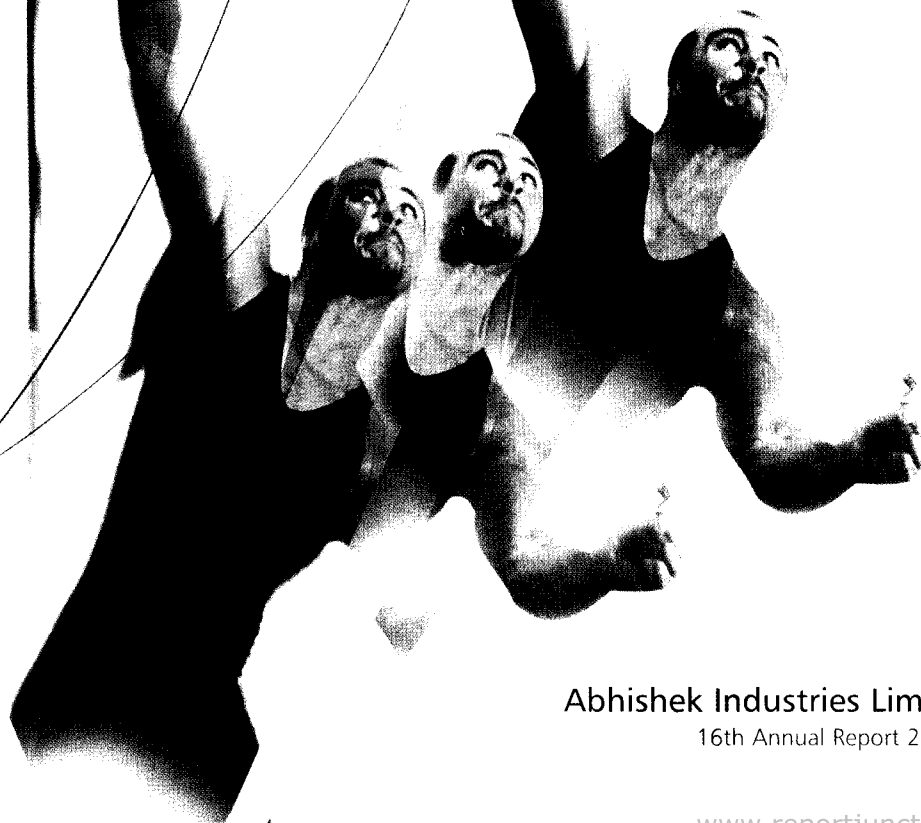


# Growing the learning curve

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Abhishek Industries Limited  
16th Annual Report 2005-6

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# Growing the Learning Curve

The logo for Report Junction, featuring the word "Report" in grey, a yellow diamond icon with a black dot inside, and the word "Junction.com" in green, all enclosed in a light green rounded rectangle.

At Abhishek, the Learning Curve represents the outcome of its experience, expertise and professional mastery acquired while delivering performance.

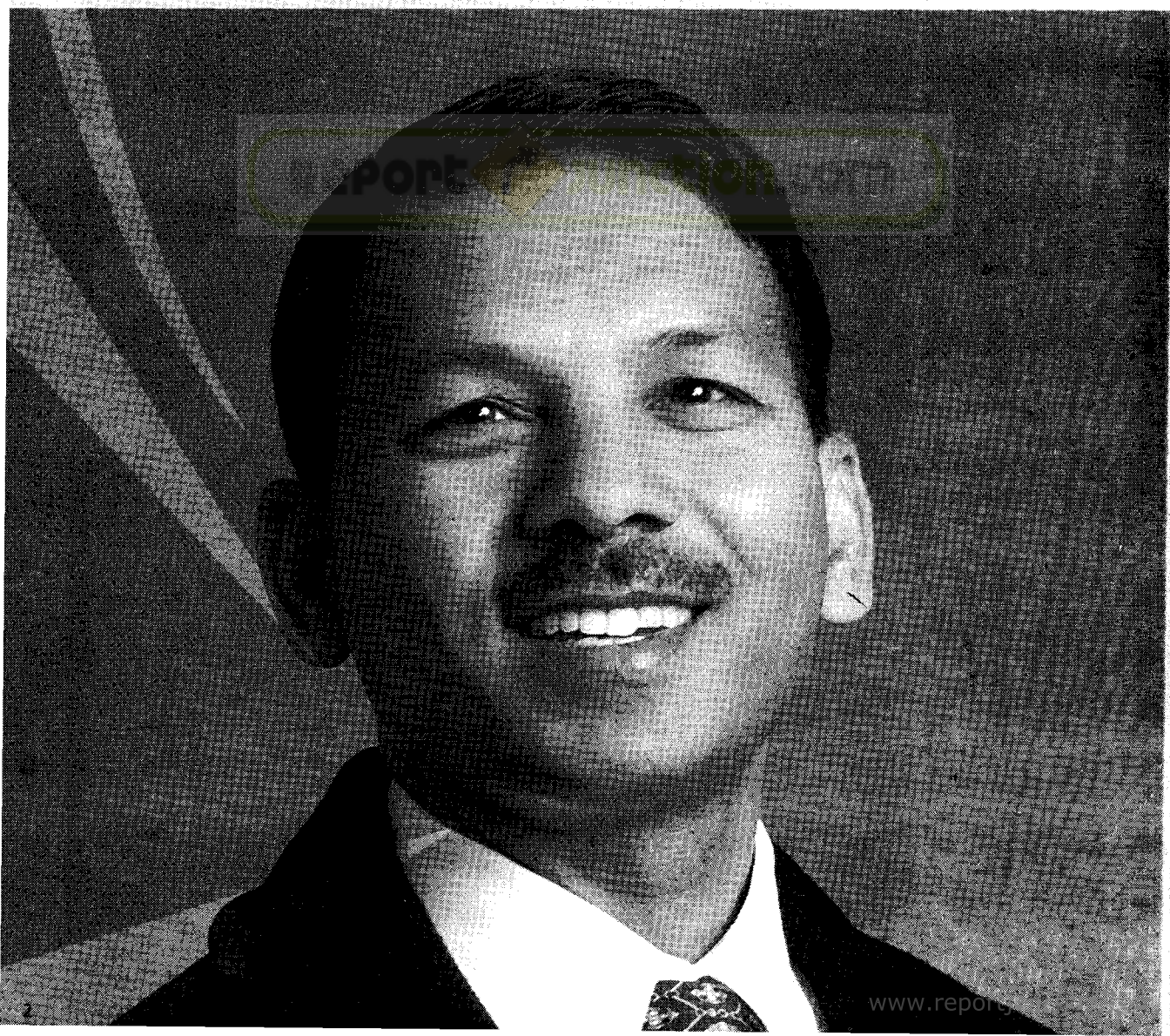
**Growing the Learning Curve** implies that the quality and methodology of execution is getting more effective and efficient to enable it to break benchmarks. This provides it with a significant edge over its peers in terms of value-addition and product development.

We, at Abhishek, have grown our learning curve faster and leveraged our expertise and planning experience to execute best at all times.



Managing director's message

“Our spirit to create a leader out of every member in Abhishek Industries. That is what will get us to US\$ 1 billion in revenues by 2010.”





Dear shareholders,

Let me begin by sharing the excitement that is sweeping across Abhishek Industries.

Each member of your Company is energised by the business opportunities and what we can collectively achieve. In view of this vision, we have put in place the building blocks for sustainable growth.

Firstly, it is indeed a pleasure to be in an era when our nation is at the cusp of its biggest economic take-off. This has its own sense of joy and pride - that we have been able to carve a unique place for ourselves among 192 nations in the world.

Just consider. India is today one of the fastest growing economies in the world, second only to China. The country's GDP has grown above 7 per cent for the last three years and reported a growth of 8.4 per cent in 2005-6 with a peak of 9.1 per cent in the last quarter of the year under review.

This is where the optimism comes in: internationally reputed research houses feel that India's growth will sustain and perhaps even accelerate over the next decade. The optimism is derived from a growing number of Indian corporations who are providing considerable value-addition through the delivery of cost-effective but quality products and services to their international partners.

The Indian corporate sector is rising to this global challenge through rapid expansion facilitated by favourable government policies and a low cost of debt. However, there is a flip side to this:

in an era of liberalisation, where state-of-the-art technology and finance are available to most, people will make the critical difference between growth and stagnation. This will be the key to draw the blue print for the future.

Your Company performed creditably in 2005-6, which represents the basis of its optimism.

- We completed the expansion of our terry towel division and modernisation of the yarn and paper divisions.
- We reported attractive improvements in internal efficiency through modernisation, which helped increase profit margins.
- We reported a 67 per cent increase in profit after tax and grew exports from 47 per cent of our net sales to 56 per cent.

Over a period of time, your Company has grown its capacities across its respective businesses, driven by a proactive approach to creating demand rather than merely meeting it. In future too, your Company will invest in modernisation and expansion to capitalise on the growing business opportunities and retain its leadership position.

We are committed to maintaining a long-term relationship with stakeholders - the essence of good governance.

- We maintain transparency in our activities and fairness in our dealings.

- Every corporate decision is taken after considering the impact on stakeholder interests.

Here, I would like to quote His Holiness the Dalai Lama - "We have a responsibility to look after our planet. It is our only home."

As a responsible corporate citizen, it has always been our endeavour to enhance the quality of life and other social conditions in a sustainable manner for the communities in the vicinity of our manufacturing locations.

At Abhishek Industries, we believe firmly that every individual wants to learn and grow during his/her employment. In view of this, we have initiated a company-wide 'change management' initiative to leverage the potential talent and skill sets of our intellectual capital by growing their learning curve and addressing issues like ownership, participation and recognition, the three critical elements that drive individual sustainability.

I am optimistic that we can create a leader out of every member in Abhishek Industries, and in doing so, achieving US\$ 1 billion in revenues by 2010.

Warm regards,



Rajinder Gupta

May 24, 2006

A McKinsey quarterly survey showed that as many as 81 per cent of top Indian executives feel that the cost and availability of talent will represent a significant business constraint over the next five years.

# About Abhishek...

## Our business

Textiles and Paper – the most exciting business spaces to be in

## Our visiting card

Flagship Company of the Trident Group

Headquartered at Ludhiana

Manufacturing facilities at Barnala

Listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)

Company Identification Number (CIN): L99999PB1990PLC010307

## Our ranking

One of the world's largest terry towel manufacturers

One of the world's largest wheat-husk based paper manufacturers

One of the India's largest yarn spinners

Among the top 25 Indian corporates adopting good Corporate governance

## Our vision

Driven by the spirit of challenge, we will add value to life, and together prosper globally

## Our values

To provide customer satisfaction through teamwork, based on honesty and integrity, for continuous growth and development

## Our corporate philosophy

To continue growth by leading national and international standards and ethical means, in harmony with the environment, ensuring customer delight, stakeholders' trust and social responsibility

Birth of Abhishek

**1990**

Over

**6000**

employees

Exports across

**37**

countries

Revenue CAGR

**30%**

over the last decade

Net profit CAGR

**30%**

over the last decade

Market capitalisation

**Rs 5622 mn**

as on March 31, 2006

Public share holding

**36.48%**

as on March 31, 2006

Foreign shareholding

**12.96%**

as on March 31, 2006



# Our performance barometer

## Financials

### Key numbers

- Rs 8884.9 million in gross turnover
- Rs 1588.2 million in EBITD
- Rs 568.2 million in profit after tax
- Rs 1232.2 million in cash profit

### Growth

- A revenue growth of 32 per cent
- An EBITD growth of 36 per cent
- A profit growth of 67 per cent
- A cash profit growth of 29 per cent

### Margins

- 62 basis point increase in the EBITD margin
- 160 basis point increase in the net margin
- 232 basis point increase in the ROCE

## Operations

### Productivity

- 26603 tonnes of yarn produced
- 18189 tonnes of terry towel produced
- 39069 tonnes of paper produced
- 80741 tonnes of sulphuric acid produced

## Projects

### Capacities added during the year

- 60 Looms
- 640 Rotors
- 6912 Spindles

### Projects under implementation

#### Textile:

- An investment of Rs 2130 million for expansion of manufacturing capacities of Terry Towel and modernisation cum balancing of Yarn & Terry Towel manufacturing facilities.
- An investment of Rs 2500 million for expansion of yarn spinning and setting up of a 20 MW captive power plant.

#### Paper:

- An investment of Rs 6800 millions for installation of paper machine & pulp machine and setting up of a 20 MW captive power plant.

# Financial highlights

## Financial performance

(Rs million)

Period ended	Mar 2002	Dec 2002	Dec 2003	Mar 2005	Mar 2006
No. of months	15	9	12	15	12
Gross Turnover	4923	3574	5388	8296	8885
Net Sales	4235	3069	4638	7056	7436
Exports	2198	1476	2076	3300	4190
Gross Profit (PBITD)	1032	789	1064	1464	1588
Net Profit (PAT)	143	190	359	426	568
Net Worth	1783	2319	2701	3150	3585
Fixed Assets (Net block)	2881	2689	2943	5671	7676
Current Assets (Net)	1322	1446	1988	2422	2863

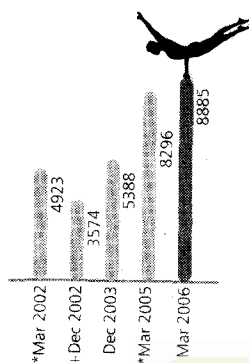
## Key financial indicators

Period ended	Mar 2002	Dec 2002	Dec 2003	Mar 2005	Mar 2006
No. of months	15	9	12	15	12
Gross Profit Margin (%)	24	26	23	21	21
Net Profit Margin (%)	3	6	8	6	8
Return on Net Worth (%)	8	8	13	14	16
Export Sales/Net Sales (%)	52	48	45	47	56
Debt/Equity	1.05	0.67	0.70	1.47	1.92
CEPS (Rs)	3.42	3.18	4.35	6.16	6.35
EPS (Rs)	0.80	0.98	1.84	2.19	2.93
Book Value/Share (Rs)	9.93	11.94	13.91	16.22	18.12

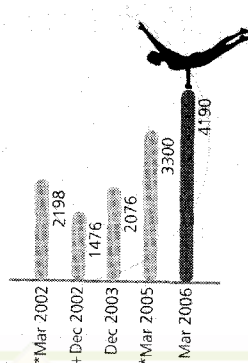


## Selective graphs

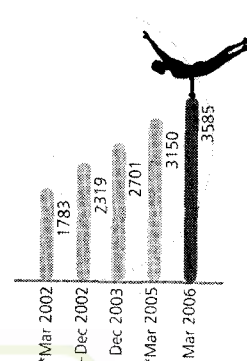
Gross Turnover (Rs million)



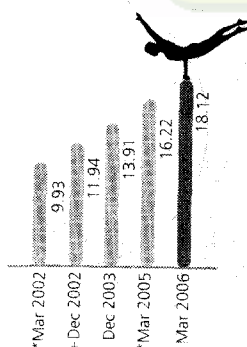
Exports (Rs million)



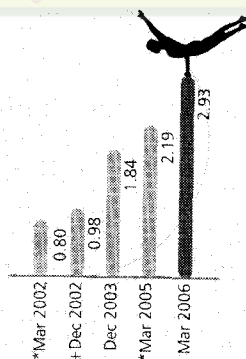
Net Worth (Rs million)



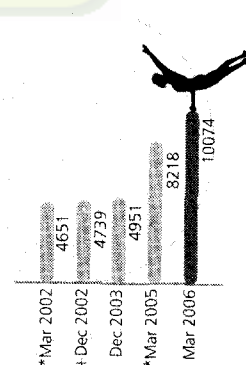
BVPS (Rs)



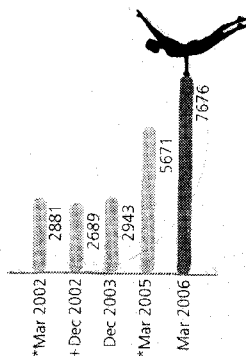
EPS (Rs)



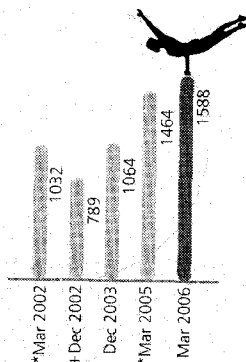
Gross Block (Rs million)



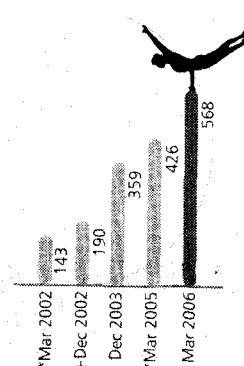
Net Block (Rs million)



PBITD (Rs million)



PAT (Rs million)



\* Financial year ~ 15 months

+ Financial year ~ 9 months



Business overview

Report



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