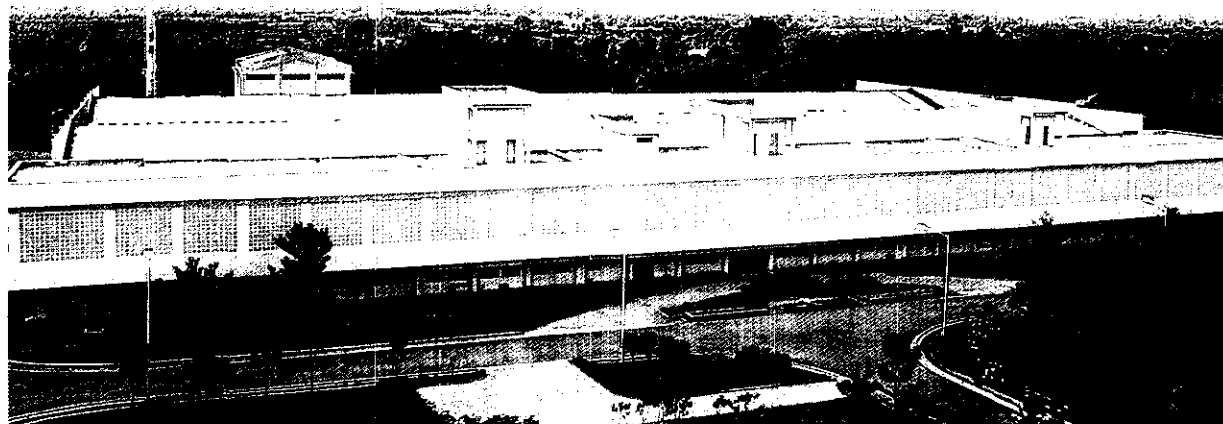




Himatsingka Seide Limited
Annual Report 1999-2000

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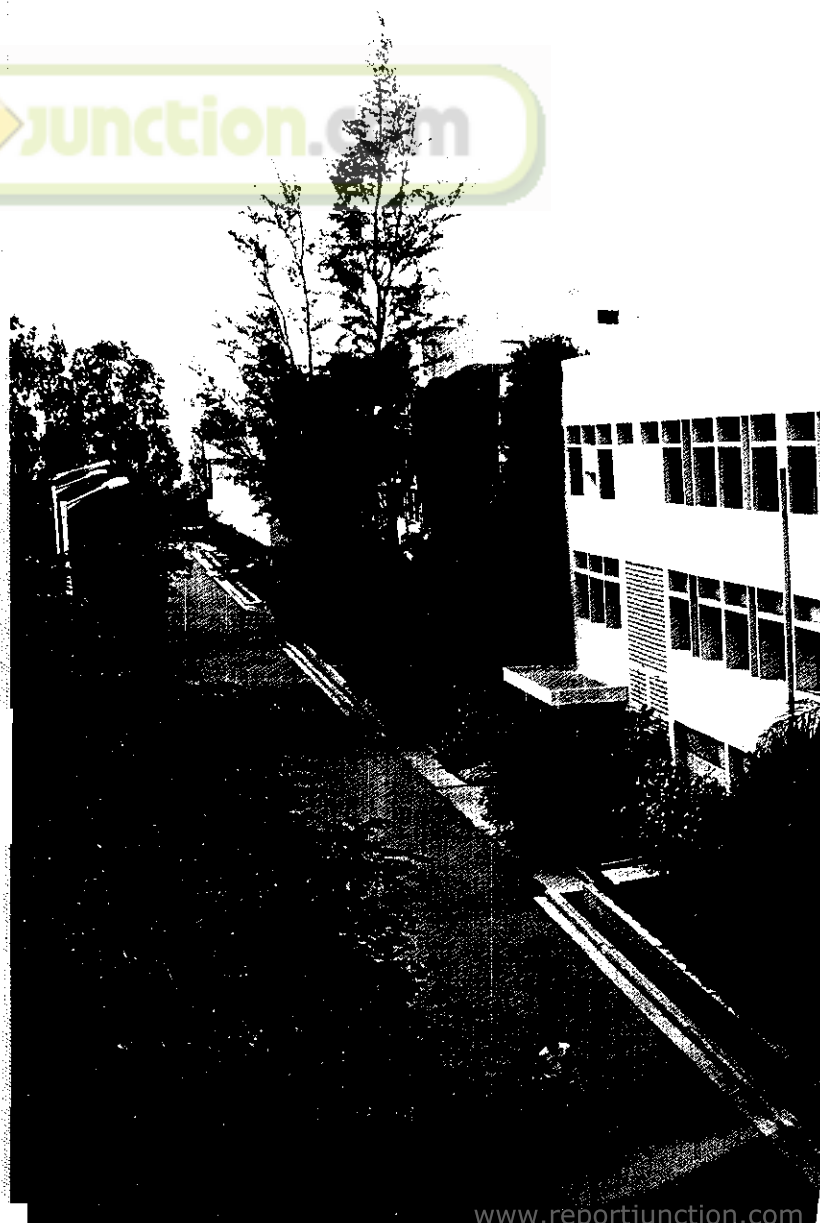


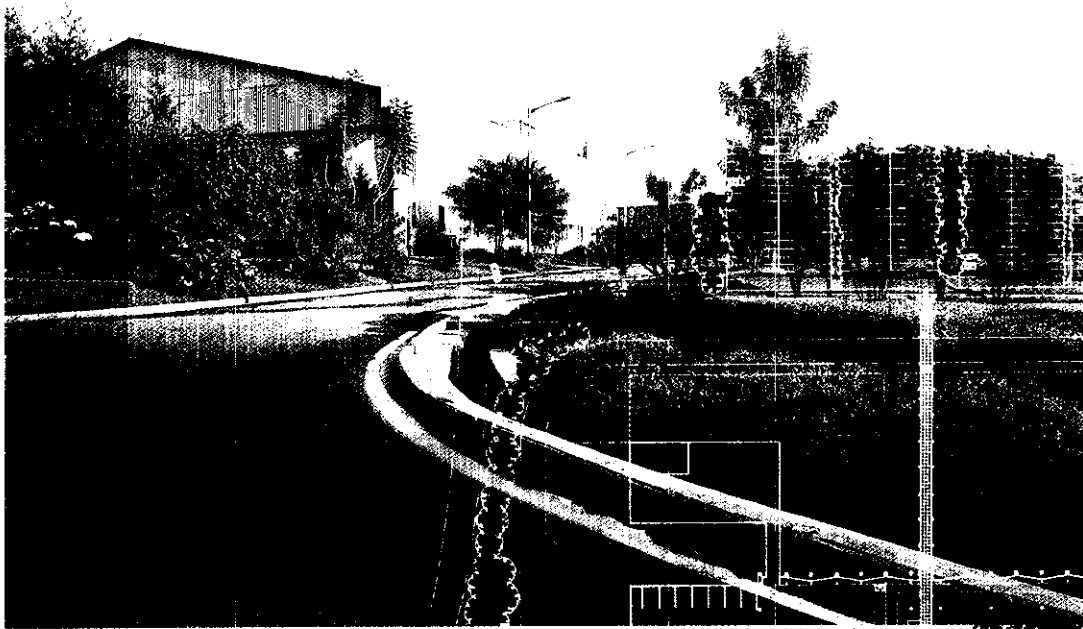
Located 35 kilometers from Bangalore on the Bangalore-Bellary road, our premises with their architectural elegance and landscaped harmony are an accurate indicator of the philosophy and product of Himatsingka.

On 40 acres of land we have a built-up area of 4 lakh square feet comprising

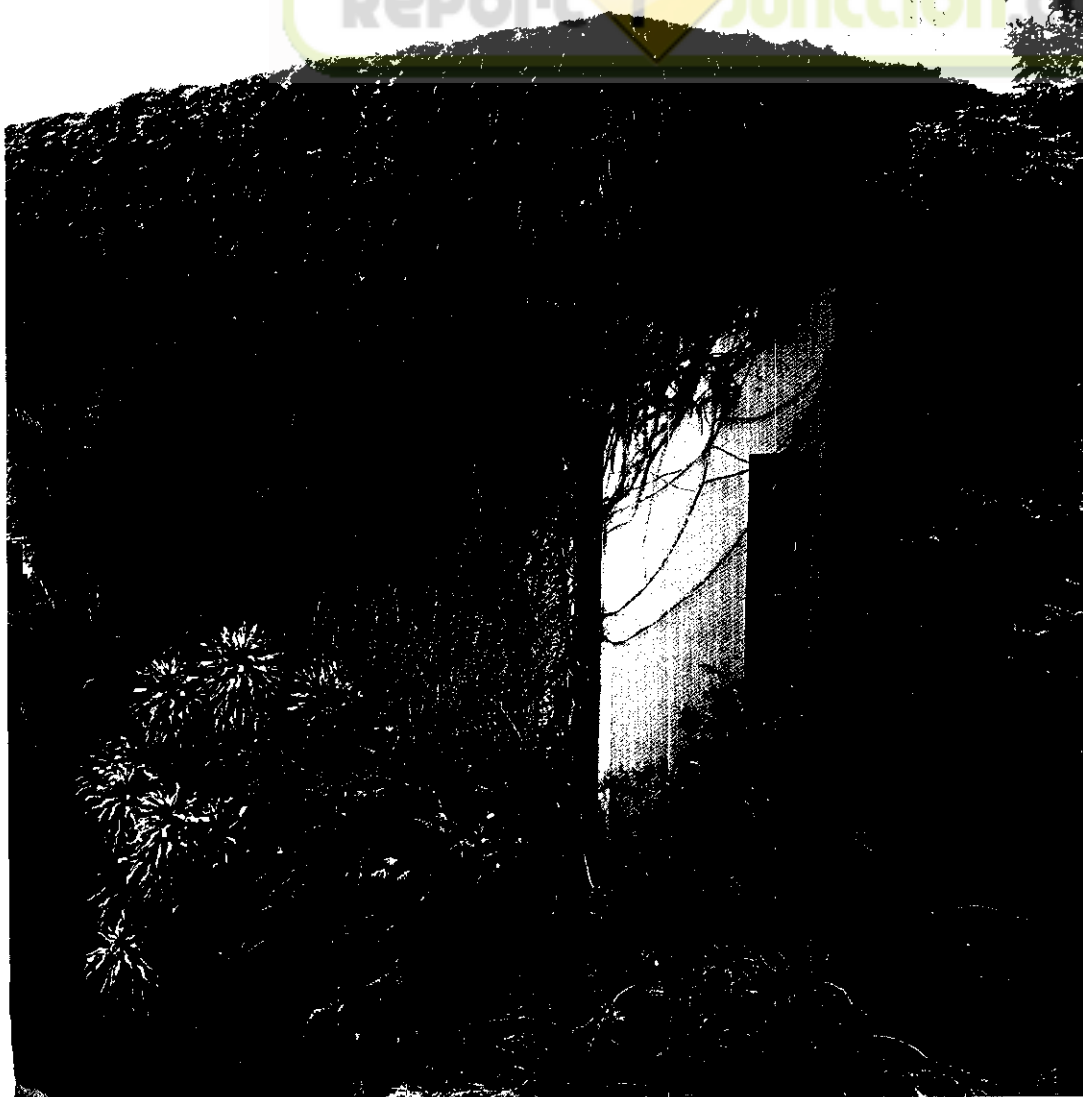
- two weaving units
- a spinning unit
- a process and dye house
- an integrated design studio
- a captive power plant
- an effluent treatment plant and
- other facilities.

Our self contained water and power supplies cover all our production requirements.





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It was a modest beginning 15 years ago. A confident yet a small step was taken to introduce and implement production of high value-added silk fabrics to the Indian textile production. Ironically, inspite of the industry contributing significantly to the economy and being endowed with a fine heritage and tradition, it had not embraced the concept of high value-addition and technology absorption — at least not to the degree it appeared possible to me.

At the time it was only a perceived goal, now it is a visible reality. Today Himatsingka is respected globally in the textile industry for its outstanding design capabilities and fine products backed by advanced technological know-how.

There is no denying that quality assurance, work ethics and business acumen ensured that we made our mark in the international market. But a company's long term plans cannot survive purely on these aspects. I believe, then and now, that sustainable growth lies with the people who run the company. This is the goal of our value system at Himatsingka.

Integral to our way of functioning is the nurturing of good interpersonal relations both in terms of customer satisfaction and constructive interaction with our workers. We keep an eye on results and profits but that's not all we work for. We believe that if relationships are on a sound foundation the results will follow. Total involvement, integrity and commitment are the only possible starting points for any project. Connectivity is all-important to our style of working. In our business governance we are people based and people focussed. Only then can we respond creatively and competitively and achieve results.

The bottomline is ofcourse an important indicator of the health of a company and going by that, Himatsingka has a lot to be proud of. In 1989 Himatsingka had an annual net profit of Rs. 62 lakhs. In 2000 it is Rs. 40.6 crores. That's a 66 fold increase in 11 years at a compounded growth rate of 46 percent.

The root of this growth can be partially attributed to adherence to one basic rule — quality assurance. Himatsingka is a product success and a marketing success. India has unfortunately not always been associated with quality, credibility or high performance. And in an international market situation these things are as essential as the product itself. To break the common perception that foreign buyers had of India and Indian products was a struggle for us initially. But we have proven ourselves. We have honoured our commitments and we have obeyed international marketing rules. A key aspect of our marketing policy has been to move forward with the times. So, in addition to keeping up with the newest in software, technology, machinery or design we are in tune with and, at times, even influence market demand.

The outlook for the future is exciting. There are emerging opportunities in the international market which we are fully geared to capitalize on. Our strategy for this is to diversify and enlarge our product mix.

High value-added fabrics form only the top of the large pyramid of the textile industry. We have created our niche at the top and maintain it by consistently enlarging our product range. We are proud of Himatsingka's technological and creative pre-eminence but in our industry technology is only a facilitator. I would call the production of silk fabric a tech-knowledge industry. A superbly equipped kitchen does not and cannot guarantee delicious food. One requires an innovative and a creative cook to get the results. I often use this analogy to prove my point for I believe that the world of high value-added textiles is governed by such an approach.

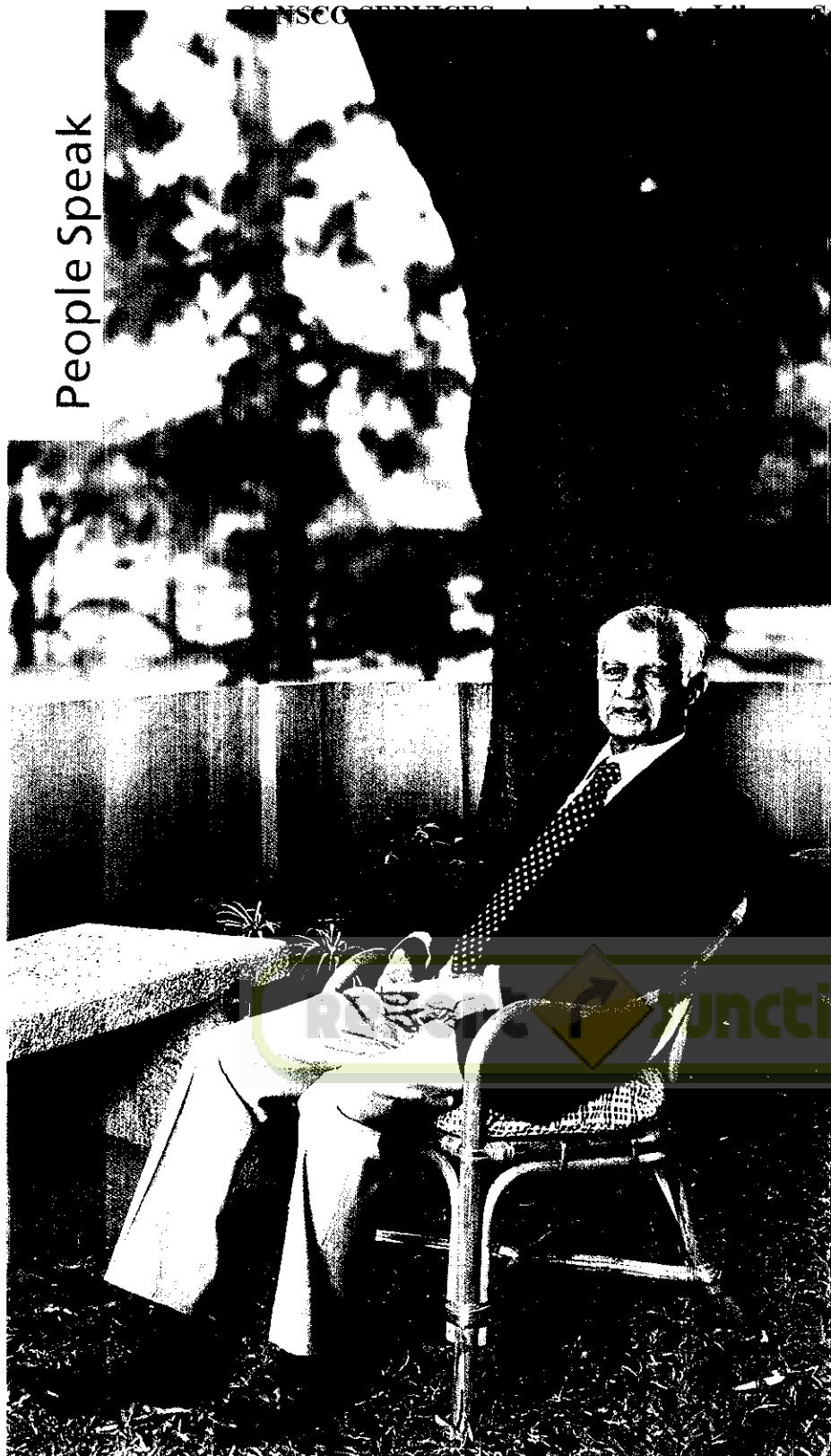
I have no hesitation in saying that we definitely have the highest profit margins in the textile industry and perhaps even the highest in the manufacturing sector. There is no denying that strong design ideas and superior technology have contributed to our growth. But there is another factor and this is the will to succeed, the will to be the best. The foundation of our growth has been and will continue to be the values I have expressed earlier. Good interpersonal relations have been our strength and there will be no compromise on this. This has been our credo and we have been proved right time and again.

Our success is the wealth of knowledge and the expertise of many people. It has been achieved not by individual effort but by integrated team work. It gives me great pleasure to present the people of Himatsingka to you, the owners of Himatsingka — the shareholders.



Connectivity is all-important to our style of working. In our business governance we are people based and people focussed. Only then can we respond creatively and competitively and achieve results.

DINESH HIMATSINGKA
Managing Director



DR. GVK RAO Chairman

Being the Chairman of your company from its inception, has given me deep insight into its workings. A step in the right direction was taken when we conceived the idea of producing high value-added textiles in silk.

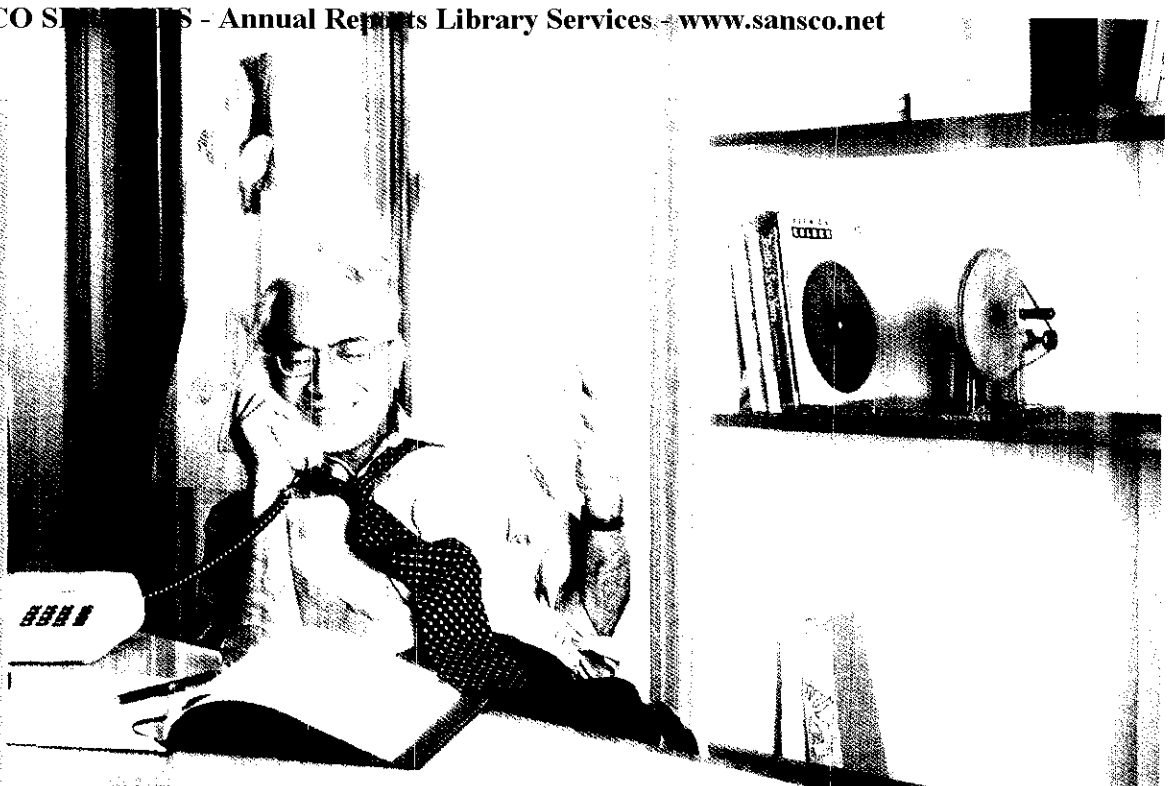
For Karnataka, being the centre of silk production in India, it was indeed a pioneering effort. Proud as we were of our Indian textile heritage we realised the importance of the need to move forward and to adopt technology as well as modern concepts of design and style. The idea of creating such a production facility appealed to me for its potential and forward looking approach. I was convinced then, and I am immensely happy today, that your company is now a window to the entire textile industry in India

Your Managing Director, Dinesh, has a very definite philosophy of running this company. He originated a people oriented approach to management and this is the strength of your company. He pursues excellence for its own sake. This has set the tone for the company's growth over the years. It is a good company with a good sense of values and a strong moral fibre.

My journey through these 15 years has been exciting and satisfying. We have become the largest manufacturer of silk products in India. While that does mean higher production and profits, it also means a greater responsibility - one that extends to our employees, our customers, our environment and our shareholders.

I have consciously promoted a philosophy of remaining conservative but forward thinking and forward moving at the same time. The field of textiles is a competitive one and we will need to diversify our product range. This process had been initiated when we started a backward and horizontal diversification by producing silk yarns and blended fabrics. Silk blended fabrics are now an important part of the company's product portfolio. The textile industry in India is definitely at crossroads. Some even consider it a sunset industry. But I believe that the emerging area of high value added textiles like silk and silk blended fabrics make this a sunrise industry. Himatsingka is in the enviable position of having 15 years of experience in this specialized field.

Your Chief Executive and his team have shown creativity in leveraging their strengths and taking the company forward. They have performed well. There is hard work behind the consistent high returns enjoyed by you, the shareholders. I have seen this company grow and I have seen it grow with great satisfaction.



AJOY HIMATSINGKA Vice Chairman

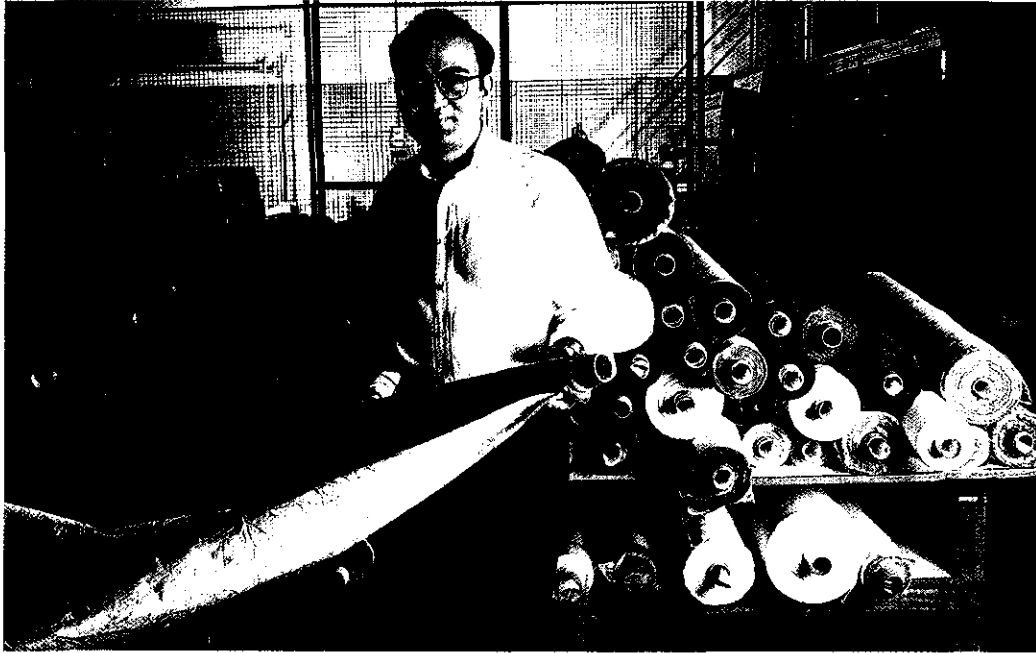
It is said in the textile world that "A good warp is half woven". This saying best expresses the challenge that we face at Himatsingka; that of sourcing the highest quality silk yarn from the international market. From a tiny operation in 1986 to becoming the single largest buyer of silk yarn in India and perhaps among the biggest in the world has indeed been a daunting journey. We have nurtured our relationships with our vendors. Our established reputation in world markets has given us the status of a preferred customer. Now our size and financial strength gives us negotiating power and its concurrent benefits.



JAYSHREE PODDAR Design Director

Designing beautiful textiles requires inspiration and the appropriate technology to realize the idea. Himatsingka provides both. The general atmosphere at the plant encourages an experimental approach which continually redefines aesthetics. The resulting range of varied and unusual products have helped us grow to the extent where we have gained international recognition as a design house.

ADITYA HIMATSINGKA Executive Director



At Himatsingka responsibility to our customers is paramount. We have to be in constant touch with them. Our on-line order processing responds to all our customer requests within 24 hours. Our production capacity, which is one of the largest worldwide, has an in-built versatility to handle orders sometimes as small as 100 meters for exclusive design houses. Our technology backed systems ensure the delivery of quality products on time. This means a lot of logistical planning but it ensures customer satisfaction and that is something we are committed to.

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To efficiently organise a delivery mechanism for a complex product mix is an exciting challenge. By maintaining our leadership in technology we are able to make optimum use of our resources to meet changing customer needs and design perceptions. Our computer network is recognised as being of international standards. It integrates all major functions from our CAD design stations, jacquards, air-conditioning plant, power plants to MIS colour matching, order processing and messaging. We set high standards for ourselves and, with our dedicated team, work towards reaching our goals.

MOHAN RAO President, Operations



P CHINNARAJ Vice President, Finance and Company Secretary

We have built a fundamentally strong company over the years by following prudent financial policies. We have ploughed back accruals into productive assets and created shareholder wealth. Our market capitalization has grown 100 times in the last 15 years. We are in a position to take decisions which will yield long term benefits. The internal cash accruals would enable us to accelerate our growth. Our net worth and debt free status give added strength to our financial capabilities. Should we choose to leverage these our potential investment capacity would be greatly enhanced.



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Board of Directors

Dr GVK Rao
Chairman

AK Himatsingka
Vice Chairman

RK Talwar

NM Himatsingka

BK Garodia

Rajiv Khaitan

Basant Poddar

Aditya Himatsingka
Executive Director

Prakash Himatsingka

Senior Executives

Mohan Rao
President, Operations

P Chinnaraj
Vice President, Finance
& Company Secretary

Jayshree Poddar
Design Director

S Nagendra
General Manager,
Personnel &
Administration

Prakash Himatsingka
Executive Director

Prakash Himatsingka

Prakash Himatsingka
& Shanghai
Corporation Ltd.

Prakash Himatsingka
Bank AG

Auditors

Messrs SB Billimoria & Co

Registered Office

2/1 Midford Gardens
MG Road
Bangalore 560 001