



50TH ANNUAL REPORT

1998-99



BIRLA VXL LIMITED
DIGJAM OCM

**BOARD COMMITTEES**

AUDIT COMMITTEE
DIRECTORS COMMITTEE
SHARE AND DEBENTURE COMMITTEE

PRINCIPAL OPERATING DIVISIONS

DIGJAM WOOLLEN MILLS, Jamnagar
OCM WOOLLEN MILLS, Amritsar
UNIVERSAL CLOTHING, Faridabad

BANKERS

UCO BANK
BANK OF INDIA
BANK OF AMERICA
BANK OF BARODA
PUNJAB NATIONAL BANK
PUNJAB & SIND BANK
STATE BANK OF INDIA
STATE BANK OF SAURASHTRA
STANDARD CHARTERED BANK
UNION BANK OF INDIA

AUDITORS

LODHA & CO.
Chartered Accountants,
14, Government Place East,
Calcutta 700 069

CORPORATE OFFICE

VXL House,
F-45, N.D.S.E. Part I,
New Delhi 110049

REGISTERED OFFICE

Aerodrome Road,
Jamnagar 361006

DIRECTORS

S.K. BIRLA, Chairman
A. N. LALBHAI
SIDHARTH BIRLA, Vice-Chairman
R. K. CHOUDHURY
DR. S. GANGULY
N. L. HAMIRWASIA
T. HANAMAKI
A. C. MUKHERJI
D. F. PATEL
V. J. PABARI
K. V. UNNI
B. RATHKE
C. L. GOSWAMI
C. L. RATHI

EXECUTIVES

B. RATHKE
President & Managing Director
C. L. GOSWAMI
Executive Director
C. L. RATHI
Executive Director
J. P. AGRAWAL
President (Group Finance)
B. S. CHANDIRAMANI
President (International Division)
M. K. GOENKA
Joint President (Digjam Woollen Mills)
D. P. GOENKA
Joint President (OCM Woollen Mills)
A.K. SHRIVASTAVA
Chief Executive Officer
(Universal Clothing)
U. C. JAIN
Vice-President (Legal)
GIRISH BHATIA
Secretary

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BIRLA VXL LIMITED

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Fiftieth Annual General Meeting of the Members of the Company will be held on Thursday, the 30th December, 1999 at 10.30 a.m. at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006, to transact the following business :

1. To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the year ended 30th June, 1999.
2. To confirm payment of Interim Dividend on Preference Shares redeemed during the year ended 30th June, 1999.
3. To appoint Directors in place of Sarvashri S. K. Birla, R.K. Choudhury, N.L. Hamirwasia and C.L. Goswami, who retire from office by rotation and being eligible, offer themselves for re-election.
4. To appoint Auditors and fix their remuneration and for the purpose, to consider and if thought fit, to pass with or without modification the following resolution, which will be proposed as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s Lodha & Co., Chartered Accountants, Calcutta, be and are hereby re-appointed Auditors of the Company, to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following resolutions :

5. 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 mortgaging and/or charging by the Board/Committee of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of all or any of the following viz. :

- i. Industrial Development Bank of India (IDBI) ;
- ii. ICICI Ltd. (ICICI) ;
- iii. The Industrial Finance Corporation of India Ltd. (IFCI) ;
- iv. ICICI Ltd. as Trustees for Debentureholders ;
- A. to secure Rupee Term Loans, Corporate Loans, Secured Redeemable Privately Placed Debentures in the manner and to the extent set out below, subject to such modifications as might be agreed amongst the participants mentioned above :
 - i. Rupee Loan not exceeding Rs. 2200 lacs lent and advanced/agreed to be lent and advanced by IDBI to the Company;
 - ii. Corporate Loan not exceeding Rs. 2500 lacs lent and advanced/agreed to be lent and advanced by ICICI to the Company;
 - iii. Rupee Loan not exceeding Rs. 197 lacs lent and advanced/agreed to be lent and advanced by ICICI to the Company;
 - iv. Rupee Term Loan not exceeding Rs. 700 lacs lent and advanced/agreed to be lent and advanced by IFCI to the Company;
 - v. Subscription to Privately Placed Secured Redeemable Non-Convertible Debentures of Rs. 7.50 Crores;

together with interest at the respective agreed rate, additional interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses, commission and all other monies payable by the Company to IDBI, ICICI and IFCI in terms of their respective Loan Agreements/Subsription Agreements/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms and Conditions as amended from time to time entered into/to be entered into by the Company, in respect of the said Rupee Term Loans, Corporate Loans and Debentures ; and

- B. to the Board/Committee of Directors of the Company agreeing with all or any of the said IDBI, ICICI and IFCI in terms of their respective Loan Agreements/Subsription Agreements/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms and Conditions as amended from time to time to reserve a right to

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take over the management of the Business and concern of the Company in certain events ;

"RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above by and with the authority of the Board/Committee of Directors of the Company be and are hereby approved and confirmed."

6. 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 mortgaging and/or creating second mortgage and charge by the Board/Committee of Directors of the Company on all movable and immovable properties of Digjam Woollen Mills Division, Jamnagar, of the Company, wheresoever situate, present and future and/or conferring power to enter upon and take possession of the assets of the Digjam Woollen Mills Division of the Company, subject to the prior written consent of the first chargeholders in certain events to or in favour of any of the following Banks and for the amounts mentioned therein in respect of each Bank :

Name of Bank	(Lac Rs.)		
	Fund based	Non-Fund based	Total
UCO Bank	2450	1500	3950
Punjab National Bank	1225	550	1775
State Bank of Saurashtra	1050	500	1550
Bank of Baroda	375	100	475
	<u>5100</u>	<u>2650</u>	<u>7750</u>

together with interest, additional interest, premia on prepayment or on redemption, costs, charges, expenses and other monies payable in the Joint Deed of Hypothecation.

RESOLVED FURTHER THAT the mortgage and charge to be created as above shall rank subsequent and subservient to the mortgages and charges created/to be created in favour of Financial and Investment Institutions for the various Term Loans etc. given by them and for various Debentures etc. allotted to them.

RESOLVED FURTHER THAT the Board/Committee of Directors of the Company be and is hereby authorised to modify and finalise with ICICI

Ltd. (ICICI), The Industrial Finance Corporation of India Ltd. (IFCI) and aforesaid Banks, if deemed necessary, documents creating the aforesaid mortgage and/or second charge and to do all such acts, deeds and things as may be necessary, for giving effect to the above resolution."

7. 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 mortgaging and/or creating second mortgage and charge by the Board/Committee of Directors of the Company on all movable and immovable properties of the OCM Woollen Mills Division, Amritsar, of the Company wheresoever situate, present and future and/or conferring power to enter upon and take possession of the assets of the OCM Woollen Mills Division of the Company, subject to the prior written consent of the first chargeholders in certain events to or in favour of any of the following Banks and for the amounts mentioned therein in respect of each Bank.

Name of Bank	(Lac Rs.)		
	Fund based facility	Non-Fund based facility	Total facility
Bank of India	3350	1200	4550
Union Bank of India	1025	750	1775
Standard Chartered Bank	750	400	1150
State Bank of India	775	505	1280
Punjab & Sind Bank	350	120	470
Bank of America	200	—	200
	<u>6450</u>	<u>2975</u>	<u>9425</u>

together with interest, additional interest, premia on prepayment or on redemption, costs, charges, expenses and other monies payable in the Joint Deed of Hypothecation.

RESOLVED FURTHER THAT the mortgage and charge to be created as above shall rank subsequent and subservient to the mortgages and charges created/to be created in favour of Financial and Investment Institutions for the various Term Loans etc. given by them and for various Debentures etc. allotted to them.

RESOLVED FURTHER THAT the Board/Committee of Directors of the Company be and is hereby authorised to modify and finalise with ICICI Ltd. (ICICI), The Industrial Finance Corporation of

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India Ltd. (IFCI) and aforesaid Banks, if deemed necessary, documents creating the aforesaid mortgage and/or second charge and to do all such acts, deeds and things as may be necessary, for giving effect to the above resolution."

8. AS A SPECIAL RESOLUTION

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby modified and altered to the extent and in the manner as hereinafter stated :

- i. Insert the following heading and Article as Article 60A after Article 60 :

60A RIGHT OF NOMINATION

- a. Notwithstanding anything contained in these Articles, every holder of Shares or Debentures of the Company may, at any time, nominate a person to whom his Shares or Debentures shall vest in the event of his death and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination.
- b. No person shall be recognised by the Company as a nominee unless an intimation of the appointment of the said person as nominee has been given to the Company during the lifetime of the holder(s) of the Shares or Debentures of the Company in the manner specified under Section 109A of the Act.
- c. The Company shall not be in any way responsible for transferring the Shares and/or Debentures consequent upon such intimation.
- d. If the holder(s) of the Shares or Debentures survive the nominee, then the nomination made by the holder(s) shall be of no effect and shall automatically stand revoked.
- ii. The existing Article 127 be deleted and in place thereof, the following Article 127 be substituted :
127 QUALIFICATION SHARES NOT NECESSARY
 A Director need not hold any Shares in the Capital of the Company to qualify him to act as a Director of the Company.
- iii. The existing Article 128 pertaining to time for

the Directors to acquire qualification Shares be deleted.

The Register of Members of the Company will remain closed as already notified from 16.11.1999 to 30.11.1999 (both days inclusive).

Registered Office :

Aerodrome Road,
Jamnagar 361 006

By Order of the Board

GIRISH BHATIA

Dated : 30th October, 1999

Secretary

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. The instrument appointing a proxy has to be deposited at the Company's Registered Office at Aerodrome Road, Jamnagar 361 006, not less than 48 hours before the time for holding the aforesaid meeting.
3. The instruments of Share transfer complete in all respects should be sent to the Company's Registrars and Transfer Agents — M/s ABC Computers Pvt. Ltd., National Council of Education, Bengal, Jadavpur University Campus, Calcutta 700 032, well in advance, so as to reach them prior to Book Closure. Shares under any defective transfer (unless defect is removed prior to Book Closing) and/or instruments of transfer received during the period of Book Closing shall be considered after re-opening of the books.
4. Shareholders are requested to intimate the Company's Registrars and Transfer Agents as mentioned in Note No. 3 above, changes, if any, in their registered addresses including PIN CODE Number.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed Dividends upto the Financial Year 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend Warrants upto the said period are requested to claim the amount from the Registrar of Companies, Gujarat, Ahmedabad, by submitting an application in the prescribed form. In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends from the Financial

Year 1995-96 and thereafter will be transferred to the Investor Education and Protection Fund ("the Fund") established by the Central Government in accordance with Section 205C of the Companies Act, 1956 after the expiry of 7 years from the date of transfer of Dividend to the Unpaid Dividend Account of the Company. Members, who have not yet claimed their Dividend for any of the aforesaid financial years, may claim it now from the Company before the same is transferred to the Fund. It may be noted that no claims shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund and no payment shall be made in respect of any such claim.

6. Members holding more than one Share Certificate in the same name under different Ledger Folios, are requested to apply for consolidation of such folios and send relevant Share Certificates to the Company's Registrars and Transfer Agents as stated in Note No. 3 above.
7. Members attending the meeting are requested to complete the enclosed slip and deliver the same at the entrance of the Meeting Hall.
8. Persons attending the Annual General Meeting are requested to bring their copies of Annual Report as the practice of distribution of copies of the Annual Report at the meeting has been discontinued.
9. Shareholders of (the erstwhile) Western Bengal Coal Fields Ltd. (WBCF) which merged with Universal Electrics Ltd. (UEL) w.e.f. 1.7.82 and UEL and The Oriental Carpet Manufacturers (India) Ltd. (OCM) which merged with the Company w.e.f. 1.7.83 who have not yet surrendered the Share Certificate of the said erstwhile companies, viz. WBCF, UEL and OCM held by them are requested to surrender the same immediately to the Company's Office at Birla Building, 9/1, R. N. Mukherjee Road, Calcutta 700 001, in order to enable us to send Share Certificates of the Company in lieu thereof, as also to send prorata sale proceeds towards fractional entitlement, if any.
10. **SHAREHOLDERS OF THE COMPANY ARE AGAIN REMINDED TO SURRENDER ALLOTMENT LETTER FOR 12.5% FULLY CONVERTIBLE DEBENTURES DULY DISCHARGED ALONG WITH RECEIPTED**

ALLOTMENT ADVICE-CUM-ALLOTMENT MONEY NOTICE TO THE COMPANY'S REGISTRARS AND TRANSFER AGENTS, AS MENTIONED IN NOTE NO. 3 ABOVE, TO ENABLE THEM TO DESPATCH FULLY PAID DEBENTURE-CUM-SHARE CERTIFICATE IN LIEU THEREOF.

11. For any further information regarding the aforesaid Accounts, advance intimation be given and the members are requested to ensure that it reaches Birla Building, 9/1, R.N.Mukherjee Road, Calcutta-700 001 atleast 10 days before the date of the ensuing Annual General Meeting.
12. **EXPLANATORY STATEMENT** pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business stated above is appended below :

Item No. 5

The Company has approached Industrial Development Bank of India (IDBI), ICICI Ltd. (ICICI) and The Industrial Finance Corporation of India Ltd. (IFCI) (hereinafter collectively referred to as "the Financial Institutions") and others for financial assistance for meeting part of margin money for long term working capital requirements and normal capital expenditure requirements.

The financial assistance from the Financial Institutions and others has to be secured by a first mortgage in a form satisfactory to the Financial Institutions of all the immovable properties of the Company, wheresoever situate, both present and future and a charge by way of hypothecation of all the movables, save and except book debts, but including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and to be created on specific equipment obtained under deferred credit and subject also to the charges on current assets created/to be created in favour of the Bankers for securing working capital requirements. The above mortgage and charge will rank pari passu with the charges created and/or to be created in favour of the Trustees of the existing/proposed Debentureholders and other existing term lenders and Banks.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not without the consent in general meeting, sell, lease or otherwise dispose of the whole, or substantially 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 such undertaking. Since the charging by the Company of its immovable and movable properties as aforesaid in favour of the Financial Institutions may be regarded as disposal of the Company's properties/undertakings, it is necessary for the Members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

The Director nominated by ICICI Ltd. may be deemed to be interested in passing of this resolution.

Item No. 6 and 7

Digjam Woollen Mills and OCM Woollen Mills, Divisions of the Company, enjoy substantial Fund based and Non-fund based Working Capital Credit facilities from consortium of Banks. As a part of terms and conditions of the revision/sanction of credit limits to both the Divisions, the Company is required to mortgage/create second charge on all the movable and immovable assets of the above Divisions of the Company, as described in the resolutions, subject to approval of ICICI, who is acting as the Lead Institution for the Term Loan/ financial assistance availed by the Company. The mortgage and charge created/to be created shall rank second and subservient to the mortgage and charge created/to be created in favour of the Financial and Investment Institutions for the various Term Loans etc. given by them and for various Debentures etc. allotted to them.

None of the Directors may be considered to be interested in passing of the said resolutions.

Item No. 8

The Companies (Amendment) Act, 1999, has provided the facility of nomination to the Share/ Debentureholders. The introduction of the nomination facility will enable nomination of any person in whom the interest of the holder of the Shares and/or Debentures shall vest in the event of the death of the holder. Consequently, it is proposed to insert Article 60A in the Articles of Association of the Company to provide for the facility of nomination in respect of the Shares and Debentures issued by the Company.

Article 127 of the Articles of Association of the Company requires a Director of the Company other than a Director nominated by an Institution, an ex-Officio Director or an Alternate Director, to hold qualification Shares of the nominal value of Rs. 5,000/-. Article 128 provides for acquiring of the qualification Shares within two months of the appointment. It is proposed to delete the said requirement of holding of qualification Shares. As a consequence, Article 128 also is not required. Hence, all Directors other than Institutional Nominees and ex-Officio Directors are interested in the aforesaid resolution.

INSPECTION OF DOCUMENTS

The following documents are open for inspection at the Registered Office of the Company between 10 a.m. and 12 noon on any working day prior to the date of the meeting :

1. Letter of Intent No. HO. CFD-III.22.B.18(VXL) dated 26.3.99 of IDBI for Rupee Loan not exceeding Rs. 2200 lacs.
2. Copy of Letter of Intent No. CB/5082 dated 22.3.99 of ICICI for Corporate Loan not exceeding Rs. 2500 lacs.
3. Copy of Letter of Intent No. CB/2581 dated 21.9.98 of ICICI for Rupee Loan not exceeding Rs.197 lacs.
4. Copy of Letter of Intent No. DRO/Proj/Gr 1/588/99-443A dated 31.3.99 of IFCI for Rupee Term Loan not exceeding Rs. 700 lacs.
5. Copy of Letter dated 5.11.98 from Pilani Investment and Industries Corpn. Ltd. in respect of Non-Convertible Debentures of Rs. 750 lacs.
6. The Articles of Association of the Company alongwith a copy thereof reflecting the proposed alteration as set out in Item No. 8.

Registered Office :
Aerodrome Road,
Jamnagar 361 006

Dated : 30th October, 1999

By Order of the Board

GIRISH BHATIA
Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Gentlemen,

We present herewith the 50th Annual Report together with the Audited Accounts of the Company for the year ended 30th June, 1999.

GENERAL REVIEW

The restructuring of the Company by separating the Chemical and Textile businesses into two separate, independent entities so as to provide greater focus on core competencies of each business has been completed. Our application for sanctioning the Scheme of Arrangement was moved with the Hon'ble Gujarat High Court and subsequently meetings of the shareholders and creditors of the two entities were held as per Court directives; the Hon'ble Court was then pleased to sanction the demerger of the two Companies with effect from 1st July, 1998 on 20.8.99. All subsequent formalities in respect of demerger, including filing of the relevant returns with the Registrar of Companies and others, have also since been completed. In terms of the Scheme, Saurashtra Chemicals Ltd., will issue shares to the shareholders of the Company and 16.11.99 has been fixed as Record Date for ascertaining the shareholders of the Company for this purpose. This Report, therefore, excludes operation of the erstwhile Chemical Division.

The year under review was characterised by a further deepening of the recession, particularly in the entire Textile sector and this affected our overall operations and results significantly. Unfortunately even the foreign markets for garments and textiles slowed down significantly during the year which also affected our export performance. Recently there have been marginal indications of pickup in both the domestic and international sectors and we therefore hope that the current year would prove to be better than the one just completed.

Sales for the year amounted to Rs. 287 crores against Rs. 543 crores (annualised) for the previous year, which also includes Chemical sales. The total turnover of the Company (along with its operating Subsidiaries/associates and considering their latest financial year in each case) amounted to Rs. 404 crores. Textile exports amounted to Rs. 59 crores (including deemed exports) against the previous year's figure of Rs. 64 crores (annualised).

The overall position was further affected by workers slowdown and subsequent illegal strike in the OCM unit of the Company between February and May '99.

The strike continued for a total of 98 days, out of which for some period the Mill was able to work partially, but at the end substantial loss of production occurred. As there were no substantive demands raised by the workers, the entire episode could perhaps have been motivated by local political considerations.

As a result, the Company was able to make a small cash profit for the year though it was not able to cover the depreciation cost fully. Because of adverse market conditions, both inventory and debtors continue to be high and will reduce only gradually.

With the recession in the market, increase in domestic competition and gradual opening up of imports, it has become imperative that the Company examines all possibilities to improve operational efficiencies, quality, cost cutting and improve its market penetration, including into the rural areas. To this end we are glad to inform that we have appointed the well-known firm of Andersen Consulting to advise us on such upgradation and they have given various suggestions aimed at operational and efficiency improvements. Some of these suggestions have since been implemented with positive results.

In the past few years the rural sector of the Indian economy has grown significantly and has become an important destination for sale of consumer goods and even consumer durables. Accordingly, we have intensified our efforts for rural penetration by appointing a large number of dealers in those areas and also by providing economically priced but high quality fabrics to meet the specific price and utility requirements of the rural population. All these efforts are now beginning to yield results.

We have been operating a medium sized garments fabricating unit at Faridabad called "Universal Clothing" for some time. Manufacture of garments has become an important segment of our marketing strategy with the growing trend for ready-to-wear products. In particular, manufacturing of garments for exports has become an important criteria in promoting exports, particularly to the USA and Europe. With this end in view we are examining various possibilities of expanding our garment fabricating capabilities by forming appropriate Strategic Alliances, which can give us access to high quality garments at reasonable cost.

It is expected that the cumulative result of all these efforts would be distinctly positive.

Our Company has completed 50 years of existence;

BIRLA VXL LIMITED

however, the OCM plant at Amritsar on its own has completed 75 years of operations and celebrated its platinum jubilee in a major gathering of our major dealers and agents in September '99. OCM now stands as one of the most modern plants of its kind and has got substantial inbuilt capacity to increase its production by another 60% on addition of certain machinery. This plant at full maturity will then be one of the seven largest units of its kind worldwide, which will be a matter of pride for the country and for our Company.

In keeping with the latest trends and the capital markets' need for greater degree of information and transparency, we are adopting appropriate codes of conduct and of corporate governance, which will help us to achieve the above objectives.

Y2K

Most of our computer hardware and software has been made Y2K compliant and steps have been taken to update/upgrade the remaining equipment/systems. The Company's Systems departments are equipped to meet any contingencies.

SUBSIDIARY COMPANIES

The working of Sidharth Soya Products Ltd., can be viewed as satisfactory. It achieved a turnover of Rs.7519 lacs (inclusive of exports of Rs.605 lacs) and a gross profit of Rs.40 lacs during the year. The domestic price realisation was under pressure due to increased imports of edible oil. This coupled with decrease in soyameal prices by about 40% in the international market affected the Company's profit margins.

We had mentioned about improvement in working of VXL Engineers Ltd. The plant had subsequently to be closed down for about 2-1/2 months during October-December, 1998 due to industrial relations problem, particularly on the issue of payment of Bonus. Ultimately however, the Factory reopened on the terms of the management with assurances for increased productivity. This together with paucity of orders resulted in some losses during the year. During the closure, certain reorganisation in the product lines was undertaken and we are glad to report that the plant is now working satisfactorily. There has been a significant revival in the Defence business, which has been the main stay of the plant. The increased marketing activities in Defence segment has resulted in substantial increase in order intake from this segment compared to earlier years.

The silk yarn project under Birla Masuzawa Silk Ltd., commenced commercial production in March '99. Our basic planning was dependent upon substantial exports to Japan through our Japanese partner and though our quality has improved to the requisite levels, currently export markets have become very subdued because of very low priced dumping of silk yarn by China. Efforts are however being made to run the plant at full production as quickly as possible.

VXL Investments Ltd., ceased to be a subsidiary during the year by virtue of its amalgamation with Janardhan Trading Company Ltd.

FINANCIAL RESULTS

	Rs. in lacs	Rs. in lacs
Working for the year (after providing Rs. 193.02 lacs towards leasing charges) resulted in a surplus of		966.14
To this are added :		
Balance brought forward from the previous year	189.89	
Investment Allowance		
Reserve written back	120.06	
Debenture Redemption Reserve no longer required, written back	896.48	
Transfer from General Reserve	1,100.00	2,306.43
making a total of		3,272.57
Out of this, provisions have been made for:		
Depreciation (after adjusting Rs. 964.23 lacs transferred from Revaluation Reserve)		3,100.40
leaving a balance of		172.17
from which are deducted		
Interim Dividend paid on Preference Shares redeemed during the year	7.02	
Corporate dividend tax paid	0.70	7.72
and leaving a balance of		164.45
which is carried forward to the next year		

Shareholders' equity stood at Rs. 234 crores on 30.6.99.

In view of the loss for the year, the Directors regret their inability to recommend any further dividends.

As earlier approved by the Shareholders, funds were raised during the year by private placement of Preference Shares of Rs.15.89 crores. The Company also redeemed Preference Shares worth Rs.9 crores; further a total of about Rs.10 crores was also paid out towards redemption of Debentures.