

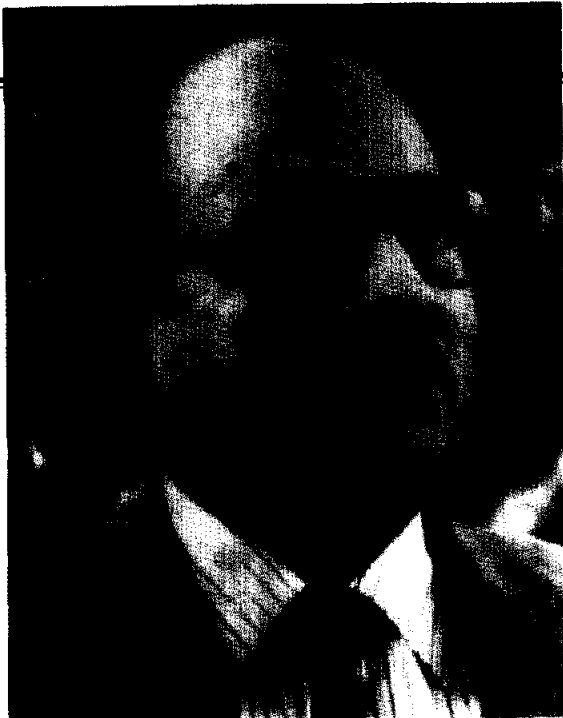
Vardhmān

## 28th Annual Report 2000-2001

Report  Junction.com



# MAHAVIR SPINNING MILLS LIMITED



## NEW HOPES, NEW HORIZONS

*The dawn of a new century is a welcome event signifying major changes and new beginnings. To us at Vardhman, the new century symbolises new horizons, new hopes and new aspirations. The global business is undergoing a great shift putting most industries on the move in search of finding sustainable competitive advantage. The textile industry is one of the world's most volatile industries at this juncture. The industry is simultaneously facing incessant recession, global reorganisation and relocation. Therefore, the industry is passing through most difficult circumstances all over the world.*

*The announcement of New Textile Policy, 2000 augurs well for the Indian textile industry with its bold features for growth and export projections of US\$50 billion by 2010. The New Textile Policy marks a significant shift from inward looking to export led growth. If the policy intent is followed to its logical end of redrawing the rules of the game, policy reforms and infrastructure support, I am sure the textile industry in the country will be basking in the new found glory in the new century. The Vardhman group will be in the fore front of the resurgence of Indian Textiles.*

*Without sounding pessimistic, I must state that the textile industry is passing through severe recession which is unlikely to end in the near future. The Indian textile industry is facing enormous difficulties on account of the*

*obstructive government policies which were framed at a time when self reliance was the economic credo. The competitiveness was not looked at as the merit for survival because of protection and controls. These policies, therefore, need to be abolished and a level playing field provided for all players in the industry to create sound economic advantages in strengthening our global competitiveness. We are hopeful that the Government will objectively review the entire policy framework so that there are no distortions or bottlenecks in the growth of the textile industry in the country.*

*In step with the changing times, the Vardhman group is striving to transform itself to face emerging challenges of market led domestic economy and global economic integration as also seize new opportunities in the enlarged market place. The group is on steady growth path and is building competitive strengths in products, processes, markets and people for sustainable growth over the coming years.*

*With best wishes,*



(S.P. OSWAL)



# Mahavir Spinning Mills Ltd.

## BOARD OF DIRECTORS:

SHRI SHRI PAUL OSWAL — Executive Chairman  
 SHRI MOHAMMAD MUZAFFARUL HAQUE — (Nominee of IDBI Ltd.)  
 SHRI YESH PAL GUPTA — (Nominee of UTI)  
 SHRI AJAY GUPTA — (Nominee of ICICI Ltd.)  
 SHRI ROMESH 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  
 CANARA BANK  
 CORPORATION BANK

## AUDITORS:

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

## BRANCH AUDITORS:

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

## REGISTERED & CORPORATE OFFICE:

CHANDIGARH ROAD, LUDHIANA-141 010.  
 Phones : (0161) 662543-547  
 Cable : Vardhman  
 Fax : (0161) 601040, 601048, 642616  
 E-mail: secretarial.lud@vardhman.com

## WORKS:

### MAHAVIR SPINNING MILLS LIMITED

PHAGWARA ROAD, HOSHIARPUR-146 001.

### MAHAVIR SPINNING MILLS LIMITED

(Gassed Mercerised Yarn Unit)  
 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.

### SEWING THREAD, UNIT-II

PHASE-VIII, FOCAL POINT, LUDHIANA.

## SUBSIDIARIES:

### VARDHMAN ACRYLICS LIMITED

CHANDIGARH ROAD, LUDHIANA-141 010.

### VMT SPINNING COMPANY LIMITED

CHANDIGARH ROAD, LUDHIANA-141 010.

### VARDHMAN THREADS LIMITED

CHANDIGARH ROAD, LUDHIANA-141 010.

### VKM COLOURSPIN LIMITED

CHANDIGARH ROAD, LUDHIANA-141 010.

**BRANCHES:**

30 & 33, SHRI KRISHNA CENTRE,  
1ST FLOOR, NEAR 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-560 001.

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

22, PERUMAL, MUDALI STREET,  
MOUNT ROAD,  
CHENNAI-600 002.

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

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.

P-22, 3RD FLOOR, FLAT NO. 6,  
C.I.T. ROAD, SCHEME-IV,  
KOLKATA-700 014.

55, CANAL EAST ROAD,  
BELIGHATTA,  
KOLKATA-700 085.

CHANDIGARH ROAD,  
LUDHIANA-141 010.

314, SOLARIS-II, OPP. L&T GATE NO. 6,  
SAKI VIHAR ROAD, ANDHERI (EAST),  
MUMBAI-400 072.

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.

4/6, DESH BANDHU GUPTA ROAD,  
1ST FLOOR, GROVER BUILDING, PAHAR GANJ,  
NEW DELHI-110 055.

D-73, OKHLA INDUSTRIAL AREA, PHASE-I,  
NEW DELHI-110 020.

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

5TH FLOOR, PLOT NO. 19,  
SAGAR PLAZA BUILDING,  
LAXMI NAGAR, DISTRICT CENTRE,  
NEW DELHI-110 092.

310, 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.

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

377-B, MUTHUSWAMY & BROS.,  
INDUSTRIAL COMPLEX, PALLADAM ROAD,  
TIRUPUR-638 604.



# Mahavir Spinning Mills Ltd.

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### SUBSIDIARIES

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**NOTICE**

NOTICE is hereby given that the TWENTY-EIGHTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Tuesday, the 14th day of August, 2001 at 12.00 Noon 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, 2001, Profit and Loss Account for the year ended on that date together with the Report of Auditors and Directors thereon.
2. To declare Dividend.
3. a) To appoint a Director in place of Shri S.P. Oswal, 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 Dr. T.N. Kapoor, 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 2001-2002 and to fix their remuneration.
- b) To appoint Branch Auditors for the year 2001-2002 and to fix their remuneration.

**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 pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Members be and is hereby accorded to mortgage and/or charge, by way of deposit of title deeds, the movable and immovable properties of the Company, present and future, and the whole or any part of the undertaking of the Company together with the power to take over the management of the business and concern of the Company in certain events, created/ to be created in favour of the ICICI Ltd. to secure:

- i) Rupee Term Loan not exceeding Rs.15,500 lac (Rupees fifteen thousand five hundred lac only);
- ii) together with interest thereon, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under the Loan Agreement as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be deemed necessary to give effect to the said resolution".

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

"RESOLVED THAT in partial modification of the earlier resolution passed by the Members in their meeting held on 30th July, 1999 in respect of the appointment of Shri S.P. Oswal as Executive Chairman of the Company, the remuneration payable to the appointee be and is hereby revised w.e.f. 01.04.2001 as per details given below :-

- i) Commission : 2% 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 Concession 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/- per annum.
  - 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 dependant children and dependant parents of the appointee.



## Mahavir Spinning Mills Ltd.

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”.

BY ORDER OF THE BOARD

PLACE : LUDHIANA  
DATED : 25th May, 2001

(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&6 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 AGM i.e. 14th August, 2001. However, in respect of shares held in Electronic form, the dividend will be paid on the basis of beneficial ownership as at the end of the 16th day of July, 2001, as per details furnished by the Depositories for this purpose.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 17th July, 2001 to 14th August, 2001 (both days inclusive).**
5. Members are requested to notify the change in their address, if any, at the earliest.
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 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. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.
9. 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.



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

The Company has taken a Rupee Term Loan of Rs. 15,500 lac from the ICICI Ltd. for expansion-cum-modernisation of Malerkotla Unit, expansion of Gassed Mercerised Yarn Unit at Hoshiarpur and for setting up of Sewing Thread Unit-II at Ludhiana. The said loan has been secured by way of mortgage/charge over the movable and immovable properties of the Company, in favour of the ICICI Ltd., 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 Ltd. 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.

Members in their Extra-ordinary General Meeting held on 6th April, 1994 had passed a resolution u/s 293(1)(a) of the Companies Act, 1956 authorising the Board to mortgage the properties of the Company for the purpose of securing any loan/borrowing. However, to secure the abovesaid loan ICICI Ltd. agreed to the creation of said security subject to the specific resolution be passed in the subsequent General Meeting of the Company in this regard. This is an enabling resolution.

**Memorandum of Interest:**

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

**ITEM NO. 6 OF THE SPECIAL BUSINESS:**

The Board of Directors in its meeting held on 08.05.1999 had appointed Shri S.P. Oswal as an Executive Chairman of the Company for a period of five years w.e.f. 01.04.1999 at a commission of 1% of the net profits of the Company plus perks. His appointment was also approved by the Members in their Meeting held on 30th July, 1999.

Keeping in view the efforts made by Shri S.P. Oswal towards the growth of the Company, the Board of Directors in its meeting held on 25.05.2001 has revised the commission to 2% of the net profits.

Accordingly, your kind approval is solicited to modify the terms and conditions of appointment of Shri S.P. Oswal in the given resolution.

**Memorandum of Interest:**

None of the Directors except the Executive Chairman, Shri S.P. Oswal and Shri Sachit Jain, being relative of the Executive Chairman, is interested in this resolution.

BY ORDER OF THE BOARD

PLACE : LUDHIANA  
DATED : 25th May, 2001

(VIPIN GUPTA)  
COMPANY SECRETARY





# Mahavir Spinning Mills Ltd.

## DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting the Twenty Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2001.

### 1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

|                                                       | (Rs. in Lac) |           |
|-------------------------------------------------------|--------------|-----------|
|                                                       | 2000-2001    | 1999-2000 |
| Turnover                                              | 76,772.70    | 77,305.89 |
| Profit before Depreciation,<br>Interest & Tax (PBDIT) | 14,846.00    | 14,987.33 |
| Interest & Financial Charges                          | 4,534.62     | 4,599.62  |
| Profit before Depreciation & Tax (PBDT)               | 10,311.38    | 10,387.71 |
| Depreciation                                          | 3,546.93     | 3,399.06  |
| Profit before Tax (PBT)                               | 6,764.45     | 6,988.65  |
| Provision for Tax                                     | 900.00       | 1,250.00  |
| Profit after Tax (PAT)                                | 5,864.45     | 5,738.65  |
| Earnings per share (Rs.)                              | 22.77        | 22.30     |
| Dividend per share (Rs.):                             |              |           |
| Interim                                               | —            | 3.50      |
| Final                                                 | 4.20         | 0.70      |

### 2. ECONOMIC PERSPECTIVE :

The Indian economy has been facing difficulties in the preceding years. The Gross Domestic Product growth rate during the year was 5.2 per cent which is quite low and indicates that to keep pace with the global competition, the economy needs to further accelerate the process of reforms.

The Indian industry achieved a growth rate of about 5.8 per cent during 2000-2001 as compared to 6.7 per cent in the last fiscal year. India surpassed its exports growth target by achieving exports of \$44.1 billion, registering an increase of 19.81 per cent. However, with the slow-down trend setting in, the major exports of Indian textiles have become stagnant.

The Textile Industry has been going through a tough phase of restructuring. Especially with the WTO poised to change the rules of the game in the near future, the Indian Textile Industry is in urgent need to revamp its technology, cost and productivity in order to compete in global markets.

Because of the economic slow-down in major textile consuming countries like, United States and European Countries, the prices of textile products including yarn and fabrics, both in the international and domestic

markets have registered a declining trend. Unless the demand picks up in the coming months, the lower prices will exert pressure on the profitability of the Company.

The Government, among its major policy initiatives, has increased the Budget provision for TUFS, reduced the basic customs duty on specific textile machinery and also devised a scheme to set up integrated apparel parks. All these measures coupled with the National Textile Policy, 2000 will provide a healthy framework for the growth and development of the Indian Textile Industry. Although the industry is facing recession, yet the Directors are quite hopeful that your Company will continue to achieve good performance in the coming years.

### 3. REVIEW OF OPERATIONS:

During the year under review, the Company achieved sales of Rs. 76,772.70 lac as against Rs. 77,305.89 lac in the previous year, showing a marginal decrease of 0.69%. The net profits have, however, increased from Rs. 5,738.65 lac to Rs. 5,864.45 lac, an increase of 2.19%.

The business-wise performance and overall



profitability of the Company during the year is as follows:-

#### A) PRODUCTION & SALES REVENUE:

- i) **Yarn:** The Yarn production has decreased by 2.80% from 28455 M.T. to 27658 M.T. However, the sales turnover was higher by 1.27% from Rs. 41,439.40 lac to Rs. 41,967.59 lac. The exports of the Company have decreased by 17% from Rs. 26,669.08 lac to Rs. 22,136.75 lac.
- ii) **Sewing Thread:** During the year, the production of Sewing Thread was 5822 M.T. as against 5199 M.T. in the previous year, an increase of 11.98%. The sales revenue of Sewing Thread Division increased from Rs. 20,993.52 lac to Rs. 21,710.77 lac, an increase of 3.42% over the previous year.
- iii) **Steel:** The production and sales revenue of Steel Division has decreased during the previous year. The production of Steel Ingots/Billets has decreased from 59069 M.T. to 48920 M.T. and of Rolled products from 54736 M.T. to 42260 M.T., a decrease of 17.18% & 22.79% respectively. The sales revenue of the division decreased from Rs. 12,290.73 lac to Rs. 10,532.78 lac showing a decrease of 14.30% over the previous year.

#### B) PROFITABILITY:

The Company has earned profits before tax and depreciation of Rs. 10,311.38 lac as compared to previous year's profit of Rs. 10,387.71 lac showing a decrease of 0.73%. After providing for depreciation of Rs. 3,546.93 lac (previous year Rs. 3,399.06 lac) and provision for tax of Rs. 900.00 lac (previous year Rs. 1,250.00 lac) there is a net profit of Rs. 5,864.45 lac (previous year Rs. 5,738.65 lac) thereby showing an increase of 2.19%. After adding back excess provision for taxation written back/refund for earlier years/tax for earlier years and Surplus carried forward from the previous year, the balance available for appropriation is Rs. 8,857.03 lac (previous year Rs. 10,342.67 lac).

#### 4. FUTURE OUTLOOK:

Textile industry, in the world, generally has gone into downturn phase. In India, the industry faces formidably difficult times since, in this year the country harvested very poor cotton crop; necessitating the industry to import more than 2 million bales of cotton to meet this shortfall. While the raw material

prices ruled high during the marketing season of cotton, but the steep decline in the international prices, caused primarily by good world crop coupled with the economic slow down in all major economies has led to slow consumption growth. Both these factors have brought sharp decline in prices of yarn and fabrics. This trend seems to continue for the year and also do believe that the margin in the current year will remain under pressure. This is bound to affect the financial results of the year adversely. Undoubtedly, there is a need for change in the Government Policies to help the industry to become competitive. Most countries like Pakistan, Thailand and Indonesia which are our major competitors, have witnessed sharp currency devaluation and thereby it has helped the industry of these countries, to compete; at least in this turbulent year. Nevertheless, we believe that long term prospects for the industry remain good for our country provided there are fiscal and non-fiscal reforms carried out on the lines recommended by Sathyam Committee appointed by the Ministry of Textiles, Government of India.

#### 5. FUND RAISING:

During the year, the Company availed of a term loan of Rs. 15,500 lac from ICICI Ltd., for expansion-cum-modernisation of Malerkotla Unit, Expansion of Gassed Mercerised Yarn Unit at Hoshiarpur and for setting up of Sewing Thread Unit-II at Ludhiana.

#### 6. STRATEGIC ALLIANCES:

As reported earlier, the Company's focus on having strategic alliances to compete in the free-market economy continued to achieve its objective of globalisation as per details given below:-

##### Vardhman Threads Limited:

After the termination of Joint Venture Agreement, your Company purchased the entire stake of Barbour Campbell Group Ltd., (BCGL) in this company and the name of the company was changed to Vardhman Threads Ltd. (VTL). Apart from this, your Company also purchased the remaining 76 Equity Shares of VTL, thereby making it a wholly owned subsidiary of your Company.

During the year, VTL has registered a turnover of Rs. 2,276.05 lac (previous year Rs. 2,135.86 lac) and after providing a depreciation of Rs. 85.24 lac (previous year Rs. 85.21 lac) and Income Tax Rs. 16.00 lac (previous year Nil) it has posted a net profit of Rs. 396.61 lac (previous year Rs. 251.20 lac).