

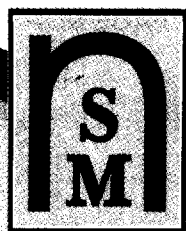


**THE NAHAR GROUP**

# **24<sup>th</sup> Annual Report**

**2003-2004**

Report  Junction.com



# **Nahar** **SPINNING MILLS LIMITED**

**ONE OF THE PREMIER RECOGNISED GOLDEN TRADING HOUSE OF INDIA**



# NAHAR SPINNING MILLS LIMITED

Annual Report 2004

## MANAGEMENT

<b>BOARD OF DIRECTORS</b>	<b>: Sh. Jawahar Lal Oswal</b>	<b>Chairman</b>
	Sh. Dinesh Oswal	Managing Director
	Sh. Kamal Oswal	Director
	Sh. Dinesh Gogna	Director
	Sh. S. K. Sharma	Director
	Dr. (Mrs.) H. K. Bal	Director
	Sh. Amarjeet Singh	Director
	Dr. O. P. Sahni	Director
	Prof. K. S. Maini	Director

**FINANCE CONTROLLER** : Sh. Hans Raj Kapoor

**COMPANY SECRETARY** : Sh. Brij Sharma

**AUDITORS** : M/s Gupta Vigg & Co.  
Chartered Accountants  
101, Kismat Complex,  
G. T. Road, Miller Ganj, Ludhiana-141 003.

**BANKERS** : Punjab National Bank  
State Bank of India  
ICICI Bank Ltd.

**REGD. OFFICE** : 373, Industrial Area- 'A', Ludhiana-141 003

**WORKS** : Industrial Area-'A', Ludhiana (Punjab)  
Dhandari Kalan, G. T. Road, Ludhiana (Punjab)  
Village Simrai, Mandideep, Distt. Raisen (M.P.)  
Village Lalru, Distt. Patiala (Punjab)  
Village Jalalpur, Distt. Patiala, (Punjab)

24th ANNUAL GENERAL MEETING		CONTENTS	PAGE NO.
		NOTICE	1.
Day	: Thursday	DIRECTORS' REPORT	3
Date	: 30th September, 2004	CORPORATE GOVERNANCE REPORT	7
		AUDITORS' REPORT	12
Time	: 10.00 A.M.	BALANCE SHEET	14
		PROFIT & LOSS ACCOUNT	15
Place	: At the Premises of	NOTES ON ACCOUNTS	26
	Nahar International Limited	BALANCE SHEET ABSTRACT	35
	Focal Point, Ludhiana	CASH FLOW STATEMENT	36



# NAHAR SPINNING MILLS LIMITED

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### NOTICE

Notice is hereby given that the **Twenty fourth Annual General Meeting** of the members of NAHAR SPINNING MILLS LIMITED will be held on **Thursday the 30th day of September, 2004 at 10.00 A.M.** at the premises of M/s Nahar International Limited, Focal Point, Ludhiana to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Sh. Amarjeet Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. Jawahar Lal Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Sh. Dinesh Gogna, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors who shall hold Office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Gupta Vigg & Co., Chartered Accountants, the retiring Auditors of the company being eligible, offer themselves for re-appointment.

**BY ORDER OF THE BOARD**

**PLACE : LUDHIANA**  
**DATED : 31st July, 2004**

**BRIJ SHARMA**  
**(COMPANY SECRETARY)**

### 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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.

2. The Register of Members and Share Transfer Register of the Company shall remain closed from 16th Sept., 2004 to 30th Sept., 2004 (both days inclusive).
3. The dividend on equity shares as recommended by the Board of Directors, if approved at the Annual General Meeting will be paid to the members, whose names appear in the Register of members as on 30th Sept., 2004 or Register of beneficial owners, maintained by the Depositories at the close of 15th Sept., 2004.
4. Pursuant to Section 205 A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1995-96 have been transferred to Investor Education and Protection Fund. Further unpaid dividend for the year 1996-97 is to be transferred to Investor Education and Protection Fund pursuant to section 205-C of the Companies Act, 1956 by end October, 2004. Shareholders who have not encashed their dividend warrants relating to the said period are requested to claim the amount from the company at the earliest.

Further we may also inform that once the amount is deposited in the Investor Education and Protection Fund, it cannot be claimed later on as per the Companies (Amendment) Act, 1999.

5. The Bond holders who have not surrendered the Letter of Allotment/Bond Certificates for conversion/redemption till date are requested to surrender the Letter of Allotment/Bond Certificates immediately to enable the Company to send share certificate(s)/Redemption Warrant to them.
6. Members holding shares in physical form are requested to immediately notify change in their address/Bank details to the Company's Share Transfer Agent M/s Alankit Assignments Limited or to the Company's Registered Office at 373, Industrial Area-A, Ludhiana - 141 003.

Members holding shares in electronic form are requested to notify change in their address/Bank details to their Depository Participants before 15th Sept., 2004.

7. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
8. To avail the facility of nomination, Members are requested to send us duly filled and signed Nomination Form (Form 2B)



# NAHAR SPINNING MILLS LIMITED

## Annual Report 2004

9. Members seeking any information with regard to Annual Accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of meeting so as to enable the management to keep the relevant information ready.
10. Members are requested to bring the copy of Annual Report alongwith them, at the meeting.
11. The information required to be provided under clause 49 of the Listing Agreement entered into with various Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed is annexed hereto and form part of the notice.

### Information required to be furnished under Clause 49 of the listing Agreement :

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below :

- I) Name : Sh. Amarjeet Singh  
 Age : 77 years  
 Qualification : LL.B  
 Expertise : Having 50 years experience in Taxation and Legal work.

Directorships/Membership in the Committees of the Board in other Companies

Name of the Company	Committee	Status
1. Nahar Exports Ltd.	Audit Remuneration Shareholders Grievance	Chairman Chairman Member
2. Nahar International Ltd.	Shareholders Grievance Remuneration Audit	Member Member Chairman Member
3. Oswal Woollen Mills Ltd.	Audit	Member
4. Vanaik Investors Ltd.	Nil	Nil
5. Oswal Leasing Ltd.	Nil	Nil

- II) Name : Sh. Jawahar Lal Oswal  
 Age : 61 years  
 Qualification : Graduate  
 Expertise : Having 40 years business experience in the Textile and Woollen Industry.

Directorships/Membership in the Committees of the Board in other Companies

Name of the Company	Committee	Status
1. Oswal Woollen Mills Ltd.,	Nil	Nil
2. Nahar Exports Limited	Nil	Nil
3. Nahar Sugar & Allied Inds. Ltd.	Nil	Nil

- |                                       |     |     |
|---------------------------------------|-----|-----|
| 4. Nahar International Ltd.           | Nil | Nil |
| 5. Nahar Indl. Enterprises Ltd.       | Nil | Nil |
| 6. Sankheshwar Holding Co. Ltd.       | Nil | Nil |
| 7. Vardhman Investments Ltd.          | Nil | Nil |
| 8. Girnar Investments Ltd.            | Nil | Nil |
| 9. Palam Motels Ltd.                  | Nil | Nil |
| 10. Nagdevi Trdg. & Inv. Co. Ltd.     | Nil | Nil |
| 11. Nahar Overseas Ltd.               | Nil | Nil |
| 12. Atam Vallabh Financiers Ltd.      | Nil | Nil |
| 13. Vanaik Investors Ltd.             | Nil | Nil |
| 14. Ludhiana Holdings Ltd.            | Nil | Nil |
| 15. Monica Growth Fund (P) Ltd.       | Nil | Nil |
| 16. Ruchika Growth Fund (P) Ltd.      | Nil | Nil |
| 17. J.L. Growth Fund (P) Ltd.         | Nil | Nil |
| 18. Abhilash Growth Fund (P) Ltd.     | Nil | Nil |
| 19. Neha Credit & Investment (P) Ltd. | Nil | Nil |
| 20. Interpace Trading & Inv. (P) Ltd. | Nil | Nil |
| 21. Ogden Trading & Inv. Co. (P) Ltd. | Nil | Nil |
| 22. Nahar Growth Fund (P) Ltd.        | Nil | Nil |

- III) Name : Sh. Dinesh Gogna  
 Age : 51 years  
 Qualification : B.A. LL.B  
 Expertise : Having more than 27 years experience in Corporate Finance & Taxation.

Directorships/Membership in the Committees of the Board in other Companies

Name of the Company	Committee	Status
1. Nahar Exports Ltd.	Share Transfer Audit	Member Member
2. Nahar Sugar & Allied Inds. Ltd.	Audit Shareholders Grievance	Member Chairman
3. Nahar International Ltd.	Audit Shareholders Grievance Remuneration	Member Chairman Member
4. Nahar Indl. Enterprises Ltd.	Audit Shareholders Grievance	Member Chairman
5. Oswal Leasing Limited	Nil	Nil
6. E. Textiles Point.com Ltd.	Nil	Nil
7. Girnar Investment Ltd.	Nil	Nil
8. Nahar Overseas Ltd.	Nil	Nil

BY ORDER OF THE BOARD

PLACE : LUDHIANA  
 DATED : 31st July, 2004

BRIJ SHARMA  
 (COMPANY SECRETARY)



# NAHAR SPINNING MILLS LIMITED

## Annual Report 2004

### DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the TWENTY FOURTH ANNUAL REPORT on the affairs of the company for the year ended 31<sup>st</sup> March, 2004.

### FINANCIAL RESULTS

Your Company's Financial Performance during the year is summarised below :

PARTICULARS	(Rs. in Lacs)	
	Current Year	Previous year
<b>PROFIT FOR THE YEAR BEFORE TAX &amp; DEPRECIATION</b>	<b>6506.00</b>	<b>6790.86</b>
Less: Depreciation	3419.84	3525.31
Provision for Taxation	400.00	650.00
Provision for Deferred Tax	125.00	3944.84
<b>PROFIT AFTER TAX</b>	<b>2561.16</b>	<b>2430.55</b>
Income Tax Adjustment & Excess Prov. For earlier Years including interest Written back	(+) 78.52	(+) 54.69
Add: Write back of Diminution in value of Long term investment of Earlier years	---	11477.23
<b>Amount available for appropriation</b>	<b>2639.68</b>	<b>13962.47</b>
<b>APPROPRIATION</b>		
Proposed Dividend	833.86	833.59
Tax on Distributed profits	106.84	106.80
Transfer to General Reserve	1698.98	13022.08
	<b>2639.68</b>	<b>13962.47</b>

### COMPANY'S PERFORMANCE

Before reviewing the overall performance of the company, we would like to report segment wise performance of the company. The company's activities can be classified under two segments namely Yarn Segment and Garment Segment as per the Accounting Standard 17 issued by the Institute of Chartered Accountants of India. The working performance of each segment is as under:-

### YARN SEGMENT

During the year under review, the Yarn Segment performed reasonably well. The Segment contributed Rs.276.15 towards the turnover of the company out of which Rs. 135.34 crores was Export turnover. The Company earned a profit before tax and interest of Rs.20.49 crores during the year. The higher Cotton prices coupled with lower export realisation adversely affected the Financial performance of the yarn segment.

Your Company continued its Policy on spending on Technology and Modernisation and installed 10000 Spindles of Compact Spinning Machines imported from internationally renowned M/s Riter Machines, Germany, for its spinning plant at Village Simrai, Mandideep, Distt. Raison. The compact Spinning is the latest

technological advancement of ring spinning Yarn and will add further value to the Yarns manufactured by the Company.

### GARMENT SEGMENT

The Garment division contributed Rs. 133.73 crores towards the revenue of the Company as against 200.95 Crores in the previous year. The lower allocation of quotas for the second half of the financial year adversely affected the performance of the Segment. The stiff Global competition coupled with demand shrinkage from Overseas buyers also adversely affected the Exports as well as operating margins, resulting lower profits before tax at Rs. 4.38 crores as against Rs.12.67 crores in the previous year.

However your Management is quite hopeful that quota free business environment w.e.f. 1<sup>st</sup> Jan., 2005, will enable the company to improve its performance in the coming periods, as company will have free access to the World Markets.

Besides, to ensure uninterrupted power supply at cheaper cost, the company has decided to install a Turbine with a capacity of 3.5 M.W. for co-Generation Power Plant at Village Dhandari Kalan, Distt. Ludhiana at a capital outlay of Rs.16 crores approximately, and the same will be met out of internal accruals of the company. The plant is likely to be commissioned by March, 2005. The plant will not only meet the power requirements of the company's plant at Dhandari Kalan but will also help in improving its bottomline.

### OVERALL PERFORMANCE

From the above results, it is apparent that the company has performed reasonably well during the year under review. The company achieved an operating income at Rs.389.03 Crores out of which Rs.210.26 crores was export turnover. Because of its excellent Export performance the company continues to enjoy the status of **GOLDEN TRADING HOUSE**. The company's Export efforts has also been recognised by The Cotton Textile Export Promotion Council as is evident from the timely pronouncement of Award of **TEXPROCIL SILVER TROPHY** to the company, for the outstanding Export performance in Yarn, amongst Mills Exporters for the year 2003-2004.

We would further like to report that inspite of lower operating income/Exports, the Company has been able to improve its Financial performance and earned a net profit of Rs.26.40 crores as against 24.85 crores showing an increase of 6.24% over the previous year. After appropriation of profit as per detail herein above, an amount of Rs.16.99 crores has been transferred to General Reserve thereby increasing the Reserves of the Company at Rs. 553.01 crores on 31<sup>st</sup> March, 2004.

Your Management is quite optimistic that changed Global Scenario of quota free business environment, will offer a big growth opportunity for the Company. Your company has already geared itself to avail the emerging opportunities by building large capacities. We are hopeful that company's core competence and competitive edge achieved through modernisation and upgradation of the Plants will help in further improving its performance. Besides, the expectation of good cotton crop in the current season, the raw cotton prices are likely to soften





# NAHAR SPINNING MILLS LIMITED

Annual Report 2004

which will ultimately benefit the company in improving its financial performance. Barring unforeseen circumstances the members can look forward for a rewarding future ahead.

## DIVIDEND

Your Directors are pleased to recommend a dividend @50% (i.e. Rs.5/- per share) on paid up equity share capital for the year ended 31<sup>st</sup> March, 2004.

The dividend, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the company for the year under reference to all those shareholders whose names shall appear in the Register of Members on 30<sup>th</sup> Sept., 2004 or Register of beneficial owners, maintained by the Depositories at the close of 15<sup>th</sup> Sept., 2004. The dividend distribution as percentage of net profit after tax is 31.59.

## EXPANSION PLANS

Keeping in view the emerging opportunities arising out of the quota free global trade w.e.f. 1<sup>st</sup> January, 2005, your Management has decided to invest Rs. 112.45 crores in the capacity expansion. The Company shall be putting up a Ultra Modern Spinning and knitting cum dyeing Plant with a capacity of 25000 Spindles, at Village Lalru, Distt. Patiala. The expansion will be financed by way of term loan of Rs. 80 crores from the Financial Institutions under Tuff scheme and balance from the internal accruals of the company. Your Management is quite optimistic that enhanced capacity will enable the company to improve its financial performance in the coming years.

## DIRECTORS

Pursuant to article 91 of the Articles of Association of the company Sh. Amarjeet Singh, Sh. Jawahar Lal Oswal and Sh. Dinesh Gogna will be retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

In terms of clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors to be appointed/re-appointed are contained in the accompanying Notice of the forthcoming Annual General Meeting.

## CREDIT RATING

The Credit Rating Information Services of India Ltd. (CRISIL) has assigned the credit rating "P1+" (Pronounced "P one plus") to the Company for short term loan upto Rs.135 Millions.

## LISTING OF SECURITIES

The securities of the company are presently listed on the following Stock Exchanges:

- The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana.
- The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai.
- The National Stock Exchange of India Ltd., Exchange Plaza, 5<sup>th</sup> Floor, Plot No.C/1, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai

The Company has paid listing fee to all aforesaid Stock

Exchanges for the Financial year 2004-2005. We would also like to inform you that Pursuant to the shareholders approval, Company applied for Voluntarily de-listing of Equity Shares from the Ludhiana Stock Exchange as well as Delhi Stock Exchanges. The Delhi Stock Exchange has confirmed vide their letter No. DSE/LIST/101 dated 12<sup>th</sup> July, 2004 regarding delisting of Company's Equity Shares from the Exchange and the approval from the Ludhiana Stock Exchange is still awaited.

## DEMATERIALISATION OF SECURITIES

As the members must be aware that company's securities are tradable compulsorily in electronic form w.e.f. 21<sup>st</sup> March, 2000. Your Company has already established connectivity with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) to facilitate the holding and trading of securities in electronic form. As on date 91.08% of the share capital of the company has been dematerialised. The shareholders who have not gone in for dematerialisation of shares till date, are requested to opt for dematerialisation of the shares at the earliest.

Further as per SEBI circular no. D&CC/FITTC/CIR-15/2002 dated 27<sup>th</sup> December, 2002, Company has appointed M/s Alankit Assignments Ltd. as Registrar for Share Transfer and Electronic connectivity. Accordingly all the shareholders, Investors, Members of the Stock Exchanges, Depository Participants and all other concerned are requested to send all communication in respect of Share Transfer, Demat/Remat, Change of Address etc. to our Registrar at below mentioned address:

M/s Alankit Assignments Limited  
(Unit : Nahar Spinning Mills Limited)  
2E/8, Blazeflash House, Jhandewalan Extension  
New Delhi - 110 055  
Telephone No. : (011) 51540060-63  
Fax No. : (011) 51540064  
E-mail address : nahar@alankit.com

In case any query/complaint remains unresolved with our Registrar please write to Company Secretary at the Registered Office of the Company.

## AUDIT COMMITTEE

Pursuant to section 292 A(1) of the Companies Act, 1956, company has already constituted Audit Committee consisting of Sh. Amarjeet Singh as Chairman, Sh. Dinesh Gogna and Dr. O.P. Sahni as members. The committee held four meeting during the year under review.

## REPORT ON THE CORPORATE GOVERNANCE

Your Company continues to follow the principles of good Corporate Governance. The company has already constituted several committees of directors to assist the Board in good Corporate Governance. The Corporate Governance Report alongwith the Auditors Certificate regarding compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange, is attached herewith as Annexure-III.



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## Annual Report 2004

### DIRECTORS RESPONSIBILITY STATEMENT

The Directors would like to assure the Members that the financial statements for the year under review, confirm in their entirety to the requirements of the Companies Act, 1956.

The Directors confirm :

- That in preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanations relating to material departures;
- That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- That they have prepared the Annual Accounts on a going concern basis.

### COST AUDITORS

The Company appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors for the year 2003-2004. The Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, New Delhi have approved their appointment vide letter dated 23<sup>rd</sup> June, 2003. The Cost Audit Report of the company would be submitted to the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, in accordance with the requirements of Law.

### AUDITORS

M/s Gupta Vigg & Co., the Auditors of your Company shall be retiring at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The company has obtained from auditors, a certificate as required under Section 224(1-B) of the Companies Act, 1956 to the effect that their reappointment, if made, would be within the limits specified in the said section.

### FIXED DEPOSITS

During the year the company has not accepted any fixed deposit within the meaning of Section 58-A of the Companies Act, 1956 and the rules made there under.

### INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to Section 205-C of the Companies Act, 1956 the company has transferred an amount of Rs.652829/- (Rupees Six lacs fifty two thousand eight hundred twenty nine only) being the amount of unclaimed dividend for the year 1995-96 to the Investor Education and Protection Fund.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The detailed information as required under section 217(1)(e) of the companies Act, 1956 read with Companies (Disclosure of Particulars in Report of the Board of Directors) Rules 1988, is enclosed as per Annexure-II.

### INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year and the excellent results were achieved with the whole hearted co-operation of employees at all levels.

### ACKNOWLEDGEMENT

The Board of Directors of the company wish to place on record their thanks and appreciation to all workers, staff members and executives for their contribution to the operations of the company. The Directors are thankful to the Bankers, Financial Institutions for their continued support to the company. The Directors also place on record their sincere thanks to the shareholders for their continued support, co-operation and confidence in the Management of the Company.

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA

JAWAHAR LAL OSWAL

DATED : 31st July, 2004

(Chairman)

### ANNEXURE-I

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANY ACT, 1956 READ WITH COMPANIES (PARTICULRS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORTS FOR THE YEAR ENDED 31ST MARCH 2004.

SR. NO.	NAME	DESIGNATION NATURE OF DUTIES	REMUNERATION (AMT. IN Rs.)	NATURE OF EMPLOYMENT	QUALIFI- CATION	EXPERIENCE IN YEARS	DATE OF EMPLOY- MENT	AGE (YEARS)	LAST EMPLOYMENT HELD
1.	Sh. Dinesh Oswal	Managing Director	14110526.00	Contractual	B.Com.	19	01.01.1987	39	Oswal Wollen Mills

### NOTES :

- Remuneration includes salary, ex-gratia, leave encashment, monetary value of perquisites as per Income Tax Rules, employers contribution to provident fund and commission, where applicable.
- Sh. Dinesh Oswal, is related to Sh. Jawahar Lal Oswal and Sh. Kamal Oswal, Directors of the Company.



# NAHAR SPINNING MILLS LIMITED

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### ANNEXURE-II

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2004.

#### I. CONSERVATION OF ENERGY

##### a) Measures taken for conservation of energy

Energy conservation is an ongoing process in our organization. The company has taken following measures for energy conservation :

- The Company has installed two numbers fan at our compressor-room roof top, the latest designed "ECCO Ventilator" Turbine Design which can replace exhaust fans as a measure of energy savings.
- The Company has taken trial with Energy Saving motor at Ring frame machine and the process shall continue for new requirement of motors in future. Also all new Ring frame machines procured recently are equipped with Energy Saving Main motors.
- The Company has decided to install 3.5M.W. Power Generation Plant at Village Dhandari Kalan, Ludhiana. The plant will provide not only healthy power supply but will also enable the company to save considerably as the electricity produced by the Power plant will be much cheaper as compared to the rate charged by the State Electricity Board.

##### b) Additional investment & proposal for reduction of consumption of energy :

New Ring Frames under replacement in Unit-1 at Mandideep are equipped with new energy saver impellers and also the pneumafil suction tubes are with modified design to conserve its air requirements.

##### c) Impact of measure, consequent to (a) and (b) above

With the measures adopted by the company, there is substantial saving in energy consumption there by reduction in cost of production

##### d) Total energy consumption and energy consumption per unit of production per Form-A of the Annexure in the rules in respect of Industries specified in the schedule thereto

#### FORM A

	CURRENT YEAR 2003-2004	PREVIOUS YEAR 2002-2003
--	---------------------------	----------------------------

#### A. POWER & FUEL CONSUMPTION

##### 1. Electricity

###### (a) Purchased

Units (Kwh)	22708294	22972519
Total amount (Rs.)	90293512	87988002
Rate per Unit (Rs.)	3.98	3.83

###### (b) Own Generation

Through Diesel Generator		
Units produced (KWH)-	61074081	85329617
Total amount (Rs.)	180739136	249268255
Cost per unit (Rs.)	2.96	2.92

##### 2. Steam Coal

Used in Boiler	Used in Boiler
Quantity (in Tonnes)	---
Total Cost (Rs.)	---
Cost per unit (Rs.)	---

##### 3. Furnace Oil

Quantity (in litres)	5986199	5765095
Total cost (Rs.)	54227637	52726169
Rate/Tonne (Rs.)	9.06	9.15

##### 4. Other/Internal Generation

Rice Husk (Qty. in tones)	25628.98	30339.506
Total Cost (Rs.)	38903411	51537434
Rate/Tonne (Rs.)	1517.95	1698.69

#### B. CONSUMPTION PER UNIT OF PRODUCTION MAIN EXPORT UNIT

1. Rice husk used per Kg. of dyed cloth	4.21	2.87
2. Electricity consumed per unit of Hosiery Garments Manufactured	4.27	3.18

#### SPINNING UNIT (MANDIDEEP)

Product Cotton/Synthetic Yarn	4.55	6.17
Electricity (Unit/Kg.)		

#### SPINNING UNIT (JALALPUR)

Product Cotton/Synthetic Yarn	13.28	14.05
Electricity (Unit/Kg.)		

#### MERCERISING CUM DYEING UNIT (LALRU)

1. Electricity consumed per unit of Yarn/Cloth (Unit/Kg.)	3.42	3.78
2. Rice husk used per Kg. of Yarn/Cloth	3.26	3.52
3. Furnace Oil used per Kg. of Yarn (Ltr/Kg.)	0.03	0.04

#### II. TECHNOLOGY ABSORPTION

##### FORM B

##### A) Research & Development (R & D) :

i) **Specific areas in which Research and Development carried out by the Company :** The Company has latest state-of-the arts technology and equipment in R & D for monitoring from raw-material to the finished product. The Company has installed on line data control for the finished products.

ii) **Benefits derived as a result of above R & D :** These facilities enable the company to manufacture quality products meeting international standards and which have found ready acceptance in the International markets. Spinning Unit II of the company has also been awarded certification under ISO 9002 quality system.

iii) **Future Plans :** The Company is committed to continue the upgrade its R & D facilities to meet the quality requirements of international customers.

##### iv) Expenditure on R & D :

a) Capital (Rs.)	NIL
b) Recurring (Rs.)	NIL
c) Total (Rs.)	NIL

#### B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

##### i) Efforts in brief made towards technology absorption, adaptation and innovation :

We are in process of replacing our old machines of Blow Room, Carding, Combers and Ring Frames with new Technologically advanced machines to further improve the Yarn quality for meeting ever increasing quality demand of our customers.

We have further added "Lop Tex" m/c for removal of contamination from Cotton at Blow Room stage to improve and enhance the value addition of yarn for better acceptance by our customers in the International markets who are very particular of yarn contamination.

##### ii) Benefits derived as result of above efforts :

With the adoption of latest technology, company has been able to produce world class quality yarn with minimum waste.

##### iii) Information regarding Technology imported during the last five years:

NIL

#### III FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year	Previous Year
a) Foreign Exchange earned (Rs.)	2072025480	2347406899
b) Foreign Exchange Outgo (Rs.)	275756699	394943203

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA  
DATED : 31st July, 2004

JAWAHAR LAL OSWAL  
(Chairman)





# NAHAR SPINNING MILLS LIMITED

## Annual Report 2004

### ANNEXURE - III

#### CORPORATE GOVERNANCE REPORT

This report of Corporate Governance form part of the Annual Report.

#### Company's philosophy on Corporate Governance

Your Company continues to practice the principle of good Corporate Governance. It is company's firm belief that good Corporate Governance is key to success of business. The Company's philosophy envisage an attainment of highest level of the transparency and accountability in its operations so that Company's goal of creation and maximisation of wealth of the Shareholders/Stakeholders could be achieved. Clause 49 of the Listing Agreement with Stock Exchanges incorporate certain mandatory disclosure requirements with regard to Corporate Governance. In pursuance to the requirements of corporate governance rules, we are pleased to report the following:-

#### 1. BOARD OF DIRECTORS

- The present strength of Board is Nine Directors. The Board comprises of Executive and Non Executive Directors. Sh. J.L. Oswal is a Non Executive Chairman and Sh. Dinesh Oswal is Managing Director of the Company. Thus the post of Chairman and Managing Director are held by different persons.
- Since Sh. J.L. Oswal is Non Executive Chairman, at least one third of the Board should comprise of independent Directors as per Corporate Governance Rules. The Company has already restructured its Board to comply the said requirement. The company's Board consist of four independent Directors out of Nine Directors, namely Dr.(Mrs.) H.K. Bal, Sh. Amarjeet Singh, Dr. O.P. Sahni and Sh. K.S. Maini. Thus the company has already complied the Corporate Governance Rules regarding structure of the Board.
- The Board met four times on 31st May, 31st July, 31st October, 2003 and 31st January, 2004 during the period April, 2003 to March, 2004 with a clearly defined agenda circulated well in advance of each meeting. The maximum interval between the two Board meetings is not more than four months.
- None of the directors is a member of more than 10 Board level committees or is Chairman of more than 5 such Board level committees. None of the Director is a Director in more than 15 Companies as prescribed under the Act.
- Participation of Non Executive Directors has been active in the Board Meeting. The Attendance record of Directors in the Board and the Annual General Meeting during the year 2003-2004 is as under:

Name of Director	Category of Director	No. of meetings attended	Whether attended AGM
Sh. Jawahar Lal Oswal	Non Executive Promoter	3	No
Sh. Dinesh Oswal	Executive Promoter	4	Yes
Sh. Kamal Oswal	Non Executive Promoter	4	Yes
Sh. Dinesh Gogna	Non Executive	4	Yes
Dr.(Mrs.) H.K. Bal	Non Exe.Independent	4	Yes
Sh. Amarjeet Singh	Non Exe. Independent	4	Yes
Sh. S.K. Sharma	Non Executive	4	Yes
Dr.O.P. Sahni	Non Exe.Independent	4	Yes
Sh. K.S. Maini	Non Exe.Independent	4	No

- Non Executive Directors are paid a sitting fee of Rs.2000/- per meeting of the Board.
- The Company ensures compliance of various statutory requirements by all its business units.
- All the Statutory Registers that are required to be maintained, particularly, Register of Director's Shareholding, Register of Investments etc. are properly maintained and continuously updated.

#### 2. AUDIT COMMITTEE

The Board has already constituted an independent and qualified Audit Committee. The committee consists of three Non Executive Directors under the Chairmanship of Sh.Amarjeet Singh. Dr. O.P. Sahni and Sh. Dinesh Gogna are the two other members of the Audit Committee. The Company Secretary is the Secretary of the committee. The Finance Controller is permanent invitee of the committee.

The term of reference of the Audit Committee are as per clause-49 of the Listing Agreement with the Stock Exchanges, SEBI Guidelines and Companies Act, 1956. Since 1<sup>st</sup> April, 2003 the committee met four times i.e. on 31<sup>st</sup> May, 31<sup>st</sup> July, 31<sup>st</sup> Oct., 2003 and 30<sup>th</sup> January, 2004. An Audit Committee meeting was held on 31<sup>st</sup> May, 2003 where the Annual financial statements for the year ended 31<sup>st</sup> March, 2003 were reviewed and examined by the members of the Audit Committee before recommendation of the same to the Board of Directors for their perusal and adoption.

The attendance record of the Audit committee members is an under.

Name of the Member	No. of meetings held Upto 31.03.2004	No. of meetings attended
Sh. Amarjeet Singh	4	4
Sh. Dinesh Gogna	4	4
Dr. O.P. Sahni	4	4

Sh. Amarjeet Singh, Chairman of the Audit Committee attended the last Annual General Meeting of the company held on 29<sup>th</sup> September, 2003 and replied/clarified the queries raised at the Annual General Meeting.

#### 3. REMUNERATION COMMITTEE

The Remuneration Committee was set up by Board in its meeting held on 31.01.2002. The committee comprises Sh. Amarjeet Singh as Chairman, Sh. S.K. Sharma and Dr.(Mrs.) H.K. Bal as members.

The Broad term of reference of the Remuneration Committee is to ensure that the Company's Remuneration policies in respect of Managing Director/Working Directors, Senior Executives are competitive so as to recruit and retain best talent in the Company and to ensure appropriate disclosure of remuneration paid to said persons.

The Committee met once during the year. The attendance record of the meetings held is as follows :-

Name of the Member	No. of meetings held Upto 31.03.2004	No. of meetings attended
Sh. Amarjeet Singh	1	1
Sh. S.K. Sharma	1	1
Dr.(Mrs.) H.K. Bal	1	1



# NAHAR SPINNING MILLS LIMITED

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The details of Director's remuneration paid for the year ended 31<sup>st</sup> March, 2004 is as under :

	Salary (Rs.)	Sitting Fee(Rs.)
Sh. Jawahar Lal Oswal		6000.00
Sh. Kamal Oswal		8000.00
Sh. Dinesh Oswal	14110526.00	---
Sh. Dinesh Gogna		8000.00
Sh. S.K. Sharma		8000.00
Dr. (Mrs.) H.K. Bal		8000.00
Sh. Amarjeet Singh	109992.00 *	8000.00
Ms. Monica Oswal	306133.00 **	---
Dr. O.P. Sahni		8000.00
Sh. K.S. Maini		8000.00

\* Amount paid to Sh. Amarjeet Singh as Retainership fee

\*\* Employed for the part of the year (resigned w.e.f. 31.07.2003)

### 4. SHAREHOLDER'S COMMITTEES

The Company has already constituted share transfer committee comprising 4 members under Chairmanship of Sh. Dinesh Oswal. The committee is responsible for approving the transfer and transmission of securities, dematerialisation of shares, issuance of duplicate certificates and other shareholders related issues. The committee met twelve times during the period April, 2003 to March, 2004 and the attendance record of the members is as follows :-

Name of the Member	No. of meetings held Upto 31.03.2004	No. of meetings attended
Sh. Dinesh Oswal	12	12
Sh. Dinesh Gogna	12	12
Sh. S.K. Sharma	12	12
Sh. Brij Sharma	12	12

As per SEBI circular no.D&CC/FITTC/CIR-15/2002 dated 27<sup>th</sup> December, 2002, Company has appointed M/s Alankit Assignments Ltd. as Registrar for Share Transfer and Electronic Connectivity. Accordingly all the shareholders, Investors, Members of the Stock Exchanges, Depository Participants and all other concerned are requested to send all communication in respect of Share Transfer, Demat/ Remat, Change of Address etc. to our Registrar whose address and telephone no. etc. has already been mentioned in the Directors Report.

The Company also has a Shareholders Grievance Committee consisting of three Non Working Directors under the Chairpersonship of Dr.(Mrs.) H.K. Bal. Sh. Brij Sharma, Company Secretary is the compliance officer of the company. The committee look into the complaints/ grievances of shareholders such as transfer of shares, Non receipt of dividend/share certificates, Demat problems etc. The committee met four times from April, 2003 to March, 2004 and the attendance record of the meetings held is as follows :-

Name of the Member	No. of meetings held Upto 31.03.2004	No. of meetings attended
Dr. (Mrs.) H. K. Bal	4	4
Sh. Amarjeet Singh	4	4
Sh. S.K. Sharma	4	4

The company has been quick in the redressal of the grievances of the Shareholder and has attended to most of the Investors correspondence/grievances within a period of 15 to 30 days from the date of receipt of the same. The details regarding the same is as under :

No. of letters/complaints received during the year : 763

No. of letters/complaints resolved during the year : 763

No. of complaints pending as on 31st Mar. 2004 : NIL

### 5. GENERAL BODY MEETINGS

The details of the last three Annual General Meeting are as under :

Financial Year	Location	Date	Time
2000-2001	Premises of Nahar International Ltd Focal Point, Ludhiana	28.09.2001	10.00 AM
2001-2002	Premises of Nahar International Ltd Focal Point, Ludhiana	30.09.2002	10.00 AM
2002-2003	Premises of Nahar International Ltd Focal Point, Ludhiana	29.09.2003	10.00 AM

Special business transacted at the above said Annual General Meetings:

#### 2000-2001

To appoint Sh. Vinod Kumar Khanna as Director of the Company

To appoint Sh. Amarjeet Singh as Director of the Company  
Re-appointment of Sh. Dinesh Oswal as Managing Director of the Company for a period of 5 years w.e.f. 1<sup>st</sup> Jan., 2002.

#### 2001-2002

To appoint Dr. O.P. Sahni as Director of the Company

To appoint Prof. K.S. Maini as Director of the Company.

To appoint Ms. Monica Oswal as Director of the Company

To appoint Ms. Monica Oswal as Wholetime Director of the Company

To appoint Sh. Amarjeet Singh, Director as Legal Advisor of the Company

To alter the Article 76 of the Articles of Association of the Company

#### 2002-2003

Delisting of Equity Shares from Ludhiana Stock Exchange Assn. Ltd. and Delhi Stock Exchange Assn. Ltd.

To increase the remuneration of Sh. Dinesh Oswal, Managing Director

To amend/add new Article 66 B in the Articles of Association of the Company.

### 6. DISCLOSURES

1. Disclosures on materially significant party related transactions are given at point No. 8 in the notes of Accounts.

2. There were no instances of non-compliance of any matter related to the capital markets, during the last three years.

### 7. MEANS OF COMMUNICATION

The Company's quarterly results in the format prescribed by the Stock Exchanges are approved and taken on record by the Board within the prescribed time frame and sent immediately to all Stock Exchanges on which the company's shares are listed. These results are published in leading