SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Himatsingka Seide

ANNUAL REPORT 2001-2002

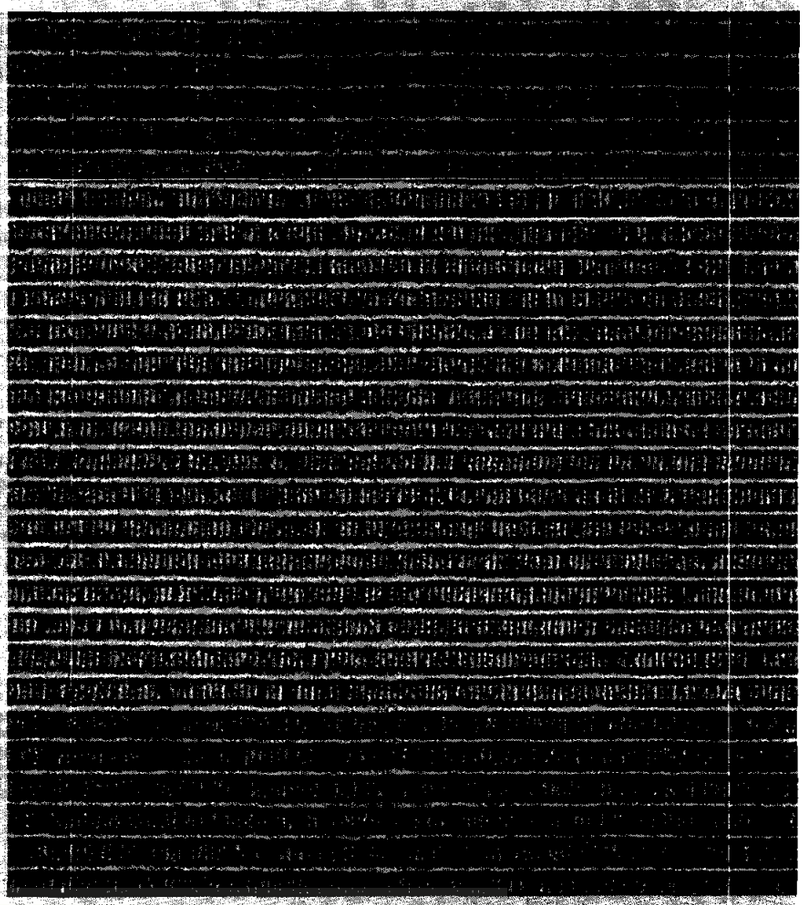


www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Inside

02 - 05	Letter to Shareholders
06 - 17	Business Viewpoints
18 - 30	Management Discussion and Analysis
31 - 35	Risk Management
36 - 37	Measuring Shareholder Value
38 - 45	Corporate Governance
46 - 47	Board of Directors
48 - 51	Directors' Report
52 - 55	Annexures to Directors' Report
56	Auditors' Report
57	Annexures to Auditors' Report
58	Balance Sheet
59	Profit and Loss Account
60 - 74	Schedules to Accounts
75	General Business Profile
76 - 77	Statement of Cash Flows
78	Financial Highlights
79 - 80	Notes



www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net







Dear Shareholders,

2001-02 was a challenging year for our company. We were tested by one of the most severely felt global slowdown in decades, as well as by the impact of the September 11 tragedy. But, the Himatsingka business model works! Our people responded remarkably to these challenges, allowing our revenues to drop only by 4.63% when compared to the previous year.

PBT was marginally lower, as a consequence, at Rs.42.39 crores — a fall of 8.03% on a comparable basis.

OPM from operations was still high and encouraging at close to 40% — a drop of 5.6% from the last year.

I have mixed feelings in reporting our first-ever sales decline, since the company went into business in 1987 and also the first decline in our bottom line in the last six years. To get the complete picture, we need to start at the point I last wrote to you, close to the end of the first quarter of the last financial year.

The global economic slowdown notwithstanding, our sales in the first three months of 2001-02 had increased by 3% over the corresponding period of the previous year and our bottom line was up by 8.6% to Rs.9.5 crores. We had every reason to be optimistic. The company was headed for another year of straight growth in its top line and net profits.

The tragedy of September 11, proved to be the interruption in this dream run. It was the single reason that accounted for this unexpected reversal in business sentiment. As a result, something totally unexpected transpired: a number of customers postponed their purchases in the top-end of the luxury fabrics segment that we address. For the next few months, we saw the market contract — a phenomenon that we never experienced earlier.

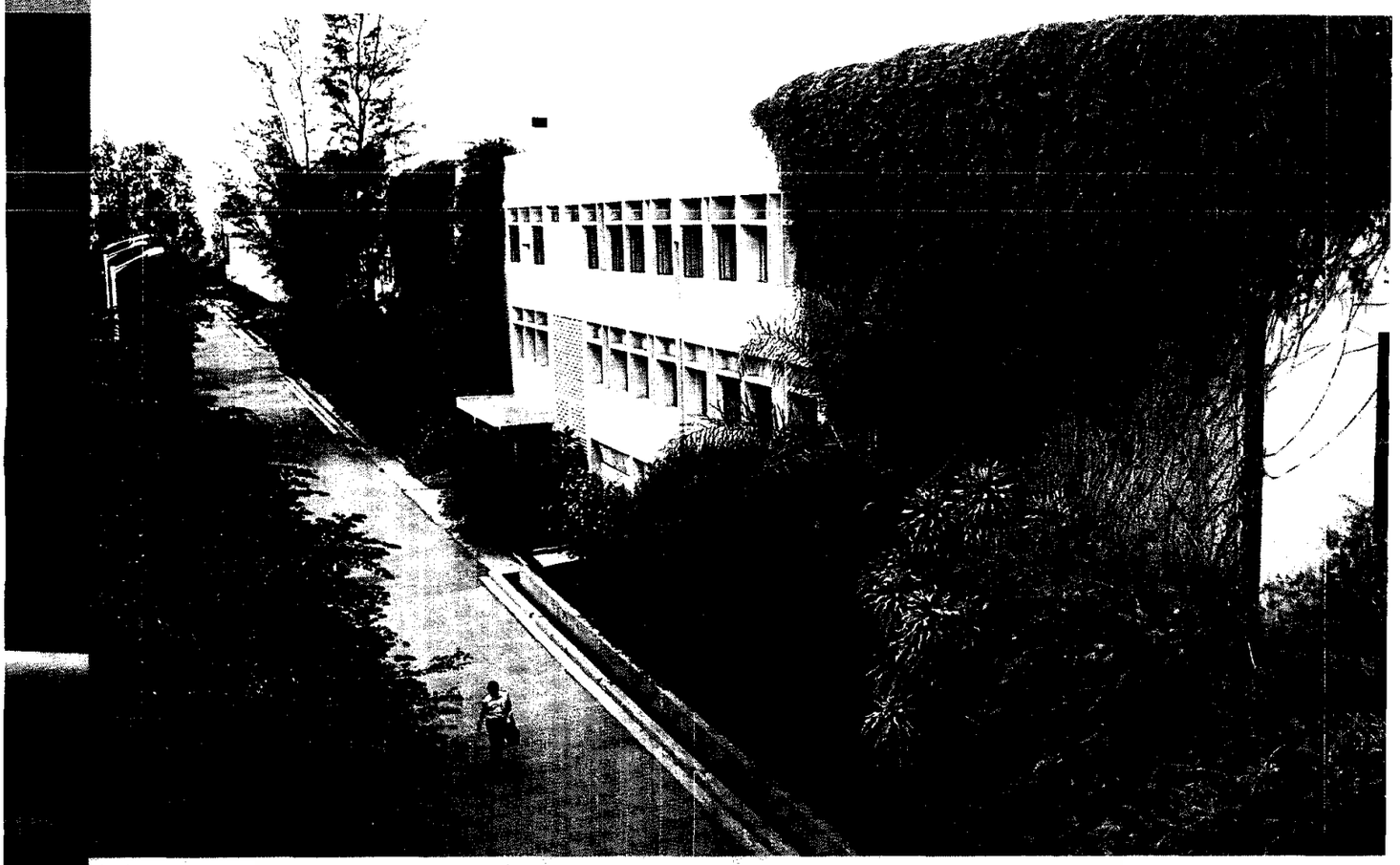
The slowdown in the business environment and the financial numbers notwithstanding, I continue to be optimistic about our prospects in the long term.

This is because at Himatsingka we continue to enhance our product visibility in the global furnishings markets. This is an important business driver for us. The large shelf space the company occupies across markets is attributable to our aggressive launch of new products and the increase in product breadth that we now offer to our customers. I believe this will result in stable revenue streams for our company. Additionally, we consider our domestic market as an emerging opportunity. Steps are being taken for this forward integration, which I am sure will contribute towards growth in ensuing years.

Companies are not only expected to respond to the business challenges of the day. They must also reflect a transparency in their working which induces confidence among the investors and the community at large.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



At Himatsingka, sound Corporate Governance is not a mere compliance with listing requirements. It is a manifestation of the company's ethical fabric. As an extension of our philosophy, the company produced a transparent annual report. This document represents what we believe — as management, we are trustees on behalf of a larger body of shareholders and that we are beholden to report our position, prospects and performance in their entirety.

Let me conclude by saying that if 2001-02 represented a recession in our business, then I am happy to state that we demonstrated a commensurate resilience which gives me the confidence that better days are certainly ahead for our company.

Dinesh Himatsingka
Managing Director

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



Ajoy Himatsingka, Vice Chairman

Most companies in the business of exporting textiles out of India have been built around the wage arbitrage opportunity. At Himatsingka, we are proud to state that we have painstakingly built our business around the design-led, value arbitrage opportunity — a fine balance.

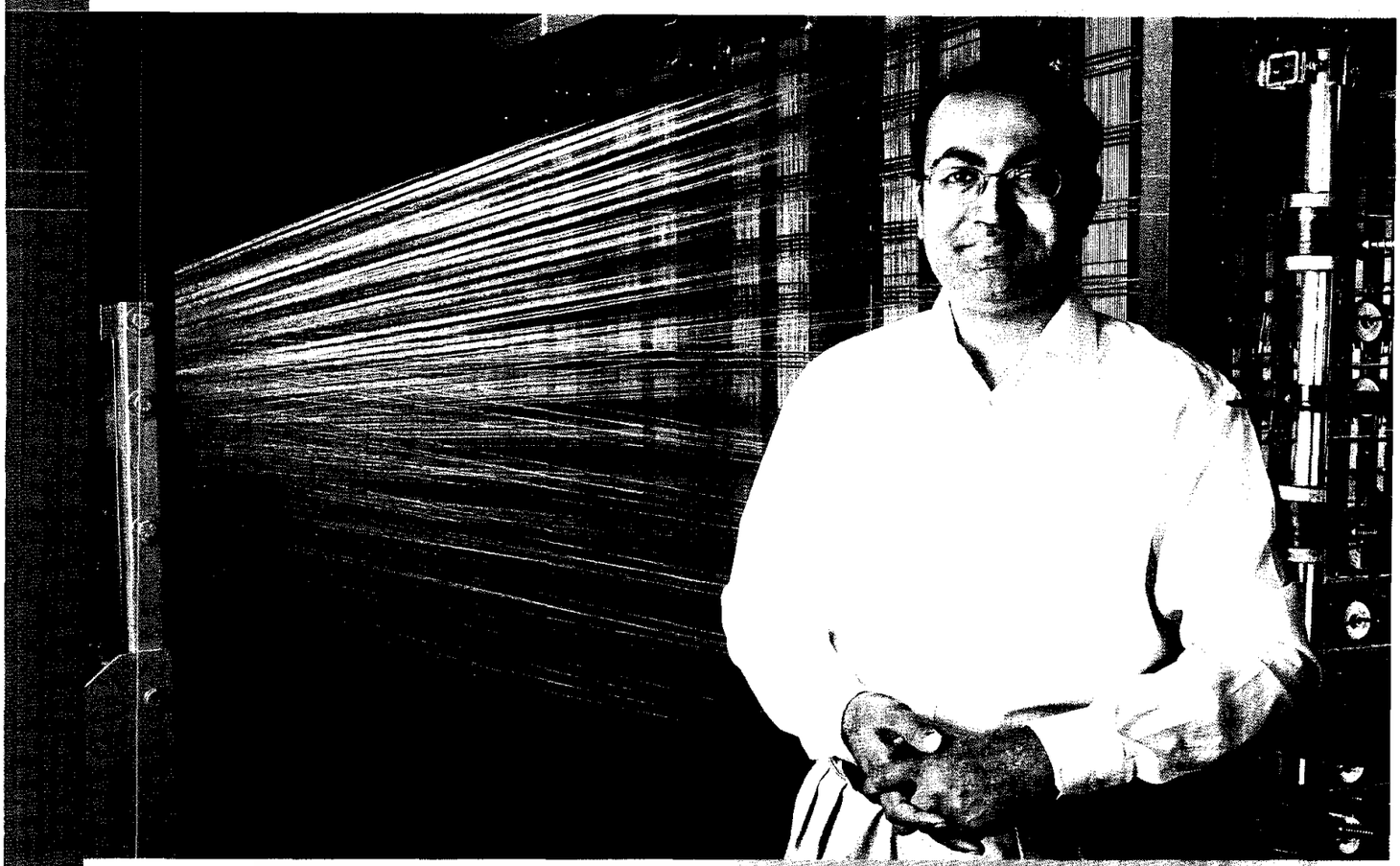
A number of Indian manufacturers in the broad textile industry compete on price. In our niche business, we compete on the basis of the pride that we deliver to our end buyers.

By resisting the temptation to address the volume segment, we have retained the exclusivity of our designs, protected our brand and nursed the long-term viability of our business.

The robustness of our business model is reflected in our margins. In the textile industry, a net margin of around 10% is common. On the other hand, not once over the last decade did we report a net margin lower than 29%.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



Aditya Himatsingka, Executive Director

At Himatsingka, we bring the painstaking craftsman's commitment to our work.

This makes us different from all those operations where the driver of excellence is 'production per hour'.

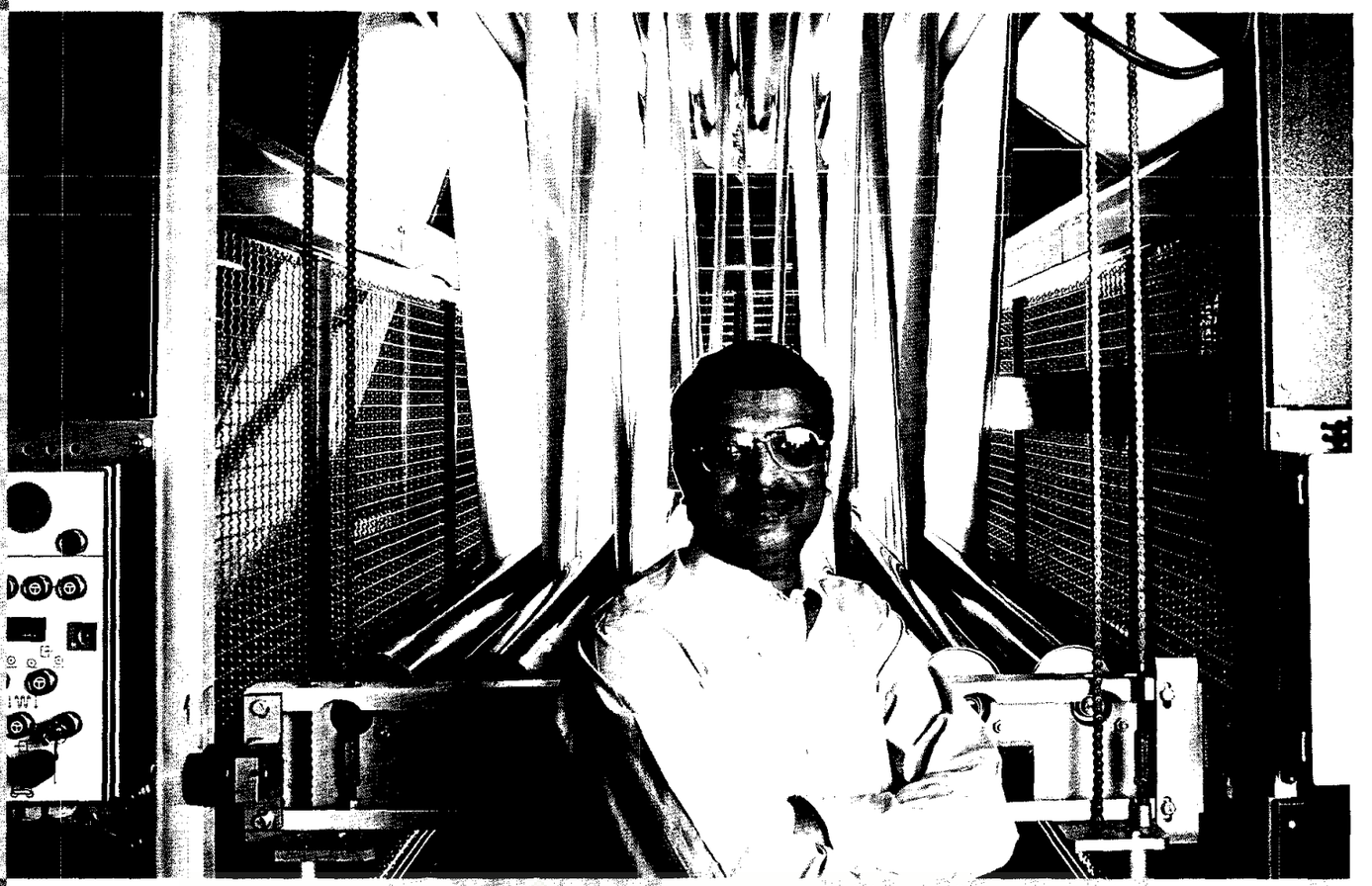
Most Indian manufacturers, for instance, focus on the maximised output of standardised commodity products of modest value. At Himatsingka, we focus on the design and despatch of small batches of fabric that fetch high realisations.

In most companies, a variety of existing designs are created for a number of customers. At Himatsingka, we make one design for one client.

In a number of companies, growth comes from the extensivity of sales. At Himatsingka, our income is generated from the exclusivity of our products.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



Mohan Rao, President — Operations

Business at Himatsingka is different in different ways.

In a business where we could have vaulted comfortably over a reasonable target, we have consciously decided to raise the bar.

Take product management for instance. At most companies, there is a premium on the intelligent import of an existing idea and taking it to commercialisation within a few days. We place a premium on leaving the mind to its creative ferment.

In most companies, the look, feel and price are strategised even before a product has been made. At Himatsingka, we spend days discussing how a design should look, weeks debating the feel and months pricing it.

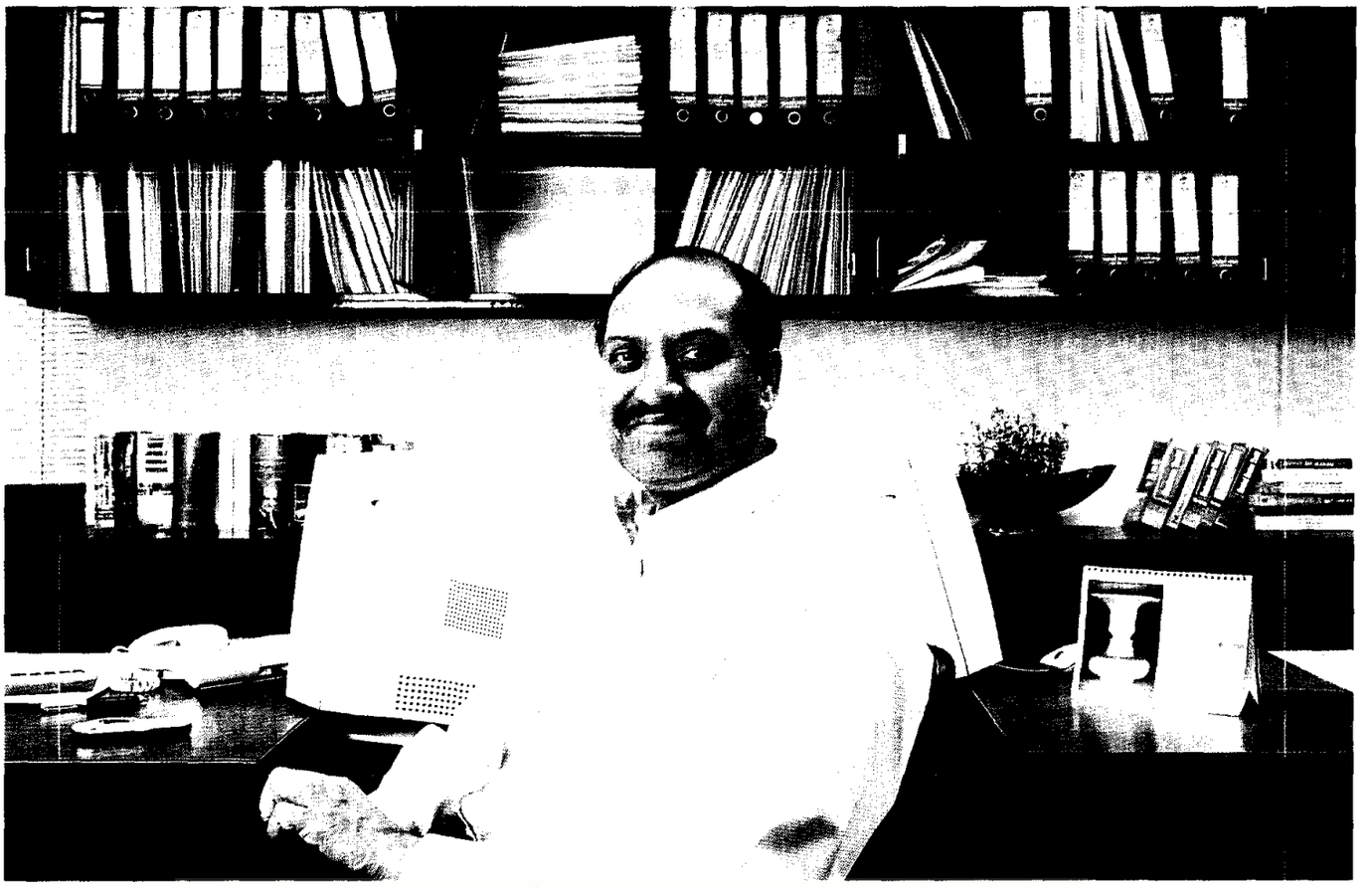
We have five times more engineers per worker on the shop floor than most textile companies in the country. We have less people across three shifts than most mills would have in one.

The number of value-adding Jacquards outnumbers the Dobbies on our shop floor by a factor of two.

We are a zero-paper shop floor that enables us to feed orders into an intelligent IT network at one end and generate exclusive woven fabric at the other.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



P Chinnaraj, Vice President — Finance and Secretary

ReportJunction.com

At Himatsingka, our business philosophy is best described as a prudent balance between foresight and conservatism.

Thanks to our foresight of pioneering a design centric approach and investment in integrated production facilities, Himatsingka enjoys higher realisations for its products resulting in enviable EBITDA and net margins.

Our approach to accounts which presents a true and fair picture of the company at all times, the lean manning in our production and corporate functions, the funding of growth through internal accruals and prompt repayment of debt, if and when availed, reflect our conservative approach.

The financial strength of Himatsingka is further reinforced by its low operating leverage, debt free status and high liquidity.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



Jayshree Poddar, Design Director

In most design studios you will find fabric swatches, fashion books and CAD machines. At Himatsingka, you will find a crystal ball as well!

We don't just make what home-proud owners in the US and Europe want today. But what we think and foresee, they will wish to buy over the coming months.

Being prudently ahead of the times helps us deliver exactly what end buyers are looking forward to. Result: quicker off-take.

Also, being a little ahead of the rest with ingenious novelty helps our products escape the clutter of the marketplace. Result: higher realisations.

The eagle vision of how the grand sweep of the fashion industry will meander helps us create designs that evolve its brand from a trend-follower to that of a trend-creator. Result: the first design studio of recall among the editors of international distributors.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net



SV Manjunath, AGM — Human Resources

In the broad textile industry, relationships are formed and dissolved on the basis of price. In the niche business of Himatsingka, this entire process is treated with grace, dignity and tradition.

For one, the international community of buyers jealously guard the reputation of their labels by prudently sourcing fabric only from credible producers. A relationship-based interaction also forms Himatsingka's equation with its employees. An environment of mutual respect has ensured a negligible attrition and the effective retention of valuable competencies. For instance, nearly 90% of the company's shop floor team of engineers and workers in 1992 continue to be with the company even in 2002.

www.reportjunction.com