

ANNUAL REPORT 2004-2005



Exploring new horizons

Raymond



Shri S. K. Singhal, Vice President (Textiles) receiving the National Energy Conservation Award in appreciation of efforts in energy conservation in Textile Sector for the year 2004 to Chhindwara Plant at the hands of Hon'ble Prime Minister of India Dr. Manmohan Singh.



Shri M. S. Reddy, Works Director, J. K. Files and Tools Division receiving the All India Certificate of Export Excellence awarded by Engineering Export Promotion Council for achieving highest exports amongst the Non-SSI Units in the Small & Cutting Tools including Engineers Files Panel during the years 2001-02 and 2002-03 at the hands of Shri Kamal Nath, Hon'ble Union Minister for Commerce and industry.



BOARD OF DIRECTORS

DR. VIJAYPAT SINGHANIA, Chairman Emeritus
GAUTAM HARI SINGHANIA, Chairman and Managing Director
B. K. KEDIA
NANA CHUDASAMA
ANANT SINGHANIA, Wholetime Director
B. V. BHARGAVA
U. V. RAO
I. D. AGARWAL (Nominee of UTI)
NABANKUR GUPTA (Wholetime Director and Group President upto 31.03.2005)
P. K. BHANDARI, Wholetime Director and Group President

MANAGEMENT EXECUTIVES

GAUTAM HARI SINGHANIA, Chairman and Managing Director
ANANT SINGHANIA, Wholetime Director
P. K. BHANDARI, Wholetime Director and Group President
F. M. ALI, President (Delhi Office)
V. K. BHARTIA, President (Corporate)
ANIRUDDHA DESHMUKH, President
S. K. GUPTA, President (Corporate and Textiles)
HARSHAL JAYAVANT, President (Files)
SHREYAS JOSHI, President (Group Apparel)
AJIT MANTAGANI, President (Denim)
MARCEL PARKER, President (HR)

DIRECTOR - LEGAL

& COMPANY SECRETARY

R. NARAYANAN

BANKERS

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

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

REGISTRAR & SHARE TRANSFER AGENT

MCS LIMITED
SRI VENKATESH BHAVAN
PLOT NO. 27, ROAD NO.11, ANDHERI (EAST)
MUMBAI 400 093

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REPORT OF THE DIRECTORS

TO

THE MEMBERS

Your Directors have pleasure in placing before you their 80th Annual Report and Accounts for the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

During the year the gross turnover, net of returns and discounts, increased by 6.10% to Rs. 1140.28 crores from Rs.1074.75 crores in the previous year. This was primarily due to higher export sales achieved in all the main areas of businesses – textiles, denim and files, as the Company increased its thrust in the international markets. Total exports as a percentage of turnover went upto 26.27% as against 21.41 % achieved last year.

Profit before tax, prior period adjustments and exceptional items was lower at Rs.116.50 crores as against Rs. 183.13 crores in the previous year. The decrease in profits was primarily due to increase in input costs – polyester fibre, cotton and steel, increase in labour costs on account of wage settlements reached in some of the Company's plants, lower income from current investments as interest rates rose during the year and extraordinary foreign exchange gains accruing last year.

During the year under review, the Company changed its policy for accounting payments made under voluntary retirement schemes (VRS) offered to workers and staff and wrote off the entire amount paid under VRS (including the amount carried forward from last year) during the year.

Net profit, after exceptional items, prior year adjustments, provision for taxes was lower at Rs.83.15 crores (after writing off Rs.25.29 crores on account of VRS payments) as against Rs.132.29 crores last year.

APPROPRIATIONS

An amount of Rs. 2.50 crores (Rs.2.50 crores) is credited to the Debenture Redemption Reserve and Rs. 8.31 crores (Rs.60 crores) is credited to the General Reserves. Out of the amount available for appropriation, your Directors recommend a dividend of 40 % (55 %) on Equity Shares. The dividend tax on the proposed dividend will be Rs. 3.21 crores (Rs.4.33 crores).

PERFORMANCE OF DIVISIONS

Textile Division -

With increased thrust in the export markets and continued revamping and widening of the distribution of the domestic and international network in the neighbouring countries, the Textile Division continues to be on the growth path.

During the year, export sales have gone up by 33 % to Rs. 91.91 crores as compared to Rs. 69.06 crores achieved last year.

However, margins are under pressure on account of severe competition in the overseas markets, rising polyester fibre prices and increased labour costs.

The commissioning, during the year, of the trouser and suit manufacturing facilities of Silver Spark Apparel Limited, a wholly owned subsidiary of the Company at Bangalore has opened new opportunities to the Division for offering fully factored garments to its international customers.

Files and Tools Division -

The Division continues to remain the market leader in the files segment in the domestic market and one of the largest producers of files in the world. The domestic sales of files increased by 5% in value, whereas drill sales recorded an increase of around 9% in volume and 23% in terms of value as compared to the previous year.

There was considerable thrust on exports during the year. The export sales of files recorded an increase of around 9% in volume and 20% in value, whereas export sales of drills recorded an increase of around 118% in volume and 134% in value over the previous year. The value of export sales went up to Rs. 77.85 crores this year from Rs. 64.56 crores last year, an increase of 21%. The Division recorded an overall growth of 12% in sales over the previous year.

The steep rise in steel prices has, however, impacted the Division's profitability as its ability to pass on the increase to customers is restricted by competitive pressures especially in international markets.

The Division has undertaken a comprehensive restructuring program by closing down its high cost plant in Thane and relocating a major part of the manufacturing facilities to its other plants. This closure will be beneficial to the Division's operations in the forthcoming years.

Denim Division -

The Denim Division's emphasis on value added products for exports has helped to mitigate the increase in cotton prices. During the year, the sales volume rose by 12.6 % from 173.93 lac metres to 195.81 lac metres and the revenues increased by 21.22% from Rs. 183.50 crores to Rs.222.43 crores. Exports rose by 34.5% to Rs.129.18 crores.

During the year, the Division's project for capacity expansion by 10 million metres, which included installation of a new rope dyeing plant, commenced commercial production. The combination of the rope dyeing facility and the existing sheet dyeing facility will help the Division to have a varied set of offerings of value added products for different international markets.



FINANCE AND ACCOUNTS

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.

JOINT VENTURES

SHIRTING PROJECT

The Company proposes to set up a high value shirting and bottom wear project on 50:50 joint venture with M/s. Cottonificio Honegger SpA, Italy, a well known Italian manufacturing and marketing Company of cotton shirting and shirts. The Joint Venture Company formed to execute the project, Raymond Zambaiti Private Limited is in the process of setting up the manufacturing facilities at Kagal, Kolhapur, Maharashtra with a production capacity of 116.7 lac metres of shirting per annum at a total project cost of Rs.206 crores. The output from this plant is proposed to be exported and also used for the premium apparel brands of the Company's subsidiaries – Park Avenue and Colorplus.

STEEL FILES AND RASPS PROJECT

The Company has entered into a Memorandum of Understanding (subject to various approvals) with MOB Outillage SA, a well known hand-tool manufacturer of France for setting up a Joint Venture Company for manufacture of steel files and rasps at Chiplun, Maharashtra, by relocating the files manufacturing facility of MOB in France, at a total project cost of Rs.20.67 crores.

AWARDS

Textile Division received the following awards during the year :

'Superbrand 2003/04 Status' awarded to **Raymond** by Superbrands India as selected by the Independent Superbrands Council.

'Global Operations (International Business) of the Year' awarded to 'The Raymond Shop' retail network at the 1st ICICI – Excellence in Retail Awards 2005.

'National Energy Conservation Award' – commendation certificate awarded to **Chhindwara Plant** by the Ministry of Power, Government of India in appreciation of the efforts in Energy Conservation in the Textile Sector for the year 2004.

Chhindwara Plant of the Textile Division, was conferred the First Winner of **'Award for Excellence for Energy Conservation'** achieved during the year 2003-04 by the Board of Trustees of Birla Economic and Textile Research Foundation.

Files and Tools Division was awarded **All India Certificate of Export Excellence** by Engineering Export Promotion Council in recognition of the Division achieving highest exports amongst the Non-SSI Units in the Small & Cutting Tools including Engineers Files Panel during the years 2001-02 and 2002-03 respectively.

Colorplus Fashions Limited, a subsidiary of the Company was conferred the Lycra Images Fashion Award 2005 for the **Most Admired Brand of the Year** in the category – **'SMART CASUALS'**.

Raymond Apparel Limited, a wholly owned subsidiary of the Company was conferred the Lycra Images Fashion Award 2005 for **'PARK AVENUE'** being adjudged the **Most Admired Brand of the Year** in the category **'FORMALWEAR'**.

The **Raymond** brand was once again voted amongst the top ten brands in the country having the highest customer recall according to a recent survey conducted by a research agency.

The Board of Directors commends the efforts of all the personnel involved for these considerable achievements.

EXPORTS

Aggregate exports of all Divisions rose by 30.1% at Rs. 299.50 crores (Rs.230.12 crores).

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

The gross turnover (net of discounts) of the Company was higher by 7.9% at Rs. 176.34 crores (Previous Year Rs. 163.41 crores). Profit after tax was at Rs. 7.95 crores (Previous Year Rs 2.22 crores).

During the year, the main focus of the Company was on consolidation and upgradation of its apparel brands and achieving cost efficiencies in its operations. These efforts resulted in improved performance both in terms of sales and profitability. The Company would continue to focus on growing its brands through product innovation, differentiated merchandise, better design and providing choice to customers. Competition is expected to further intensify with the entry of international brands/new players.



Colorplus Fashions Limited

The gross turnover of the Company was higher at Rs.90.83 crores (Previous Year Rs. 78.30 crores). Profit before tax and exceptional items was higher at Rs.21.20 crores (Previous Year Rs.18.01 crores). Net profit, after prior year adjustments, provision for taxes, was Rs. 12.94 crores (Previous Year Rs.13.22 crores).

During the year under review, the Company installed two additional trouser lines to augment in-house capacity at a new factory in Ambattur Industrial Estate.

The Company in its endeavour to maintain its prime position in the premium casual wear segment, is constantly innovating in terms of styles as well as through improved fabric construction in order to set high benchmark levels for the competition. The Company is committed to reducing response time to rapidly changing and emerging business scenarios in India and overseas.

Silver Spark Apparel Limited

In the first year of commercial production, the Company posted a turnover of Rs. 17.60 crores. The Company incurred a loss of Rs. 8.79 crores (Previous year : Loss of Rs. 15.45 lacs) during the year under review.

The Company has set up production facilities near Dodaballapur, Bangalore for manufacture of formal men's trousers and jackets/suits with the state-of-the-art machinery which facilitates automation of critical operations. The Company commenced production of men's trousers in September 2004 and jackets/suits in November 2004. The Company has already started exports and has exported most of its production to reputed international brands. Worker productivity, which is a key factor in garmenting, is being achieved at the targeted rates with intense and continuous training. This facility is an essential part of the Textile Division's strategy to become a one stop shop for international brands.

Everblue Apparel Limited

The Company is setting up a project to manufacture jeanswear, mainly for export, with a production capacity of 10,000 pieces per day. The project is located at Bangalore in the apparel park of the Government of Karnataka. Trial production has already commenced.

The Company incurred a loss of Rs. 2.61 lacs (Previous year : Loss of Rs. 15.48 lacs) during the year under review.

With the removal of textile and clothing quotas from 1st January, 2005, this facility will enable the Denim Division to offer fully factored garments in the international markets thus creating a one stop shop facility for international customers.

Celebrations Apparel Limited

The Company is setting up a project for the manufacture of dress shirts with a capacity of One million shirts per annum in Hoskote, Bangalore. The project execution is proceeding as planned.

The Company incurred a loss of Rs. 3.49 lacs during the period under review.

Hindustan Files Limited

The gross turnover of the Company (including job work and sales & services) was higher at Rs. 19.04 crores (Previous Year : Rs.13.80 crores). Profit after Tax was at Rs. 1.49 crores (Previous Year : Loss of Rs. 3.13 crores).

The various steps taken during the year under review such as increased capacity utilisation, strict control on wastage and second quality, effective utilisation of resources and control on overheads resulted in a turnaround of the Company. The Company is using established tools like Kaizen to maintain cost competitiveness / reduction in costs and improve levels of productivity and efficiency.

Plugin Sales Limited

The gross turnover of the Company was higher at Rs.19.65 crores (Previous Year Rs. 12.84 crores). The Company incurred a loss of Rs. 3.56 crores (Previous Year Rs. 4.41 crores). The Company's efforts to consolidate its retail chain and reduce costs of operations are continuing.

Pashmina Holdings Limited

The Company earned a profit after tax of Rs. 32.19 lacs (Previous Year : Loss of Rs. 2.06 lacs) during the year under review.

Overseas

Jaykayorg AG made a net profit after tax of SFr. 84,731 (SFr. 84,979) for the year ended December 31, 2004.

J. K. (England) Limited made a net profit after tax of Pound Sterling 11,940 (Pound Sterling 26,764) for the year ended December 31, 2004.

Regency Texteis Portuguesa Limitada, Portugal made a profit after tax of Euros 143,950 (Net Loss of Euros 178,814) for the year ended December 31, 2004.

Textiles Regency S. L., Spain incurred a loss of Euros 65,860 (Loss of Euros 71,377) for the year ended December 31, 2004.



VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM THE STOCK EXCHANGE AT KOLKATA

Consequent upon the approval of the shareholders at the Annual General Meeting of the Company held on June 11, 2003 and in pursuance of the delisting guidelines issued by SEBI, the equity shares of the Company were delisted from the Stock Exchange at Kolkata with effect from July 21, 2004. The delisting will not adversely affect the shareholders of the Company as the equity shares continue to be listed on The Stock Exchange, Mumbai and The National Stock Exchange.

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

Shri U. V. Rao, Shri Nabankur Gupta and Shri P. K. Bhandari, Directors, retire by rotation and, being eligible, offer themselves for reappointment.

Appropriate resolutions for the reappointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board commends for your approval.

AUDITORS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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 of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

STATUTORY INFORMATION

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.

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956, are given in a separate Annexure to this Report. This Annexure is not being sent alongwith this Report to the members of the Company in line with the provisions of Section 219 (1) (b) (iv) of the said Act. Members who are interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company. None of the employees listed in the said Annexure is a relative of any Director of the Company except for Dr. Vijaypat Singhania, Shri Gautam Hari Singhania and Shri Anant 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.

The Company has been exempted by the Central Government vide their letter no. 47/35/2005 -CL-III dated March 1, 2005 under Section 212 (8) of the Companies Act, 1956 from attaching a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies. However, pursuant to Accounting Standard AS 21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of the subsidiaries.

The Company will make available these documents/details upon request by any member of the Company and its subsidiaries interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the registered offices of the Company and its subsidiary companies.

Deposits of Rs. 1.63 lakhs from 18 depositors which fell due for repayment before the close of the financial year remained unclaimed by the depositors as on March 31, 2005 and have remained unclaimed upto the date of this Report.

APPRECIATION

Your Directors express their warm appreciation to all the employees at various Units for their diligence and contribution.

For and on behalf of the Board

Gautam Hari Singhania
Chairman and Managing Director

Mumbai, May 5, 2005



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 :

In continuation of our energy conservation efforts, the Company has adopted latest technology available in energy conservation field. Various projects were implemented during this year which resulted in reducing specific energy consumption per metre of production.

Chhindwara unit of the Textile Division received the Certificate of Merit in National Energy Conservation Award from the Ministry of Power, Government of India, for the year 2004.

The major projects implemented are:

- 1) Improvement in Thermic Fluid Heating System.
- 2) Installation of Effimax System for improving boiler efficiency.
- 3) Replacement of vapour absorption chiller by new screw chiller.
- 4) Automation of Dyeing machines.
- 5) Automation of Scouring machines.
- 6) Installation of Sequencing and Automation unit for compressed air system.
- 7) Installation of blow down heat recovery system in Boiler.

B. Technology Absorption :

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

The R&D Department of Textile Division continues to develop new products and finishes for both domestic and overseas market. The major developments during the year involved introduction of fine count superfine 220's wool fabric for the first time in India. A new wool blended suiting fabric using a new type of polyester with excellent moisture management properties has been developed and launched for the Summer range. Additionally, an entirely new gaming cloth fabric range has been developed for Billiard/ Snooker and Gaming tables (Casino), primarily for the export market. The R&D Department has also been involved in developing new light weight fabrics based on single yarn in warp and weft. Efforts have also been directed towards introducing blends with new exotic fibres like Soybean and Bamboo. New finishes based on Nano technology have been developed and are being introduced commercially. R&D has also developed Aroshining Chintz, flame retardant, natural stretch finishes for worsted fabrics.

The Files & Tools Division has developed Laser Printing on files instead of stamping resulting in increased productivity and better quality.

To keep pace with the fast changing dynamics of the global denim market and to cater to the needs of the discerning customers, the Denim Division has developed new process of dyeing known as "Sandwich Dyeing" involving three layers of dyeing to impart special wash effects to the fabric.

(b) Technology Absorption, Adaptation and Innovation :

The Textile Division has adopted latest technology in spinning, by introducing Compact Spun technology thereby producing less hairy and more uniform yarn. It has also installed single sizing machine for sizing single yarns for producing light weight suiting fabrics. In addition, latest technology for automation and computerisation of fabric dyeing from laboratory to bulk has also been adopted.

The Files & Tools Division has implemented new innovative methods to improve performance, quality and productivity. Efficiency in various operations is achieved resulting in improving quality, productivity and reducing manufacturing costs.

The Denim Division has successfully commissioned a new rope dyeing plant which facilitates deep penetration of dyes, softer finish and super dark shades. The Division has also successfully installed new generation ball warper with unique tension control mechanism, de-skilling features in the Long Chain Rebeamer and adaptation of 900 RPM high speed Toyota Rapier looms.

C. Foreign Exchange Earnings and Outgo :

Textiles exports has shown a quantum jump during the year under review, an increase of 41% in terms of quantity over the previous year. This could be achieved in spite of stiff competition from China due to constant endeavour to expand our customer base and markets like South America, Japan and Europe with stress on value added exports.

Three more overseas retail outlets have been opened during the year one each in U.A.E., Saudi Arabia and Bangladesh making the total overseas retail outlets to 23. 'The Raymond Shop' retail network in Middle East and SAARC has won the award for 'Global Operations (International Business) of the Year' at the 1st ICICI Excellence in Retail Awards, 2005.

The Files Division export sales recorded an increase of around 21% over previous year. The better realisation and volume both contributed to improved performance in export sales. The Files sales recorded growth of around 20% in value and 9% in volume over previous year. The Drill export recorded impressive growth of 134% in value and 118% in volume. The realisation in Drills improved marginally by 7%, as we are trying to penetrate new market against stiff competition from China and European manufacturers. The Division has improved their presence in China, South Africa and European markets. The Division is in the process of finalising tie-ups with one of the major players, which will boost its export in Europe and U.S.A. The Division has improved its presence in the year under review and planning to further consolidate it by using strong brand image. The new markets like Finland, Poland, Czech Republic, Russia and other CIS countries are being further explored for expanding our international market.

The Denim Division exports rose by 34.5% in value terms to Rs.129.18 crores and by 24.09% in volume terms to 10.9 million metres. The Division's products have been well received by major international brands. Continuous efforts are on to widen and deepen the international customer base. Increased thrust for premium products in Far East countries like Korea and Japan and plan for rope varieties for US market will help the Division penetrate hitherto untapped markets. Offer of jeans wear packages through Everblue Apparel Limited, a wholly owned subsidiary of the Company, will help move the Division into becoming a one stop shop for international denim brands.

The particulars regarding foreign exchange earnings and outgo are given in Schedule 17 - Notes forming part of the Accounts.



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/ Steam Turbine)	
	Current Year	Previous Year	Current Year	Previous Year
1. Electricity				
a) Total units (KWH in thousands)				
Textiles	101106	91530	1509	13872
Files & Tools	18244	19963	135	102
Denim	4623	26032	* 36491	* 8357
b) Total Amount (Rupees in lacs)				
Textiles	3941.72	3511.48	234.87	854.93
Files & Tools	729.00	803.61	9.89	6.65
Denim	322.75	883.52	1089.47	287.96
c) Units/per Litre of Diesel Oil				
Textiles	—	—	3.28	3.63
Files & Tools	—	—	3.97	3.34
Denim	—	—	3.21	3.40
d) Units/per Kg. of Coal				
Denim	—	—	0.74	0.59
e) Cost per unit (Rs.)				
Textiles	3.90	3.84	15.56	6.16
Files & Tools	4.00	4.03	7.33	6.52
Denim	6.98	3.39	9.50	7.95
* 344.18 lac KWH units generated through steam turbine (Previous year 66.86 lac KWH units)				
		Total Quantity	Total Cost Rs. Lacs	Average Rate per Unit Rupees
2. Coal (M.T.)				
a) Textile Division				
Current Year		22394	363.54	1623.38
Previous Year		20583	297.10	1443.44
b) Denim Division **				
Current Year		50502	880.81	1744.11
Previous Year		21701	342.13	1576.56
3. Furnace Oil (Lac Litres)				
a) Textile Division				
Current Year		60.94	852.75	13.99
Previous Year		64.18	824.69	12.85
b) Files Division				
Current Year		3.58	49.60	13.85
Previous Year		3.71	42.74	11.52
c) Denim Division				
Current Year		—	—	—
Previous Year		0.25	3.02	12.18
4. Diesel Oil (Lac Litres)				
a) Textile Division				
Current Year		4.60	117.95	25.64
Previous Year		38.19	657.89	17.23
b) Files & Tools Division				
Current Year		3.72	93.80	25.22
Previous Year		3.96	74.50	18.80
c) Denim Division				
Current Year		6.46	184.00	28.48
Previous Year		4.91	119.83	24.41
5. LPG (Kgs.)				
a) Textile Division				
Current Year		76000	25.06	32.97
Previous Year		71205	20.36	28.59
b) Files & Tools Division				
Current Year		32000	10.02	31.31
Previous Year		140416	44.40	31.62
c) Denim Division				
Current Year		88000	30.87	35.08
Previous Year		60970	21.34	35.00
** 46469 MT used for CPP (Previous year 11391 M.T.)				

B. CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Standard (if any)	Current Year	Previous Year
1. Electricity				
a) Fabrics	KWH/Metre	—	4.66	4.67
b) Engineers' Steel Files	KWH/Piece	—	0.31	0.33
c) Denim	KWH/Metre	—	2.11	2.08



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year 2004-05 began on a promising note with buoyant industrial growth and forecast of a normal rainfall. However, in the early part of the year, the results of the Lok Sabha elections coupled with the erratic behaviour of the monsoon did dampen sentiments initially and affect business. Business sentiment improved towards the latter part of the second quarter with increased expectations of continuance of the liberalisation policies by the new Government. The flexibility given by the Union Budget for 2004-05 to the textile industry on excise, provided a great fillip to the industry. However, rises in inputs costs especially polyester, cotton and steel put tremendous pressures on margins on the Company's textiles, denim and files Divisions respectively. The appreciation of the rupee against the dollar coupled with the rationalisation of DEPB rates also affected the profitability of the Company's exports. The rising interest rate scenario also significantly impacted the yields on the Company's investments in debt funds, reducing the component of "other income" significantly.

Considering the above, the Board considers the all round performance of the Company during the year under review as satisfactory.

The gross turnover, net of returns and discounts, was higher by 6.10 % at Rs. 1140.28 crores (Rs. 1074.75 crores). Profit before tax, prior period adjustments and exceptional items was lower at Rs. 116.50 crores (Rs.183.13 crores). Net profit after exceptional items, prior year adjustments, provision for taxes, was lower at Rs. 83.15 crores (Rs.132.29 crores), after writing off the full amount of payments (Rs. 25.29 crores) made to workmen and staff under Voluntary Retirement Schemes (VRS).

SEGMENT & REVIEW

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

SEGMENT ANALYSIS AND REVIEW

A. TEXTILE DIVISION

Industry Outlook

The Textile Industry is very crucial to the Indian economy in terms of its contribution to GDP and employment. It contributes about 3% to the GDP, accounts for over 14% of total industrial production, generates 8% of the central excise revenue and contributes around 24% to total exports. The Sector is the second largest employment provider after the agriculture sector, employing over 38 million people directly and another 50 million indirectly.

January 1, 2005 saw the dismantling of the quota regime (multi fibre agreement) in the textiles and clothing segment. We believe that this has opened up large opportunities for growth in textiles and clothing for India in general and in particular for the Company.

India is one of the few countries that have a presence across the entire value chain of the textiles and apparel business starting from fibre production, spinning, weaving/knitting, processing to garment manufacturing.

With vertically integrated operations having presence across fibres and the value chain, the Company believes that technological upgradation, scale, improving product design & quality standards, reducing lead time in supplying orders, efficient logistics and design capabilities will play a crucial role in establishing a strong presence in the export market. The Company aims to be a one stop shop for clients in the textile and clothing segment. Scale and integration from spinning/weaving/finishing to garment making facilitate better control over quality and the ability to procure large orders from international clients.

The Company is gearing up to face the challenges of a quota free world by making significant investments to have world class facilities.

The Company believes that the Government also has a significant role to play as a facilitator to ensure that the Indian textile & clothing industry gears up to play a decisive role in the emerging scenario. The Indian textile & clothing industry has tremendous potential to derive immense benefits in the new world order.

Rigidity in labour laws continues to remain one of the crucial factors affecting the competitiveness of the Indian textile industry. The Government should look at allowing for flexibility in employment and redeployment of labour.

Opportunities and Threats

The opening of the international markets has thrown a host of opportunities with new markets opening up, each with its own unique set of challenges. The Company also is now exporting larger volume of fabric as well as garments which are converted within India. The margins, though, are under pressure due to severe competition from other countries.

The Company will continue to stress on improving quality standards, reducing lead-time in supplying orders, competitive pricing of products and more stress on product innovation and designing to meet the new set of challenges. The competition will not only intensify in the international markets but also in the domestic markets. Further, the developed countries may increasingly resort to protectionist measures to protect their domestic textile & clothing industry, which has been severely impacted by the import of low cost good quality products from countries like China and India.

Inflow into India of spurious fabric material, counterfeit, fake and misleading selvedge descriptions continues. However, recognising the threat these spurious imports pose if continued unchecked, recently the Government has issued a fresh notification providing for confiscation of such material.