

**35TH  
ANNUAL REPORT  
1998-99**



**VARDHMĀN SPINNING & GENERAL MILLS LIMITED**



*Shri 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*

<b>BOARD OF DIRECTORS:</b>	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
	SMT. SUCHITA JAIN	— Executive Director
<b>COMPANY SECRETARY:</b>	SHRI G.K. SHARMA	
<b>CHIEF MANAGER: (FINANCE &amp; ACCOUNTS)</b>	SHRI NEERAJ JAIN	
<b>BANKERS:</b>	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
<b>AUDITORS:</b>	M/s. S.C. VASUDEVA & COMPANY, NEW DELHI	
<b>REGISTERED OFFICE:</b>	CHANDIGARH ROAD, LUDHIANA-141 010	
<b>WORKS:</b>	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	
	Village Baddi, District Solan (H.P.)	
	4. AURO WEAVING MILLS	
	Village Baddi, District Solan (H.P.)	
	5. AURO DYEING	
	Village Baddi, District Solan (H.P.)	
	6. VARDHMAN SPINNING & GENERAL MILLS LIMITED	
	(100% E.O.U.), Village Baddi, District Solan (H.P.)	
<b>BRANCHES:</b>	7. AURO TEXTILES, Village Baddi, District Solan (H.P.)	
	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 - 638 604	
	6. CHANDIGARH ROAD, LUDHIANA - 141 010	

**35TH ANNUAL GENERAL MEETING**

DATE	:	29TH JULY, 1999
DAY	:	THURSDAY
TIME	:	3.00 P.M.
PLACE	:	REGISTERED OFFICE : CHANDIGARH ROAD, LUDHIANA-141 010

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## NOTICE

NOTICE is hereby given that the THIRTY FIFTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Thursday, the 29th day of July, 1999 at 3.00 P.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, 1999 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 Air Marshal K.S. Bhatia (Retd.), 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 Dr. R.S. Gupta, 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 Dr. M.A. Zahir, 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 1999-2000 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, to mortgage and/or charge 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 (GEC SI) to secure :

- i) Rupee Term Loan not exceeding Rs.10.00 crores (Rupees Ten Crores 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."

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 Sachit Jain, as an Executive Director of the Company for a period of 5 years w.e.f. 01.04.1999 to 31.03.2004 on the remuneration and perquisites, as detailed below :-

- i) SALARY — Salary will be in the scale of Rs.55,000-5,000-75,000 per month.
- ii) COMMISSION — Commission equal to 75% of annual salary subject to total remuneration being within the 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 furnishing 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 furnishing 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 shall be reimbursed to him subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
  - c) Leave Travel Concession — The expenses incurred on Leave Travel by the appointee on self and his family shall be reimbursed to him once in a year in accordance with the rules specified by the Company.

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- 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 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 dependent children and dependent parents of the appointee.

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

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

"RESOLVED THAT pursuant to the provisions of Sections 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 enhance the sitting fees payable to the Directors from Rs. 1,000/- per meeting to Rs. 2,000/- and Rs. 1,500/- per meeting for attending the Board meeting and Committee meeting respectively with effect from 09.05.1999."

BY ORDER OF THE BOARD

(G.K. SHARMA)  
COMPANY SECRETARY

PLACE : LUDHIANA  
DATED : 08.05.1999

#### 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.
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 29.07.1999.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 01.07.1999 to 29.07.1999 (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 1994-95 has been deposited in the General Revenue Account of the Central Government. The Members who have so far not claimed or collected their dividend of the aforesaid financial year may claim their dividend from the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh, Defence Colony, Jalandhar.
9. Members are requested to bring their copy of Annual Report alongwith 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 for getting the needful done.



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**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 Rupee Term Loan of Rs. 10.00 crores by the GE Capital Services India (GECSI). The loan has been sanctioned by the GECSI for meeting a part of 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 Members 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 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.

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

The Board of Directors of your Company in its meeting held on 20.11.1995 had re-appointed Shri Sachit Jain, as an Executive Director of the Company for a period of five years w.e.f. 01.11.1995 to 31.10.2000 in the pay Scale of Rs.30,000-3,000-45,000 per month with a commission equal to 75% of annual salary subject to total remuneration being within the limit of 5% of net profits of the Company. The Members of the Company in their meeting held on 14.09.1996 had approved the re-appointment of Shri Sachit Jain as an Executive Director of the Company for a period of 5 years w.e.f.01.11.1995 to 31.10.2000.

Shri Sachit Jain has been working as an Executive Director of the Company since 1990 and looking after the various units of the Company situated at Baddi, Distt. Solan (H.P.). Under his able administration and dynamic leadership, all the units of the Company at Baddi are showing tremendous progress and improved results day by day.

At present the Company has five units at Baddi. The Vardhman Spg. & Gen. Mills Ltd. (100% E.O.U.) set up by the Company in the year 1998 has also started its commercial production under the able guidance of Shri Sachit Jain. An other unit of the Company i.e. Auro Textiles is also in the process of setting up. The construction of main shed of the unit has also been completed and commercial production is likely to be started by September, 1999.

The present term of appointment of 5 years of Shri Sachit Jain is expiring on 31.10.2000. The Board of Directors in its meeting held on 08.05.1999 has terminated the present contract of his appointment by mutual consent and re-appointed him as an Executive Director of the Company for a period of five years w.e.f. 01.04.1999 on the remuneration and other terms and conditions contained in the Agreement as mentioned in the resolution. The remuneration payable to Shri Sachit 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 and Smt. Suchita Jain, Executive Director, 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 :**

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 a maximum fee as may be prescribed by the Central Government from time to time. The Central Government vide circular No. GSR 581(E) dated 27.08.1993 has fixed Rs. 2,000/- maximum as sitting fee payable to Directors for attending Board Meeting/Committee Meeting.

At present the Directors of the Company are paid sitting fees of Rs. 1,000/- for attending each meeting of Board/Committee. The said fees has remained unchanged for a long period. Keeping in view the contribution made by the Directors in framing progressive policies in the best interest of the Company and also giving their valuable guidance/suggestions from time to time to the Company for implementation of the Company's policies and plans, the Board of Directors in its meeting held on 08.05.1999 has recommended to the Members to accord their approval to enhance the sitting fees from Rs. 1,000/- to Rs. 2,000/- and Rs. 1,500/- per meeting for attending the Board Meeting and Committee meeting respectively with effect from 09.05.1999.

**MEMORANDUM OF INTEREST :**

Except Shri Sachit Jain, Executive Director and Smt. Suchita Jain, Executive Director, all other Directors of the Company are concerned or interested in this Resolution.

BY ORDER OF THE BOARD

(G.K. SHARMA)  
COMPANY SECRETARY

PLACE : LUDHIANA  
DATED : 08.05.1999



## DIRECTORS' REPORT

To  
The Members,

The Directors of your Company have pleasure in presenting their 35th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 1999.

### 1. FINANCIAL RESULTS :

The Financial Results for the year are as under:-

	(Rs. in Lacs)	
	1998-99	1997-98
<b>Turnover</b>	<b>42,791.64</b>	<b>40,520.36</b>
<b>Gross Profit</b>	<b>6,207.73</b>	<b>6,070.50</b>
Less: Depreciation	<b>2,526.91</b>	<b>1,916.49</b>
<b>Profit Before Tax</b>	<b>3,680.82</b>	<b>4,154.01</b>
Less: Provision for Tax including Wealth Tax	<b>600.00</b>	<b>1,050.00</b>
<b>Profit After Tax</b>	<b>3,080.82</b>	<b>3,104.01</b>
Less:		
Provision for Income Tax for earlier year	—	7.64
Tax paid for earlier year	<b>2.96</b>	—
Add:		
Depreciation adjustments	<b>8.95</b>	(2.35)
Investment Allowance Reserve written back	<b>103.89</b>	—
Excess provision for Income Tax written back	<b>9.00</b>	<b>62.58</b>
Income Tax Refund for earlier years	<b>0.02</b>	<b>1.98</b>
Debenture Redemption Reserve written back	<b>200.00</b>	—
Balance brought forward	<b>800.55</b>	<b>399.55</b>
<b>Balance Available for Appropriation</b>	<b>4,200.27</b>	<b>3,558.13</b>
<b>Appropriations :</b>		
Interim Dividend		
— On 14% Preference Shares	—	5.07
— Corporate Dividend tax thereon	—	0.51
		<b>5.58</b>
Proposed Dividend		
— On Equity Shares	<b>638.18</b>	<b>638.18</b>
— Corporate Dividend tax thereon	<b>63.82</b>	<b>63.82</b>
	<b>702.00</b>	<b>702.00</b>
Transfer to Debenture Redemption Reserve	—	<b>1,250.00</b>
Transfer to Reserve for Bad & Doubtful Debts & Advances	<b>200.00</b>	<b>100.00</b>
Transfer to General Reserve	<b>2,000.00</b>	<b>700.00</b>
Balance Carried to Balance Sheet	<b>1,298.27</b>	<b>800.55</b>
	<b>4,200.27</b>	<b>3,558.13</b>

### 2. REVIEW OF OPERATIONS :

During the year under review, your Company has shown good performance on all fronts inspite of continued recession in the Textile Industry. The net profit of the Company has marginally decreased from Rs.3,104.01 lacs to Rs.3,080.82 lacs, showing a decrease of 0.75% over the previous year. The performance of Textile Industry during the period under review 1998-99, has remained under severe 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 which have reduced yarn prices. However, your management has strived hard to overcome the pressure of recessionary conditions through constant improvement by optimum utilization of available resources, better management of current assets, pushing up value added products and adopting a better product-mix and cost optimization. Special thrust was given to Woven Fabric business and Hand Knitting Yarn during the year.

The current year remains a very difficult year especially for the Acrylic yarn because of recession and increased competition including competition from Nepalese Spinners who enjoy a benefit of cheaper imported raw material and custom duty exemption on export of Acrylic spun yarn made in Nepal. Raw Cotton prices are slightly lower than last year but there has been a hike in excise duty on Cotton yarn, a part of which has to be absorbed by the Company.

The turnover of Fabric business is likely to show a significant rise because of increase in weaving capacity as well as sale of processed fabric in the second half of the year after the commissioning of Process House.

Hand Knitting business is expected to be stable with the Company consolidating its position further and also launching a new consumer product called "Cuddles" aimed as a gift item for newly born babies.

On the whole, because of process and product optimisation, as things stand now, 1999-2000 is expected to be a better year than 1998-99.

Your Directors are pleased to report performance on various aspects of operations for the year under review as follows:-

**a) SALES REVIEW :**

The total sales turnover increased by 5.61% from Rs.40,520.36 lacs in the previous year to Rs.42,791.64 lacs during the year under review.

The business-wise performance is as under :-

PRODUCTS	SALES QUANTITY		SALES VALUE	
	1998-99	1997-98	1998-99	1997-98
i) <b>YARN</b>	21,569 MT	21,063 MT	33,847.36	34,122.67
ii) <b>FABRICS</b>	12.87 Million Mtrs.	8.85 Million Mtrs.	5,960.73	3,874.36
iii) <b>OTHERS</b>	—	—	2,983.55	2,523.33
			<b>42,791.64</b>	<b>40,520.36</b>

**b) EXPORTS :**

On the export front, your Company performed very well. Export turnover increased by 14.58% from Rs.8850.31 lacs in the previous year to Rs.10140.42 lacs during the year under review, thereby showing very good acceptance of the Company's products in the international market. The 100% Export Oriented Unit of the Company got completely stabilised by June, 1998 and has contributed to the increase in export turnover.

**c) PROFITABILITY :**

Your Company, during the year under review, earned profits before tax and depreciation of the order of Rs.6,207.73 lacs as compared to Rs.6,070.50 lacs in the previous year, thereby showing an increase of 2.26%. After providing for depreciation of Rs.2,526.91 lacs (previous year Rs.1,916.49 lacs), provision for tax including Wealth Tax of Rs.600.00 lacs (previous year Rs.1,050.00 lacs), and provision for Income Tax for earlier year Rs. Nil (previous year Rs. 7.64 lacs), net profit works out to Rs.3,080.82 lacs as compared to Rs.3,104.01 lacs in the previous year, showing a marginal decrease of 0.75%.

The balance available for appropriation after adding the surplus of Rs.800.55 lacs carried from the previous year was Rs.4,200.27 lacs. Out of this, a sum of Rs.638.18 lacs will be paid as dividend, Rs.63.82 lacs will be paid as corporate dividend tax, Rs.200.00 lacs is proposed to be transferred to Reserve for Bad & Doubtful Debts & Advances, Rs.2,000.00 lacs is proposed to be transferred to General Reserve and the balance Rs.1,298.27 lacs will be carried as surplus to the Balance Sheet.

**3. EXPANSION & MODERNISATION :**

The Company has started setting up a "Fabric Process House" in the name and style of "AURO TEXTILES" at Village, Baddi, Distt. Solan (H.P.). The aforesaid Fabric Process House is being set up in technical collaboration with



TOKAI SENKO of JAPAN. The capacity of the plant will be 30 million metres per annum which will come in two phases. The construction of main shed has been completed and the utility building is in progress. Part machinery has also been received at site and erection is in progress. The plant is expected to start trial run in the month of August, 1999 and commercial production is likely to be commenced by September, 1999. The expenditure incurred so far is Rs. 45.00 crores.

Your Company is currently in the finishing stages of modernisation of its Spinning Plant at Baddi of 25,200 spindles which is likely to improve production.

#### 4. LISTING OF SECURITIES :

The securities of the Company are listed on The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana, The Delhi Stock Exchange Association Limited, 3 & 4/4B, Asaf Ali Road, New Delhi and The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. Further, the Company has duly paid the listing fee to all the aforesaid Stock Exchanges for the financial year 1999-2000.

#### 5. FUND RAISING :

During the year under review, the Company has raised an amount of Rs.35.00 crores from GE Capital Services India for part financing the normal capital expenditure of the Company and meeting the working capital requirements.

The Company has applied for a loan of Rs.168.00 crores from Financial Institutions and Nationalised Banks for the Fabric Process House and expansion of weaving unit at Baddi. Your Company also intends to apply for the 5% interest subsidy which has been provided for under the Textile Upgradation Fund (TUF) presented in the Union-Budget 1999-2000.

#### 6. DIVIDEND :

The Board of Directors of your Company is pleased to recommend a dividend of 40% on the amount paid-up on the Equity Shares of Rs.10/- each of the Company.

#### 7. DIRECTORS :

Air Marshal K.S. Bhatia (Retd.), Dr. R.S. Gupta and Dr. M.A. Zahir, Directors of your Company, retire by rotation at the conclusion of the ensuing Annual General Meeting pursuant to the provisions of Article 104 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

#### 8. PUBLIC DEPOSITS :

Fixed Deposits received from the Public to the tune of Rs.270.77 lacs were outstanding at the end of the year. Out of these deposits, 130 deposits amounting to Rs.11.98 lacs were due for payment on or before 31st March, 1999 but were not claimed by the depositors till that date. Since then, 1 deposit amounting to Rs. 0.05 lac has either been repaid or renewed and for the balance 129 deposits amounting to Rs.11.93 lacs, instructions of the Depositors are awaited.

#### 9. SUBSIDIARY :

The statement under Section 212 of the Companies Act, 1956 is annexed together with the Annual Report of the subsidiary of the Company, Auro Fabriks Limited.

#### 10. Y2K PREPAREDNESS :

The Members may be aware that the computerised system world over is facing the problem of year 2000 (Y2K) wherein the system may misinterpret the results by the start of year 2000. In order to avoid the said problem, appropriate modifications have to be incorporated in the hardware as well as in software systems of the Company.

The Company is seriously working on the Y2K problem and all requisite steps are being taken within-house expertise and with the help of outside agencies to upgrade the systems of the Company. The above process for upgradation of the system will entail an expenditure of about Rs.20.00 lacs and the Company shall be able to complete the whole process by the end of September, 1999.

**11. INDUSTRIAL RELATIONS :**

The Industrial Relations between the employees and the Management remained peaceful and cordial throughout the year in all the Units of the Company.

**12. AUDITORS :**

The Statutory Auditors of the Company, M/s. S.C. Vasudeva & Company, Chartered Accountants, New Delhi, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with Section 224(1B) of the Companies Act, 1956.

**13. AUDITORS' REPORT :**

The Auditors' Report on the Accounts of the Company for the year under review is self-explanatory and requires no comments.

**14. COST AUDITORS :**

The Board of Directors has re-appointed M/s. Ramanath Iyer & Company, Cost Accountants as the Cost Auditors of the Company under Section 233 B of the Companies Act, 1956 subject to the approval of the Central Government for the year 1999-2000.

**15. PERSONNEL :**

A Statement of particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956, is enclosed and forms part of this report.

**16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO :**

These fields continued to be the areas for improvement and major progress. Keeping in view the escalation in energy cost, our organisation is continuously endeavouring to find new and better ways for optimisation of energy cost in its various manufacturing operations.

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to these matters is appended hereto and forms part of this Report.

**17. ACKNOWLEDGEMENT :**

Your Directors are pleased to place on record their sincere gratitude to the Financial Institutions, Bankers and Business Constituents for their continued and valuable co-operation and support extended to the Company during the year.

Your Directors also express their deep appreciation for the devoted and sincere services rendered by workers, staff and executives at all levels of the operations of the Company during the year.

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA  
DATED : 08.05.1999

  
(S.P. OSWAL)  
CHAIRMAN & MANAGING DIRECTOR