Annual Report 2001-2002

The Complete Corporate.

Raymond

COMPLETE Excellence

Shri S.K. Singhal, Executive Director (Technical), Textile Division receiving the National Energy Conservation Award, in appreciation of the efforts in energy conservation in Textile Sector for the year 1999 to Chhindwara Plant and for the years 2000 & 2001 to Thane Plant at the hands of Shri Suresh Prabhu, Union Minister for Power.

Shri V.K. Bhartia, President – Textile receiving the "best export performance" Trophy in the category of "blended fabrics of synthetic fibre and natural fibres" for the year 2000-2001 awarded by "The Synthetic & Rayon Textiles Export Promotion Council" (SRTEPC) at the hands of Shri Kanshiram Rana, Union Minister for Textiles.

Raymond LIMITED

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SUBSIDIARY COMPANIES

BOARD OF DIRECTORS

VIJAYPAT SINGHANIA, *Chairman Emeritus*
GAUTAM HARI SINGHANIA, *Chairman and Managing Director*
MINOO R. SHROFF, *Vice-Chairman*
B. K. KEDIA
NANA CHUDASAMA
B. V. BHARGAVA
U. V. RAO
S. K. DASGUPTA *(Nominee of UTI) (Upto October 29, 2001)*
I. D. AGARWAL *(Nominee of UTI) (From October 29, 2001)*
NABANKUR GUPTA, *Wholetime Director and Group President*
AKSHAY SINGHANIA, *Wholetime Director*
ANANT SINGHANIA, *Wholetime Director*

MANAGEMENT EXECUTIVES

GAUTAM HARI SINGHANIA, *Chairman and Managing Director*
NABANKUR GUPTA, *Wholetime Director and Group President*
AKSHAY SINGHANIA, *Wholetime Director*
ANANT SINGHANIA, *Wholetime Director*
P. K. BHANDARI, *Deputy Group President*
F. M. ALI, *President (Delhi Office)*
V. K. BHARTIA, *President (Textile)*
RAJIV GARG, *President (Corporate)*
T. R. VENKATESH, *President (Raymond Apparel Limited)*
R. P. NANGALIA, *Vice President (Finance)*
ANIRUDDHA DESHMUKH, *Executive Director (J.K. Ansell Limited)*
S. K. GUPTA, *Executive Director, Marketing & Sales (Textile Division)*
R. K. KALIA, *Executive Director (Denim Division)*
S. K. KAUL, *Executive Director (Files & Tools Division)*
R. A. PRABHUDESAI, *Executive Director (Finance)*
S. K. SINGHAL, *Executive Director, Technical (Textile Division)*

GENERAL MANAGER – LEGAL & COMPANY SECRETARY

R. NARAYANAN

BANKERS

BANK OF INDIA
CENTRAL BANK OF INDIA
STANDARD CHARTERED BANK LIMITED
STATE BANK OF INDIA
BANK OF MAHARASHTRA
THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
BANK OF AMERICA
CITIBANK N. A.
HDFC BANK LIMITED

AUDITORS

DALAL & SHAH, Chartered Accountants

INTERNAL & OPERATIONAL AUDITORS

MAHAJAN & AIBARA, Chartered Accountants

REGISTERED OFFICE

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

REPORT OF THE DIRECTORS

TO

THE MEMBERS

Your Directors have pleasure in placing before you their 77th Annual Report and Accounts for the year ended March 31, 2002.

OPERATIONAL OVERVIEW

The year in retrospect was a tough one for the Indian Industry in general and especially for the textile sector. Unfortunately, a number of events had a dampening effect on the business sentiments of the industry, starting from 11th September, 2001 followed by an attack on Indian Parliament on 13th December, 2001 and the recent disturbances in the State of Gujarat. The export as well as domestic business of the textile division suffered on this account, particularly in the USA. During this difficult period, the Company took a number of initiatives on cost reduction, improvement in efficiency and productivity, which had a favourable impact on the working of the Company.

The gross turnover was lower by 33.6% at Rs.980.74 crores (Rs.1477.29 crores). The figures are not comparable as previous year's figures included sales of Cement and Steel divisions for a part of the year. Profit before tax and exceptional items was substantially higher by 361.1% at Rs.112.76 crores (Rs.25.24 crores). Net profit, after provision for prior year adjustments, income and wealth taxes, was Rs.81.13 crores (Rs.332.22 crores, which included exceptional items (before tax) of Rs.339.17 crores)

The Board considers the overall performance reasonable in view of difficult market conditions both domestic and international.

APPROPRIATIONS

An amount of Rs.0.80 crores (Rs.2.35 crores) is credited to the Debenture Redemption Reserve and Rs.40.17 crores (Rs.250.27 crores) is credited to the General Reserves. Out of the amount available for appropriation, your Directors recommend a dividend of 45% (30%) on Equity Shares, subject to deduction of tax at source.

PERFORMANCE OF DIVISIONS

Textile Division -

The textile sector faced an extremely difficult year due to a number of unfortunate events overseas as well as within the country as stated earlier. Inspite of overall subdued business environment, the division achieved a volume growth of 4.75% in the domestic market, while the export markets suffered severely with a reduction in volume by 25.87%.

Files and Tools Division -

The files and tools division has reported marginally improved results. It continues to be the largest producer of files in the world and is an undisputed leader in the domestic market and exports more than 50% of its output to over 80 countries. The division has acquitted itself creditably in a year when the engineering industry was reeling under recession.

Denim Division -

The denim division has fared well with increased volumes, larger exports and better realisations. Operations have been profitable and poised for better performance in the current year. The division embarked upon capacity expansion from the existing 11 million mtrs. to 16.5 million mtrs., which is expected to be completed by the first quarter of the current year.

FINANCE AND ACCOUNTS

The Company has redeemed the third and final instalment of Rs.34 per Debenture in respect of 90,63,577 – Series 8 – 16% Secured Redeemable Debentures on January 5, 2002.

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.

AWARDS

Textile Division received three awards during the year :

(a) Export Award for the best Export Performance in the category of blended fabrics of synthetic fibres & natural fibres for the year 2000-2001 from The Synthetic & Rayon Textiles Export Promotion Council;

(b) National Energy Conservation Awards by Ministry of Power, Government of India – First Prize in recognition of the achievements in Energy Conservation in the Textile Sector for the year 1999 to Chhindwara Plant and for the years 2000 & 2001 to Thane Plant; and

(c) Images Fashion Award 2001 for the Most Popular Fashion Campaign of the Year.

Files and Tools Division received an award from The Engineering Export Promotion Council in recognition of achieving highest export performance during 1999-2000 amongst the Non-SSI Exporters in the Small & Cutting Tools including Engineers' Files Panel.

EXPORTS

Aggregate exports of all divisions were lower at Rs.170.30 crores (Rs.221.23 crores). The fall in export business is attributed largely due to the general recessionary trends in the US and European markets and the post September 11 global scenario.

ACQUISITIONS

TEXTILES -

During the year under review, the Company acquired the entire equity and preference shareholding of Regency Texteis Portuguesa Limitada, a company incorporated and having its garment manufacturing factory and two of its own retail shops in Portugal, making it a wholly owned subsidiary. The said acquisition would enable your Company to get a foot-hold in Europe in its core business of textile and garment manufacture and also enable the Company to introduce its own readymade garments brands internationally and the latest European styles in the Indian markets.

FILES -

Hindustan Files Limited, which became a wholly owned subsidiary of the Company with effect from April 1, 2002, acquired the steel files division of HGI Industries Limited, Kolkata, as a nominee of the Company. This acquisition would provide greater synergy to the files business and contribute significantly to the growth and profitability of the Company.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard AS-21 prescribed by The Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries is annexed to this Report.

SUBSIDIARIES

Domestic

Raymond Apparel Limited

Total income increased to Rs.148.11 crores (Rs.138.92 crores) and profit after tax was lower at Rs.1.10 crores (Rs.8.29 crores).

Pashmina Holdings Limited made a net profit of Rs.7.19 lakhs (Rs.11.43 lakhs).

Raymond Infotech Limited incurred a loss of Rs.4.11 lakhs (Rs.1.85 lakhs).

Overseas

Jaykayorg AG fared well and made a net profit of SFr.7,06,079 (SFr.7,11,430).

J. K. (England) Limited made a net profit of Pound Sterling 6,558 (Pound Sterling 4,977).

Regency Texteis Portuguesa Limitada, Portugal made a net profit of Euros 168,970 (Euros 160,768).

Textiles Regency S. L., Spain incurred a loss of Euros 50,968 (Euros 11,526).

CORPORATE GOVERNANCE

Your Company attaches considerable significance to good Corporate Governance as an important step towards building investor confidence, improve investors' protection and maximise long term shareholder value. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance has been annexed as part of the Annual Report.

DIRECTORS

Unit Trust of India nominated Shri J. D. Agarwal in place of Shri S. K. Dasgupta on the Board of the Company with effect from October 29, 2001. The Board places on record its acknowledgement of Shri S. K. Dasgupta's contribution to the deliberations of the Board.

Shri Nana Chudasama, Shri U. V. Rao and Shri Akshay Singhania retire by rotation and, being eligible, offer themselves for reappointment.

AUDITORS

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

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 :

One of the major areas of cost reduction identified by the Company was energy conservation. Several energy conservation measures were implemented in the various plants to reduce energy consumption, such as use of energy saving device like Auto Delta Star for high capacity motor has reduced consumption during no load operation and use of common motor drives arrangement for blowers of dryer machine, which has resulted in reduction of number of motors. Some of the major measures, which have contributed towards energy savings are given below:

1) Use of fuel additive for furnace oil, which has improved boiler's fuel efficiency.

2) Installation of super efficient motors on ring frame and compressors.

3) Installation of inverter for FD Fans of boiler and suction fan of autoconer machines with controller to optimise fan power consumption.

4) Replacement of conventional pneumafil fans by installing energy efficient fans for ring frame.

B. Technology Absorption :

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

The R&D Department of Textile Division continues to develop new products and finishes for the market. All wool, light weight, fine count suitings based on superfine 190's wool were produced during the year. Wool blended fabrics with 'natural stretch' to provide extra comfort whilst maintaining the luxurious feel during wear, were also developed and marketed during this year.

The Files & Tools Division has developed new ranges of files for international market, particularly for North American markets. The Division has also developed new type of Chain Saw File Cutting Machines, which are under trial. These machines after successful trial will improve productivity.

The Denim Division is continuously doing product development and has been able to introduce new products like Crosshatch Denim, Polyester Denim and Light Weight Stretch Denim, which have been well accepted by the market.

(b) Technology Absorption, Adaptation and Innovation :

The Textile Division has adopted latest technology like automatic chemical and dyestuff dispensing system for some of the dyeing machines and online digital data recording system for daily power monitoring. The Division has also developed automatic measuring and chemical dispensing system for some of the scouring machines with the indigenous technology. The Division has converted some of the DG sets to operate on Light Diesel Oil (LDO) in place of High Speed Diesel (HSD).

The Files & Tools Division has developed new process for forging of files, which will improve productivity and help in cost reduction.

The Denim Division has installed slub attachment on ring frame to make multiple slub yarn to improve aesthetic look of denim fabric.

C. Foreign Exchange Earnings and Outgo :

Export of Textile Division suffered a set back during the year 2001-02 on account of general slow down, which was further aggravated by the 11th September, 2001 terrorist attacks in USA. However, by way of extensive efforts, the Division has been able to make further inroads into Japanese market. Similar efforts are being made to develop markets in CIS countries. The Division has been maintaining its efforts for promoting branded products through exclusive retail outlets in overseas markets. During the year two new outlets opened in UAE and Bangladesh.

The Files and Tools Division is constantly trying to increase its presence in international market by developing new customers, new markets through improving network, participating in prestigious International Trade Exhibitions, Catalogue Show, Website, etc. Special efforts are being made to identify and develop new markets in Latin American and CIS countries.

The exports of the Denim Division have leap-frogged during the year. In terms of quantity, the exports registered a growth of 47% and in value term, the rise was 72%. The Division has established good presence in Europe and Bangladesh through its high value added products and also constantly trying to develop new markets.

Raymond LIMITED

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	91229	84121	18443	27138
Files & Tools	18848	18178	342	396
Cement	—	25313	—	90728
Steel	—	26662	—	—
Denim	19440	17178	990	977
b) Total Amount (Rupees in lacs)				
Textiles	3634.27	3394.61	905.75	1288.19
Files & Tools	790.53	773.33	24.45	32.36
Cement	—	1149.69	—	2438.50
Steel	—	1073.19	—	—
Denim	669.69	607.56	62.51	58.78
c) Units/per Litre of Diesel Oil				
Textiles	—	—	3.22	3.77
Files & Tools	—	—	2.81	3.03
Cement	—	—	—	4.27
Denim	—	—	3.60	3.48
d) Cost per unit (Rs.)				
Textiles	3.98	4.04	4.91	4.75
Files & Tools	4.19	4.25	7.15	8.18
Cement	—	4.54	—	2.68
Steel	—	4.03	—	—
Denim	3.44	3.53	6.31	6.10

Note : No electricity is generated through steam turbines.

		Total Quantity	Total Cost Rs. Lacs	Average Rate per Unit Rupees
2. Coal (M.T.)				
a) Textile Division	Current Year	21011.00	288.38	1372.52
	Previous Year	20131.00	257.11	1277.18
b) Cement Division	Current Year	—	—	—
	Previous Year	170366.00	2083.00	1222.67
c) Denim Division	Current Year	7178.00	89.10	1442.36
	Previous Year	6296.00	88.09	1399.14
3. Furnace Oil (Lac Litres)				
a) Textile Division	Current Year	79.04	742.70	9.40
	Previous Year	80.75	891.78	11.04
b) Files Division	Current Year	3.18	31.42	9.88
	Previous Year	4.15	45.91	11.06
c) Cement Division	Current Year	—	—	—
	Previous Year	200.96	2200.37	10.95
d) Steel Division	Current Year	—	—	—
	Previous Year	15.11	153.06	10.13
4. Diesel Oil (Lac Litres)				
a) Textile Division	Current Year	49.18	771.69	15.69
	Previous Year	72.06	1112.35	15.44
b) Files & Tools Division	Current Year	1.05	17.22	16.40
	Previous Year	1.37	21.19	15.47
e) Cement Division	Current Year	—	—	—
	Previous Year	1.84	29.41	15.98
d) Denim Division	Current Year	2.75	44.53	16.19
	Previous Year	2.81	43.72	15.56
5. LPG (Kgs.)				
a) Textile Division	Current Year	102900.00	24.58	23.89
	Previous Year	54490.00	14.75	27.07
b) Files & Tools Division	Current Year	188438.00	43.95	23.32
	Previous Year	88548.00	23.25	26.26
c) Steel Division	Current Year	—	—	—
	Previous Year	540000.00	91.09	16.87
d) Denim Division	Current Year	46026.00	11.38	24.72
	Previous Year	39870.00	10.58	26.54
6. Naptha (M.T.)				
Steel Division	Current Year	—	—	—
	Previous Year	1068.68	145.54	13.62
7. LDO (Lac Ltrs.)				
a) Textile Division	Current Year	8.03	103.89	12.94
	Previous Year	—	—	—
b) Files & Tools Division	Current Year	4.95	71.97	14.55
	Previous Year	6.49	89.03	13.72
c) Cement Division	Current Year	—	—	—
	Previous Year	11.43	142.81	12.49

B. CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Standard (if any)	Current Year	Previous Year
1. Electricity				
a) Fabrics	KWH/Metre	—	4.18	4.46
b) Engineers' Steel Files	KWH/Piece	—	0.36	0.33
c) Cement	KWH/MT	110-115	—	80.17
d) Steel	KWH/MT	—	—	387.45
e) Denim	KWH/Metre	—	1.86	2.02
2. Coal-Clinker	KCAL/KG	820.00	—	726.00

Note: The figures of quantity and value for the Cement and Steel Divisions are for part of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year in retrospect was a tough one for the Indian Industry in general and especially for the textile sector. Unfortunately, a number of events had a dampening effect on the business sentiments of the industry, starting from 11th September, 2001 followed by an attack on Indian Parliament on 13th December, 2001 and the recent disturbances in the State of Gujarat. The export as well as domestic business of the textile division suffered on this account, particularly in the USA. During this difficult period, the Company took a number of initiatives on cost reduction, improvement in efficiency and productivity, which had a favourable impact on the working of the Company.

SEGMENT ANALYSIS AND REVIEW

The key business segments of the Company are Textiles, Denim and Files & Tools Divisions.

The gross turnover was lower by 33.6% at Rs.980.74 crores (Rs.1477.29 crores). The figures are not comparable as previous year's figures included sales of Cement and Steel divisions for a part of the year. Profit before tax and exceptional items was substantially higher by 361.1% at Rs.112.76 crores (Rs.25.24 crores). Net profit, after provision for prior year adjustments, income and wealth taxes, was Rs.81.13 crores (Rs.332.22 crores, which included exceptional items (before tax) of Rs.339.17 crores).

The Board considers the overall performance reasonable in view of difficult market conditions both domestic and international.

A. TEXTILE DIVISION

Industry Outlook

The textile sector continues to pass through difficult times, with the exception of a few companies. The Government Policy initiatives have not been forthcoming to correct the structural issues facing this premier industry.

The situation has been further aggravated by downturn in the economy and the reduction in demand for many fast moving consumer goods. Overseas demand received a setback with the September 11, 2001 incident in the USA followed by military action in Afghanistan. These events have had a dampening effect on internal and external demand. There were some signs of improvement in the domestic market in the early part of 2002 but, there has been a temporary setback with recent disturbances in Gujarat. However, some pick-up in sales in the current year is expected.

Outlook of Raymond Textile Business

In spite of the sombre economic scenario, the Company could sustain its level of operation. Owing to the Company's inherent strong manufacturing and marketing capabilities, the future outlook is one of cautious optimism.

MARKET SHARE

The Company registered an increased market share in the domestic market.

RETAIL NETWORK

During the year 17 Shops (including 2 overseas) were added to the network, taking the aggregate to 271. This network represents the highest retailing space for a single brand in the country, keeping pace with the rapid growth in the retail sector in the country.

OVERSEAS MARKET

Export earnings fell to Rs.60.27 crores from Rs.81.04 crores owing to slowdown in overseas demand. The export strategy kept clear of heavy price discounting and preferred to target sales of high value products in sophisticated markets. There are signs of improved overseas demand and during the current year, the Company expects to reach the level of exports as that of 2000-2001.

NEW PRODUCT INTRODUCTION

The product development team continued its efforts to design products to cater to upmarket segments. The product portfolio is being continuously made more versatile. New varieties and blends introduced were well-accepted and enabled improve market share.

RAW MATERIAL

Wool prices which had remained steady, suddenly took an upward trend from December 2001. This sharp upward movement was due to reduced output of wool in Australia and New Zealand and spurt in demand. Increase in case of finer microns was more pronounced resulting in lower production of medium microns, which are widely used for bulk production. Fortunately, our requirements were well hedged for the year under review to cushion the volatility. The impact of the recent increase in prices will be felt in the current financial year. Man-made fibre prices which were steady till February 2002, have moved up due to spurt in prices of petro-products. It is expected that raw material prices will stabilize during the middle of the current year.

COST CONTROL MEASURES

Cost control measures have been vigorously pursued at all the plants, resulting in major savings in energy and utilities costs. The strategy adopted is - curtailing and saving in consumption of all inputs, elimination of waste, and negotiating the best commercial terms.

In recognition of the achievements in Energy Conservation, Govt. of India, Ministry of Power awarded First Prize to both Chhindwara and Thane Plants.

EMPLOYMENT

Employment cost has gone up due to new wage settlement for Thane Plant and second tranche of increments under previous year settlement for Chhindwara. Industrial relations were cordial at all the three Plants of the division without any disruption of manufacturing activities.

IMPLICATIONS OF UNION BUDGET & EXIM POLICY

The budget proposal for the year 2002-2003 has provided a token relief to the textile sector by lowering the excise duty from 16% to 12%. Certain anomalies like compounded levy applicable to independent houses has been abolished to bring various sub-sectors of the textile industry on par.

However, several other salutory measures are needed to rationalise and reduce the high fiscal burden on the industry. Both, the Union Budget and New Exim Policy have failed to give the requisite thrust to the general economy and particularly to this industry, which merits special attention. Import duties have been reduced to the peak level of 30%, which is close to the bound tariff applicable from year 2005.

Review of Operations

The output of finished fabrics reached an all time high of 247.93 lac metres. Capital expenditure incurred during the year amounted to Rs.36.96 crores, a part of the modernisation and technology upgradation programme undertaken at all three units. The new eight ring frames which were installed in Jalgaon for producing high quality worsted yarn for finer category of worsted suiting were successfully commissioned during the end of the financial year. Stress was laid on improvement of production, quality and flexibility in meeting fast changing customer requirements. Automation of certain processing equipment was undertaken to ensure consistency in quality. Modernisation programme is being energetically pursued to upgrade manufacturing facilities to meet global standards.

Highlights

Particulars	**2001–02**	2000–01
Production (Lac Mtrs.)	**247.93**	235.66
Sales (Lac Mtrs.)	**233.09**	230.96
Sales including Export Incentives (Rs. Crores)	**714.56**	727.78

B. DENIM DIVISION

Industry Outlook, Opportunities and Threats

The capacity utilisation of the denim industry all over the world witnessed substantial improvement during the year as a result of revival of demand. There was a marked shift in customer preference for specialty denim. Cotton prices showed a downward trend during most part of the year.

However, they have started firming up. The demand for denim is expected to be buoyant for sometime to come. Being manufacturers of ring denim, the division is able to cater to the growing fashion conscious segment. Stress on product development and innovation has given an edge, especially in global markets. Cyclical nature of international denim market and changing customer preferences for other fabrics could slow down the growth in the medium term.

Performance and Review of Operations

There has been significant improvement in performance with exports registering a growth of 46.5% in volume at 52.81 lac meters (35.99 lac meters) and a rise in FOB value by 68.7% to Rs.55.32 crores (Rs.32.20 crores). Better price realisation and subdued cotton prices resulted in higher margins during the year.

The division is in the process of expanding production capacity by 5 million meters in the current year to meet the anticipated growth in demand.