

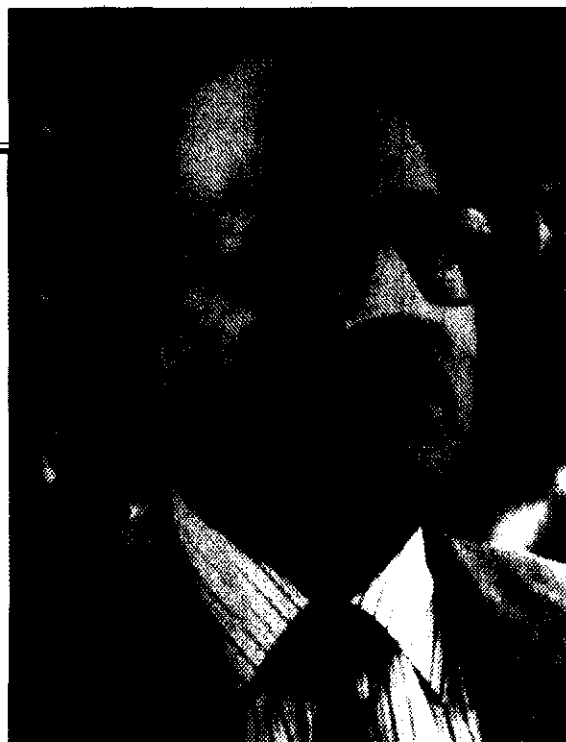
26th Annual Report



Vardhmān

1998-99

MAHAVIR SPINNING MILLS LIMITED



Shri S.P. Oswal - Chairman

Business Philosophy

- *Faith in bright future of Indian textiles and hence continued expansion in areas "which we know best".*
- *World class manufacturing facilities with most modern R&D and process technology.*
- *Total customer focus in all operational areas.*
- *Faith in individual potential and respect for human values.*
- *Products to be of best available quality for premium market segments through TQM and zero defect implementation.*
- *Encouraging innovation for constant improvements to achieve excellence in all functional areas.*
- *Global orientation targeting — at least 20% production for exports.*
- *Accepting change as a way of life.*
- *Integrated diversification/product range expansion.*
- *Appreciating our role as a responsible corporate citizen.*

From this business philosophy emerge Vardhman's STRANDS OF STRENGTH which have propelled the group growth much above the industry average.



Mahavir Spinning Mills Ltd.

BOARD OF DIRECTORS:

SHRI SHRI PAUL OSWAL — Chairman
 SHRI R.J. BEDEKAR — (Nominee of IDBI)
 SHRI P.C. GUPTA — (Nominee of UTI)
 SHRI SANDEEP BAKHSHI — (Nominee of ICICI)
 SHRI R.C. BARAR
 DR. JAGDISH CHANDER BAKSHI
 SHRI PRAFULL ANUBHAI
 DR. TRILOKI NATH KAPOOR
 SHRI SACHIT JAIN
 SHRI DARSHAN LAL SHARMA — President & Executive Director

COMPANY SECRETARY:

SHRI VIPIN GUPTA

BANKERS :

STATE BANK OF PATIALA
 PUNJAB NATIONAL BANK
 UNION BANK OF INDIA
 STATE BANK OF INDIA
 BANK OF AMERICA
 BANK OF BARODA
 ALLAHABAD BANK
 DEUTSCHE BANK
 BANQUE NATIONALE DE PARIS

AUDITORS:

M/s S.C. VASUDEVA & CO., NEW DELHI.

BRANCH AUDITORS:

M/s S.S. KOTHARI & CO., NEW DELHI.

REGISTERED OFFICE:

CHANDIGARH ROAD, LUDHIANA-141 010.

WORKS:

MAHAVIR SPINNING MILLS LIMITED

PHAGWARA ROAD, HOSHIARPUR-146 001.

ARIHANT SPINNING MILLS

INDUSTRIAL AREA, MALERKOTLA-148 023.

ANANT SPINNING MILLS

NEW INDUSTRIAL AREA, MANDIDEEP-462 046.

VARDHMAN SPECIAL STEELS

C-58, FOCAL POINT, LUDHIANA-141 010.

VARDHMAN SPECIAL STEELS

PLOT NO. 263-64, SECTOR-24, FARIDABAD-121 005

SUBSIDIARIES:

VARDHMAN ACRYLICS LIMITED

CHANDIGARH ROAD, LUDHIANA-141 010.

VMT SPINNING COMPANY LIMITED

S.C.O. - 1,2,3 SECTOR - 17-B, CHANDIGARH-160 017

VKM COLOURSPIN LIMITED

CHANDIGARH ROAD, LUDHIANA-141 010.



Vardhman

Mahavir Spinning Mills Ltd.

26th Annual General Meeting

Day	:	Friday
Date	:	30th July, 1999
Time	:	4.30 P.M.
Place	:	Registered Office, Chandigarh Road, Ludhiana - 141 010

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Mahavir Spinning Mills Ltd.

BRANCHES:

30 & 33, SHRI KRISHNA CENTRE,
MITHAKHALI SIX ROAD,
NAVRANG PURA,
AHMEDABAD-380 009.

2 & 2/1, A.M.M. TOWERS,
HOSUR ROAD,
BANGALORE-560 027.

48, KFC BUILDING,
CHURCH STREET,
BANGALORE.

P-22, 3RD FLOOR,
C.I.T. ROAD,
CALCUTTA-700 014.

6, TILJALA ROAD,
POST BOX NO. 296,
CALCUTTA-700 046.

S.C.O.1,2 & 3, SECTOR-17B,
CHANDIGARH-160 017.

184, BROADWAY,
CHENNAI-600 108.

11, C.P. MUDALI STREET,
PUDUPET, MOUNT ROAD,
CHENNAI-600 002.

36/2303, D & K, AMMANKOVIL ROAD,
ERNAKULAM (COCHIN)-682 035.

PLOT NO. 271, SECTOR-24,
FARIDABAD-121 005.

217, LOHA MANDI,
BULANDSHAHR ROAD,
GHAZIABAD.

3-6-270/2, HIMAYAT NAGAR,
OPP. TELUGU ACADEMY,
HYDERABAD-580 029.

PIPELYA RAO, PLOT NO.23,
MANGAL NAGAR, A.B. ROAD,
INDORE-452 001.

B-23, DELIGHT HOUSE,
GOVIND MARG, ADARSH NAGAR,
JAIPUR-302 004.

15/200-C, CIVIL LINES,
KANPUR-208 001.

KARNAL AGRICULTURAL STEEL INDUSTRIES,
INDRI ROAD,
KARNAL.

CHANDIGARH ROAD,
LUDHIANA-141 010.

SOLARIS-II, UNIVERSAL INDUSTRIAL ESTATE,
GALA NUMBER G-7 TO G-14 & B-12 TO B-14,
SAKI VIHAR ROAD, ANDHERI (EAST),
MUMBAI-400 072.

64A, NARIMAN BHAWAN
227, BACKBAY RECLAMATION,
NARIMAN POINT,
MUMBAI-400 021.

4/6, DESH BANDHU GUPTA ROAD,
PAHAR GANJ,
NEW DELHI-110 055.

B-73, 1ST FLOOR,
OKHLA INDUSTRIAL AREA, PHASE-I,
NEW DELHI-110 020.

212, DEEN DAYAL UPADHYAYA MARG,
URDU GHAR, 1ST FLOOR,
NEW DELHI- 110 002.

PLOT NO.134, TRANSPORT NAGAR,
PUNJABI BAGH,
NEW DELHI- 110 035.

202, SURYA KIRAN BUILDING,
19, KASTURBA GANDHI MARG,
NEW DELHI- 110 001.

B-21, SECTOR-9,
NOIDA-201 301.

MEZZANINE FLOOR, ABHISHEK PLAZA,
EXHIBITION ROAD,
PATNA-800 008.

REALITY WAREHOUSING,
GAT NO. 2323/1, WAGHOLI,
PUNE - 411 014.

266, KAMRAJ ROAD,
TIRUPUR-638 604.

272, SAK COMPLEX,
KAMRAJ ROAD,
TIRUPUR-638 604.

**NOTICE**

NOTICE is hereby given that the TWENTY SIXTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Friday, the 30th day of July, 1999 at 4.30 P.M. at the Registered Office of the Company at Chandigarh Road, Ludhiana, to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999, Profit and Loss Account for the year ended on that date together with the Report of the Auditors and Directors thereon.
2. To declare Dividend.
3. a) To appoint a Director in place of Shri Sachit Jain, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
- b) To appoint a Director in place of Shri Prafull Anubhai, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. a) To appoint Auditors for the year 1999-2000 and to fix their remuneration and for that matter to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to the provisions of Sections 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.C. Vasudeva & Company, the retiring Auditors of the Company, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at such remuneration and other expenses, incidental to the Audit, as may be approved and fixed by the Chairman of the Company".

- b) To appoint Branch Auditors for the year 1999-2000 and to fix their remuneration and for that matter to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to the provisions of Sections 224, 224A, 228 and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.S. Kothari & Company, Chartered Accountants, New Delhi, the retiring branch Auditors, be and are hereby re-appointed Branch Auditors for auditing the Books of Accounts maintained by Vardhman Special Steels, Ludhiana, one of the units of the Company, and to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at such remuneration and other expenses, incidental to the Audit, as may be approved and fixed by the Chairman of the Company".

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT the consent of the Members be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the mortgage and/or charge, created in favour of the ICICI Limited (hereinafter called ICICI) in addition to the mortgage and charge created/to be created by the Company, on all or any of the movable and immovable properties of the Company, both present and future and the whole or any part of the undertaking(s) of the Company together with the power to take over the Management of the business and concern of the Company in certain events of default for a term loan of Rs. 35.00 crore together with interest, additional interest, compound interest, accumulated interest, if any, or other costs, charges and expenses payable by the Company in terms of the Loan Agreement/other documents finalised and executed between the Company and the ICICI and containing such specific terms and conditions and covenants in respect of enforcement of security as stipulated in that behalf and agreed to between the Board of Directors and the ICICI".

6. To consider and if thought fit, to pass, with or without modification(s), the following resolutions as Special Resolutions:-

A) "RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and/or any other law for the time being in force and subject to the approval of Financial Institutions, the consent of



Mahavir Spinning Mills Ltd.

the Members be and is hereby accorded for making investment in the Share Capital of Vardhman Fibres Limited by way of purchase of 300 Equity Shares of Rs. 10/- each".

B) "RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and/or any other law for the time being in force and subject to the approval of Financial Institutions, the consent of the Members be and is hereby accorded to invest in the Equity/Preference Capital and/or to make loans upto Rs. 30.00 crore to Vardhman Acrylics Limited".

C) "RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and/or any other law for the time being in force and subject to the approval of Financial Institutions, the consent of the Members be and is hereby accorded to invest in the Equity/Preference Capital and/or to make loans upto Rs. 10.00 crore to VMT Spinning Company Limited".

D) "RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and/or any other law for the time being in force and subject to the approval of Financial Institutions, the consent of the Members be and is hereby accorded to invest in the Equity/Preference Capital and/or to make loans upto Rs. 5.00 crore to Barbour Vardhman Threads Limited".

E) "RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and/or any other law for the time being in force and subject to the approval of Financial Institutions, the consent of the Members be and is hereby accorded to invest the surplus funds of the Company for short terms upto a maximum limit of Rs. 100.00 crore in the companies/bodies corporate in the following manner:-

- In Inter Corporate Deposits and/or Fixed Deposits and/or Non-Convertible Debentures of GE Capital Services India/ Vardhman Spg. & Gen. Mills Limited/ Vardhman Polytex Limited.
- In any scheme of Unit Trust of India and of any other Mutual Fund.
- In Commercial Papers of reputed companies having highest credit rating assigned by a

credit rating agency".

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members be and is hereby given to the appointment of Shri S.P. Oswal, as Executive Chairman of the Company for a period of five years, w.e.f. 01.04.1999 to 31.03.2004, on the following terms and conditions:-

i) COMMISSION – 1% of net profits.

ii) PERQUISITES – The perquisites shall be allowed in addition to the commission as per details given below:-

a) Leave Travel Concession – The expenses incurred on Leave Travel by the appointee on self and his family shall be reimbursed once in a year in accordance with the rules specified by the Company.

b) Club Fee – Fee of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

c) Personal Accident Insurance – Premium not to exceed Rs. 5,000/- p.a.

d) Car – Free use of Company's car for official work as well as for personal purposes alongwith Driver.

Explanation – "Family" means the spouse, the dependent children and dependent parents of the appointee.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and acceptable to Shri S.P. Oswal."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-



Mahavir Spinning Mills Ltd.

"RESOLVED THAT in partial modification of the earlier resolution passed by the Members in their meeting held on 5th September, 1998 in respect of the re-appointment of Shri D.L. Sharma, President & Executive Director, the remuneration payable to the appointee be and is hereby revised w.e.f. 01.04.1999 as per details given below :-

- i) **SALARY** – Salary will be in the scale of Rs. 55,000-5,000-75,000 per month.
- ii) **COMMISSION** – Commission equal to 75% of annual salary subject to total remuneration being within the limit as prescribed in Part II of Schedule - XIII of the Companies Act, 1956.
- iii) **PERQUISITES** – The perquisites shall be allowed in addition to salary and commission. However, such perquisites shall be restricted to an amount equal to one year's salary during each year as per details given below:-
 - a) **Housing** – Free residential accommodation or House Rent Allowance equal to 40% of the basic salary. Free furnishing is to be provided by the Company alongwith other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
 - b) **Medical Reimbursement** – Expenses incurred by the appointee (including medical insurance premium) on self and his family shall be reimbursed subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
 - c) **Leave Travel Concession** – The expenses incurred on Leave Travel by the appointee on self and his

family shall be reimbursed once in a year in accordance with the rules specified by the Company.

- d) **Club Fee** – Fee of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
 - e) **Personal Accident Insurance** – Premium not to exceed Rs. 5,000/- per annum.
 - f) **Provident Fund** – Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. The said contribution will also be subject to the rules framed by the Company in this respect.
 - g) **Gratuity** – Gratuity payable shall not exceed half a month's salary for each completed year of service. This will, however, be subject to ceiling prescribed by the Central Government from time to time.
 - h) **Car** – Free use of Company's car for official work as well as for personal purposes alongwith Driver.
- Explanation** – "Family" means the spouse, the dependent children and dependent parents of the appointee.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and acceptable to Shri D.L. Sharma."

- 9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-



Mahavir Spinning Mills Ltd.

"RESOLVED THAT pursuant to the provisions of Sections 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members be and is hereby given to the enhancement of the sitting fee payable to the Non-Executive Directors from Rs. 1,000/- per meeting to Rs. 2,000/- and Rs. 1,500/- per meeting for attending the Board

Meeting and Committee Meeting respectively w.e.f. 09.05.1999".

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 8th May, 1999

(VIPIN GUPTA)
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5 to 9 is annexed hereto and forms part of the Notice.
3. The Dividend declared, if any, will be paid to those Members whose names appear in the Register of Members of the Company on the date of Annual General Meeting.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 1st July, 1999 to 30th July, 1999 (both days inclusive).**
5. The Members are requested to notify the change, if any, in their registered addresses, at the earliest and may also intimate their E-mail addresses, if any, to the Company.
6. Members desiring any information as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date of the Annual General Meeting so as to enable the Management to keep the information ready.
7. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 a.m. to 12.30 p.m.
8. Pursuant to Section 205 of the Companies Act, 1956, the unclaimed dividend upto the financial year 1994-95 has been deposited in the General Revenue Account of the Central Government. Therefore, the Members who have not claimed the dividend for the aforesaid financial year may claim their dividend from the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh, Defence Colony, Jalandhar.
9. The Members holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant Share Certificates.
10. The Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.

**ANNEXURE TO THE NOTICE:****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:****ITEM NO. 5 OF THE SPECIAL BUSINESS:**

To finance the expansion of 100% EOU at Mandideep, the Company has taken a term loan of Rs. 35.00 crore from ICICI Limited (ICICI) at an interest rate of 14% p.a. repayable in 5 years. The loan has been secured by way of mortgage/charge over the movable and immovable properties of the Company, in favour of ICICI subject to the approval of Members in the General Meeting.

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Company shall not without the consent of the Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertakings. Since the mortgage by the Company of its immovable properties as aforesaid, in favour of the ICICI may be regarded as disposal of Company's properties/undertakings, the approval of Members under Section 293(1)(a) of the Companies Act, 1956 is solicited.

Memorandum of Interest:

None of the Directors of the Company is interested in this resolution.

ITEM NO. 6A OF THE SPECIAL BUSINESS:

Vardhman Fibres Limited (VFL) is having a paid-up capital of Rs. 3,500/- divided into 350 equity shares of Rs. 10/- each and your Company holds 50 equity shares of the company. Now, for expanding its marketing and trading activities, it is proposed to make VFL as a wholly-owned subsidiary by acquiring the remaining 300 equity shares at a price of Rs. 10/- each i.e. aggregating to Rs. 3,000/-. The said investment shall be made through internal accruals of your Company.

Since under Section 372A of the Companies Act, 1956, approval of the Members is required for making of investment in excess of 60% of paid-up capital and free reserves or 100% of free reserves of the Company, whichever is higher, your approval is accordingly solicited.

Memorandum of Interest:

None of the Director, except Shri D.L. Sharma, who is also a Director in VFL, is interested in this resolution.

ITEM NO. 6B OF THE SPECIAL BUSINESS:

A subsidiary of your Company, Vardhman Acrylics Limited (VAL), a Joint Venture with Marubeni Corporation and Japan Exlan Company, Japan, has set up an Acrylic Fibre Project with an estimated cost of Rs. 294.00 crore. The present paid-up capital of VAL is Rs. 107.50 crore out of which Rs. 67.50 crore is held by the Company, Rs. 15.00 crore by Foreign Collaborators and Rs. 25.00 crore by Industrial Development Bank of India (IDBI).

The commercial production of the plant has started in March, 1999. The present market of Acrylic Fibre is quite weak and VAL may incur cash losses in the initial period. Your Company

had furnished an undertaking to the IDBI to make short-fall in the resources of the VAL for completing its project and/or for its working capital requirements and had also given an unconditional and irrevocable corporate guarantee in favour of IDBI to provide to the VAL additional funds to meet cash losses/institutional commitments during the currency of the loan of IDBI. The capital market conditions for raising the money through public issue presently is not favourable and is also not likely to be so in the near future. Therefore, the Company may be required to contribute upto Rs. 30.00 crore towards the Equity/Preference Capital and/or as loans to the VAL. The said investment shall be made through internal accruals of your Company.

Since under Section 372A of the Companies Act, 1956, approval of the Members is required for making of investment in excess of 60% of paid-up capital and free reserves or 100% of free reserves of the Company, whichever is higher, your approval is accordingly solicited.

Memorandum of Interest:

None of the Directors, except Shri S.P. Oswal, Shri Sachit Jain and Shri D.L. Sharma, who are also Directors in VAL, is interested in this resolution.

ITEM NO. 6C OF THE SPECIAL BUSINESS:

VMT Spinning Company Limited (VMT) (100% EOU), a subsidiary of the Company, is a Joint Venture with M/s. Marubeni Corporation and M/s. Toho Rayon Company Limited of Japan having a paid-up equity capital of Rs. 17.25 crore of which your Company holds 73.33%. VMT is likely to carry out expansion by installing 20,000 to 22,000 spindles and thus fully utilising its licenced capacity of 50,000 spindles sanctioned to it by the Govt. of India, Ministry of Industry, SIA, New Delhi.

The VMT has decided in principle to expand its existing capacity by setting up additional spindles. Your Company shall also have to contribute the funds towards the said expansion alongwith other Foreign Collaborators. Therefore, to meet this additional funds requirement and other financial needs of the subsidiary, it is proposed to invest in the Equity/Preference Capital and/or to make loans upto Rs. 10.00 crore to the VMT. The said investment shall be made through internal accruals of your Company.

Since under Section 372A of the Companies Act, 1956, approval of the Members is required for making of investment in excess of 60% of paid-up capital and free reserves or 100% of free reserves of the Company, whichever is higher, your approval is accordingly solicited.

Memorandum of Interest:

None of the Directors, except Shri S.P. Oswal and Shri D.L. Sharma, who are also Directors in VMT, is interested in this resolution.

ITEM NO. 6D OF THE SPECIAL BUSINESS:

Barbour Vardhman Threads Limited (BVTL) is a Joint Venture with Barbour Campbell Group of Northern Ireland, promoted