

25th

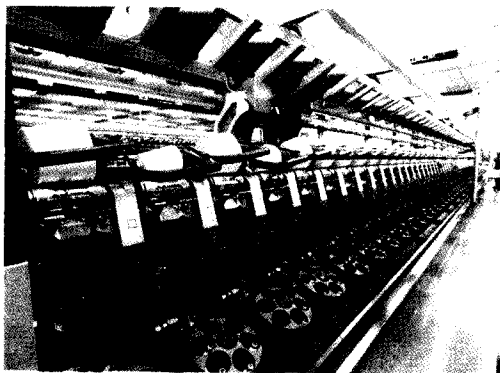
Annual Report

MARK OF INTEGRITY
NAHAR GROUP OF COMPANIES

2004-2005



THE NAHAR GROUP



Nahar SPINNING MILLS LIMITED

A RECOGNISED GOLDEN TRADING HOUSE

"LALA VIDYA SAGAR OSWAL"



(1908-2005)

"Founder Nahar Group"



NAHAR SPINNING MILLS LIMITED

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MANAGEMENT

BOARD OF DIRECTORS	: Sh. Jawahar Lal Oswal	Chairman
	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. Sahn	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)

25th ANNUAL GENERAL MEETING		CONTENTS	PAGE NO.
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NOTICE

Notice is hereby given that **Twenty fifth Annual General Meeting** of the members of NAHAR SPINNING MILLS LIMITED will be held on **Wednesday, the 28th day of September, 2005 at 10.00 A.M.** at the premises of M/s Nahar Industrial Enterprises 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, 2005 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 Dr. O.P. Sahni, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Prof. K.S. Maini, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr.(Mrs.) H.K. Bal, who retires by rotation and being eligible, offers herself 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 : 30th July, 2005

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 September 2005 to 28th September 2005 (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 28th Sept., 2005 or Register of beneficial owners, maintained by the Depositories at the close of 15th Sept., 2005.
4. Pursuant to Section 205 A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1996-97 have been transferred to Investor Education and Protection Fund. Further unpaid dividend for the year 1997-98 is to be transferred to Investor Education and Protection Fund pursuant to section 205-C of the Companies Act, 1956 on or before November, 2005. 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., 2005.
7. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of



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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)
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 informations 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 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 re-appointed are given below:

I. Name	: Dr. O.P. Sahni
Age	: 64 years
Qualification	: Ph.D
Expertise	: Having more than 30 years experience in teaching Management and Administration.

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

Name of the Company	Committee	Status
1. Nahar Indl. Enterprises Ltd.	Audit	Chairman
	Shareholders	Member
	Grievance	
	Remuneration	Member
2. Eastman Forge & Casting Ltd.	Nil	Nil
3. Midland International Ltd.	Nil	Nil
4. The L.S.E. Securities Ltd.	Nil	Nil
5. National Fertilizers Ltd.	Nil	Nil
6. Nahar Exports Limited	Nil	Nil

II. Name	: Prof. K.S. Maini
Age	: 65 years
Qualification	: M.Com
Expertise	: Having more than 31 years experience in teaching Commerce, Management and Administration.

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

Name of the Company	Committee	Status
1. Nahar Exports Ltd.	Audit	Member
2. Nahar Indl. Enterprises Ltd.	Shareholders	Member
	Grievance	
	Remuneration	Chairman

III. Name	: Dr.(Mrs.) H.K. Bal
Age	: 66 Years
Qualification	: Ph.d
Expertise	: Having more than 30 years experience in teaching Management and Statistics.

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

Name of the Company	Committee	Status
1. Nahar Exports Limited	Shareholders	Chairperson
	Grievance	
	Remuneration	Member
2. Shreyas Industries Limited	Audit	Member
	Remuneration	Member
3. Nahar Indl. Enterprises Ltd.	Audit	Member
	Remuneration	Member
4. Industrial Organics Ltd.	Nil	Nil

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 30th July, 2005

BRIJ SHARMA
(COMPANY SECRETARY)



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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the **TWENTY FIFTH ANNUAL REPORT** on the affairs of the company for the year ended 31st March, 2005.

FINANCIAL RESULTS

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

	(Rs. in Lacs)	
PARTICULARS	Current Year	Previous year
PROFIT FOR THE YEAR BEFORE	5460.62	6506.00
TAX & DEPRECIATION		
Less : Depreciation	3367.94	3419.84
Provision for Taxation	500.00	400.00
Provision for Deferred Tax (-)	75.00	125.00
PROFIT AFTER TAX	1667.68	2561.16
Income Tax Adjustment	(-) 64.01	(+) 78.52
for earlier Years Written back		
Amount available for appropriation	1603.67	2639.68
APPROPRIATION		
Proposed Dividend	834.28	833.86
Tax on Distributed profits	117.00	106.84
Transfer to General Reserve	652.39	1698.98
	1603.67	2639.68

PERFORMANCE REVIEW

We are pleased to inform that during the year under review, company achieved an operating income at Rs. 449.37 crores as against Rs. 389.03 crores showing an impressive increase of 15.51% over the previous year. On export front too, company has improved its performance and achieved export turnover of Rs. 271.48 crores as against Rs. 210.26 crores showing an impressive increase of 29.12% over the previous year. Because of its excellent export performance, company continues to enjoy the status of **GOLDEN TRADING HOUSE**.

In spite of excellent growth on operational front, margins have been squeezed because of fall in International prices of Yarn as well as Garments. Your Management opine that with the opening of global trade w.e.f. 1st January, 2005 every source started entering into the U.S. and European markets to increase its share. This intensified global competition which pushed the product prices to such an extent that maintaining a reasonable profit level became a great challenge. Moreover lowering of export incentives and exchange rate adversely affected company's profitability and thus company earned a net profit of Rs. 16.68 crores as against Rs. 25.61 crores in the previous year. After appropriation of profits as per detail hereinabove, an amount of Rs. 6.52 crores has been transferred to General Reserve thereby increasing company's reserves to Rs. 559.60 crores as on 31st March, 2005.

The World Textile scenario is changing for betterment. The revaluation of Chinese currency against US Dollars and favourable government policies are going to have positive impact on the Indian Textile Industry. We are quite optimistic that being a Integrated Textile Unit, your company will be able to meet the challenges ahead and improve its performance in the coming periods.

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

YARN SEGMENT

The Yarn Segment performed reasonably well during the year under review. The Segment contributed Rs.285.50 crores towards company's turnover out of which Rs.141.24 crores was Export turnover. The profit before tax and interest at Rs.13.23 crores has been adversely affected in comparison to last year because of intense global competition which affected operating margins, resulting lower profitability for the year.

GARMENT SEGMENT

Garment Segment performance was excellent on all fronts. The Segment contributed Rs.185.50 crores towards the revenue of the Company as against Rs. 133.73 Crores showing an impressive increase of 38.71% over the previous year. Likewise the profit before tax and interest has risen to Rs. 6.92 crores as against Rs. 4.38 crores showing an increase of 57.99% over the previous year.

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 31st March, 2005.

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 28th Sept., 2005 or Register of beneficial owners, maintained by the Depositories as at the close of 15th Sept., 2005. The dividend distribution as percentage of Net profit after tax is 50:03%.

EXPANSION PLANS

In tune with the times and to meet emerging demand of Garment from overseas reputed buyers, the company has increased the Garmenting capacity by 30 lacs Pcs. Now the company can produce 12000000 Pcs. per annum. Likewise the capacity of the Processing House has also been increased from 25 tones to 35 tones per day by installing state of the Art Machinery. This will enable your company to produce highest quality products at lower cost so that it remain globally competitive and maintain steady growth.

Besides, your company is in the process of installing a Turbine with a capacity of 3.5 MWs for Co-Generation Power plant for its Garment Division at Dhandari Kalan, Ludhiana. The Civil construction work has already been completed and the machinery



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has also started arriving at site. The plant is likely to be operational by September, 2005. The plant will provide uninterrupted quality power supply as well as save substantially in electricity cost which ofcourse will improve company's bottom line.

Further the expansion of spinning capacity of 25000 Spindles at Village Lalru, Distt. Patiala is progressing well. The Civil construction work is likely to be completed by 1st week of September, 2005. The machinery has started arriving at site and it is expected that 1st phase of expansion of 10000 Spindles will be operational by September, 2005. The balance 15000 spindles will be operational by December, 2005. On completion of the said expansion, the installed capacity of Spinning division will increase to 118408 Spindles.

Besides, to remain Globally competitive, your company has capex plan of Rs.65 crores for the year 2006. The company plans to increase the dyeing capacity of Mercerising cum Dyeing plant at Village Lalru, Distt. Patiala, Punjab at a capital outlay of Rs.20 crores. Likewise the Garmenting and processing capacity will also be increased during the year at a capital outlay of Rs.25 crores. To ensure uninterrupted quality power supply and that too at cheaper cost, the company has decided to install an additional Co-Generation Power plant with a capacity of 3.5MWs at Lalru at a capital outlay of Rs.20 crores to, supplement installed capacities. The said expansion and modernisation will be financed by way of Term Loan under Tuff scheme and internal accruals of the company.

We are quite optimistic that the abovesaid expansion and modernisation will enable your company to meet the huge surge in demand from the global markets and thus further improve its performance in the years ahead.

DIRECTORS

Pursuant to article 91 of the Articles of Association of the company Dr. O.P. Sahni, Prof. K.S. Maini and Dr.(Mrs.) H.K. Bal 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 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 reconfirmed the credit rating "P1+" (Pronounced "P one plus") to the Company for short term loan upto Rs.135 Millions.

LISTING OF SECURITIES

Pursuant to the Shareholders approval company applied for voluntary de-listing of its equity shares from Ludhiana Stock Exchange and the Exchange has confirmed vide their letter No. 2608 dated 9th Oct., 2004 regarding de-listing of Company's Securities from the Exchange w.e.f. 7th Oct., 2004. Thus securities of the company are presently listed on The Stock Exchange, Mumbai & The National Stock Exchange of India Ltd.

The Company has paid listing fee to both the Exchanges for the financial year 2005-2006.

DEMATERIALISATION OF SECURITIES

As the members must be aware that company's securities are tradable compulsorily in electronic form w.e.f. 21st 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 92.84% 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 27th 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) 52541234

Fax No. : (011) 51540064

E-mail address : rta@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 meetings 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.

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.



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The Directors confirm :

- i) that in preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanations relating to material departures;
- ii) that they had 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;
- iii) that they had 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;
- iv) that they had 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 2004-2005. The Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, New Delhi have approved the appointment vide their letter dated 16th Aug., 2004. 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.611192.40 (Rupees Six lacs eleven thousand one hundred ninety two and paise forty only) being the amount of unclaimed dividend for the year 1996-97 to the Investor Education and Protection Fund.

PARTICULARS OF EMPLOYEES

The information as required under Section 217(2A) of the Companies Act, 1956 read with the rules framed there under, is enclosed as per Annexure-I

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
DATED : 30th July, 2005

JAWAHAR LAL OSWAL
(Chairman)

ANNEXURE-I

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANY ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORTS FOR THE YEAR ENDED 31ST MARCH 2005.

Sr. No.	NAME	DESIGNATION	REMUNERATION (Amt in Rs.)	NATURE OF EMPLOYMENT	NATURE OF DUTIES	QUALIFI- CATION	EXPERIENCE IN YEARS	DATE OF EM- PLOYMENT	AGE (YEARS)	LAST EMPLOYMENT HELD	% OF EQUITY SHARES HELD
1.	Sh. Dinesh Oswal	Managing Director	11411070.00	Contractual	Overall Company's administration	B.Com.	20	01.01.1987	40	Oswal Woollen Mills Ltd.	NIL

NOTES :

1. 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.
2. Sh. Dinesh Oswal, is related to Sh. Jawahar Lal Oswal and Sh. Kamal Oswal, Directors of the Company.



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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 31ST MARCH, 2005.

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:
- Minimised the lighting load by replacement with electronic ballast with single tube light of high luminance.
 - Replacement of incandescent lamps with capacitive sodium vapour & LED lamps.
 - In S/Frame 4kw suction motors are under gradual replacement by electronic stop motion for roving ends.
 - 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 also decided to install 3.5M.W. Power Generation Plant at Village Lalru, Distt. Patiala, Punjab. 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 measures, consequent to (a) and (b) above**
With the measures adopted by the company, there will be 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 rule, in respect of industries specified in the schedule thereto.**

MERCERISING CUM DYEING UNIT (LALRU)

1. Electricity consumed per unit of Yarn/Cloth (Unit/Kg.)	3.34	3.42
2. Rice husk used per Kg. of Yarn/Cloth	3.39	3.26
3. Furnace Oil used per Kg. of Yarn (Ltr/Kg.)	0.02	0.03

II. TECHNOLOGY ABSORPTION

FORM B

A) Research & Development (R & D) :

- 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.
- 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.
- Future Plans :** The Company is committed to continue the upgradation of its R & D facilities to meet the quality requirements of International customers.
- Expenditure on R & D :**

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

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts in brief made towards technology absorption, adaptation and innovation :** We are in the process of replacement of existing machineries with latest and technology advanced machines. We have further installed Compact Spinning Ring Frames for better quality of yarns. Also "Loptex" and "C.V.T.-3" machines installed in Blow Room Department to improve further quality of yarns and removal of foreign contaminations in cotton.
- 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.
- Information regarding Technology imported during the last five years :**
NIL

III FOREIGN EXCHANGE EARNINGS AND OUTGO

- Activities relating to Exports, initiative taken to increase exports, Development of new Export Markets for products and export plans
With the opening of Global Trade w.e.f 1st Jan., 2005 company has taken effective steps to increase its exports and diversified export Markets. Company continues to make efforts to provide quality products at a very competitive rates so that it can compete with inter-national suppliers and maintain a steady growth of exports.

A. POWER & FUEL CONSUMPTION

	CURRENT YEAR 2004-2005	PREVIOUS YEAR 2003-2004
1. Electricity		
(a) Purchased		
Units (Kwh)	27324809	22708294
Total amount (Rs.)	108742662	90293512
Rate per Unit (Rs.)	3.98	3.98
(b) Own Generation		
Through Diesel Generator		
Units produced (KWH)	62786505	61074081
Total amount (Rs.)	214918656	180739136
Cost per unit (Rs.)	3.42	2.96
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)	5790419	5986199
Total cost (Rs.)	57652135	54227637
Rate/Tonne (Rs.)	9.96	9.06
4. Other/Internal Generation		
Rice Husk (Qty. in tones)	30608.17	25628.98
Total Cost (Rs.)	49373756	38903411
Rate/Tonne (Rs.)	1613.09	1517.95

B. CONSUMPTION PER UNIT OF PRODUCTION MAIN EXPORT UNIT

1. Rice husk used per Kg. of dyed cloth	3.75	4.21
2. Electricity consumed per unit of Hosiery Garments Manufactured	3.57	4.27

SPINNING UNIT (MANDIDEEP)

Product Cotton/Synthetic Yarn	6.51	6.51
Electricity (Unit/Kg.)		

SPINNING UNIT (JALALPUR)

Product Cotton/Synthetic Yarn	11.63	13.28
Electricity (Unit/Kg.)		

(II) Total Foreign Exchange earned and used.

a) Foreign Exchange earned (Rs.)	2667460675	2072025480
b) Foreign Exchange Outgo (Rs.)	255669751	275756699

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA
DATED : 30th July, 2005

JAWAHAR LAL OSWAL
(Chairman)



NAHAR SPINNING MILLS LIMITED

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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:-

I. BOARD OF DIRECTORS

1. 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.
2. 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 Prof. K.S. Maini. Thus the company has already complied the Corporate Governance Rules regarding structure of the Board.
3. The Board met four times on 31st May, 31st July, 30th October, 2004 and 31st January, 2005 during the period April, 2004 to March, 2005 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.
4. 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.
5. Participation of Non Executive Directors has been active in the Board Meetings. The Attendance record of Directors in the Board and the Annual General Meeting during the year 2004-2005 is as under:

Name of Director	Category of Director	No. of meetings attended	Whether attended AGM
Sh. Jawahar Lal Oswal	Non Executive Promoter	4	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	Yes

6. Non Executive Directors are paid a sitting fee of Rs.2000/- per meeting of the Board.
7. The Company ensures compliance of various statutory requirements by all its business units.
8. 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 meeting.

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 1st April, 2004 the committee met four times i.e. on 31st May, 31st July, 30th Oct., 2004 and 29th January, 2005. An Audit Committee meeting was held on 31st May, 2004 where the Annual financial statements for the year ended 31st March, 2004 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 as under:

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

Sh. Amarjeet Singh, Chairman of the Audit Committee attended the last Annual General Meeting of the company held on 30th September, 2004 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 31st Jan., 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 meeting held is as follows :