

idea to implementation



Annual Report 2000

ABHISHEK INDUSTRIES LIMITED



BOARD OF DIRECTORS

SH S S BRAR, IAS

Chairman

MRS KALPANA MITTAL

BARUAH, IAS

SH R K BHANDARI

SH N K JAIN

IFCI Nominee

PROF. V K BHALLA

IDBI Nominee

SH S C BHATIA

ICICI Nominee

SH S K DUGGAL

DR M A ZAHIR

MRS MADHU GUPTA

SH P K MARKANDAY

Joint Managing Director

SH RAJINDER GUPTA

Managing Director

COMPANY SECRETARY

Mr Bhupesh Gupta

AUDITORS

M/s S C Vasudeva & Co.

Chartered Accountants

New Delhi

BANKERS

State Bank of India

Punjab National Bank

State Bank of Patiala

Canara Bank

HEAD OFFICE & SHARE DEPARTMENT

Trident House

85, Industrial Area 'A'

Ludhiana – 141 003

Phone : (0161) 661616-18

Fax : (0161) 663629

Email : trident.ldh@tridentindia.com

REGISTERED OFFICE

Trident Complex

Raikot Road, Barnala-148 101

District Sangrur, Punjab

Phone : (01679) 33306-08, 33364-65

Fax : (01679) 33363

Email : trident.bnl@tridentindia.com

WORKS

Yarn Division

Trident Complex, Raikot Road, Barnala-148 101

District Sangrur, Punjab

Phone : (01679) 33306-08, 33364-65

Fax : (01679) 33363

Email : trident.bnl@tridentindia.com

Terry Towel Division

Village Dhaura, Mansa Road, Barnala-148 101

District Sangrur, Punjab

Phone : (01679) 84066-72

Fax : (01679) 84345

Email : trident.dhl@tridentindia.com

MANAGEMENT TEAM

Mr Rajinder Gupta

Counsellor

Mr P K Markanday

Counsellor

Mr Arun Goyal

Counsellor (Finance & Accounts)

Mr Anil Bansal

Counsellor (Purchase)

Mr Vinod Jindal

Counsellor (HRM)

YARN DIVISION

Mr B S Malhi

Counsellor

Mr Pawan Mehtani

Counsellor (Production)

Mr B S Dhillon

Counsellor (Maintenance)

Mr Sanjay Bhardwaj

Counsellor (Marketing)

Mr Satish Arora

Counsellor (Raw Material)

Mr Basant Singh

Counsellor (HRM)

TERRY TOWEL DIVISION

Mr Swapan Nath

Counsellor

Mr K S Pathak

Counsellor (Engineering)

Mr Pankaj Gohel

Counsellor (Process House)

Mr Rajeev Arora

Counsellor (Marketing)

Mr Rajneesh Bhatia

Co-ordinator (PPC)

Mr Geetender Gupta

Co-ordinator (HRM)

11th Annual General Meeting

Day : Saturday

Date : 5th May, 2001

Time : 10.00 A.M.

Venue : Trident Complex

Raikot Road, Barnala – 148 101

District Sangrur, Punjab.

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ABHISHEK INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of **ABHISHEK INDUSTRIES LIMITED** will be held on Saturday, the 5th day of May, 2001 at 10.00 A.M. at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, District Sangrur, Punjab to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st December, 2000 and Profit and Loss Account for the year ended on that date alongwith the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Sh S S Brar, IAS who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs Kaipana Mittal Baruah, IAS who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Sh R K Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for the purpose to consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 M/s S C Vasudeva & Co., Chartered Accountants, New Delhi, the retiring Auditors of the Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS:**6. Appointment of Director**

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Sh S C Bhatia, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

7. Appointment of Director

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Sh S K Duggal, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

8. Appointment of Director

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Sh P K Markanday, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

9. Creation of Charge for term loans

To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that subject to the approval of Financial Institutions/Banks, the consent of the Company be and is hereby accorded under the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging and/or hypothecating by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate,



present and future, and the whole or substantially the whole of the undertaking of the Company and conferring power to enter upon and take possession of the assets of the Company in certain events, to or in favour of the following Institutions/Banks to secure:

- A. Rupee Term Loan not exceeding Rs. 400 million (Rupees four hundred million only) lent and advanced/ agreed to be lent and advanced by the Industrial Development Bank of India (IDBI) and/or any other financial institution/ Bank to the Company;
- B. The interest at the respective agreed rates, compound/additional interest, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company in terms of respective Loan Agreements/ heads of Agreements/ Letters of Sanction/Memorandum of terms and conditions/Trust Deed or any other Agreements as may be entered into/to be entered into by the Company, in respect of Term Loans."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to mortgage and/or create charge(s) and/or hypothecation/ create second/third charge in such manner and in such form upon moveable and immoveable assets of the Company, both present and future and the whole or substantially the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events, in favour of any bank/ financial institution/any other financial or promotional agency to secure term loan, working capital limits, enhancement of term loan or working capital limits or any other kind of financial assistance as may be deemed necessary, desirable and in the best interest of the Company from time to time and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the resolution."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the documents and such

other agreements for creation of charge as aforesaid and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution."

10. Creation of charge for working capital limits

To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that, subject to the approval of Financial Institutions/ Banks, the consent of the Company be and is hereby accorded under the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation of second charge by the Board of Directors of the Company on all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole or substantially the whole of the undertaking of the Company, the first charge in respect of which is held/to be held by all India Financial Institutions led by IFCI, IDBI, ICICI, LIC, UTI, IIBI and/or banks i.e. SBI, PNB as well as SBOP etc in respect of term loans granted/to be granted by them to the Company together with power to takeover the management of the business and concern of the Company in certain events, to or in favour of State Bank of India severally or jointly with Canara Bank and/or Punjab National Bank and/or State Bank of Patiala and/or any other bank to secure the following working capital limits lent and advanced/agreed to be lent and advanced to the Company

A.	(Rs in crores)
FUND BASED	
C/C Hypothecation of stocks & Goods	25.53
Export Packing Credit (Within C/C limit)	(17.56)
Hypothecation of Book Debts (Rs. 3.69 crores within C/C limit)	11.16
Bills Purchased/Discounting	
- Inland	1.00
- Export	24.35
NON FUND BASED	
Import/Inland L/C	7.50
Bank Guarantee	2.00

ABHISHEK INDUSTRIES LIMITED

B. The interest at the respective agreed rates, compound/additional interest, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company in terms of respective Loan Agreements/heads of Agreements/Letters of Sanction/Memorandum of terms and conditions/Trust Deed or any other Agreements as may be entered into/to be entered into by the Company, in respect of Working Capital Limits."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the documents and such other agreements for creation of second charge as aforesaid and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution."

11. Appointment of Joint Managing Director

To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 314 and all other applicable provisions of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the appointment of Sh P K Markanday as Joint Managing Director of the Company for a period of five years with effect from 1st April, 2001 on the terms and conditions including remuneration as given in the explanatory statement with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration as may be agreed to between the Board of Directors and Sh P K Markanday or as may be varied in the General Meeting."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take all such steps as may be necessary to give effect to this resolution."

By order of the Board
For ABHISHEK INDUSTRIES LIMITED

Place : Barnala
Dated : March 22, 2001

BHUPESH GUPTA
Company Secretary

NOTES:

- i. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting. A proxy so appointed shall not have any right to speak at the meeting. The blank proxy form is enclosed.**
- ii. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5 to 11 is annexed hereto and forms part of this Notice.
- iii. Members are informed that Share Transfer and related activities are being carried out by the Company in-house at the following address:
**Abhishek Industries Limited
85, Industrial Area 'A'
Ludhiana- 141 003
Phone : (0161) 661616-18, 663625-26
Fax : (0161) 663629, 608620
E-mail : investorabil@tridentindia.com**
- iv. Members are requested to send their communications on e-mail ID **investorabil@tridentindia.com** for prompt response to their queries and send your e-mail ID for Company's record.
- v. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 3rd day of May, 2001 to Saturday, the 5th day of May, 2001 (both days inclusive).
- vi. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.
- vii. Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of Annual General Meeting so as to enable the Management to keep the information ready.



- viii. The shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors w.e.f. 2nd April, 2001. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of above Depositories.
- ix. Members are requested to notify the change in their address, if any, to the Company immediately and always quote their folio number in all correspondence with the Company.
- x. Pursuant to the provisions of Section 205 A of the Companies Act, 1956, as amended, dividend for the financial year 1996, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year 1996 are requested to make their claim to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government as above, no claim shall lie in respect thereof.
- xi. *Persons attending the Meeting are requested to bring their copy of Annual Report with them at the Meeting.*
- xii. Members/Proxies attending the Meeting are requested to bring the enclosed attendance slip duly filled in and deliver the same at the entrance of the meeting hall.
- xiii. Reappointment of Directors

At the ensuing Annual General Meeting, Sh S S Brar, IAS, Mrs Kalpana Mittal Baruah, IAS and Sh R K Bhandari, Directors retire by rotation and being eligible offer themselves for reappointment. As per Clause 49 of the Listing Agreement on

Corporate Governance the Company is required to provide a brief resume, expertise and names of companies in which the proposed Director holds the Directorship. Accordingly the information is given below:

- a) Sh S S Brar, IAS, aged 49 years is Chairman of your Company since 1998. He is a senior member of Indian Administrative Service and presently Managing Director of the Punjab State Industrial Development Corporation Limited. He is Chairman and Director in the following companies viz. Dashmesh Haegens Agro Tech Ltd, Indian Acrylics Ltd, Dwarikadhish Spinners Ltd., Surya Medicare Ltd, Brahma Steyr Tractors Ltd, Nahar Industrial Infrastructure Corporation Ltd and Director of Punjab Tractors Ltd, Punjab Alkalies & Chemicals Ltd & Electronic Systems Punjab Ltd.
- b) Mrs Kalpana Mittal Baruah, IAS aged 41 years is Director of your Company since 1998. She is a senior member of Indian Administrative Service and presently working as Additional Managing Director of the Punjab State Industrial Development Corporation Limited. She is Chairperson and Director in the following companies viz. Ind Swift Lab Ltd, Faziilka Cotton and Synthetics Ltd, S R Industries Ltd, Capsugel India Ltd, Supreme Woollen Mills Ltd, Cheema Spintex Ltd, Karan Cotsyn Ltd, Shyam Indospin Ltd, Usha Yarn Ltd, Satia Synthetics Ltd, Abhinav Cotspin Ltd, Datt Steels Ltd and Managing Director of Electronic Systems Punjab Ltd.
- c) Sh R K Bhandari aged 50 years is Director of your Company since 1996. He is Senior General Manager (IDD) in the Punjab State Industrial Development Corporation Limited. He is also the Director in the following companies viz. S R Industries Ltd, Poddar Tyres Ltd, Eastman Caste & Forge Ltd, Maharaja Engg & Investments (Pb) Ltd, Contour Automotive Products Ltd, Jay Cee Coach Builders Ltd, MBM Ltd, A M Coirs Ltd, Reliable Fasteners Ltd, Harpartap Steel Ltd, Ranbro Brakes India Ltd, Rajiv Paper Mills (P) Ltd, Vishal Papertech(India) Ltd and PNFC.

ABHISHEK INDUSTRIES LIMITED**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 5**

Section 224 A of the Companies Act, 1956 provides for the appointment or re-appointment, at each Annual General Meeting of Auditors of a Company by a special resolution if the Company is one in which not less than twentyfive percent of its subscribed share capital is held singly or in combination by any public financial institution or a Government company or Central Government or any State Government or other institutions established by any State Act, in which State Government holds not less than fiftyone percent of the subscribed share capital or nationalised banks etc. The holdings of the aforesaid categories of shareholders of the Company exceed twentyfive percent of its share capital and hence the re-appointment of M/s S C Vasudeva & Co., Chartered Accountants as Auditors of the Company is required to be made by a special resolution. A certificate has been received from them to the effect that their appointment, if made, will be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

None of the Directors is interested in the resolution.

Item No. 6

Sh S C Bhatia was nominated by the ICICI Limited under the Financial Assistance Agreement and appointed as Additional Director on the Board w.e.f. 27th July, 2000 in terms of Article 161 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment as Director. The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing his name for appointment as Director of the Company. Sh S C Bhatia is Deputy General Manager of ICICI Limited as well as Director of Mohan Breweries & Distillers Ltd, Supreme Petrochem Ltd and S & S Power Switchgear Ltd. The Directors consider that the Company would be benefited by the mature advice of Sh S C Bhatia and recommend the acceptance of the resolution.

None of the Directors is interested in the resolution except Sh S C Bhatia, the proposed appointee.

Item No. 7

Sh S K Duggal was appointed as Additional Director on the Board w.e.f. 1st August, 2000 in terms of Article 161 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment as Director. The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing his name for appointment as Director of the Company. Sh S K Duggal is textile technologist and is having vast experience in the field of textile industry. He is Director of following companies viz Winsome Textiles Industries Ltd, Winsome Yarns Ltd, Dwarikadhish Spinners Ltd, Satia Synthetics Ltd, Cheema Spintex Ltd, Usha Yarn Ltd and Faziika Cotton & Synthetics Ltd. Earlier Sh S K Duggal has remained Director of your Company as nominee of PSIDC from May 1999 to July, 2000. The Directors consider that the Company would be benefited by the mature advice of Sh S K Duggal and recommend the acceptance of the resolution.

None of the Directors is interested in the resolution except Sh S K Duggal, the proposed appointee.

Item No. 8

Sh P K Markanday was appointed as Additional Director on the Board w.e.f. 22nd March, 2001 in terms of Article 161 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of the forthcoming Annual General Meeting and is eligible for appointment as Director. The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing his name for appointment as Director of the Company. Sh Markanday is MBA with specialisation in Marketing and Finance and is having about 22 years experience at senior positions in Punjab State Civil Supplies Corporation Ltd., Vardhman Spinning and General Mills Ltd, Malwa Cotton Spinning Mills Ltd and Abhishek Industries Ltd. The Directors consider that the Company would be benefited by the mature advice of Sh P K Markanday and recommend the acceptance of the resolution.

None of the Directors is interested in the resolution except Sh P K Markanday, the proposed appointee.

**Item No. 9**

The Company is setting up an expansion project for increasing the terry towel capacity by 3500 tpa at an estimated cost of Rs. 6,030 lacs. For this project the Company has been sanctioned Rupee Term Loan of Rs. 400 million by Industrial Development Bank of India.

One of the terms for grant of loan is creation of mortgage and charge on the moveable and immoveable properties of the Company. Under Section 293(1)(a) of the Companies Act, 1956 for creation of mortgage and charge, approval of shareholders is required. Hence, the Board recommends the resolution for your approval.

None of the Directors is personally interested in the resolution.

Item No. 10

At present the Company is availing the Working Capital Limits from a consortium of Banks, i.e., State Bank of India (SBI), Canara Bank (CB), Punjab National Bank (PNB) and State Bank of Patiala (SBOP) with SBI as the Lead Bank. One of the terms for grant of Working Capital Limits is creation of second charge/mortgage on the moveable and immoveable properties of the Company. Under Section 293(1) (a) of the Companies Act, 1956 for creation of charge/mortgage approval of shareholders is required. Hence, the Board recommends the resolution for your approval.

None of the Directors is personally interested in the resolution.

Item No. 11

The Board of Directors in their meeting held on 22nd March, 2001 have appointed Sh P K Markanday as Joint Managing Director for a period of five years w.e.f. 1st April, 2001 on the following terms and conditions:

1. Basic Salary: Rs. 80,000/- (Rupees eighty thousands only) per month
2. Perquisites and Allowances: Perquisites and Allowances in addition to salary shall be as follows:

Description	%age of salary
a) House Rent Allowance	40%
b) Conveyance Allowance	15%
c) Telephone Allowance	10%
d) Leave Travel Allowance	8.33%

e) Newspaper and Periodicals Allowance	5%
f) Uniform Allowance	5%
g) Provident Fund Contribution	12%
h) Bonus	10%
i) Gratuity	4.17%
j) Superannuation Allowance	5%
k) Medical Allowance	8.33%
l) Medical CL/GIS	4.17%
m) Children Education Allowance	5%
n) Sports & Cultural Allowance	8%
o) Training & Development Allowance	10%

3. Other Terms

- a) The Joint Managing Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company, in accordance with the Company's practice and Rules and Regulations in force from time to time.
- b) Notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration to Joint Managing Director.
- c) The Board of Directors may increase the remuneration and perquisites of Sh P K Markanday, Joint Managing Director from time to time within Schedule XIII of the Companies Act, 1956 and such other guidelines or ceiling fixed by the Government from time to time.

Under Schedule XIII of the Companies Act, 1956 the appointment and remuneration are subject to the approval of shareholders. Hence, the Directors recommend the resolution for your approval.

The above may also be treated as an abstract of the terms of contract/agreement between the Company and Sh P K Markanday pursuant to Section 302 of the Companies Act, 1956.

None of the Directors except Sh P K Markanday, himself is interested in the resolution.

By order of the Board
For ABHISHEK INDUSTRIES LIMITED

Place : Barnala
Dated : March 22, 2001

BHUPESH GUPTA
Company Secretary

ABHISHEK INDUSTRIES LIMITED

DIRECTORS' REPORT

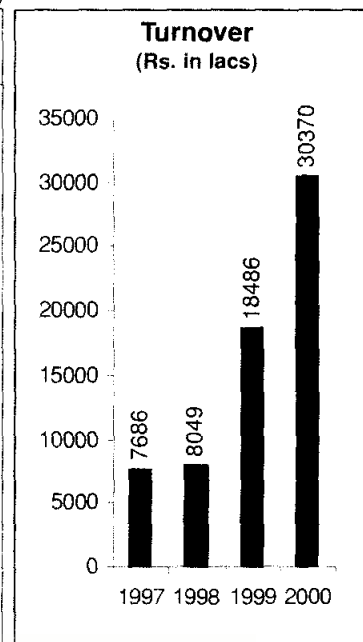
Dear Shareholders

The Directors of your Company have the pleasure in presenting to you their Eleventh Annual Report and the Audited Accounts for the year ended the 31st December, 2000.

FINANCIAL RESULTS

The financial performance of your company for the year ended 31st December, 2000 is summarised below:
(Rs in lacs)

Particulars	Year ended December, 2000	Year ended December, 1999
a) Turnover	30,369.56	18,486.09
b) Profit before Interest, Depreciation and Taxes	5,790.54	3,992.37
c) Less: Interest	3,249.63	2,566.23
d) Profit before Depreciation and Taxes	2,540.91	1,426.14
e) Depreciation	2,135.47	1,870.49
f) Profit/(Loss) before Taxes	405.44	(444.35)
g) Less: Provision for Taxes	7.00	0.00
h) Profit/(Loss) after Taxes	398.44	(444.35)
i) Prior period adjustments	(10.95)	(58.09)
j) Profit brought forward	387.49	(502.44)
k) Balance brought forward from last year	(1,641.79)	(1,139.35)
l) Amalgamation Reserve	2,037.04	2,037.04
m) Add: Other Reserves	45.00	45.00
n) Reserves carried to Balance Sheet	827.74	440.25



AN OVERVIEW OF INDUSTRY

The Indian textile industry is one of the largest segments of Indian economy accounting for over one fifth of the industrial production. In the yarn segment the installed capacity includes over 33.88 million spindles. India has become one of the world's largest exporters of yarn for every kind of application from hosiery to weaving.

The future for Indian industry as a whole will be challenging. The domestic market will be opened to goods and services from global companies with low tariffs and protection will be a thing of the past. The Companies that will survive will be those which successfully restructure and modernise to achieve global competitiveness both in terms of quality, cost and size of operations. To counter this threat, your Company is committed for timely investment in technological upgradation and capacity enhancement. This will lead to an increase in overall volumes with consequent cost advantages, while simultaneously ensuring better quality and improved realisations through capacities built in and value added segment. Customer care and satisfaction will be, of course, our utmost priority.

Last year margins of all companies witnessed a squeeze because of declining yarn prices due to over supply internationally and demand slowdown because of South East Asian crisis. This situation is unlikely to improve in the short-term. Higher raw cotton prices is another cause of concern for the spinning industry. However, management is sure to overcome these difficulties with the operational efficiencies, cost reduction, economies of scale, value addition and diversified product range.



CORPORATE OVERVIEW

During the year under review, your Company has expanded the terry towel division capacity by installing additional 10 looms and balancing equipments. Further, the Company is expanding the terry towel capacity by 3,500 tpa at a capital outlay of Rs 6,030 lacs at its existing terry towel division at village Dhaula, Barnala. The means of finance as appraised by IDBI include term loans of Rs 4,975 lacs and internal accruals of Rs 1,055 lacs. IDBI has also sanctioned a Term loan of Rs 4,000 lacs for the expansion project. The project shall be fully implemented by July, 2001. The Company has added 4,752 spindles and now the installed capacity of yarn division is 73,440 spindles. During the current year the Company plans to complete the expansion project of 43,392 spindles by installing remaining 7,104 spindles. During the current year we shall lay special emphasis on cost reduction, value addition, brand equity and economies of scale.

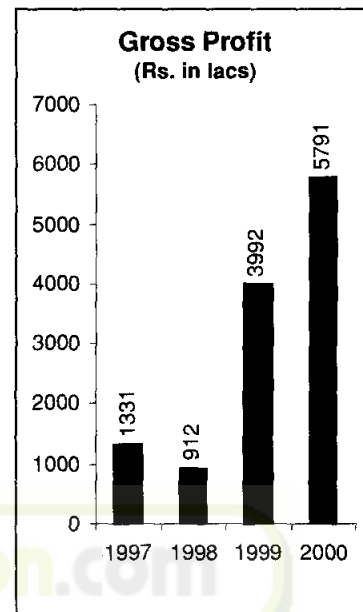
REVIEW OF OPERATIONS

Yarn Division

During the year under review the capacity of the Yarn Division has been enhanced to 73,440 spindles and the Division has achieved a production of 15,516.67 MT of cotton yarn as compared to 12,540.94 MT in the previous year with a capacity utilisation of 98.57%. The sales revenue of the Division has increased to Rs.16,698.67 lacs as against Rs. 11,221.61 lacs during the preceding financial year showing an increase of 48.81% with a gross profit of Rs 2,572.11 lacs during the year under review as against Rs 2,164.36 lacs in the preceding year. The Company had envisaged to increase the production of combed yarn, but due to recessionary combed yarn market, the Company did not implement the project for increase in combed yarn production. Further, with the completion of the expansion project of 43,392 spindles with addition of 7,104 spindles of blended yarn, the production and sales shall achieve a new height during the current year.

Terry Towel Division

During the year under review the Division processed 1,266.34 MT of Yarn as compared to 732.69 MT in the previous year and manufactured 3,283.56 MT of towels as compared to 2,114.32 MT in the previous year. The Division achieved a sales turnover of Rs. 13,670.89 lacs as compared to Rs 7,265.73 lacs in the previous year showing an increase of 88.16% with a gross profit of Rs 3,623.87 lacs as compared to Rs 1,828.01 lacs in the previous year. The Company had envisaged to increase the fabric dyeing capacity from 5.5 tpd to 10.5 tpd. But due to change in the demand pattern of its towels the financing institutions and Board approved the change in the scope of the project to installation of additional 8 looms and other balancing equipments, which has been installed during the year. Further, the Company is expanding the terry towel capacity by 3500 tpa, which shall be completed by July, 2001 and with this expansion the Company shall achieve a new record of production and sales during the current year.



FINANCIAL REVIEW

During the year under review the sales of the Company has increased by 64.10% to Rs 29,936.06 lacs as compared to Rs 18,242.92 lacs. Sales include inter-divisional transfers of Rs 1,658.85 lacs. Net external sales for the year were up by 71.97%. The Gross Profit has increased by 45.04% from Rs 3,992.37 lacs to Rs 5,790.54 lacs during the year under review. Interest expense increased by 26.63% to Rs 3249.63 lacs and depreciation increased by 14.17% to Rs 2,135.47 lacs. The Company achieved a Net Profit of Rs 398.44 lacs as compared to loss of Rs 444.35 lacs in the previous year. The profit of the Company have squeezed due to higher raw cotton prices and change in the accounting standard for valuation of inventories.