

34TH ANNUAL REPORT 1997-98

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VARDHMAN SPINNING & GENERAL MILLS LIMITED



Sfiri S.P. Oswal - Chairman and Managing Director

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 and 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

BOARD OF DIRECTORS:	SHRI SHRI PAUL OSWAL	— Chairman & Managing Director
	SHRI SURINDER SINGH BAGAI	
	DR. MOHAMMAD ABDUL ZAHIR	
	AIR MARSHAL K.S. BHATIA (Retd.)	
	SHRI GANESAN VENKATRAMAN	— Nominee of IDBI
	SHRI S.K. BANSAL	— Nominee of IFCI
	SHRI CHAMAN LAL JAIN	
	DR. RAM SARUP GUPTA	
	SHRI K. BALAKRISHNAN	
	SHRI RAJENDRA	
	SHRI ASHOK KUMAR OSWAL	
	SHRI SACHIT JAIN	— Executive Director
	MRS. SUCHITA JAIN	— Executive Director
COMPANY SECRETARY:	SHRI G.K. SHARMA	
CHIEF MANAGER: (FINANCE & ACCOUNTS)	SHRI NEERAJ JAIN	
BANKERS:	1. ALLAHABAD BANK 5. STATE BANK OF PATIALA 2. STATE BANK OF INDIA 6. AMERICAN EXPRESS BANK LIMITED 3. BANK OF AMERICA 7. STANDARD CHARTERED BANK 4. CANARA BANK 8. DEUTSCHE BANK	
AUDITORS:	M/s. S.C. VASUDEVA & COMPANY, NEW DELHI	
REGISTERED OFFICE:	CHANDIGARH ROAD, LUDHIANA-141 011	
WORKS:	1. VARDHMAN SPG. & GEN. MILLS LTD., UNIT-I, Chd. Road, Ludhiana 2. VARDHMAN SPG. & GEN. MILLS LTD., UNIT-II, Chd. Road, Ludhiana 3. AURO SPINNING MILLS (A Division of VSGM LTD.) Village Baddi, District Solan (H.P.) 4. AURO WEAVING MILLS (A Division of VSGM LTD.) Village Baddi, District Solan (H.P.) 5. AURO DYEING (A Division of VSGM LTD.) Village Baddi, District Solan (H.P.) 6. VARDHMAN SPINNING & GENERAL MILLS LIMITED (100% E.O.U.), Village Baddi, District Solan (H.P.)	
BRANCHES:	1. 205, SURYA KIRAN BUILDING, 19, KASTURBA GANDHI MARG, NEW DELHI-110 001 2. 504, DALAMAL HOUSE, NARIMAN POINT, MUMBAI-400 021 3. P-22, 3rd FLOOR, C.I.T. ROAD, CALCUTTA-700 014 4. S.C.O. 1-2-3, SECTOR 17-B, CHANDIGARH-160 017 5. 266, KAMRAJ ROAD, TIRUPUR 6. CHANDIGARH ROAD, LUDHIANA 7. 16, GLENCAIRN DRIVE, LONDON W5-1RT, ENGLAND	

34TH ANNUAL GENERAL MEETING

DATE : 14TH AUGUST, 1998
 DAY : FRIDAY
 TIME : 10.00 A.M.
 PLACE : REGISTERED OFFICE :
 CHANDIGARH ROAD,
 LUDHIANA-141 011

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VARDHMAN SPINNING AND GENERAL MILLS LIMITED

NOTICE

NOTICE is hereby given that the THIRTY FOURTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Friday, the 14th day of August, 1998 at 10.00 A.M. at the Registered Office of the Company situated at Chandigarh Road, Ludhiana, to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended on that date, together with Auditors' Report thereon.
2. To declare Dividend.
3.
 - a) To appoint a Director in place of Shri S.S. Bagai, who retires by rotation in accordance with Article 104 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 A.K. Oswal, who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
 - c) To appoint a Director in place of Shri C.L. Jain, who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 1998-99 and 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 the consent of the Members be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging the movable and immovable properties of the Company, present and future, and the whole 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, to or in favour of ANZ Grindlays Bank Limited acting as Security Agent-

to secure:

- i) Foreign Currency Loan not exceeding USD 15.00 million.
- ii) Together with interest thereon, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under their Loan Agreement as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the ANZ Grindlays Bank Limited acting as Security Agent, the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be deemed necessary for giving effect to the Resolution."

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 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members of the Company be and is hereby given to the re-appointment of Shri S.P. Oswal as Chairman & Managing Director of the Company for a period of five years w.e.f. 1st June, 1998 to 31st May, 2003 on the remuneration and 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 2% of net profit subject to the 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 furnished accommodation or House rent allowance equal to 40% of the basic salary. Free furnishings shall also be provided by the Company alongwith other amenities. The said facility shall, however, be subject to the policy framed by the Company in this respect. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962.
 - b) **Medical Reimbursement** — Expenses incurred by the appointee (including medi-claim insurance premium) on self and his family will be 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 Concession (LTC) 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.

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- 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 the 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 dependant children and dependant parents of the appointee.

RESOLVED FURTHER THAT Dr. M.A. Zahir, Director, be and is hereby authorised to sign Agreement on behalf of the Company with Shri S.P. Oswal in this regard."

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

"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions, if any, of the companies Act, 1956, Mrs. Suchita Jain who was appointed by the Board of Directors as an Additional Director of the company and who holds office upto the ensuing Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mrs. Suchita Jain for the office of the Director, be and is hereby appointed as a Director of the company, liable to retire by rotation."

8. 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 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members of the company be and is hereby given to the appointment of Mrs. Suchita Jain as an Executive Director of the Company for a period of three years w.e.f. 1st June, 1998 to 31st May, 2001 on the remuneration and perquisites, as detailed below:-

- i) SALARY — Salary will be in the scale of Rs.25,000-2,500-30,000 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 furnished accommodation or House rent allowance equal to 40% of the basic salary. Free furnishings shall also be provided by the Company alongwith other amenities. The said facility shall, however, be subject to the policy framed by the Company in this respect. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962.
 - b) Medical Reimbursement — Expenses incurred by the appointee (including medi-claim insurance premium) on self and her family will be 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 Concession (LTC) by the appointee on self and her 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 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 the 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 dependant children and dependant parents of the appointee.

RESOLVED FURTHER THAT Dr. M.A. Zahir, Director, be and is hereby authorised to sign Agreement on behalf of the Company with Mrs. Suchita Jain in this regard."

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

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or any enactment thereof, for the time being in force), and subject to such other approvals, permissions and sanctions, as may be prescribed



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or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Members be and is hereby accorded to the Board to acquire/purchase any of its own fully-paid Equity Shares upto 10% of Equity Capital of the Company on such terms and conditions and within such period as may be prescribed by law from time to time, provided that such acquisition/purchase of fully-paid Equity Shares of the Company be not construed as reduction of Capital which is subject to the controls as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956, for the time being in force.

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

10. 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 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 in favour of the Trustee/Agent for holders of 25 - 14% Secured Redeemable Non-Convertible Debentures of Rs. 1.00 crore each privately placed for securing:-

- (a) 25 - 14% Secured Redeemable Non-Convertible Debentures of Rs. 1.00 crore each aggregating to Rs. 25.00 crores.
- (b) Together with interest, additional interest, compound interest, accumulated interest, remuneration of the Trustee/Agent, 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 Trustee/Agent and containing such specific terms and 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 Trustee/Agent.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors or Committee thereof 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."

11. 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 accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging the movable and immovable properties of the Company, present and future, and the whole 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, to or in favour of GE Capital Services India-

to secure:

- i) Rupee Term Loan not exceeding Rs. 250.00 million (Rupees two hundred fifty million only).
- ii) Together with interest thereon, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under their Loan Agreement as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with GE Capital Services India, the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be deemed necessary for giving effect to the Resolution."

BY ORDER OF THE BOARD

(G.K. SHARMA)

COMPANY SECRETARY

PLACE : LUDHIANA

DATED : 09.05.1998

VARDHMAN SPINNING AND GENERAL MILLS LIMITED

**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 11 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 as on 14th August, 1998.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 16th July, 1998 to 14th August, 1998 (Both days inclusive).**
5. *The Members are requested to notify the change in their address, if any, to the company 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. Pursuant to Section 205-A(5) of the Companies Act, 1956, the dividend unpaid or unclaimed upto the financial year 1993-94 has been deposited in the General Revenue Account of the Central Government and the unpaid or unclaimed dividend for the year 1994-95 will be deposited with the Central Government in the month of November, 1998. Therefore, Members who have not claimed the dividend for the Year 1994-95 are requested to apply to the Company for the payment of dividend before 15.10.1998.
9. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
10. Members/Debentureholders holding shares/debentures in the same name(s) under different folios are requested to apply for consolidation of such folios and send relevant share/debenture certificates to the company.

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 a Foreign Currency Loan of USD 15.00 million arranged by the ANZ Investment Bank and BA Asia Limited having ANZ Grindlays Bank Limited as Security Agent. The loan has been sanctioned for the implementation of 100% Export Oriented Unit (EOU) of the Company situated at Village-Baddi, District Solan (H.P.). 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.

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.

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of the Security Agent 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 :

The Board of Directors of your Company in its Meeting held on 28.07.1993 had re-appointed Shri S.P. Oswal as Chairman & Managing Director for a period of 5 years w.e.f. 01.10.1993 to 30.09.1998 under Section 269 and other applicable provisions of the Companies Act, 1956 in the pay scale of Rs.25,000-2,500-35,000 and other perquisites not exceeding Rs.4,50,000/- per annum or an amount equal to the annual salary whichever is less and commission equal to one year's salary subject to total remuneration being within the limit of 5% of net profit of the Company as prescribed under Schedule XIII attached to the Companies Act, 1956. His appointment was also approved by the Members in their Meeting held on 18.09.1993.

Subsequently, the remuneration payable to Shri S.P. Oswal, Chairman & Managing Director was revised in the pay scale of Rs. 50,000-5,000-75,000 per month and other perquisites restricted to an amount equal to one year's salary and commission equal to one year's salary subject to total remuneration being within the limit of 5% of net profit of the Company. The said revision of remuneration was made effective w.e.f. 01.09.1994 by the Board of Directors in its Meeting held on 06.08.1994 which was subsequently approved by the Members in their Meeting held on 29.09.1994. Under his able leadership and guidance, the Company has performed exceedingly well over the years and is one of the leading yarn manufacturer in India with a commanding place in the domestic and international market.

Keeping in view of the overall growth and continuous expansion of the business activities of the company, the Board of Directors in its Meeting held on 09.05.1998, has approved the re-appointment of Shri S.P. Oswal for a further period of five years w.e.f. 01.06.1998 on the remuneration and other terms and conditions contained in the Agreement as mentioned in the resolution. The remuneration payable to Shri S.P. Oswal has been fixed in accordance with the provisions of Schedule XIII attached to the Companies Act, 1956 and subject to the approval of the Members of the company and the Financial Institutions.

MEMORANDUM OF INTEREST:

Except Shri A.K. Oswal, Director, Shri Sachit Jain and Mrs. Suchita Jain, Executive Directors, being appointee's relatives and the appointee himself, none of the other Directors of the company is, in any way, concerned or interested in this Resolution.

ITEM NO. 7 OF THE SPECIAL BUSINESS :

The Board of Directors of the company in its Meeting held on 09.05.1998 appointed Mrs. Suchita Jain as an Additional Director of the company with effect from 9th May, 1998 pursuant to Article 94 of the Articles of Association of the company. In terms of section 260 of the companies Act, 1956 read with Article 94 of the Articles of Association of the company, Mrs. Suchita Jain will hold office of Additional Director upto the ensuing Annual General Meeting. The company has received a notice in writing with the requisite deposit from a member under section 257 of the Companies Act, 1956, signifying his intention to propose Mrs. Suchita Jain for appointment as a Director of the company. Consent in writing has been received from Mrs. Suchita Jain to act as a Director of the company, if appointed.

The Board considers that having regard to her knowledge and experience in the Textile Industry, it will be in the interest of the company to appoint Mrs. Suchita Jain as a Director of the Company.

MEMORANDUM OF INTEREST :

Except Shri S.P. Oswal, Chairman & Managing Director, Shri Sachit Jain, Executive Director, being appointee's relatives and the appointee herself, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

ITEM NO. 8 OF THE SPECIAL BUSINESS :

Mrs. Suchita Jain has over eight years experience in the Textile Industry. Presently, She is an Executive Director of VMT Spinning Company Limited. She has very good exposure in various projects and operational matters. In view of the expansion of the company's activities and growth in overall business, the Board of Directors in its meeting held on 9th May, 1998 Considered appointment of Mrs. Suchita Jain as an Executive Director for a period of three years with effect from 1st June, 1998 on the remuneration and other terms and conditions contained in the Agreement as mentioned in the resolution. The remuneration payable to Mrs. Suchita Jain has been fixed in accordance with the provisions of Schedule XIII attached to the Companies Act, 1956 and subject to the approval of the Members of the Company and Financial Institutions.

MEMORANDUM OF INTEREST :

Except Shri S.P. Oswal, Chairman & Managing Director, Shri Sachit Jain, Executive Director, being appointee's relatives and the appointee herself, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

ITEM NO. 9 OF THE SPECIAL BUSINESS :

The Companies Act, 1956, presently restricts the purchase of own shares by a Company unless the same is done with a view to reduce its capital. Reduction of capital is subject to the provisions of Sections 100 to 104 and Section 402 of the Companies Act, 1956. There have been discussions on this subject and your Directors feel that it would be desirable to have an enabling power from the Members for the purpose. The Members are requested to approve the Resolution as set out at item no. 9, if the provisions of the Companies Act, 1956 are modified or amended permitting purchase of own shares by the company. It must be clearly understood that acquisition/purchase of its own shares by a Company upto 10% of its Equity Capital, as proposed in the resolution at this item, should not be construed as reduction of capital which is subject to the provisions of Sections 100 to 104 and Section 402 of the Companies Act, 1956, for the time being in force.

MEMORANDUM OF INTEREST:

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

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**ITEM NO. 10 OF THE SPECIAL BUSINESS :**

The Company had allotted 25 - 14% Secured Redeemable Non-Convertible Debentures of Rs. 1.00 crore each aggregating to Rs. 25.00 crores during the year 1997-98. Such Debentures shall be secured by way of mortgage/charge in favour of the Trustee/Agent 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 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.

Since the mortgage by the Company of its immovable properties as aforesaid, in favour of the Trustee/Agent 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 concerned or interested in this Resolution.

ITEM NO. 11 OF THE SPECIAL BUSINESS :

Your Company has been sanctioned a Rupee Term Loan of Rs. 250.00 million by the GE Capital Services India (GECSI). The loan has been sanctioned by the GE Capital Services India for meeting a part of the normal capital expenditure 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.

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.

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of GE Capital Services India (GECSI) 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.

PLACE : LUDHIANA
DATED : 09.05.1998

BY ORDER OF THE BOARD

(G.K. SHARMA)
COMPANY SECRETARY

DIRECTORS' REPORT:

To
The Members,

The Directors of your Company have pleasure in presenting their 34th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 1998.

1. FINANCIAL RESULTS :

	(Rs. in Lacs)	
	1997-98	1996-97
Gross Profit	6,070.50	4,377.27
Less: Depreciation	1,916.49	1,771.40
Profit Before Tax	4,154.01	2,605.87
Less: Provision for Tax including Wealth Tax	1,050.00	480.00
Profit After Tax	3,104.01	2,125.87
Less:		
Depreciation for earlier years	2.51	12.57
Provision for Income Tax for earlier years.	7.64	—
Add:		
Depreciation written back	0.16	15.54
Investment Allowance Reserve written back	—	89.83
Income Tax Refund for earlier years	1.98	—
Excess provision for Income Tax written back	62.58	4.88
Balance brought forward	399.55	357.95
Balance Available for Appropriation	3,558.13	2,581.50
Appropriations :		
Interim Dividend		
— On 14% Preference Shares	5.07	5.45
— Corporate Dividend Tax thereon	0.51	5.58
Proposed Dividend		
— On Equity Shares	638.18	478.64
— Corporate Dividend Tax thereon	63.82	47.86
Transfer to Debenture Redemption Reserve	1,250.00	—
Transfer to Capital Redemption Reserve	—	50.00
Transfer to Reserve for Bad & Doubtful Debts	100.00	100.00
Transfer to General Reserve	700.00	1,500.00
Balance Carried to Balance Sheet	800.55	399.55
	3,558.13	2,581.50

2. REVIEW OF OPERATIONS :

During the year under review, your Company has shown excellent performance on all fronts inspite of continued recession in the Textile Industry. The net profit of the Company has increased from Rs. 2,125.87 lacs to Rs. 3,104.01 lacs, an increase of 46.01% over the previous year. The performance of Textile Industry in the current year 1998-99, is likely to be under pressure due to demand shrinkage in the domestic market, higher cotton prices because of poor and damaged cotton crop, South-East Asian Currency Crisis and overall prevalent depressed market conditions. However, your management is striving hard to over-come the pressure of recessionary conditions through constant improvement by optimum utilization of available resources, better management of current assets, pushing up value addition and adopting a better product mix and cost optimization.

Your Directors are pleased to report performance on various aspects of operations as follows:-

a) SALES REVIEW :

The total sales turnover increased by 5.52% from Rs.38,401.02 lacs in the previous year to Rs.40,520.36 lacs during the year under review.