

31st Annual Report 2003-2004

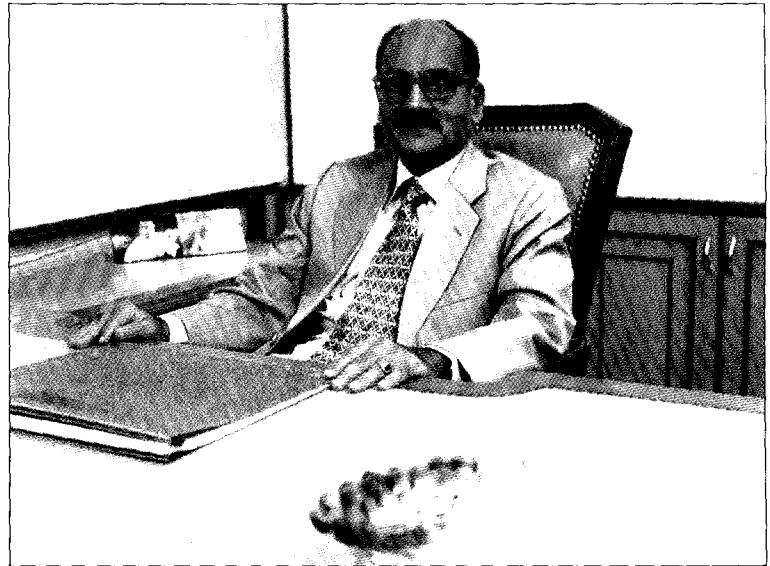
REPORT



Vardhmān

MAHAVIR SPINNING MILLS LIMITED

Indian Textile Industry-the imperative of improving competitiveness



It is heartening to note that India has been ranked 34th in the global competitiveness among 60 nations as per Global Competitiveness Yearbook 2004. The report states that India has improved its rank from 50th last year to its present position. This is India's best ranking ever. The report further observed that India has overtaken Greece, Czech Republic, South Africa etc. in competitiveness in the last one year. While businesses in the country are striving to improve their competitiveness, the report signifies much improved perception of Indian business in the global business communities.

In the context of global textile industry, China has emerged as a dominant player in recent years. The Chinese textile industry is estimated to be worth \$128 billion, with estimated exports of \$80 billion, a share of over 20 per cent in the world trade. As per the World Trade Organisation statistics, China has cornered the lion's share in the total increase in world trade in textile and clothing during the year 2002. China captured 76 per cent of the total \$11 billion increase in the trade. The scale of production and cost competitiveness of the Chinese textile and clothing industry are the major driving forces in this magnificent performance. Therefore, any country seeking a higher share in the world trade in textile and clothing has to contend with fiercely competitive producers like China.

The inherent strengths of the Indian textile industry like availability of wide variety of raw materials, cost effective manpower and diversified manufacturing base have been acknowledged by various experts. The high growth potential of the textile industry has been identified by various studies carried out by the Government agencies as well as by the international consultancy organisations. However, most of these studies have also pointed out the poor competitiveness of the Indian textile industry. The only exception is spinning, where too our competitiveness is declining. The fabric processing and clothing segments are incompetent in terms of scale of production, technology employed, productivity, quality parameters and supply chain management. Much of this is on account of fragmented production structure and rigid labour laws. As a consequence, India has not been able to take benefit of the global relocation of the textile business.

I still see a silver lining on the horizon. If we can increase the competitiveness of our fabric and clothing segments, the Indian textile industry can still play a major role in the global textile and clothing business. Our in-house studies indicate that with appropriate policies and entrepreneurial initiatives, the Indian textile exports can increase from the present \$13 billion to \$25 billion in the next six years. In this, the clothing segment has to make a quantum leap to achieve \$15 billion exports by 2010 from the present level of \$5.5 billion. The textile exports can also double in this period. It is a daunting task, but nevertheless necessary to ensure sustainability of the textile industry in India. And competitiveness is the key driving force for resurgence of Indian textiles.

With best wishes,

(SHRI PAUL OSWAL)
Executive Chairman

Mahavir Spinning Mills Ltd.

BOARD OF DIRECTORS

SHRI SHRI PAUL OSWAL — Executive Chairman
 SHRI TILAK RAJ BAJALIA — (Nominee of IDBI)
 SHRI SUBIR BISHT — (Nominee of ICICI Bank)
 SHRI YESH PALL 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

VICE PRESIDENT

(CORP. TAXATION & INTERNAL AUDIT)
 SHRI RAJEEV THAPAR

COMPANY SECRETARY

SHRI VIPIN GUPTA

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

REGISTRAR AND TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED

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**REGISTERED & CORPORATE OFFICE**

CHANDIGARH ROAD, LUDHIANA-141 010.

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E-mail: secretarial.lud@vardhman.comWeb site: www.vardhman.com

Phones : (0161) 2662543-547

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-173 205

BRANCHES

- 30 & 33, Shri Krishna Centre, 1st Floor, Near Mithakhali Six Road, Navrang Pura, Ahmedabad-380 009
- No. 15, H. Siddiah Road Bangalore-560 027
- S.C.O.1,2 & 3, Sector-17B, Chandigarh-160 017
- 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 Bihari 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, 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
- 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
- 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-800 001
- Realty Warehousing, Gat No. 2323/1, Wagholi, Pune-411 014
- Jyoti Sangam Lane, Upper Bazar, Ranchi-834 001
- 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 THIRTY-FIRST ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 28th day of August, 2004 at 3.30 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, 2004, 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. 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. To appoint Auditors for the year 2004-2005 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 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 :

- i) GE Capital Services India Limited, to secure Rupee Term Loan not exceeding Rs.30.00 crore (Rupees Thirty crore) only together with interest, 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;
- ii) Co-operative Centrale Raiffeisen-Berefen Bank b.a. (RABO Bank), to secure Foreign Currency Loan not exceeding USD 4.00 million (USD Four million) only, together with interest, 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;
- iii) ICICI Bank, Singapore, to secure Foreign Currency Loan not exceeding USD 5.00 million (USD Five million) only, together with interest, 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; and

- iv) Corporation Bank, to secure Rupee Term Loan not exceeding Rs. 34.00 crore (Rupees Thirty Four crore) only together with interest, 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."

6. 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 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby given to the enhancement of the sitting fee payable to the Directors from Rs. 2,000/- and Rs. 1,500/- per meeting to Rs. 4,000/- and Rs. 3,000/- per meeting for attending the Board meeting and Committee meeting respectively."

7. 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 Ludhiana Stock Exchange Association Limited (LSE), Ludhiana, pursuant to SEBI (Delisting of Securities) Guidelines, 2003.

RESOLVED FURTHER THAT the Board of Directors of the Company 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."

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 29th May, 2004

(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 7 is annexed hereto and forms part of the Notice and the information required pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the director seeking re-appointment in the Annual General Meeting as proposed in Item No. 3 of the Notice is also being annexed hereto separately 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 as on the date of Annual General Meeting i.e. 28.08.2004. 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 12th day of August, 2004, as per details to be furnished by the Depositories for this purpose.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 13.08.2004 to 28.08.2004 (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 Registrar & Transfer Agent/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 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 to the Company/Registrar and Transfer Agent.

ANNEXURE TO THE NOTICE :

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

ITEM NO. 5 OF THE SPECIAL BUSINESS :

Your Company has been sanctioned Rupee Term Loans of Rs. 30.00 crore from GE Capital Services India Limited, Foreign Currency Loan of USD 4.00 million from Co-operative Centrale Raiffeisen-Berefen Bank b.a., USD 5.00 million from ICICI Bank, Singapore and Rupee Term Loan of Rs. 34.00 crore from Corporation Bank, Ludhiana. These loans have been sanctioned for meeting the long term working capital requirements and modernisation-cum-expansion plans of the Company. The principal amount of loans together with interest cost, expenses and other monies, whatsoever stipulated in Loan Agreement(s) 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(s) on specified movable properties created/to be created in favour of Company's Bankers for Working Capital facilities, ranking pari-passu with the charge(s) created/to be created in favour of participating Institutions/Banks.

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 lending Institution/Bank, 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.

ITEM NO. 6 OF THE SPECIAL BUSINESS :

Article 96 of the Articles of Association of your Company provides for payment of sitting fee to every director for attending a meeting of the Board or its Committee subject to such maximum fee as may be prescribed by the Central Government from time to time. In terms of Circular No. G.S.R. 580(E) dated 24.07.2003 issued by the Central Government, your Company can pay a maximum amount of Rs.20,000/- as sitting fee for each meeting of the Board of Directors or a Committee thereof.

Keeping in view the contribution made by the Directors in framing progressive policies and also giving their valuable guidance/suggestions from time to time to the Company, the Board of Directors in its meeting held on 31.01.2004 had enhanced the sitting fee from Rs. 2,000/- to Rs. 4,000/- and from Rs. 1,500/- to Rs. 3,000/- per meeting for attending the

Mahavir Spinning Mills Ltd.

Board Meeting and Committee Meeting respectively, subject to the consent of the Members in General Meeting. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST :

Except Mr. S.P. Oswal, Executive Chairman and Mr. D.L. Sharma, President & Executive Director, all other directors of the Company are concerned or interested in this resolution.

ITEM NO. 7 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) and the National Stock Exchange of

India Limited (NSE), Mumbai. As trading in the equity shares of the Company at LSE is almost negligible, it is proposed to get the equity shares of the Company delisted from LSE and your approval is solicited accordingly.

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 : 29th May, 2004

(VIPIN GUPTA)
COMPANY SECRETARY



Information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the Director seeking re-appointment in the Annual General Meeting

DR. T.N. KAPOOR

Dr. T.N. Kapoor, 72, has been a director of the Company since 1976. He is M.Com., LL.B. & Ph.D. He has over 50 years' experience as management educationist and advisor having specific expertise in Corporate Management Policy, Finance and Human Resource Management. During his career he held various positions i.e. founder Chairman, University Business School, Dean Faculty of Business Management and retired as Vice-Chancellor, Panjab University, Chandigarh.

He is Board Member, International Association of Universities, (UNESCO HOUSE) Paris, and is also a member of National Assessment & Accreditation Council, Bangalore.

He is Director on the Board of the following Companies :-

1. Omax Autos Limited
2. Modern Steels Limited
3. Kamla Dials & Devices Limited

4. Haryana Telecoms Limited
5. Swaraj Engines Limited
6. Sterling Tools Limited
7. Mahavir Spinning Mills Limited

Besides, he is also Chairman/Member of the Audit Committee/Investors' Grievance Committee of the following Companies :-

S. No.	Name of the Company	Audit Committee	Investor Grievance Committee
1.	Mahavir Spinning Mills Limited	Chairman	Member
2.	Omax Autos Limited	Member	Chairman
3.	Sterling Tools Limited	Member	Chairman
4.	Swaraj Engines Limited	Member	Chairman
5.	Kamla Dials & Devices Limited	Chairman	
6.	Modern Steels Limited	Member	

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 31st Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2004.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

	2003-2004	(Rs. in Lac) 2002-2003
Turnover	1,15,557.06	90,606.73
Profit before Depreciation, Interest & Tax (PBDIT)	17,936.50	14,829.03
Interest & Financial expenses	4,023.56	3,881.54
Profit before Depreciation & Tax (PBDT)	13,912.94	10,947.49
Depreciation	5,787.17	5,117.26
Profit before Tax (PBT)	8,125.77	5,830.23
Provision for Tax - Current	1,982.00	1,160.00
- Deferred (Net of adjustments)	236.83	418.25
Profit after Tax (PAT)	5,906.94	4,251.98

Appropriations:

Proposed Dividend on:

Equity Shares	1,158.75	1,081.50
Corporate Dividend Tax	148.46	138.57
Transfer to Debenture Redemption Reserve	—	1,220.07
Transfer to General Reserve	4,500.00	1,000.00
Surplus carried to Balance Sheet	2,730.72	4,571.20
	8,537.93	1,383.94
		8,175.21

Earnings per Share (Rs.)

— Basic	22.94	16.51
— Diluted	4.36	3.27

Dividend per Share (Rs.)

4.50	4.20
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2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

a) TEXTILE INDUSTRY - GLOBAL PERSPECTIVE:

After remaining sluggish for the last couple of years, the world economy has started showing the signs of recovery. As per World Trade Organisation, the world economy is expected to grow by about four percent in 2004. The global economic recovery is led by the economic recovery in USA which is the largest consumer of goods & services. Although, the recovery is felt in all parts of the world, however the Asian region especially China & India are likely to remain more vibrant economies. The World Bank Report on Global Development Finance (2004) has estimated that within Asia, South Asian region is expected to grow by more than seven percent.

The global textile industry, which has witnessed depressed market in the past, coupled with over supply and low prices of textile and clothing products is waiting for major restructuring and re-adjustment in coming years. The phasing out of ATC regime in the next year (2005) and shifting of international trade in textile and clothing from a highly regulated trade to market driven one would be the first outcome of the restructuring process. United States International Trade Commission (USITC) in its investigation report on *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market* observed that China is expected to emerge as a "Supplier of Choice" for most US importers due to its ability to produce any type of textile and clothing products at varying quality level and price front. However, India is also

Mahavir Spinning Mills Ltd.

emerging as a consistent supplier of a variety of textile and clothing products due to its large manufacturing base, low labour cost and availability of wide varieties of raw material. However, the industry has to put its house together in terms of scale, quality, cost and service, if the industry has to increase its market share.

b) TEXTILE INDUSTRY - INDIAN PERSPECTIVE:

The Indian economy is expected to record a growth of about 8 per cent in 2003-04. The impressive growth of 9 per cent in agriculture sector, consistently growing industrial sector, which grew by 7 per cent and service sector, which notched up a growth rate of 8.5 per cent are the drivers of the brisk growth, which the Indian economy has experienced in 2003-04. The increasing exports, growing foreign exchange reserves at \$120 billion, steady inflation rate at less than five per cent are indicators of resounding economy.

The economy is projected to grow by more than six per cent in the financial year 2004-05. However, the positive outlook of the economy is not a short-term phenomena, the economy is poised to grow at a sustained growth rate in long run also. It is evident from the Goldman Sachs BRIC report, which envisages India as a bigger growth story than China in the long run. The report has based its projection of Indian economy on the service led growth, which is benefiting from global as well as domestic demand, growing competitiveness of the manufacturing sector, broad based reforms fostering infrastructure development and greater openness. This fact is also corroborated with the finding of world competitiveness report prepared by IMD, which has recently upgraded India on global competitive scale from 50 to 34.

In the past, the complex structure of the textile industry has hindered the growth of the industry in terms of sub-optimal scale of operations and low level of technology, leading to fragmentation. As a result, India's share in World Trade in textile and clothing remained at a very low level in comparison to its true potential and inherent competitive strengths. However, the fiscal policy measures taken in the last couple of years paved the way for the revival of the Indian textile industry. The impact of these changes on the industry structure and capability would be visible only in the coming years. If the industry has to grow in synchronization with the global

manufacturing, it would require much improved investment climate for fresh investment of \$ 16-20 billion in the coming 6-7 years.

c) STEEL INDUSTRY:

The Indian steel industry witnessed a turnaround recently. The improved performance of the steel sector is primarily due to sharp rise in international prices and increasing exports of steel by Indian companies. In the global context, China exerted a major influence on the global steel industry during the last couple of years. The booming automobile sector in the country has helped the Indian steel producers to absorb excess capacity, which was responsible for low and volatile prices in the past. The projected growth of the automobile industry will provide stability to the special and alloy steel producers in the country. However, the steel producers have also to contend with increasing cost of inputs and consequently declining profit margin. Steel companies with focus on cost control matched with low financial leverage will be better placed to face the impending fresh capacity addition in the industry.

d) 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. 1,15,557.06 lac as compared to Rs. 90,606.73 lac in the previous year showing an increase of 27.54 per cent. The business-wise performance is as under:-

- i) **Yarn:** The production of yarn increased from 37,727 MT to 47,733 MT during 2003-2004, registering an increase of 26.52 per cent. The sales of yarn increased from Rs. 51,105.45 lac to Rs. 65,545.18 lac during the year under review showing an increase of 28.25 per cent. The sales of the yarn in terms of quantity increased from 36,951 MT to 45,652 MT, an increase of 23.55 per cent. The export of yarn also increased from Rs. 23,591.67 lac to Rs. 27,690.85 lac during the year under review showing an increase of 17.38 per cent.
- ii) **Sewing Thread:** During the year under review, the production of Sewing Thread was 5,697 MT as against 5,412 MT in the previous year. The sales revenue of Sewing

Thread Division decreased from Rs. 23,614.65 lac to Rs. 23,513.15 lac, a marginal decrease of 0.43 per cent.

- iii) **Steel:** The production of Steel Ingots/Billets increased from 50,294 MT to 75,219 MT and that of Rolled Products from 46,324 MT to 68,009 MT, an increase of 49.56 per cent and 46.81 per cent respectively. The sales revenue of the division also increased substantially from 11,790.02 to 21,137.23 showing an increase of 79.28 per cent over the previous year.

● **PROFITABILITY:**

The Company earned profit before depreciation, interest and tax of Rs. 17,936.50 lac as against Rs. 14,829.03 lac in the previous year, showing an increase of 20.96 per cent. After providing for depreciation of Rs. 5,787.17 lac (previous year Rs. 5,117.26 lac), provision for current tax Rs. 1,982.00 lac (previous year Rs. 1,160.00 lac and provision for Deferred Tax (net of adjustments), Rs. 236.83 lac (previous year Rs. 418.25 lac), the net profit worked out to Rs. 5,906.94 lac as compared to Rs. 4,251.98 lac in the previous year, showing an increase of 38.92 per cent. The balance available for appropriation after adding the surplus carried from previous year of Rs. 1,383.94 lac is Rs. 8,537.93 lac.

● **RESOURCE UTILISATION:**

i) **Fixed Assets:**

The gross fixed assets (including work-in-progress) as at 31st March, 2004 were Rs. 79,176.89 lac as compared to Rs. 77,493.84 lac in the previous year.

ii) **Current Assets:**

Debtors outstanding for more than six months were Rs. 1,310.21 lac as compared to Rs. 1,607.15 lac in the previous year. The net current assets as on 31st March, 2004 were Rs. 53,949.56 lac as against Rs. 37,137.48 lac in the previous year. Inventory level was at Rs. 40,109.95 lac which was more than the previous year's level of Rs. 31,172.36 lac.

● **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 :-

	(Rs. in lac)	
	2003-04	2002-03
Cash & cash equivalents:		
Beginning of the Year	1,834.64	2,068.22
End of the Year	1,807.58	1,834.64
Net cash provided/(used) by:		
Operating Activities	(607.12)	10,552.45
Investing Activities	846.87	(12,966.27)
Financing Activities	(266.81)	2,180.24

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:**

Our major raw material-Cotton is an agriculture produce which suffers from climatic volatility in the major cotton producing countries. The cotton production in the coming years is projected to be comfortable to meet the growing demand by the textile mills in India and in the world. The international cotton prices have witnessed higher volatility in the recent past and will continue to remain so in view of the vagaries of weather. The major textile consuming markets in developed countries are likely to resume growth after prolonged sluggishness. However, the global textile industry suffers from excess capacity, which will exert pressure on prices and profit margins. The emergence of China as a dominant producer of textile will squeeze out less competitive countries. The impending integration of textile and WTO from January 2005 will further intensify competition in the industry. The domestic consumption of textile products continues to be low constraining the growth of the industry. The fragmented nature of industry in the country poses the challenge of meeting unfair competition for the organized players.