterioration in quality, extra generation of waste and delays in delivery schedules. The Company suffered a production loss of 120 M.T. and 2096 man-days due to disruption in the working because of strikes and partial stoppages which has had a significant impact on its profitability.

During the period under review, the Company produced 9042 M.T. and exported 3832 M.T. of yarn against 8474 M.T. and 2094 M.T.respectively in the previous year. The Company has been able to achieve this growth in exports by exploring new markets and improving its product mix. The total turnover of the Company grew by approximately 15% at Rs.108.93 crores against Rs.95.06 crores in the previous year. However, this has not resulted in improving the operational margins of the Company, due to labour trouble, increase in fuel costs and other inputs. Your Directors are making all efforts to optimize the operations, reducing cost of production and to resolve the continuing labour issues to enable the Company to achieve a much improved performance in the current financial year.

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 India is a traditional industry, which is very fragmented and scattered all over the country with a large number of players. During the last few years the industry is facing enormous difficulties mainly on account of increase in cost of inputs and recessionary conditions prevailing in the domestic as well as international market for the yarn. The industry also requires periodical technological upgradation in order to meet the global challenges.

AMALGAMATION OF COMPANY WITH RAJASTHAN SPINNING & WEAVING MILLS LIMITED

The Scheme of amalgamation of the Company with M/s Rajasthan Spinning & Weaving Mills Limited has not been given effect in view of the order of the Hon'ble High Court of Rajasthan, Jodhpur, passed during the financial year. Consequent to the order of Hon'ble High Court of Rajasthan, the scheme of amalgamation stands infructuous and ineffective.

DEPOSITORY SYSTEM

The Directors of your Company are pleased to inform that your Company has joined the Depository System by entering into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The members willing to hold Shares in electronic mode may avail of this facility and send dematerialisation requests through depository participants of NSDL and CDSL.

POWER DIVISION

The Company generated quality power throughout the financial year under review from its captive power plant

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of 4.2 MW capacity thereby ensuring good and consistent quality of production. This has also enabled the Company to maintain its product quality to cater to international market. However, the cost of own generated power increased substantially due to high fuel costs and volatile oil prices in the international markets.

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 – I forming part of the report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Total exports on FOB basis were Rs.38.66 crores as against imports on CIF basis of Rs.7.09 crores.

HUMAN RESOURCE DEVELOPMENT

The Company is constantly making efforts to improve the quality of its operations by endeavouring to shore up the effectiveness and efficiency of its employees. The Company from time to time imparts training to its personnel to enable them keep abreast with changing practices in different functional areas and improving their skills. The Board of Directors expect to overcome the labour unrest at plant, which will result in improving the operations of the Company.

The Company has employee strength of approximately 2100 persons.

PERSONNEL

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975, are given as per Annexure – II of this report.

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, 2001 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 L. N. Jhunjhunwala and Shri Shekhar Agarwal, 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 Auditor's Report 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
Date : 2nd May, 2001

Ravi Jhunjhunwala
Chairman

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ANNEXURE - I TO DIRECTORS' REPORT

			This Year	Previous Year
(A)	**POWER AND FUEL CONSUMPTION**			
1.	**Electricity**			
	(a) Purchased units	(No.)	**1,495,016**	1,359,732
	Total Amount	(Rs.)	**6,472,528**	5,170,020
	Rate per unit	(Rs.)	**4.33**	3.80
	(b) Own generation Through Diesel Generator units	(No.)	**2,205,245**	1,285,871
	Units per litre of Diesel/Oil	(No.)	**3.10**	3.09
	Cost per unit	(Rs.)	**4.89**	5.65
	Through Furnace Oil Generator units	(No.)	**29,472,379**	27,102,721
	Units per litre of Furnace Oil/Diesel	(No.)	**4.10**	4.14
	Cost per unit	(Rs.)	**2.73**	1.76
2.	**Coal**			
	Quantity	(M.T.)	**1606**	771
	Total Cost	(Rs.)	**3,882,612**	1,921,573
	Average Rate/M.T.	(Rs.)	**2417.57**	2493.61
3.	**Furnace Oil**			
	Quantity	(Ltr.)	**7,180,450**	6,546,570
	Total Cost	(Rs.)	**72,606,594**	40,805,255
	Average Rate/ltr.	(Rs.)	**10.11**	6.23
	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)	**90.42**	84.74
2.	**Electricity Consumption**			
	Blended yarn	(unit/kg)	**3.67**	3.51
3.	**Coal Consumption**			
	Blended yarn	(MT/kg)	**0.178**	0.091

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ANNEXURE - II TO DIRECTORS' REPORT

Statement of Particulars of Employees pursuant to Section 217 (2A) of the Companies Act,1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' report for the year ended 31st March, 2001.

Sl. No.	Name of Employee	Designation	Remuneration (Rs.)	Qualification	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held		
								Organisation	Post Held	Duration (Yrs.)
Employed throughout the financial year under review and were in receipt of remuneration for the financial year in the aggregate of not less than Rs. 12,00,000/- i.e. Rs. 1,00,000/- p.m.										
1.	Shri Gupta R.N.	Managing Director	1431131	Diploma in Text. Technology	41	62	01.04.1989	Hindustan Electro Graphite Ltd.	President	5

NOTES

1. Annual remuneration includes Salaries, Allowances, P.F., L.T.A. Medical, Gratuity, P.L. Encashment and Superannuation @ 15%.
2. The employee mentioned above is not a relative of any Director of the Company.
3. None of the employee employed for part of the year was in receipt of remuneration in the aggregate of not less than Rs. 1,00,000/- p.m.
4. All appointments are contractual.

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CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

Corporate Governance over the years, has attained great importance and the Company views its observance as a tool to make its operations more and more transparent. The Company is already following most of the principles and practices of Corporate Governance and endeavours to improve its focus wherever desirable.

2. Board of Directors

The Board of Directors of the Company presently comprises of seven directors of which six are non-executive including the Chairman Emeritus and the Chairman. Three directors are 'Independent' directors.

The particulars of each Director are as follows :

Sl. No.	Name	Title	Category	No. of Meetings	
				Held	Attended
1.	Shri L.N. Jhunjhunwala	Chairman Emeritus	Promoter - Non-Executive	4	0
2.	Shri Ravi Jhunjhunwala	Chairman	Promoter - Non-Executive	4	4
3.	Shri Shekhar Agarwal	Director	Promoter - Non-Executive	4	4
4.	Shri R. N. Gupta	Managing Director	Non-Promoter - Executive	4	4
5.	Shri Santosh Bagrodia	Director	Independent - Non-Executive	4	1
6.	Shri A. K. Ghose	Director	Independent - Non-Executive	4	4
7.	Dr. P. K. Hari	Director	Independent - Non-Executive	4	4

The Meetings of the Board of Directors, during the financial year 2000-2001 were held on 28th April, 2000, 28th July, 2000, 31st October, 2000 and 24th January, 2001.

The last Annual General Meeting of the Company was held on Monday, the 28th August, 2000 and was chaired by Shri R. N. Gupta, Managing Director of the Company.

3. Audit Committee

The Audit Committee of the Board of Directors has been constituted in accordance with the prescribed provisions. The Audit Committee comprises of three Directors all of whom are non-executive and two of them are independent Directors. The Audit Committee comprises of following Directors :

1. Shri Shekhar Agarwal
2. Shri A. K. Ghose
3. Dr. P. K. Hari

The broad terms of reference of Audit Committee are in accordance with the prescribed provisions as set out in the Listing Agreement.

4. Remuneration Committee

The remuneration of Managing Director is decided by the Board of Directors without the presence of the Managing Director. The Company does not pay any remuneration to its non-executive Directors apart from sitting fee to them for attending the meetings of the Board or any Committee thereof.

The aggregate value of salary and perquisites for the financial year 2000-2001 to Shri R. N. Gupta, Managing Director is Rs.14.31 lakhs.

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