



Vardhnan

30th Annual Report 2002-2003

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MAHAVIR SPINNING MILLS LIMITED



Vardhmān

Mahavir Spinning Mills Ltd.

Textile Industry- Looking Ahead



During 1990s, the world witnessed large-scale investments in the textile industry especially in spinning. As per International Textile Manufacturers' Federation (ITMF), 30 million spindles and 3 million rotors were shipped during 1992-2001. Similarly textured yarn segment has also seen significant investment during the same period. The disproportionate increase in the textile machinery, which is far more than the demand for textile products, has led to a situation of over supply in the global textile market. It is evident from the fact that about 20-25% of excess capacity prevails in the spinning industry in the world. The picture is similar in weaving, knitting and apparel manufacturing. The situation has been aggravated with aggressive growth of textile industry in China. The impact of excess capacity has resulted into intense competition and large scale cratering of prices of textile products in international market. The domestic market has also not been immune to global developments. As a result, the profit margins of the textile industry across the board have been adversely affected.

The situation in India is more challenging in comparison to other competing countries like China, Pakistan, Sri Lanka, Bangladesh, Indonesia etc. A recent study on cost benchmarking among above mentioned countries by Texprocil-Gherzi Eastern shows that India lagged behind in international cost competitiveness in terms of power and fuel cost, high wage cost and low labour productivity, higher interest cost, lower yarn realization and serious quality issues.

The uncompetitiveness of the Indian textile industry may also be attributed to low technological upgradation of the industry especially in the weaving and fabrics processing segment and sub-scale of operations in the garment sector. The industry suffered due to the faulty fiscal policies pursued in the past. However, in the Union Budget 2003-04, a complete package for the revival of the textile industry has been announced, which is a welcome step and would go a long way towards removing some of the impediments to growth. We are hopeful that the textile industry would benefit from the initiatives taken by the Government of India and will reorganise and modernise itself to face the competition in the international and domestic market.

The Mahavir Spinning Mills Limited has been on the forefront of the technological developments and has some of the most modern plants in the country. As the industry gets restructured and better organised, our systemic working, focus on innovative new products and human resource development will help us improve performance in the coming years. I look forward to a strong revival of the industry in the next three years.

With best wishes,

(S.P. OSWAL)
Chairman



Mahavir Spinning Mills Ltd.

BOARD OF DIRECTORS

SHRI SHRI PAUL OSWAL — Executive Chairman
 SHRI AMITABHA GHOSH — (Nominee of ICICI Bank Ltd.)
 SHRI TILAK RAJ BAJALIA — (Nominee of IDBI Ltd.)
 SHRI YESH PAL GUPTA — (Nominee of UTI)
 DR. JAGDISH CHANDER BAKSHI
 DR. TRILOKI NATH KAPOOR
 SHRI PRAFULL ANUBHAI
 SHRI SACHIT JAIN
 SHRI DARSHAN LAL SHARMA — President & Executive Director

COMPANY SECRETARY

SHRI VIPIN GUPTA

CHIEF MANAGER (F & A)

SHRI SHAMMI CHHIBBER

REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.

Fax : (0161) 2601040, 2601048 & 2602710.

E-mail: secretarial.lud@vardhman.com

Web site: www.vardhman.com

Phones : (0161) 2662543-547

Cable : Vardhman

AUDITORS:

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

BANKERS

STATE BANK OF PATIALA, ALLAHABAD BANK
 ICICI BANK LTD., PUNJAB NATIONAL BANK
 STATE BANK OF INDIA, BANK OF BARODA
 CORPORATION BANK, BANK OF AMERICA
 UNION BANK OF INDIA, CANARA BANK
 BANQUE NATIONALE DE PARIS

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**WORKS****MAHAVIR SPINNING MILLS LIMITED**

PHAGWARA ROAD, HOSHIARPUR-146 001.

MAHAVIR SPINNING MILLS LIMITED*(Gassed Mercerised Yarn Unit)*

PHAGWARA ROAD, HOSHIARPUR-146 001.

MAHAVIR SPINNING MILLS LIMITED*(Dyeing & Finishing-Perundurai Unit)*

PLOT NO. E-13 & H-10, SIPCOT INDUSTRIAL GROWTH CENTRE, P.V. PALAYAM (P.O.), PERUNDURAI-638 052.

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.

MAHAVIR SPINNING MILLS LTD.*(Sewing Thread, Unit-II)*

PHASE-VIII, FOCAL POINT, LUDHIANA-141 123.

ARISHT SPINNING MILLS*(DTA-I, II & 100% EOU)*

TEH. NALAGARH, DISTT. SOLAN, BADDI, (H.P.)-173 205.

BRANCHES30 & 33, Shri Krishna Centre,
1st Floor, Near Mithakhali Six Road,
Navrang Pura, AHMEDABAD-380 009.282/1, 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,
Pudupet, Mount Road, CHENNAI-600 002.36/2303, D & K, Ammankovil Road,
ERNAKULAM (COCHIN)-682 035.832, Phase-V, Udyog Vihar,
Gurgaon-122 016.3-6-270/2, Himayat Nagar,
Opp. Telugu Academy, HYDERABAD-580 029.Pipelya Rao, Plot No.23,
Mangal Nagar, A.B. Road, INDORE-452 001.B-34, Sangam Bhawan,
Vijay path, tilak nagar, JAIPUR-302 004.84/55, G.T. Road, Near Zarib Chowki, Next to Bankey
Bihar Dham Banquet Hall, Kanpur - 208 003.P-22, 3rd Floor, Flat No. 6,
C.I.T. Road, Scheme-IV, KOLKATA-700 014.55, Canal East Road,
Belighata, KOLKATA-700 014.

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.C-40 & 42, Okhla Industrial Area, Phase-II,
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-110 092.205 & 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.Realty Warehousing,
Gat No. 2323/1, Wagholi, Pune - 411 014.Jyoti Sangam Lane, Upper Bazaar,
Ranchi-834 001.377-B, Muthuswamy Industrial Complex, Palladam Road,
TIRUPUR-638 604.No-40-LRG Layout, Narayan Knitting Mills Compound,
Kongu Nagar Extension, TIRUPUR - 638 607.

Mahavir Spinning Mills Ltd.

NOTICE

NOTICE is hereby given that the THIRTIETH ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 2nd day of August, 2003 at 5.00 p.m. at the Registered Office, Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003, 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. To appoint a Director in place of Dr. J.C. Bakshi, 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. To appoint Auditors for the year 2003-2004 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 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Financial Institutions, Mr. D.L. Sharma, be and is hereby appointed as the President & Executive Director of the Company for a period of 5 years w.e.f. 01.10.2003 to 30.09.2008 at the remuneration and other perquisites as detailed below:-

- I. Salary : Salary will be in the scale of Rs.1,00,000-7,500-1,30,000 per month.
- II. Commission : Commission equal to 75% of Annual Salary subject to total remuneration being within the limits 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 salary. Free furnishing is to be provided by the Company alongwith other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962.
 - b) Medical Re-imburement : Expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a ceiling of one month's salary in a year or five months'

salary over a period of five 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 Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- 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 regard.
- g) Gratuity : Gratuity payable shall not exceed half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time.
- h) Telephone & Car : Free use of Company's telephone and car for official work as well as for personal purposes alongwith Driver at Company's cost.

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 are acceptable to Mr. D.L. Sharma.

RESOLVED FURTHER THAT Mr. S.P. Oswal, Executive Chairman, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. D.L. Sharma."

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

"RESOLVED THAT approval of the Members be and is hereby accorded to get the equity shares of the Company delisted from the Delhi Stock Exchange Association Limited (DSE), New Delhi.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution and to do all other ancillary and consequential matters thereto."

7. 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 the Board of Directors to mortgage and/or charge the movable and/or immovable properties of the Company, both present and future, and/or 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 to or in favour of the State Bank of Patiala and Corporation Bank to secure Rupee Term Loans not exceeding Rs. 41.00 crore (Rupees Forty one crore only) and Rs. 15.00 crore (Rupees Fifteen crore only) respectively 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 or Committee of Directors be and is hereby authorised to finalise, settle and execute such documents/deeds/agreements/papers as may be required for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution".

8. 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 the Board of Directors to mortgage and/or charge in addition to the mortgages/charges created/ to be created by the Company, in such form and manner and with such ranking and on such terms as the Board may determine, all or any of the movable and/or immovable properties of the Company, both present and future, and/or 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 to or in favour of the Trustees of 8.49% Secured Redeemable Non-Convertible Debentures for an aggregate value of Rs. 40.00 crore allotted on private placement basis, together with interest, additional interest, compound interest, accumulated interest, remuneration of the Trustees, premium, if any, on redemption or other costs, charges and expenses payable by the Company in terms of the Trust Deed/other documents to be finalised and executed between the Company and the Trustees and containing such specific terms & conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Trustees.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to finalise, settle and execute such documents/deeds/agreements/papers as may be required and to do all such acts, deeds and things as may be deemed fit or considered necessary or incidental thereto".

BY ORDER OF THE BOARD

**PLACE : LUDHIANA
DATED : 21st May, 2003**

**(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 Items No. 5 to 8 is annexed hereto and the information required pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding Directors seeking re-appointment in the Annual General Meeting, as proposed in Items No. 3 & 5 of the Notice, is also being annexed hereto separately and both 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 as on the date of AGM i.e. 2nd August, 2003. However, in respect of the shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as at the end of the 15th day of July, 2003, 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 16th July, 2003 to 2nd August, 2003 (both days inclusive).**
5. The Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Company. However, Members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
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 AGM.
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 to the Company/Registrars & Transfer Agents.
10. Dividends, remaining unpaid/unclaimed, upto the financial year 1994-95 had been transferred to the General Revenue Account of the Central Government. Pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, dividend declared in the financial year 1995-96 and onwards, which remain unpaid/unclaimed for a period of 7 years, is required to be transferred to the Investor Education and Protection Fund (Fund) of the Central Government. It may be noted that no claim will lie against the Company or the 'Fund' in respect of the said unclaimed dividend amount so transferred to the 'Fund'. Accordingly, Members who have not claimed their dividend for the financial year 1995-96 and onwards are requested to make their claim to the Company immediately.

Mahavir Spinning Mills Ltd.

ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 5 OF THE SPECIAL BUSINESS:

The Board of Directors and Members in their meetings held on 8th May, 1998 and 14th August, 1998 respectively had approved the re-appointment of Mr. D.L. Sharma as President & Executive Director of the Company for a period of five years w.e.f. 01.10.1998 on a salary of Rs. 45,000-3,000-57,000 per month and other perquisites which was revised to Rs. 55,000-5,000-75,000 by the Board of Director and Members in their meetings held on 08.05.1999 and 30.07.1999 respectively w.e.f. from 01.04.1999. The term of office of Mr. D.L. Sharma is going to expire on 30th September, 2003.

The Board of Directors in its meeting held on 21st May, 2003 has approved his re-appointment as President & Executive Director of the Company for a further period of five years w.e.f. 01.10.2003 on remuneration and other terms and conditions as mentioned in the resolution. This re-appointment is subject to the approval of Members. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST:

None of the Directors except Mr. D.L. Sharma, the appointee, is concerned or interested in this resolution.

ITEM NO. 6 OF THE SPECIAL BUSINESS:

Presently, the equity shares of the Company are listed on The Ludhiana Stock Exchange Association Limited (LSE), The Stock Exchange Mumbai (BSE), The Delhi Stock Exchange Association Limited (DSE) and The National Stock Exchange of India Limited (NSE). As the trading in the equity shares of the Company at DSE is almost negligible, it is proposed to get the equity shares of the Company delisted from DSE and your approval is solicited accordingly.

MEMORANDUM OF INTEREST:

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

ITEM NO. 7 & 8 OF THE SPECIAL BUSINESS:

Your Company has been sanctioned Rupee Term Loans of Rs. 41.00 crore from State Bank of Patiala and of Rs. 15.00

crore from Corporation Bank under Technology Upgradation Fund Scheme (TUFS). The loan has been sanctioned for the modernisation-cum-expansion plans of the Company. The principal amount of loan together with interest cost, expenses and other monies, whatsoever stipulated in Loan Agreement shall be secured by extension of first charge by way of mortgage on all immovable assets and by way of hypothecation on all movable assets, both present and future, of the Company subject to prior charge on specified movable properties created/to be created in favour of Company's Bankers for Working Capital facilities, ranking pari-passu with the charge created/to be created in favour of participating Institutions/ Banks.

The Company also issued 40 – 8.49% Secured Redeemable Non-Convertible Debentures of Rs. 1.00 crore each aggregating to Rs. 40.00 crore on private placement basis. The said debentures shall be secured by way of mortgage/charge, in favour of the Trustees for and on behalf of the Debentureholders, over the movable and immovable assets of the Company.

Section 293(1)(a) of the Companies Act, 1956, *inter-alia*, provides that the Board of Directors of a public limited 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 undertaking(s). Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of the Banks/Trustees may be regarded as disposal of Company's properties/undertakings, the approval of the Members under Section 293 (1)(a) of the Companies Act, 1956, is solicited.

MEMORANDUM OF INTEREST:

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

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 21st May, 2003

(VIPIN GUPTA)
COMPANY SECRETARY

Information Pursuant to Corporate Governance Clause of the Listing Agreement(s) Regarding the Directors seeking re-appointment in the AGM

Name of the Director	Dr. J.C. Bakshi	Shri D.L. Sharma
Date of Birth	03.07.1924	10.11.1948
Date of Appointment	22.08.1988	01.08.1985
Expertise in specific functional area	Educationist, Ex-Vice-Chancellor.	Industrialist and business experience of about 30 years in textile Industry.
Qualification	Ph.D (California, USA)	B.S.C. (Engg.) & MBA
Directorship of other Public Ltd. Companies	Nil	Vardhman Acrylics Limited, Vardhman Threads Limited, VMT Spinning Company Limited, Delux Fabrics Limited, Auro Fabriks Limited, Vardhman Fibres Limited
Chairman/Member of Committees of other Companies	Nil	Member Audit Committee Vardhman Acrylics Limited, Vardhman Threads Limited Chairman Audit Committee VMT Spinning Company Limited

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 30th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2003.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

	2002-2003	(Rs. in Lacs)	2001-2002
Turnover	90,606.73		78,091.18
Profit before Depreciation, Interest & Tax (PBDIT)	14,829.03		12,147.08
Interest & Financial expenses	3,881.54		4,165.09
Profit before Depreciation & Tax (PBDT)	10,947.49		7,981.99
Depreciation	5,117.26		4,327.61
Profit before Tax (PBT)	5,830.23		3,654.38
Provision for Tax – Current	1,160.00		550.00
– Deferred	418.25		563.37
Profit after Tax (PAT)	4,251.98		2,541.01
Appropriation:			
Proposed Dividend on:			
Equity Shares	1,081.50		1,081.50
Corporate Dividend Tax on above	138.57	1,220.07	—
Transfer to Debenture Redemption Reserve		1,000.00	—
Transfer to General Reserve		4,571.20	5,000.00
Transfer to Reserve for Bad & Doubtful Debts		—	100.00
Surplus carried to Balance Sheet		1,383.94	1,461.68
	8,175.21		7,643.18
Earnings per Share (Rs.)			
– Basic	16.51		9.87
– Diluted	3.27		2.32
Dividend per Share (Rs.)	4.20		4.20

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

a) TEXTILE INDUSTRY-GLOBAL PERSPECTIVE:

The world economy is on its way to slow recovery. The World Economic Forum has projected a growth rate of 3% for 2003 and a growth of 4% in 2004. The developed economies like European Union (EU) and America are growing very slowly and Japan is almost stagnant. However, with easing of the tension in Middle East and stabilization of oil prices, the world economy has signaled revival of global business activities.

The global textile industry has been passing through difficult times and is undergoing a process of restructuring and re-adjustments. With continuous expansion in production capacity in the textile industry across countries, the international market is facing a situation of over

supply. The impending removals of quotas will further lead to volatility in the international market situation. Increased competition among suppliers and sluggish economic conditions in importing countries has led to contraction of the international trade in textile and clothing. The international trade in textile and clothing declined from \$ 356 billion in 2000 to \$ 344 billion in 2001. The trade is reported to have increased marginally in the year 2002. Moreover, with increasing raw material prices, the industry situation does not look healthy.

b) TEXTILE INDUSTRY-INDIAN PERSPECTIVE:

The Indian economy has recorded a growth of 4.4% in 2002-03 against 5.5% growth during 2001-02. Even in the face of difficult economic scenario, the external sector has performed very well and exports crossed the important psychological benchmark of \$50 billion. With

Mahavir Spinning Mills Ltd.

this, the probability of raising India's share upto one per cent of world trade by 2007 has increased significantly. On the domestic front, increased public expenditure on developing infrastructure in the country, as announced in the current budget, is bound to give impetus to growth rate. The RBI projects a growth rate of 6% during the current financial year.

The textile industry in India has been waiting for restructuring, modernization and integration for the last two decades. The industry suffers from low level of technology and sub-scale operations and declining international competitiveness. However, according to experts, the industry has a potential of achieving 5% share (exports of \$ 34 billion) of world trade in textile and clothing by 2010. The domestic market too can grow at a high growth rate of 6-7%. The size of the industry can grow from its present size of Rs. 1,50,000 crore to Rs. 3,50,000 crore by 2010. All this can be achieved with the bold policy initiatives on the part of the Government and orchestrated efforts on the part of the industry. The Government seems to have realized the potential of the textile industry as reflected in the fiscal reforms carried out specifically for the textile industry in the union Budget 2003-04.

c) FINANCIAL ANALYSIS & REVIEW OF OPERATIONS:

Your directors are pleased to report performance of the business operations as follows:-

● PRODUCTION & SALES REVIEW:

During the year under review, your Company has registered a turnover of Rs. 90,606.73 lacs as compared to Rs. 78,091.18 lacs in the previous year showing an increase of 16.03 per cent. The business-wise performance is as under:-

- i) **Yarn:** The production of yarn increased from 30532 MT to 37727 MT during 2002-2003, registering an increase of 23.57 per cent. The sales of yarn increased from Rs. 41,713.62 lacs to Rs. 51,105.45 lacs during the year under review showing an increase of 22.52 per cent. The sales of yarn in terms of quantity increased from 29293 MT to 36951 MT, an increase of 26.14 per cent. The export of yarn also increased from Rs. 19,906.41 lacs to Rs. 23,591.67 lacs during the year under review, showing an increase of 18.51 per cent.
- ii) **Sewing Thread:** During the year, the production of Sewing Thread was 5412 MT as against 5202 MT in the previous year. The sales revenue of Sewing Thread Division

increased from Rs. 21,359.99 lacs to Rs. 23,614.65 lacs, an increase of 10.56 per cent.

- iii) **Steel:** The production of Steel Ingots/Billets decreased from 52613 MT to 50294 MT and that of Rolled Products from 48990 MT to 46324 MT, a decrease of 4.41 per cent and 5.44 per cent respectively. The sales revenue of the division, however, increased from Rs. 11,624.96 lacs to Rs. 11,790.02 lacs, showing a marginal increase of 1.42 per cent over the previous year.

● PROFITABILITY:

The Company earned profit before depreciation, interest and tax of Rs. 14,829.03 lacs as against Rs. 12,147.08 lacs in the previous year, showing an increase of 22.08 per cent. After providing for depreciation of Rs. 5,117.26 lacs (previous year Rs. 4,327.61 lacs), provision for current tax Rs. 1,160.00 lacs (previous year Rs. 550.00 lacs) and provision for deferred tax of Rs. 418.25 lacs (previous year Rs. 563.37 lacs), net profit worked out to Rs. 4,251.98 lacs as compared to Rs. 2,541.01 lacs in the previous year, showing an increase of 67.33 per cent. The balance available for appropriation after adding the surplus carried from previous year of Rs. 1,461.68 lacs is Rs. 8,175.21 lacs.

● RESOURCE UTILISATION:

i) Fixed Assets:

The gross fixed assets (including work-in-progress) as at 31st March, 2003 were Rs. 77,493.84 lacs as compared to Rs. 64,852.08 lacs in the previous year. During the year, the Company added assets amounting to Rs. 9500.00 lacs by acquisition of Arisht Spinning Mills, Baddi.

ii) Current Assets:

Debtors outstanding for more than six months were Rs. 1,607.15 lacs as compared to Rs. 1,281.41 lacs in the previous year. The net current assets as on 31st March, 2003 were Rs. 37,137.48 lacs as against Rs. 34,781.27 lacs in the previous year. Inventory level was at Rs. 31,172.36 lacs which was more than the previous year's level of Rs. 21,418.49 lacs.

● FINANCIAL CONDITIONS & LIQUIDITY:

The Company enjoys a rating of "AA-" and "P1+" from Credit Rating Information Services of India Limited (CRISIL) for long term and short term

borrowings respectively. Management believes that the Company's liquidity and capital resources should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below :-

Liquidity & Capital Resources

	(Rs. in lacs)	
	2002-03	2001-2002
Cash & cash equivalents:		
Beginning of the Year	2,068.22	1,591.66
End of the Year	1,834.63	2,068.22
Net cash provided/(used) by:		
Operating Activities	7,184.01	6,168.66
Investing Activities	(13,372.01)	(4,225.32)
Financial Activities	5,954.42	(1,466.78)

The net cash from operating activities at Rs. 7,184.01 lacs shows a tremendous increase as compared to Rs. 6,168.66 lacs in the previous year primarily due to increase in profits. The cash used in investing activities increased from Rs. 4,225.32 lacs to Rs. 13,372.01 lacs during the year under review.

d) FUTURE OUTLOOK:

The bold initiatives announced by Government of India in budget 2003-04 in completing the cenvat chain, withdrawal of unproductive exemptions, rationalization of excise duty structure and creation of textile specific infrastructure will go a long way in improving the investment environment of the industry and its overall performance. With these initiatives, the industry is likely to improve its global competitiveness in the new environment. Also under WTO with 1st January, 2005 approaching, when international trade in textiles and apparel is to become quota free, the opportunities for efficient Indian companies are likely to improve.

The Projected Growth of about 10 per cent in the export of Garments from the country will provide us an opportunity to strengthen our Sewing Thread business. The growing demand for high quality fabrics will help the yarn business to increase sales and profitability.

e) INTERNAL CONTROL SYSTEM:

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal audit in the organisation is an independent appraisal activity

and it measures the efficiency, adequacy and effectiveness of other controls in the organisation. All significant issues are brought to the attention of the Audit Committee of the Board.

f) MANAGEMENT PERCEPTION OF RISK & CONCERNS:

Increasing prices of raw material coupled with increasing competition in the international market will continue to exert downward pressure on profitability. The major consuming markets in United States, Europe and Japan are facing economic sluggishness. The quantitative restrictions still stifle the free flow of textile materials. The domestic consumption of textile products continues to be much below the global per capita consumption. However, with the new set of Government policies, as announced in the Union Budget 2003-04, the industry is likely to undergo restructuring and modernisation. The organised sector will have a level playing field, which will help reduce risk and improve performance in coming years.

The Company has a strong presence in the international market for yarn. The Company is the second largest producer of sewing threads in the country, besides sizable presence in special and alloy steel market. The growth of textile industry in the country will provide new opportunities for the Company to expand business. The special and alloy steel industry is also turning around leading to increased sales volume.

g) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

Continued emphasis on the development of human resources and creation of a culture, wherein employees can contribute to the fullest of their potential, has remained the focus of your Company. During the year, the Company employed over 8,100 persons.

Many new themes for training & development have been taken up with a special focus on building functional competence. Vardhman Training and Development Centre at Ludhiana has been expanded and better facilities have been made available. A special focus on talent identification through assessment centres has enabled identification and retention of talent.

Your Company has been able to ensure harmonious industrial relations through its proactive policies in this regard. The Company