RAYMOND LIMITED.

Annual Report

1998 - 1999

Raymond LIMITED

CONTENTS

SUBSIDIARY COMPANIES

DIRECTORS

VIJAYPAT SINGHANIA, *Chairman & Managing Director*
MINOO R. SHROFF, *Executive Vice-Chairman*
MADHUPATI SINGHANIA
J.P. THACKER
NANA CHUDASAMA
U.V. RAO
B.V. BHARGAVA
I.C. JAIN *(Nominee of UTI)*
CHANDA KOCHHAR *(Nominee of ICICI)*
GAUTAM HARI SINGHANIA, *Joint Managing Director*
B.K. KEDIA, *Senior President & Joint Managing Director*
AKSHAY SINGHANIA, *Wholetime Director*

MANAGEMENT EXECUTIVE

VIJAYPAT SINGHANIA, AMP (Harvard), *Chairman & Managing Director*
MINOO R. SHROFF, B.Sc., FCMA (Lond.), FICWA, *Executive Vice-Chairman*
GAUTAM HARI SINGHANIA, B.Com., *Joint Managing Director*
B.K. KEDIA, M.A., AMP (Harvard), *Senior President & Joint Managing Director*
AKSHAY SINGHANIA, B.Com., *Wholetime Director*
H.P. KEDIA, B.Sc., L.T.M., M.Sc. (Text) (Leeds), *President (Textiles)*
R.P. CHOWDHRI, B.E. (Mech.), *President (Engineering)*
K.K. TEWARI, M.Sc., A.I.C.W.A., *President (Corporate Affairs)*
F.M. ALI, B.A. D.M.M. F.I.I.F.T., *President (Delhi Office)*
P.K. BHANDARI, B.Com. (Hons.), LL.B., F.C.A., F.C.S., *Vice-President (Finance)*
V.K. BHARTIA, B.Com. *Vice-President, Marketing (Textiles Division)*
A.D. KHATRI, B.E. (Hons.), Mech. F.I.E. *Vice-President (Cement Division)*
KRISHNA KUMAR, B.Sc., B.E. (Metallurgy), *Vice-President, (Steel Division)*

GENERAL MANAGER (LEGAL) & COMPANY SECRETARY

R. NARAYANAN

BANKERS

BANK OF INDIA
CENTRAL BANK OF INDIA
ANZ GRINDLAYS BANK p.l.c.
STATE BANK OF INDIA
BANK OF MAHARASHTRA
THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
BANK OF AMERICA
CITIBANK N.A.

AUDITORS

DALAL & SHAH
Chartered Accountants

INTERNAL & OPERATIONAL AUDITORS

MAHAJAN & AIBARA
Chartered Accountants

SOLICITORS

MULLA & MULLA & CRAIGIE BLUNT & CAROE
GAGRAT & CO.

REGISTERED OFFICE

PLOT NO. 156/H. NO. 2, VILLAGE ZADGAON
RATNAGIRI - 415 612 (MAHARASHTRA)

WORKS

Textiles Division

1. Jekegram, Thane (Maharashtra)
2. MIDC Industrial Estate, Jalgaon
3. Boregaon Industrial Growth Centre Kailashnagar District Chhindwara (Madhya Pradesh)

J.K. Files and Tools Division

1. Jekegram, Thane (Maharashtra)
2. Mirjole Industrial Estate Ratnagiri, (Maharashtra)
3. Plot No. C 1/1 MIDC Area, Gane Khadpoli Chiplun, District Ratnagiri (Maharashtra)
4. Industrial Area No. 1, Pithampur (Madhya Pradesh)

Cement Division

Gopalnagar
Arasmeta
District Bilaspur
(Madhya Pradesh)

Steel Division

Wadivarhe
District Nasik
(Maharashtra)

Aviation Division

Mahindra Towers
Worli, Mumbai

REPORT OF THE DIRECTORS
TO
THE MEMBERS

Your Directors have pleasure in placing before you their Report and Accounts for the year ended March 31, 1999.

REVIEW OF OPERATIONS

The year under review witnessed marked improvement in profitability despite modest increase in sales as a result of improved realisations and reduction in operational costs. Total income of the Company rose by 6.7 % to Rs. 1307.35 crores (Rs. 1225.0 crores). The gross turnover was higher by 3.8 % at Rs. 1576.54 crores (Rs. 1518.91 crores). Profit before tax rose to Rs. 96.76 crores (Rs. 53.32 crores) 81.5 % above last year. Net profit, after provision for income and wealth taxes, was up by 79.4 % at Rs. 80.77 crores (Rs. 45.03 crores). The Board considers the overall performance gratifying in the light of very keen competition faced by all the divisions, both in the domestic and international markets.

APPROPRIATIONS

An amount of Rs. 25.05 crores (Rs. 18.8 crores) is credited to the Debenture Redemption Reserve and Rs. 42.00 crores (Rs. 120.0 crores) is credited to the General Reserve. Out of the amount available for appropriation, your Directors recommend a dividend @ 20 % (15%) on Equity Shares. The dividend tax on the proposed dividend will be Rs. 1.65 crores (Rs. 1.12 crores).

PERFORMANCE OF DIVISIONS

Textiles Division -

Textiles sales were marginally higher as demand was sluggish during most part of the year. The wide and superior range of fabrics supported by a vigorous promotion campaign and an extensive distribution chain, helped the Company retain its lead position. Competition in global markets was intense as a result of flooding of supplies at very low prices by manufacturers in India and the South East Asian countries.

Steel Division -

Output rose by 29 % and there was commensurate increase in sales though the overall domestic demand growth was negligible in the face of increased capacities coming on stream, leading to lower price realisations. Exports were lower and had to face fierce competition from supplies available at very low prices from various global steel producers due to general recession in demand in their home countries.

Cement Division -

Sales were higher during the year by 4 %. Realisations were better, resulting in a turnaround in its working.

J. K. Files & Tools Division -

Production and sales were more than in the previous year. Owing to general slowdown in the engineering industry in India and increased competition in many of our export markets, especially in Central and Latin America, sales growth was lower than planned. However, the profits were slightly better.

Aviation Division -

The deployment of the fleet was as in the previous year and the working resulted in a modest surplus.

FINANCE AND ACCOUNTS

The Company has redeemed the third and final instalment of Rs.10 per Debenture on 1,06,08,875 - Series 7 - 12.5 % Secured Redeemable Debentures on January 1, 1999.

The observations made by the Auditors in their Report has been clarified in the relevant notes forming part of the accounts, which are self explanatory.

EXPORTS

Total Exports were lower at Rs.179.96 crores (Rs.222.8 crores) due to sluggish demand in many of our traditional markets in the face of severe competition from South East Asian countries. Strenuous efforts were made to penetrate new markets.

AWARDS

J. K. Files and Tools division was awarded Regional Special Shield for 1996-97 in the category Consumer Durables Exporter Non-SSI Sector by the Engineering Export Promotion Council.

The **Cement division** received the National Conservation Energy Award in appreciation of the efforts in Energy Conservation in the Cement Sector for the year 1998 from the Government of India, Ministry of Power.

SUBSIDIARIES

Domestic

J. K. (Bombay) Limited fared well. Total income increased to Rs.84.21 crores (Rs.69.81 crores) and profit after tax rose to Rs.4.80 crores (Rs.3.76 crores).

J. K. Chemicals Limited earned profit after tax of Rs.1.18 crores (Rs.1.64 crores).

J. K. Helene Curtis Limited performed better. Total income stood at Rs.45.03 crores (Rs.38.22 crores). Net profit was higher at Rs.1.84 crores (Rs.1.10 crores).

Raymond Calitri Denim Limited (RCDL)

The production and sales of denim fabric were considerably higher. However, the margins came under severe pressure due to intense competition both in the domestic and overseas markets. The Company incurred a net loss of Rs.19.71 crores (net loss of Rs.23.03 crores) for the year.

Your Directors have decided to accept the offer from the collaborators of RCDL and its associates, to acquire at a negotiated price, 1,25,00,000 Equity Shares of Rs. 10 each, being 25 % of the paid-up share capital of RCDL, whereby RCDL would become a wholly owned subsidiary of your Company.

Pashmina Holdings Limited made a net profit of Rs.0.06 crore (Rs. 0.06 crore).

Overseas

Heritage Woollen Mills Limited (formerly The Raymond Woollen Mills (Kenya) Limited) (HWML) continued to operate under very adverse economic conditions with huge inflow of cheap imports and depressed consumer demand. Very high interest rates accentuated the situation. The Company incurred an unprecedented net loss of K. Shs. 197.18 million (net profit K. Shs. 7.18 million).

The economic conditions in Kenya have deteriorated during the last five years. The continuing losses with no prospect of any upturn would have wiped out the net worth of HWML by the end of the current financial year. In view of the circumstances, your Directors have decided to disinvest the entire shareholding of the Company in HWML.

Jaykayorg AG fared well and made net profit of 0. 41 million SFRs.

J. K. (England) Limited made net profit of Pound Sterling 20,817 (Pound Sterling 4,605).

DEMATERIALISATION OF SHARES

Your Company has signed an agreement with National Securities Depository Limited (NSDL) and MCS Limited for joining the Depository System, which facilitates scripless trading. Dealing in shares in electronic form eliminates loss, theft, mutilation, bad deliveries, forgeries, fake certificates, etc., associated with physical handling of share certificates besides reducing transactional costs to the investor. Presently around 33 % of the Company's share capital has been dematerialised. The adoption of this modern automated system necessitates certain alterations to the provisions of the Articles of Association of the Company. An appropriate Special Resolution for effecting these alterations is being proposed at the ensuing Annual General Meeting for shareholders' approval.

DIRECTORS

Shri Madhupati Singhania, Shri J. P. Thacker and Shri B. V. Bhargava, Directors of the Company, retire by rotation, as required by the Articles of Association of the Company. Being eligible, Shri J. P. Thacker and Shri B. V. Bhargava offer themselves for reappointment.

AUDITORS

Messrs. Dalal & Shah, Chartered Accountants, Statutory Auditors, retire and are eligible for reappointment. You are requested to appoint Auditors.

YEAR 2000 COMPLIANCE

Your Company commenced the work on Year 2000 (Y2K) compliance towards end of 1998 under the supervision of its Corporate I. T. Department. After assessing the effect of Y2K date change on the Computer Systems, the Y2K team has identified all equipment and software programs that are likely to be affected by the millennium bug and is in touch with the manufacturers of those equipment to ascertain the status. For this purpose, the critical areas have been divided into three segments, viz.

a. *Manufacturing processes and process control equipment :*

Most of the equipment have been confirmed to be Y2K compliant except some process control equipment in the cement manufacturing plant. The replacement of these equipment will cost Rs.3.25 crores and is expected to be commissioned by November 1999. Any delay in achieving this target could affect the production marginally. The Company is devising a suitable plan to overcome this eventuality;

b. *Data processing hardware and operating systems :*

All financial accounting and other data processing systems are operating on Y2K compliant systems. However, some of the old PCs and the older versions of the operating systems would be replaced by June 1999 at an estimated cost of Rs.1.50 crores. Any delay on this count will not affect the main processing and hence, there is no need for any contingency plan in this regard;

c. *Data processing software :*

All main applications are working on Y2K compliant programs. However, a few secondary applications which were developed in-house under COBOL and FOXPRO will be converted or amended by our own software team to make them Y2K compliant by 31st July, 1999.

The Company will continue to maintain the systems, both hardware and software, that have been already tested as Y2K compliant, during the current year. Since the Company has taken reasonable steps in the matter, its business is not expected to be materially affected by the Year 2000 date change. The Management has ensured that there would be no material impact caused by the Y2K issue on the financial statements of the Company nor will it have any impact on the going concern status of the Company.

Each Division of the Company is also continuously following up with the outside suppliers of materials and suppliers of services such as telecommunications, power, shipping, etc. to obtain the status of their Y2K preparedness. Though the response so far is not satisfactory, your Company will continue to persue the matter.

STATUTORY STATEMENTS

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure 1 to this Report.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report is given in Annexure 2 to this Report. None of the employees listed in Annexure 2 is a relative of any Director of the Company except for Shri Vijaypat Singhania and Shri Gautam Hari Singhania, who are related to each other. None of the employees hold (by himself or alongwith his spouse and dependent children) more than two percent of the equity shares of the Company.

Fixed Deposits accepted from the shareholders and the public stood at Rs. 6329.56 Lakhs at the close of the financial year. Deposits of Rs. 42.49 Lakhs from 629 depositors which fell due for repayment before the close of the financial year remained unclaimed by the depositors as on March 31, 1999 and of these, deposits of Rs. 3.85 Lakhs from 57 depositors were subsequently renewed/repaid, leaving a balance of Rs. 38.64 Lakhs from 572 depositors unclaimed upto the date of this Report.

APPRECIATION

Your Directors express their appreciation to the employees at all the Units for their high level of dedication and commitment.

For and on behalf of the Board

Mumbai, May 7, 1999
(figures in brackets pertain to 1997-98)

VIJAYPAT SINGHANIA
Chairman

Annexure (1) to the Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy :

The Textiles Division has achieved savings in energy consumption by initiating various measures, viz. improving boiler efficiency through monitoring of excess air for combustion, changing over to float type system from thermodynamic traps in steam systems, installing lesser HP motors in water softening plant, installing humidity controller in air washer towers.

The Cement Division was able to reduce power consumption by optimisation of raw mix composition, modification of mill internals and drive arrangements in rotary air locks in material conveying system throughout the plant.

Details of total energy consumption and energy consumption per unit of production are given below in the attached Form 'A' as required.

B. Technology Absorption :

(a) *Research and Development (R & D) :*

The R & D Department of the Textiles Division continues to develop new products and blends for the market. During the year further qualities of stretch suiting fabrics containing pure-wool, wool polyester blend and polyester viscose blend with LYCRA were introduced. Continuous efforts are being made to improve/upgrade the finish of the product.

The Files & Tools Division has developed cutting of teeth in spiral for half round files giving better quality and longer life.

The Steel Division has developed through in-house R&D following products, interstitial free steel which is suitable for complex draws required for new generation aerodynamic cars, CRNO steel for current core application and semi processed silicon free steel for low H.P. motors.

(b) *Technology Absorption, Adaptation and Innovation :*

The Steel Division has successfully carried out trial runs for manufacture of grain oriented silicon steel and has commenced commercial production with the assistance of M/s. Allegheny Ludlum Corporation, USA under the Technical Collaboration Agreement.

In Cement Division, some of the DG sets were converted to operate on Light Diesel Oil in place of High Speed Diesel.

C. Foreign Exchange Earnings and outgo :

The Textiles Division has opened during the year a Retail Shop at Colombo and will open a shop shortly in Kathmandu. Considering the impact of currency turmoil in South East Asia, our export efforts were reinforced in other markets, like Middle East, West Asia, Australia and SAARC countries. This strategy has resulted in positive gains and it is expected that new year may bring back exports to higher levels.

Imports of raw materials, components and capital goods and other expenditure in foreign currency aggregated Rs.18452.38 lacs. Total foreign exchange earnings stood at Rs.18043.69 lacs.

Form 'A'

[Forming part of Annexure (1)]

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

	Purchased		Own generation (through Diesel Generator)	
	Current Year	Previous Year	Current Year	Previous Year
1. Electricity				
a) Total units (KWH in thousands)				
Textiles	81362	93252	28201	20474
Files & Tools	18985	18232	716	645
Cement	44991	71414	86847	111972
Steel	64409	45957	—	—
b) Total Amount (Rupees in lacs)				
Textiles	3125.47	3441.77	871.69	593.33
Files & Tools	758.79	709.73	37.22	36.34
Cement	1805.05	2819.95	1858.44	2611.39
Steel	2577.73	1690.34	—	—
c) Units/per Litre of Diesel Oil				
Textiles	—	—	3.71	3.70
Files & Tools	—	—	2.70	2.96
Cement	—	—	4.04	3.95
Steel	—	—	—	—
d) Cost per unit (Rs.)				
Textiles	3.84	3.69	3.09	2.90
Files & Tools	4.00	3.89	5.20	5.63
Cement	4.01	3.95	2.14	2.33
Steel	4.00	3.68	—	—

Note: No electricity is generated through steam turbines.

		Total Quantity	Total Cost Rs. Lacs	Average Rate per Unit Rupees
2. Coal (M.T.)				
a) Textiles Division	Current Year	21691	287.13	1323.73
	Previous Year	21407	274.56	1282.57
b) Cement Division	Current Year	163069	1838.54	1127.46
	Previous Year	278975	2536.09	909.07
3. Furnace Oil (Lac Litres)				
a) Textiles Division	Current Year	92.80	599.11	6.46
	Previous Year	97.30	777.10	7.99
b) Files Division	Current Year	4.72	29.00	6.14
	Previous Year	—	—	—
c) Cement Division	Current Year	181.09	1135.29	6.27
	Previous Year	199.17	1360.56	6.83
d) Steel Division	Current Year	0.08	0.40	5.00
	Previous Year	—	—	—
4. Diesel Oil (Lac Litres)				
a) Textiles Division	Current Year	75.96	725.38	9.55
	Previous Year	55.36	495.49	8.95
b) Files & Tools Division	Current Year	3.24	31.61	9.76
	Previous Year	3.67	37.86	10.32
c) Cement Division	Current Year	1.98	20.61	10.41
	Previous Year	81.85	765.88	9.36
5. LPG (Kgs)				
a) Files & Tools Division	Current Year	49761	8.09	16.26
	Previous Year	78886	14.99	19.00
b) Steel Division	Current Year	1729412	201.69	11.66
	Previous Year	1118901	156.19	13.95
6. Naptha (M.T.)				
Steel Division	Current year	5102.82	397.96	7798.82
	Previous Year	4588.47	360.96	7866.76
7. LDO (Ltrs.)				
a) Files & Tools Division	Current Year	774924	65.02	8.39
	Previous Year	1310462	113.95	8.70
b) Cement Division	Current year	31.90	280.19	8.78
	Previous Year	2.25	19.56	8.71

B. CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Standard (if any)	Current Year	Previous Year
1. Electricity				
a) Fabrics	KWH/Metre	—	4.05	4.17
b) Engineers' Steel Files	KWH/Piece	—	0.36	0.37
c) Cement	KWH/MT	110-115	81.00	90.00
d) Steel	KWH/MT	—	444.04	437.68
2. Coal-Clinker	KCAL/KG	820	726	731

Raymond LIMITED

TEN YEAR HIGHLIGHTS

(Rupees in Lacs)

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
INCOME										
Sales and Other Income	**130735**	122528	99343	90938	73231	59510	52116	47856	37837	35091
% Increase	**6.7**	23.3	9.2	24.2	23.1	14.2	8.9	26.5	7.8	17.1
Gross Profit before interest and depreciation	**30292**	23966	16356	21575	18173	13431	11911	12703	9722	6289
As % of Sales and Other Income	**23.2**	19.6	16.5	23.7	24.8	22.6	22.9	26.5	25.7	17.9
Net Profit after Tax	**8659**	4803	1268	9598	7052	4560	3920	4222	2755	1825
ASSETS EMPLOYED										
Net Fixed Assets	**93504**	92755	80923	64073	41221	25205	22384	21339	19237	15214
Investments	**9683**	11275	13850	10413	13685	8146	7097	7677	7122	6744
Net Current Assets	**65691**	62542	52233	41141	25399	14858	15795	10212	7841	8350
Total	**168878**	166572	147006	115627	80305	48209	45276	39228	34200	30308
% Increase	1	13	27	44	67	6	15	15	13	47
EQUITY FUNDS AND EARNINGS										
Shareholders' Funds:										
Shareholders' Investments	**3256**	3256	3256	2350	2350	1558	1558	1558	1558	498
Bonus Shares	**4253**	4253	4253	1750	1750	1750	1750	1750	1750	1750
Reserves	**71386**	64976	61638	51213	43729	20299	19655	17128	14208	8358
Total	**78895**	72485	69147	55313	47829	23607	22963	20436	17516	10606
Contribution to Country's Exchequer	**30619**	30219	27546	27143	26139	17689	16586	13775	12044	8915
Per Equity Share of Rs. 10:										**(Rupees)**
Book Value	**105.1**	96.5	92.1	134.9	116.7	71.4	69.4	61.8	53.0	47.2
Earnings	**11.5**	6.4	1.7	23.4	17.2	13.8	11.8	12.7	8.2	8.0
Dividend	**2.0**	1.5	1.0	5.0	5.0	4.0	3.0	2.8	2.5	2.0

Notes:

1) Figures of Sales and Other Income upto the year 1989-90 are inclusive of Excise Duties.
2) Each year's figures are stated as per the respective year's Annual Report.

ANALYSIS OF RESULTS IN BRIEF

(Rupees in Lacs)

	Year ended 31st March, 1999		Year ended 31st March, 1998	
Income from Sales and Services *(including Excise Duties Rs. 19854.42 lacs; Previous year Rs. 20098.32 lacs)*	149334.46		141301.03	
Dividend & Other Income	1255.28	%	1297.03	%
	150589.74	100.00	142598.06	100.00
Cost of materials and services purchased	86621.24	57.52	84547.58	59.29
— Materials	51999.86	34.53	49435.78	34.67
— Services	34621.38	22.99	35111.80	24.62
Value added	63968.50	42.48	58050.48	40.71
Increase/(Decrease)	10.19%		34.92%	
Disposal of Value added		%		%
To Employees	13951.91	21.81	12968.72	22.34
To Government (Duties and Taxes)	22067.16	34.50	21273.17	36.65
To providers of Capital	12168.99	19.02	11890.48	20.48
— Financial Institutions, Bankers and Others (Interest)	10667.17	16.67	10764.12	18.54
— Shareholders (Dividends)	1501.82	2.35	1126.36	1.94
Re-invested in the business	15780.44	24.67	11918.11	20.53
— Depreciation set aside	8788.15	13.74	8354.39	14.39
— Profit Retained	6992.29	10.93	3563.72	6.14
	63968.50	100.00	58050.48	100.00

Note : Figures are net of Income/Expenditure during trial run period.

REPORT OF THE AUDITORS
TO THE MEMBERS OF RAYMOND LIMITED

We have audited the attached Balance Sheet of **RAYMOND LIMITED** as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report as under :-

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order;

2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :-

   We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company;

   The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account of the Company;

   In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

3. In our opinion and to the best of our information and according to the explanations given to us, the Accounts, read together with Note No. 4(c) relating to the Company's investments in Raymond Calitri Denim Limited and Raymond Synthetics Limited, and read together with the other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view :—

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and

   (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

A. S. DALAL
Partner

Mumbai, 7th May, 1999