



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL



A Vision for Excellence

Bhilwara Spinners Limited

Annual Report 2003-2004

A Mission of Purpose

We will

Work purposefully and diligently towards achieving a position of undisputed leadership.

Leverage our core strengths to provide the best quality products.

Constantly be vigilant, always looking for new and innovative opportunities to create enhanced value for our shareholders and human resource bank.

Never falter in our progress to the top, and will always go forth with enthusiasm.

We are Team Bhilwara.

A Vision for Excellence



The LNJ Bhilwara Group is looking forward to forging ahead in the new millennium and be seen as the undisputed leader, fully equipped to deliver the best, across the diverse spectra of their businesses. The Company has innovative expansion plans in various fields of their business fuelled by a commitment to invest in Plants, Machinery and Processes. This will help the Company to fulfill the customer's need in today's globally competitive environment.



GROUP SALIENT FEATURES

Founded in 1961, the LNJ Bhilwara Group today, is a Rs. 1815 crore, with a strong global presence. **Lead by the Founder & Chairman-Emeritus, Mr. L.N. Jhunjhunwala**, the business Group is one of the largest firms in the Indian corporate world with over 20,000 employees and **17 production units positioned at strategic locations across the country.**

The Group export earnings comprise as much as 45% of the Group's turnover of Rs.1815 crores during 2003-04. The Group is a well-diversified conglomerate. 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 and IT enabled services.**

The textile division of the Group is not only a key player of the Industry but also has many firsts to its credit. They produce a unique fire retardant yarn called Trevira and also are the sole licensees for the specialized Tencel. The Group has time and again been acknowledged for world-class quality products for the domestic market such as **Mayur Suitings, BSL Suitings, La Italia Fashions, Buddy Davis Leisurewears and Geoffrey Hammonds superfine suitings.** At the same time, their services to several leading global brands for the knitted garments have been recognized in the form of top export awards in different fields for several years in a row.

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 70% of total sales volume. **HEG an integral part of the Group is all set to undertake a Rs 450 crore expansion plan to tap opportunities in the export market. The expansion of the Mandideep plant would double the capacity from 30,000 MT per annum to 60,000 MT per annum.**

Following the success of its earlier HEP Project of 15 MW at Tawa Nagar (MP) 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 (HP), in July, 2001 **and is set to commence work on 200 MW Allain-Duhangan Hydro Electric Project at Manali (HP).**

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	2002-2003	2003-2004
Turnover	1727	1815
Export Sales	784	792
PBIDT	288	259
PBDT	186	201
PBT	73	81
PAT	62	72
Gross Fixed Assets	1929	1953
Net Worth	729	768

CONTENTS

Directors' Report	4
Community Service	5
Annexure to the Directors' Report	6
Corporate Governance	8
Shareholders' Information	10
Auditors' Report	12
Balance Sheet	14
Profit & Loss Account	15
Schedules & Notes	16
Cash Flow Statement	28

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

(Rs. in Lacs)

PARTICULARS	2001-2002	2002-2003	2003-2004
Turnover	9795.82	10079.01	10954.26
Exports	3777.95	4170.59	4569.12
PBIDT	848.29	749.86	570.58
Interest	793.76	729.54	652.35
PBDT	54.53	20.32	(81.77)
Depreciation	331.73	333.56	337.36
Taxation	14.05	96.42	(121.48)
PAT	(291.25)	(409.66)	(297.65)
Net Worth	25.76	433.69	136.04
Capital Expenditure	107.02	85.90	218.22
Book Value per Share (Rs.)	0.38	6.39	2.00



BHILWARA SPINNERS LIMITED

Regd. Office : 26, Industrial Area, Bhilwara - 311 001, Rajasthan

NOTICE

Notice is hereby given that the twenty third Annual General Meeting of the Members of the Company will be held on Monday, the 27th day of September, 2004 at 3:30 P.M. at the Registered Office of the Company at 26, Industrial Area, Bhilwara - 311 001, Rajasthan, to transact the following Business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the period ended on that date and Report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri L.N. Jhunjhunwala who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Shekhar Agarwal who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration and for that purpose to consider and if thought fit, to pass, with or without modifications the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956 and other applicable provisions, if any, for the time being in force, M/s. K. S. Mehta & Co., Chartered Accountants, New Delhi, the retiring Auditors of the Company be and are hereby reappointed as Auditors of the Company to hold office from conclusion of this meeting until the conclusion of next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors plus out of pocket expenses as may be incurred by them for the purpose of Audit."

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT

- a) pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII the approval of the Members be and is hereby accorded to the appointment of Shri R. N. Gupta, as Managing Director of the Company with effect from 1st April, 2004 on the remuneration as set out in the Explanatory Statement annexed hereto for a period of three years.
 - b) The Board of Directors of the Company be and is hereby also authorised to :
 - i) Agree to such increase or decrease or variations, modifications or amendments in the terms of remuneration set out in Explanatory Statement annexed hereto as considered reasonable by the Board and acceptable to Shri R. N. Gupta.
 - ii) Take all such steps and actions as may be considered necessary by the Board for the purpose of implementing this resolution."
6. To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :
- "RESOLVED THAT Shri M. K. Doogar who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956, and Article 88 of the Articles of Association of the Company and who holds office as such upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs.500/- (Rupees five hundred only) under the provisions of Section 257 of the

Companies Act, 1956, from a member proposing the candidature of Shri M. K. Doogar for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 31 & 310 of the Companies Act, 1956, Article 90 of the Articles of Association of the Company be substituted by the following :

90. Unless otherwise determined by the Company in General Meeting each Director of the Company other than a Managing or Whole time Director shall be entitled to receive out of the funds of the Company for his services in attending each meeting of the Board or a Committee of the Board such sum as fee as may from time to time be determined by the Board of Directors but not exceeding such sum as may from time to time be prescribed by or under the Act and applicable to the Company. All other remuneration, if any, payable by the Company to each Director, whether in respect of his services as a Managing Director or a Director in the whole or part time employment of the Company or otherwise shall be determined in accordance with and subject to the provision of these Articles and of the Act. The Directors shall be entitled to be paid their reasonable traveling and hotel and other expenses incurred in consequence of their attending at Board and committee meeting or otherwise incurred in the execution of their duties as Directors."

8. To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for creation of such mortgages and charges in addition to the existing mortgages and charges and hypothecations created by the Company as the Board may direct on the assets of the Company both present and future and the whole of the undertaking of the company or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of the consortium banks viz.

- (i) State Bank of Bikaner and Jaipur for Rs. 245 Lacs,
- (ii) State Bank of Patiala for Rs. 225 Lacs,
- (iii) Bank of Baroda for Rs. 160 Lacs, and
- (iv) Bank of Rajasthan for Rs. 70 Lacs

against Working Capital Term Loan sanctioned by them, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and other monies payable by the Company to the referred banks under the Loan Agreements entered into by the Company in respect of the said borrowings."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the consortium banks the documents for creating the aforesaid mortgage and/or charges and to do all such acts and things as may be necessary for giving effect to the above resolution."

By Order of the Board
For Bhilwara Spinners Limited

Place : Noida (U.P.)
Dated : 20th August, 2004

Manoj Prasad Singh
Company Secretary



BHILWARA SPINNERS LTD.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than forty eight hours before the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of business under item Nos. 5, 6, 7 and 8 and relevant details in respect of item Nos. 2, 3, 5 and 6 pursuant to Clause 49 of the Listing Agreement are annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20th September, 2004 to 27th September, 2004 (both days inclusive).
4. Members are requested to:
 - (i) Quote their folio number in all correspondence with the Company.
 - (ii) Notify immediately to the Company all changes with respect to their bank details, mandate, nomination, Power of Attorney and Change of Address. Members holding Shares in electronic form should send their requests regarding the same to their respective Depository Participants.
5. Members seeking any information/ clarification with regard to accounts and audit are requested to write to the Company at an early date, to reach the Company at least seven days prior to the date of meeting, so as to enable the Management to keep the information/ clarification ready.
6. Members who are holding Company's shares in electronic form are required to bring details of their Depository Account Number for identification.
7. In accordance with the provisions of Section 205A of the Companies Act, 1956, the Dividend remaining unclaimed for seven years is required to be transferred to the Investor Education and Protection Fund. Accordingly, the Shareholders who have not encashed the Dividend warrants so far for the financial year ended 31st March, 1997 and the last declared Dividend, i.e., for the financial year ended 31st March, 1998 are requested to make their claims to the Company.

Members may please note that the unclaimed dividends for the financial years 1994-95 and 1995-96 have already been transferred to the Investor Education and Protection Fund. No claims for dividends can be made for these years.

Unclaimed/Unpaid Dividend for the financial year 31st March, 1994 has been transferred to General Revenue Account of the Central Government in accordance with the earlier requirements. The Shareholders who have so far not claimed or collected their Dividend of the aforesaid financial year may claim their Dividend from the Registrar of Companies, Rajasthan, Kartarpura Industrial Area, Jaipur, Rajasthan.

ANNEXURES TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5

The term of appointment of Shri R. N. Gupta as Managing Director expired on 31st March, 2004. Keeping in view rich experience and vast expertise in Textiles of Shri R. N. Gupta, the Board of Directors in their meeting held on 29th January, 2004 re-appointed him as

Managing Director for a further period of three years commencing from 1st April, 2004 at remuneration and terms in accordance with the Companies Act, 1956 and Schedule XIII thereto. The terms of remuneration have also been approved by the Remuneration Committee of the Board of Directors as per the requirement of the Companies Act, 1956 read with Schedule XIII. The terms and conditions of his appointment are as under :

1. Salary : Rs. 1,12,500/- per month with annual increase of Rs. 7,500/- thereafter.
2. Commission : Not more than 1% of the net profits of the Company as computed in the manner laid down in Section 309(5) of the Companies Act, 1956.
3. Perquisites : In addition to salary and commission Shri R. N. Gupta shall be entitled to the following perquisites :

Category 'A'

- i) Housing :
 - a) The expenditure incurred by the Company on hiring unfurnished accommodation for him shall be subject to a ceiling, namely (for residence in Delhi/outside Delhi), 60% of the salary, over and above 10% payable by him, or
 - b) In case the accommodation is owned by the Company 10% of the salary shall be deducted by the Company, or
 - c) In case no accommodation is provided by the Company, a house rent allowance subject to a ceiling laid down in (a) above shall be paid.

The expenditure incurred by the Company on Gas, Electricity, Water and furnishing shall be valued as per Income Tax Rules, 1962 and will be subject to a ceiling of 10% of the salary.

- ii) Medical Reimbursement :
Expenditure incurred for the Managing Director and his family, subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
- iii) Leave Travel Concession :
For the self and family once in a year incurred in accordance with the rules specified by the Company.
- iv) Club fees :
Fees for clubs subject to maximum of two clubs will be allowed. This will not include admission and life membership fees.
- v) Personal Accident Insurance :
Of an amount, the annual premium of which not to exceed Rs.10,000/-.

For the purpose of this category "family" means the spouse, the dependent children and dependent parents.

Category 'B'

- i) Provident Fund :
Company's contribution to Provident Fund shall be as per the scheme of the Company.
- ii) Superannuation/Annuity Funds :
Company's contribution to Superannuation/Annuity fund shall be in accordance with the scheme of the Company.



iii) Gratuity :

As per the rules of the Company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service.

Category C

i) Car :

Provision of car for use on Company's business. Use of car for private purpose shall be billed by the Company.

ii) Telephone :

Telephone at residence. Personal long distance calls be billed by the Company.

Minimum Remuneration

Notwithstanding anything to the contrary hereinabove contained, where, in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or has inadequate profits, the Company will pay remuneration to the Managing Director by way of salary, perquisites and allowances not exceeding the sum specified in Section II of Part II of the Schedule XIII of the Companies Act, 1956.

The reappointment of Shri R.N. Gupta as Managing Director of the Company and payment of remuneration to him requires the approval by the Company in general meeting in accordance with the relevant provisions of the Companies Act, 1956 read with Schedule XIII to the said Act. The resolution set out in the notice is intended for this purpose. The Board recommends the resolution for approval of the members.

None of the directors of the Company, except Shri R. N. Gupta himself is interested in this resolution.

Item No. 6

Shri M. K. Doogar was co-opted as an Additional Director of the Company with effect from 31st July, 2004 and ceases to hold office from the date of Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 88 of the Articles of Association of the Company. He has rich knowledge and experience in the field of Corporate matters and Merchant Banking. Notice under Section 257 of the Companies Act, 1956 has been received along with a security deposit of Rs.500/- from a member of the Company signifying his intention to move the resolution as set out in Item No. 6 of this notice.

Your Directors recommend the resolution for approval.

None of the Directors of the Company, except Shri M. K. Doogar, is concerned or interested in this resolution.

Item No. 7

The Company proposes to amend the Articles of Association of the Company to authorise the Board of Directors to determine the sitting

fee payable to the Directors from time to time within limits prescribed by the Companies Act, 1956.

Article 90 is proposed to be substituted to give effect to the above proposal. In terms of Section 31 of the Companies Act, 1956, Articles of Association can be amended by special resolution of the members of the Company.

The members are requested to approve the resolution as Special Resolution.

All the Directors, except Shri R.N. Gupta, Managing Director may be deemed to be interested in the said resolution to the extent of sitting fee being received by them.

Item No. 8

The Company has approached the Consortium Banks viz. State Bank of Bikaner and Jaipur, State Bank of Patiala, Bank of Baroda and Bank of Rajasthan for financial assistance in the form of Working Capital Term Loan of Rs. 700 Lacs to augment the Company's net working capital. The referred financial assistance from the Consortium Banks is to be secured by mortgage/charge of the assets of the Company both present and future.

Section 293(1)(a) of the Companies Act, 1956, provides inter alia that the Board of Directors of the Company shall not, without the consent of members of Company in general meeting sell, lease or otherwise dispose of the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its assets as aforesaid in favour of the Consortium Banks may be regarded as disposal of Company's properties/undertaking, it is necessary for the Company's members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copy of sanction letters received from the Consortium Banks and copies of relevant documents/ correspondence are open for inspection at the Registered Office of the Company during the office hours on any working day prior to the date of meeting.

Your Directors recommend the resolution for approval.

None of the Directors of the Company is concerned or interested in the resolution.

By Order of the Board
For Bhilwara Spinners Limited

Place : Noida (U.P.)
Dated : 20th August, 2004

Manoj Prasad Singh
Company Secretary



BHILWARA SPINNERS LTD.

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING

(In pursuance of Clause 49 of the Listing Agreements)

Name of Director	Shri L. N. Jhunjhunwala	Shri Shekhar Agarwal	Shri R. N. Gupta	Shri M. K. Doogar
Date of Birth	17th October, 1928	9th October, 1952	5th August, 1939	1st July, 1951
Date of Appointment	21st September, 1991	27th November, 1992	24th December, 1988 (Managing Director w.e.f. 1st April, 1989)	31st July, 2004
Qualification	B.A. Maths (Hons) - Gold Medalist, Calcutta University	B. Tech(Mech.) IIT, M.Sc. (Chicago)	Diploma in Textile Technology	B.Com, FCA, Member of Institute of Internal Auditors
Expertise in specific functional areas	Renowned industrialist with wide experience and diversified business interest	Industrialist with a rich business experience and well-known name in Textile Industry	Expertise in Textiles	Well known expert in the field of Company law, Merchant Banking and SEBI matters
List of Public Companies in which Directorships held	<ol style="list-style-type: none"> 1. Rajasthan Spinning & Weaving Mills Ltd. 2. Maral Overseas Ltd. 3. HEG Ltd. 4. Malana Power Company Ltd. 5. Deepak Spinners Ltd. 6. Indo Canadian Consultancy Services Ltd. 7. LNJ Financial Services Ltd. 	<ol style="list-style-type: none"> 1. Rajasthan Spinning & Weaving Mills Ltd. 2. Maral Overseas Ltd. 3. HEG Ltd. 4. BSL Ltd. 5. Essay Marketing Company Ltd. 6. BSL Wulfin Ltd. 7. Malana Power Company Ltd. 8. Bhilwara Infotech Ltd. 9. LNJ Bhilwara Textile Anusandhan Vikas Kendra 	BSL Ltd.	<ol style="list-style-type: none"> 1. Doogar & Associates Ltd. 2. Chartered Capital & Investment Ltd. 3. Doogar & Associates Securities Ltd. 4. Integrated Capital Services Ltd. 5. Bhilwara Processors Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Nil	<ol style="list-style-type: none"> 1. Audit Committee - Member 2. Shareholders/Investors Grievance Committee - Chairman 	Shareholders/Investors Grievance Committee - Member	<ol style="list-style-type: none"> 1. Audit Committee - Member 2. Remuneration Committee - Member
Chairman/Member of the Committees of Directors of other Companies				
a) Audit Committee	<ol style="list-style-type: none"> 1. Rajasthan Spinning & Weaving Mills Ltd. - Member 2. Maral Overseas Ltd. - Member 	Malana Power Company Ltd. Member	BSL Ltd. - Member	Integrated Capital Services Ltd. - Chairman
b) Shareholders/Investors Grievance Committee	Nil	<ol style="list-style-type: none"> 1. Rajasthan Spinning & Weaving Mills Ltd. - Member 2. Maral Overseas Ltd. - Member 	Nil	Nil
c) Remuneration Committee	Nil	Nil	BSL Ltd. - Chairman	Nil



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
 Shri Santosh Bagrodia, Director
 Shri M. K. Doogar, 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, Chief Operating Officer
 Shri R. S. Acharya, Vice President (P & A)
 Shri P. P. Dasgupta, Vice President (Tech.)

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 (NCR-Delhi)



DIRECTORS' REPORT

To The Members,

The Directors of your Company have pleasure in presenting the 23rd Annual Report along with audited statements of accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

(Rs. in Crores)

	This Year	Previous Year
Total Turnover		
– Export	45.69	41.71
– Domestic	63.85	59.08
Total	109.54	100.79
Profit/(Loss) before Depreciation	(0.82)	0.20
Depreciation	3.37	3.34
Profit/(Loss) before Tax	(4.19)	(3.14)
Provision for Income Tax		
– Current Tax	–	–
– Deferred Tax	(1.21)	0.96
Profit/(Loss) after Tax	(2.98)	(4.10)
Balance brought forward	(6.67)	(10.68)
Adjusted against the General Reserve to the extent available	–	8.11
Balance carried forward	(9.65)	(6.67)

OPERATIONS

The operations of the Company for the period under review have suffered due to lower margins and higher cost of inputs. The Company during the year achieved higher turnover of Rs.109.54 crores against Rs.100.79 crores in previous year. The Exports were higher at Rs.45.69 crores against Rs.41.71 crores in previous year. The Company produced 9115 Tons of yarn and exported 4137 Tons against production of 8977 Tons and export of 3820 Tons in 2002-03.

In the first quarter of the year, Domestic demand for yarn was severely affected due to protest by weavers on account of implementation of the CENVAT chain in textile industry. Therefore, the yarn prices were under pressure and profitability during April-June quarter was adversely effected. Thereafter, there has been improvement in the demand but the increase in raw material price could not be fully absorbed in yarn prices.

Your Directors continued to take necessary steps for improving product mix, reduction in operating cost, interest cost and rationalisation of workforce.

Your Directors wish to inform that as per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985, the Company had informed Board of Industrial & Financial

Reconstruction about accumulated losses resulting in erosion of more than 50% of the peak net worth.

RESTRUCTURING OF TERM LOANS

Pursuant to the Debt Restructuring package for Textile Industry announced by the Government of India, IDBI has restructured and reduced the rate of interest on their term loan of Rs. 2000 lacs to 9 percent per annum with effect from 1st January, 2004. Restructuring of term loans from Banks on the similar lines is being pursued. Resultantly, there will be substantial saving in finance cost in the ensuing years which will go a long way in revival of the Company.

DIVIDEND

Your Directors do not recommend any Dividend on the Equity Shares in view of the losses incurred by the Company.

INDUSTRY SCENARIO

Your Directors wish to state that with the opening-up of Indian Economy and phasing out of quantitative restrictions on import of textile products by developed countries coming to an end by the end of current calendar year, the Indian Textile Industry stands on a very positive side. Though the competition in the international market from countries like China, Pakistan, Indonesia, Thailand etc. cannot be underestimated, Indian Industry is on a better footing due to its capability to deliver quality products. Your Company being a constituent of this Industry, is also on the positive side since Exports of your Company is on increasing trend and more than 40% of its revenue is coming from Exports mainly to European Market.

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 industrial relations have been cordial during the period under review. The labour unrest had been overcome and peace could be restored resulting in no loss of man-days in this financial year. The Company has introduced programmes for training and development of skills of the employees. The employee strength at the end of financial year was approximately 1809.

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, 2004 and of the profit or loss of the Company for