



PROUD TO BE INDIAN.
PRIVILEGED TO BE GLOBAL.

Commitment to Quality



Certified True Copy
For Bhilwara Spinners Ltd.

T. Mishra

Company Secretary

Bhilwara Spinners Limited
Annual Report 2002 - 2003

JOURNEYING INTO A BRIGHT FUTURE

"Our vision is to forge ahead in the new millennium with an immediate sense of purpose... and to be seen as the undisputed leader, fully equipped to deliver the best, across the diverse spectra of our many businesses, fuelled by a commitment to invest in plants, machinery, processes and, most importantly, our people – Team Bhilwara; all towards satisfying and fulfilling our customer's needs in today's globally competitive environment."

Shekhar Agarwal
Group Vice Chairman

Ravi Jhunjunwala
Group Chairman



The UNJ Bhilwara Group is renowned for its speed, efficiency and superior quality. Achieving global standards is possible due to a conducive environment, where the team gives its very best.

As such, an Oyster that produces a magnificent pearl, represents this very ambience, symbolising the many products manufactured by the Group. The use of a globe as a pearl epitomises international quality in every product, and the Group's global presence, while the dynamic orbit represents a vibrancy and enthusiasm that is inherent within Team Bhilwara.



GROUP SALIENT FEATURES

The LNJ Bhilwara Group, founded in 1961 by the Chairman - Emeritus, Mr. L.N. Jhunjhunwala, is a business group with a global presence.

It has risen to become one of the largest business firms in the Indian federation, with over 20,000 employees and 17 production units positioned at strategic locations across the country.

It actively seeks growth and profitability by investing in a variety of systematically identified businesses making it a multi-product conglomerate with interests in a range of industries such as textiles, graphite electrodes, power generation, power consultancy services, sponge iron, information technology and IT enabled services.

Following the success of its earlier HEP project of 15 MW at Tawa Nagar (M.P) in 1997, the Group has commissioned, India's first IPP hydroelectric Malana Power Project of 86 MW in a record time of 30 months at Kullu (H.P), in July, 2001 and is set to commence work on 200 MW Allain-Duhangan Hydro Electric Project at Manali (H.P.).

The Group has the largest integrated Graphite Electrodes manufacturing plant in South East Asia and products selling to the major steel plants in the world. Graphite exports constitute 80% of total sales volume.

The Group export earnings comprise as much as 46% of the group's turnover of Rs. 1727 crores during 2002-2003.

The Group launched an innovative & eco-friendly range of yarn & fabric. In recent times, it has also emerged as the leading supplier of specialised Automotive fabric to all key automobile companies in India.

The Group has been servicing world class customers and several leading global brands for their knitted garments.

The domestic brands, Mayur Suitings, BSL Suitings, La Italia Fashions, Buddy Davis Leisurewears and Geoffrey Hammond superfine suitings have a long and prosperous association in India.

Fulfilling its promise of giving its customers the highest level of quality and world-class products has led to the Group receiving coveted top export awards in different fields for several years in a row.

The Group companies have also been awarded IS/ISO 9001:2000 certification for their continuous exemplary quality standards.

GROUP FINANCIAL HIGHLIGHTS

(Rs. in Crores)

PARTICULARS	2001-2002	2002-2003
Turnover	1682	1727
Export Sales	767	784
PBDT	158	186
PBT	50	73
PAT	41	63
Gross Fixed Assets	1899	1929
Net Worth	695*	729

* Net Worth had declined due to deferred tax liability fund of Rs. 141 crores, created out of net worth.

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**BHILWARA SPINNERS LTD.****FINANCIAL HIGHLIGHTS**

(Rs. in Lacs)

PARTICULARS	2000-2001	2001-2002	2002-2003
Turnover	10893.08	9795.82	10079.01
Expenses	4154.50	3772.95	4170.59
EBITDA	778.39	846.29	749.86
Interest	871.47	793.76	729.54
PBDT	(98.12)	54.53	20.32
Depreciation	326.75	331.73	333.56
Taxation	-	14.05	96.42
PAT	(424.87)	(291.25)	(409.66)
Net Worth	1137.46	25.76	433.69
Capital Expenditure	28.59	107.02	85.90
Book Value per Share (Rs.)	16.76	0.38	6.39



BHILWARA SPINNERS LTD.

BOARD OF DIRECTORS

Shri L. N. Jhunjhunwala, Chairman Emeritus
 Shri Ravi Jhunjhunwala, Chairman
 Shri R. N. Gupta, Managing Director
 Shri Shekhar Agarwal, Director
 Shri A. K. Ghose, Director
 Dr. P. K. Hari, Director
 Shri Santosh Bagrodia, Director

BANKERS

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

AUDITORS

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

KEY EXECUTIVES

Shri Nirmal Kumar Jain, Vice President
 Shri R. S. Acharya, Vice President (P & A)

REGISTERED OFFICE & WORKS

26, Industrial Area,
 Bhilwara - 311 001, Rajasthan

COMPANY SECRETARY

Shri Manoj Prasad Singh

CORPORATE OFFICE

Bhilwara Towers,
 A-12, Sector-1,
 Noida - 201 301 (U.P.)

**BHILWARA SPINNERS LTD.**

DIRECTORS' REPORT

To The Members,

The Directors of your Company have pleasure in presenting the 22nd Annual Report along with audited statements of accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

(Rs. in Crores)

	This Year	Previous Year
Total Turnover		
– Export	41.71	37.78
– Domestic	59.08	60.18
Total	100.79	97.96
Profit/(Loss) before Depreciation	0.20	0.55
Depreciation	3.34	3.32
Profit/(Loss) before Tax	(3.14)	(2.77)
Provision for Income Tax		
– Current Tax	–	–
– Deferred Tax	0.96	0.14
Profit/(Loss) after Tax	(4.10)	(2.91)
Balance brought forward	(10.68)	(11.00)
Adjusted against the General Reserve to the extent available	8.11	3.23
Balance carried forward	(6.67)	(10.68)

OPERATIONS

During the period under review, the operations of the Company continued to suffer mainly on account of recessionary conditions coupled with increase in raw material and HFO cost. The operations were further affected due to illegal strike by the workers for a period of 11 days followed by partial working during the period. There was a loss of production of 338 MT due to strike and disruption of work resulting in a loss in contribution of about Rs.109 Lacs.

The Government of Rajasthan passed an order on 13th July, 2002 imposing ban on strikes under Section 10K of the Industrial Disputes Act, 1948 which has resulted in a resumption of the operations of the unit. The management is making all efforts to further improve the industrial relations at plant to achieve overall operational efficiency which has adversely affected the profitability of the Company consistently in the past few years.

During the financial year under review, the Company produced 8977 MT and exported 3820 MT of yarn against production of 8876 MT and export of 3520 MT of yarn in the previous financial year. The Company recorded a higher turnover of Rs.100.79 Crores during the year against turnover of Rs.97.96 Crores in the previous year. The exports were also higher at Rs.41.71 Crores against last year exports of the value of Rs.37.78 Crores.

In line with the past practice, your Directors continued to take necessary steps for improving product-mix, reducing costs and rationalizing the workforce. This had a positive impact during the year.

Your Directors wish to inform that as per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985, the Company had informed the Board for Industrial and Financial Reconstruction about accumulated losses resulting in erosion of more than 50% of the peak net worth.

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 prolonged recessionary trends in global market had an adverse affect on the exports of yarn from India. The domestic market had been sluggish because of over-capacity in spinning and weaving. Polyester prices and power cost being high in India, the Indian textile industry will have to meet challenges of the competing countries.

The agitation by powerloom sector and traders due to introduction of 'CENVAT' followed by the Transporters' Strike will have an adverse effect on the performance of the textile industry.

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 Company's focus on training and development has yielded good results and workers are responding to the need of improving skills, efficiency and quality. Industrial relations have been satisfactory.

The Company had employee strength of approximately 1940 persons at the end of financial year.

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, 2003 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 proper internal control systems which are further strengthened by regular periodic audits conducted by independent auditors.

DIRECTORS

Shri A. K. Ghose and Dr. P. K. Hari, Directors retire by rotation and being eligible, offer themselves for re-appointment.

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 place and are self-explanatory.

ACKNOWLEDGEMENTS

The Directors express their appreciation to Financial Institutions, Bankers, State and Central Government for their help and cooperation. The Directors also wish to thank the customers of the Company for their cooperation and continued support.

For and on behalf of the Board

Place : Noida (U.P.)

Date : 25th July, 2003

Ravi Jhunjunwala
Chairman

COMMUNITY SERVICE

LNJ Bhilwara Group is fully committed to the development of the communities at large. It has provided support to the communities both financial as well as through its voluntary activities in various areas such as education, cultural/social/religious activities, medical aid and relief work. It has always provided employment opportunities to adjoining communities and thus contributed in supporting the weaker sections of the society. Over the years, the group has provided financial contribution and other support to various philanthropic organisations like Lions Club, Rotary Club and others.

The Group had recently donated a sum of Rs. 51 lakhs to the Himachal Pradesh Government for providing protection to the bank of River "Parbati" at village Manikaran (HP) and to facilitate development of the local area.

The Group donated a sum of Rs. 21 lakhs to Rama Krishna Mission towards re-construction of the "Vivekanand Vidya Mandir Middle School" building at Limbdi, Taluka – Limbdi, Dist. Surendra Nagar (Gujarat) as part of the Gujarat Earthquake Rehabilitation Project. It also donated Rs. 13.5 lakhs to Shri Swami Vivekanand Trust for the rehabilitation of Shri Saraswati Shishu Mandir at Adipur, Kutch.

The Group has recently donated Rs. 11 lakhs for setting up a Blood Bank in the first Private hospital coming up at Bhilwara.

Bhilwara Spinners Ltd, a Company of LNJ Bhilwara Group, is fully aware of its responsibilities towards the society and has helped voluntary organizations, educational institutions, hospitals, district administration etc in the service to the society, particularly the back-ward and tribals districts of Rajasthan.

The following works taken up by the Company towards services to the community and society :-

Drought Relief : The State of Rajasthan faced acute drought conditions during the year. To help the State Govt in providing relief to the drought hit people, the Company donated a sum of Rs. 3.73 lacs to the Chief Minister Drought Relief Fund.

Education : The Company had contributed towards the LNJ Bhilwara Group providing funds for construction of the building of MLV Textile Institute, Bhilwara. They have also been actively involved in providing assistance to Badhir Bai Kalyan Vikas Samiti, Bhilwara, who are running Sur Nilyam Andh Vidyalaya and Mukh Badhir Vidyalaya.

Health & Hygiene : The Company has always provided assistance to the poor by way of donations to NGO's and hospitals. A lift costing Rs. 13 lacs was donated by the Company to Mahatma Gandhi Hospital, Bhilwara.

Sports, Cultural & Religious activities : The Company is regularly sponsoring local cultural and sports activities as well as religious festivals.

Drinking Water : The Company contributed in providing free water in Bhilwara to overcome the drinking water problem.

Environmental Development : The Company is conscious of its responsibility towards creating, maintaining and ensuring a safe, clean and green environment. The Company has been continuing to plant trees in and around its plant to improve the greenery and ecology.



BHILWARA SPINNERS LTD.

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

		This Year	Previous Year
(A) POWER AND FUEL CONSUMPTION			
1. Electricity			
(a) Purchased units	(No.)	1574892	1470408
Total Amount	(Rs.)	7661937	7226198
Rate per unit	(Rs.)	4.87	4.91
(b) Own generation			
Through Diesel Generator units	(No.)	1008113	2205779
Units per litre of Diesel/Oil	(No.)	3.26	3.18
Cost per unit	(Rs.)	4.65	5.69
Through Furnace Oil Generator units	(No.)	30492942	29053685
Units per litre of Furnace Oil/Diesel	(No.)	4.21	4.08
Cost per unit	(Rs.)	2.63	2.44
2. Coal			
Quantity	(M.T.)	1171	1470
Total Cost	(Rs.)	3050448	3549355
Average Rate/M.T.	(Rs.)	2604.99	2414.53
3. Furnace Oil			
Quantity	(Ltr.)	7238982	7116420
Total Cost	(Rs.)	80040323	63694905
Average Rate/ltr.	(Rs.)	11.06	8.95
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)	89.77	88.76
2. Electricity Consumption			
Blended yarn	(unit/kg)	3.69	3.69
3. Coal Consumption			
Blended yarn	(MT/kg)	0.130	0.166



II. TECHNOLOGY ABSORPTION

1. RESEARCH AND DEVELOPMENT

The Company has a 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 year foreign exchange of Rs.39.03 crores at FOB price against an outgo on CIF basis of Rs.3.77 crores compared to previous period foreign exchange earning of Rs.35.49 crores and outgo of Rs.2.15 crores.

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER 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 year ended on 31st March, 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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 abovementioned Listing Agreement.

We state that 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

Place : New Delhi
Date : 25th July, 2003

Naveen Aggarwal
Partner