

Himatsingka Seide
ANNUAL REPORT 2000-2001



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Dear Shareholders,

Every year my colleagues and employees inspire me to write to you armed with terrific numbers. This year —

- Revenues were up 13 per cent to Rs.128.49 crores - a record !
- PBT increased by 13 per cent and, at Rs. 46.10 crores, it is the highest ever !
- Fabric production broke the 1.5 million meter mark for the first time!

These figures, backed by an OPM of over 45 per cent, is something I certainly consider an achievement.

During this financial year, we have continued our efforts towards providing high quality fabrics to our niche clientele worldwide. You may recall that we introduced and launched a new product line of blended silk fabrics about a year and half ago. I had a lot of confidence then, but I did not know that it would turn out to be an understatement. The market has responded enthusiastically to these new products which has helped us in distributing risks and at the same time maintaining high levels of value addition. The latter is reflected by the per meter realisation of Rs. 765 which is nearly 50 per cent higher than the industry average. This speaks about our value adding capabilities.

Today we are well positioned to capitalise on emerging growth opportunities. Foreseeing a stronger distribution network and consequently higher demand, the company is continually investing in enhancing its installed capacity which by the end of the year in prospect will stand at 2.25 million meters. Upon repaying the ECBs, the company has reattained its debt-free status. The operating cash flow continues to be strong and is being channeled to finance our additional weaving capacities and our foray into velvets.

We have consistently targeted the upper end of the furnishing fabric market primarily in the United States of America and in Europe. We have succeeded in our aim to position ourselves as a company focused on high quality, consistency and design innovation. Value creation is the underlying philosophy that influences all our business decisions. Our long standing distributor relationships, wide range of products and integrated manufacturing facilities set us apart from international competition and give us the winning edge.

SANSCO SERVICES A LP

The remarkable coordination between the production and design departments to manage the more than 20,000 SKUs currently in the market, coupled with the ability to keep abreast with the esoteric world of design continue to be the source of sustainable competitive advantage at Himatsingka.

In addition to strengthening our core product lines and operating efficiencies, we continue to channel substantial capital — both creative and monetary — to support the endeavours of our designers.

We understand the commercial power of design and perceive it as being equally essential to business strategy as capital investments.

I believe that it is no longer enough to flog value for money alone — whether it is a kitchen cabinet, a towel, a dress, a curtain, a computer or a phone. Each has got to have an appeal “thing” called DESIGN. There are no design-illiterate masses left to sell to; specially in the international market. In an age when most things are efficient and functional, design is the way to make consumers choose ones product over its rivals. It is also the way to deal with the new phenomenon of widespread good taste.

We have been investing in well understood and proven products. An approach you can expect us to maintain. The success of blended fabrics is behind us and once again we are stepping forward to launch a new product line — velvet fabrics. Silk velvets are known to be a high value added product. It requires mature design content and I have full confidence in our design team.

This is a wonderful time to be your Managing Director. I have never been more confident that our most exciting days are ahead — a feeling that is shared by my colleagues and expressed by them in the following pages.

Dinesh Himatsingka
Managing Director

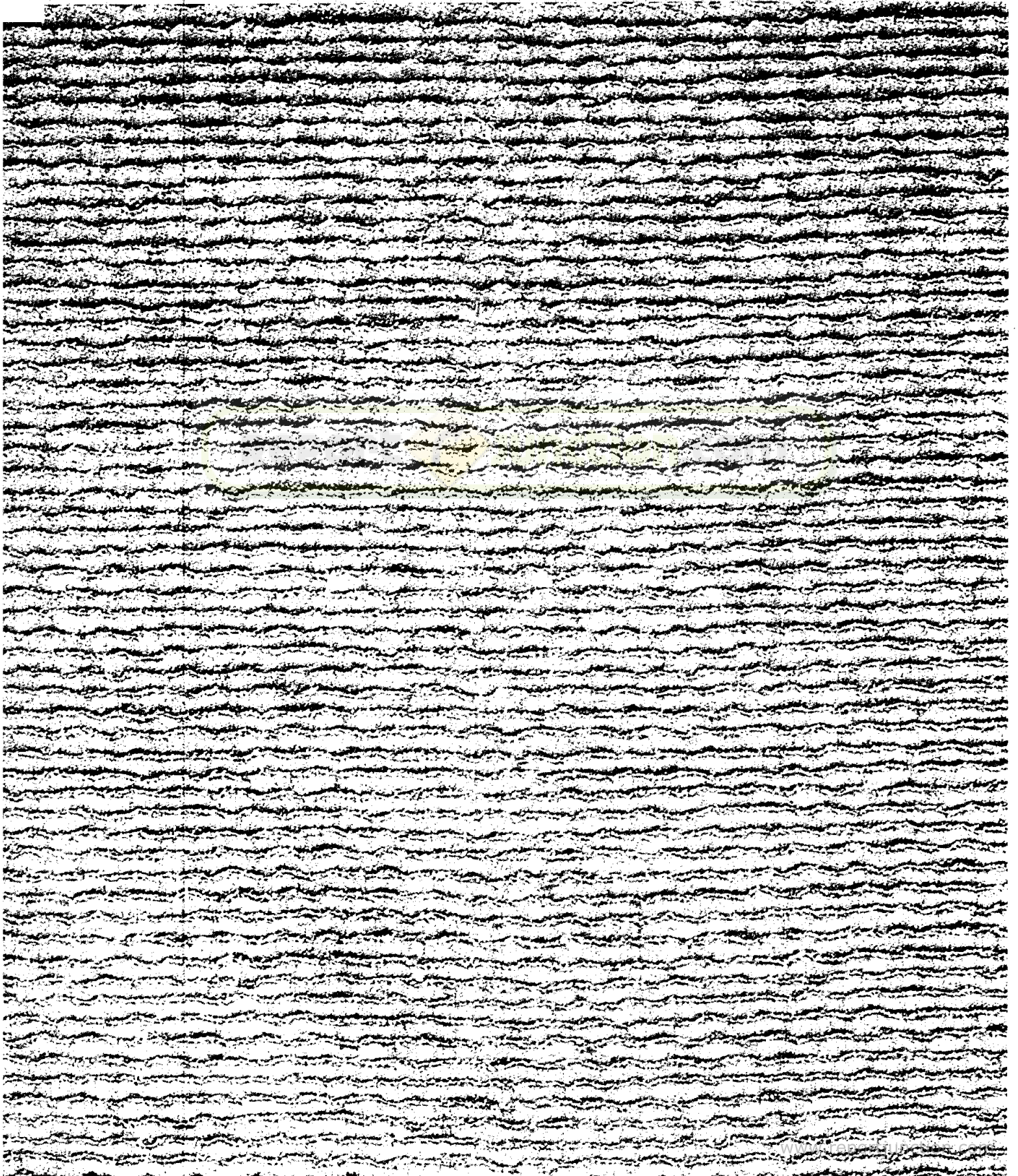
"Think of us as a company on the move —
experimenting with ideas, charting new paths."

Aditya Himatsingka, Executive Director.

Trends

"Ideating, creating, thinking of that which is not...
that's how we've built our reputation."

Jayshree Poddar, Design Director



Technology

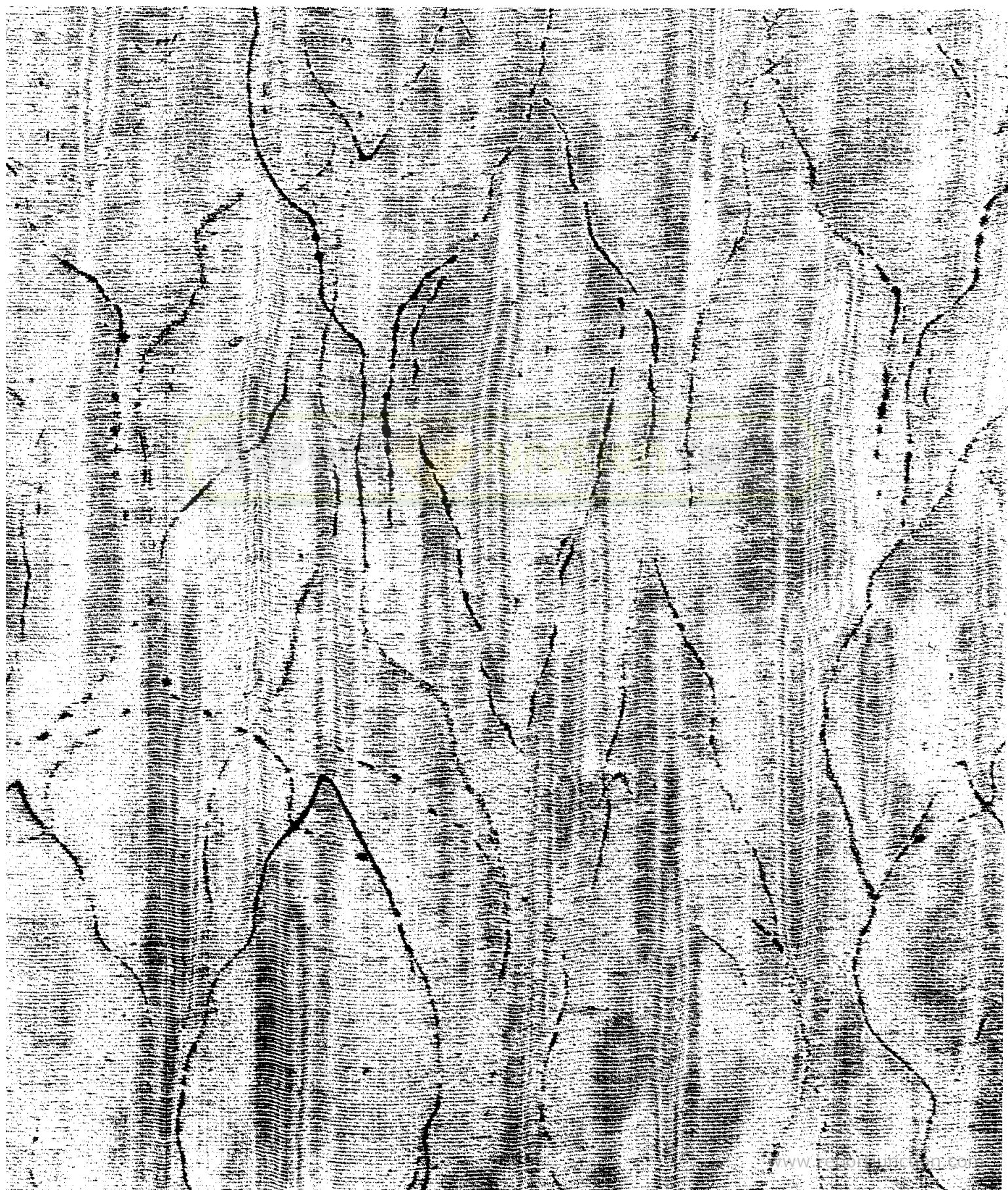
"A guarantee of quality.
International standards at every level make us market leaders."

Mohan Rao, President — Operations

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"The humanities of business in this age have become more important than the techniques of business."

AK Himatsingka, Vice Chairman



Performance

"Attitude, effort, perseverance — team work is our driving spirit."

P Chinnaraj, Vice President — Finance & Company Secretary



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 Christian Fischbacher Sahco Hesslein Kravet Rubelli Schumacher Lelievre
 Andrew Martin Decortex Osborne & Little Robert Allen Jab Josef
 Anstoetz Zimmer + Rohde Christian Fischbacher Sahco Hesslein Kravet
 Nobilis Rubelli Schumacher Lelievre Andrew Martin Decortex Osborne &
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"Our style is functional, it's contemporary...
 we're very much in touch with world design markets"

Dinesh Himatsingka, Managing Director