

**36TH
ANNUAL REPORT
1999-2000**



VARDHMAN SPINNING & GENERAL MILLS LIMITED



Shri S.P. Oswal - Chairman and Managing Director

MILLENNIUM MESSAGE from the CHAIRMAN

The Year 2000 is a landmark in the history of mankind – signifying new century and the new millennium. Standing on the threshold of the new millennium, we foresee vast changes, expanding opportunities and new challenges. Underlying all this is accelerated pace of change, euphemistically labeled as “business @ the speed of thought”. Therefore, while the new millennium is an occasion to celebrate for impending growth and prosperity, yet is also an occasion for cool and collected thinking for our future in the light of immeasurable changes that are likely to unfold.

As we prepare for the new era at Vardhman, we are certain that organisations that will survive and succeed will be ones that have learned to change in tandem with the changing requirements and ahead of the competition. As the Millennium Managers, we are preparing ourselves for impending challenges – borderless world of market forces, technological breakthroughs, growing aspirations of human beings, high expectations of society, global sourcing and free movement of capital and manpower, revolutionary changes in information technology. We know that these changes will have profound influence on our operations, our decisions of investment and management. We are committed to growth and change and to continuous success. Our

strong values, systematic working and ethos shall be eternal source of strength in our endeavour. To quote,

*... or who can tell for what great work in hand?
the greatness of our style is now ordained?
what powers it shall bring in, what spirits
command.*

Vardhman group believes in tremendous potential of textiles. We remain committed to strengthening our country's position in the international textile world. With the opening up of barriers in 2005, we see great opportunities. The current expansion and modernization plan in place will help prepare us to benefit from the same.

Hopefully, the coming years shall bring in many powers, command, spirits of success, perfection and excellence, the greatest work and achievement of which our growing Company is capable.

With best wishes,



(S.P. OSWAL)

BOARD OF DIRECTORS :	SHRI SHRI PAUL OSWAL	— Chairman & Managing Director
	SHRI RAJENDER MOHAN MALLA	— Nominee of IDBI
	SHRI SURINDER KUMAR BANSAL	— Nominee of IFCI
	SHRI SURINDER SINGH BAGAI	
	AIR MARSHAL K.S. BHATIA (Retd.)	
	SHRI CHAMAN LAL JAIN	
	SHRI KRISHAN BALAKRISHNAN	
	SHRI RAJENDRA	
	SHRI BAL KRISHAN CHOUDHARY	
	SHRI ASHOK KUMAR OSWAL	
	SHRI SACHIT JAIN	— Executive Director
	SMT. SUCHITA JAIN	— Executive Director

COMPANY SECRETARY : SHRI GOPAL KRISHAN SHARMA

VICE-PRESIDENT :
(FINANCE,
ACCOUNTS & MIS) 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 & CO., NEW DELHI

WORKS :	1. VARDHMAN SPG. & GEN. MILLS LTD., UNIT-I, Chandigarh Road, Ludhiana-141 010
	2. VARDHMAN SPG. & GEN. MILLS LTD., UNIT-II, Chandigarh Road, Ludhiana-141 010
	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 SPG. & GEN. MILLS LIMITED, (100% EOU), Village Baddi, District Solan (H.P.)
	7. AURO TEXTILES, 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-638 604
	6. CHANDIGARH ROAD, LUDHIANA-141 010

REGISTERED & CORPORATE OFFICE :
Chandigarh Road, Ludhiana-141 010
Phones : (0161) 662543-547, Cable : VARDHMAN
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E-mail : secretarial.lud@vardhman.com

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NOTICE

NOTICE is hereby given that the THIRTY SIXTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 26th day of August, 2000 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, 2000 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 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.
- b) 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.
- c) To appoint a Director in place of Shri Rajendra, 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 2000-2001 and fix their remuneration.

SPECIAL BUSINESS :

- 5A. 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, the consent of the Members be and is hereby accorded to the Board of Directors to mortgage and/or charge the movable and/or immovable properties of the Company, both present and future, and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default to or in favour of the Canara Bank to secure :

- i) Rupee Term Loan not exceeding Rs. 21.00 crore (Rupees twenty one crore only).
- ii) Together with interest thereon, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under the Loan Agreement as amended from time to time.

RESOLVED FURTHER THAT the Board or Committee of Directors be and is hereby authorised to finalise, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution."

- 5B. 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, the consent of the Members be and is hereby accorded to the Board of Directors to mortgage and/or charge the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default to or in favour of the State Bank of India to secure :

- i) Rupee Term Loan not exceeding Rs. 21.00 crore (Rupees twenty one crore only).
- ii) Together with interest thereon, additional interest, liquidated damages, compound interest, commitment charges, premium on Pre-payment or on redemption payable under the Loan Agreement as amended from time to time.

RESOLVED FURTHER THAT the Board or Committee of Directors be and is hereby authorised to finalise, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid mortgage and/or charge and to do all such acts, deeds and things as may be deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution."

- 5C. 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 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 to or in favour of the Trustee/Agent/Lender for holders of 25 - 12.1% Secured Redeemable Non-Convertible Debentures of Rs.1.00 crore each aggregating to Rs.25.00 crore to secure :

- i) 25 - 12.1% Secured Redeemable Non-Convertible Debentures of Rs.1.00 crore each aggregating to Rs.25.00 crore
- ii) Together with interest, additional interest, compound interest, accumulated interest, liquidated damages, commitment charges, Premium on Pre-payment or on redemption, remuneration of the Trustee/Agent/Lender, 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/Lender 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/Lender.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, 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 and to do all such acts, deeds and things as may be deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution."

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 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as under :-

I. The following new definitions be inserted in Article 1 :-

"Beneficial Owner" shall mean beneficial owner as defined in clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996;

"Depositories Act, 1996" shall include Depositories Act, 1996 and any statutory modification or re-enactment thereof; and

"Depository" shall mean a Depository as defined under Clause (e) of sub-section (1) of Section (2) of the Depositories Act, 1996.

"Member" means a person :

- whose name is entered in the Register of Members as holding any share(s) either solely or jointly.
- subscribers to the Memorandum of the Company and
- Beneficial Owner(s).

II. Article 14A be inserted in the Articles of Association to read as follows :-

14A. The Company shall be entitled to dematerialise its existing shares, rematerialise its shares held in the Depositories and/or to offer its fresh shares or buyback its shares in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

III. Article 15 of the Articles of Association shall be altered to include a proviso:-

Provided, however, no share certificate(s) shall be issued for shares held by the "Beneficial Owner(s)".

IV) Article 44A be inserted after Article 44 of the Articles of Association as under :-

44A. i) Every holder of shares in or holder of debentures of the Company may, at any time, nominate, in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his death.

ii) Where the shares in or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.

iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or as the case may be on the death of the joint holder becomes entitled to all the rights in the shares or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

iv) Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of the debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority."

BY ORDER OF THE BOARD



(G.K. SHARMA)
COMPANY SECRETARY

PLACE : LUDHIANA
DATED : 08.05.2000

NOTES :

- 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.
- Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5A, 5B, 5C & 6 is annexed hereto and forms part of the Notice.
- The Dividend declared, if any, will be paid to those members whose names appear in the Register of Members of the Company as on 26th August, 2000.
- The Register of Members and the Share Transfer Books of the Company shall remain closed from 11th August, 2000 to 26th August, 2000 (Both days inclusive).**
- The Members are requested to notify the change in their addresses if any, at the earliest.
- 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.
- 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.
- Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.
- 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. 5A OF THE SPECIAL BUSINESS :**

Your Company has been sanctioned a Rupee Term Loan of Rs.21.00 crore by the Canara Bank, to part finance the setting up of a Fabric Process House and for the expansion of Weaving Unit of the Company at Village Baddi, District Solan (H.P.) by installation of additional looms. The said loan is secured by way of mortgage/charge over the immovable and movable assets and properties, both present and future of the Company, in favour of the Canara Bank. Since the mortgage by the Company of its immovable assets/properties, as aforesaid, in favour of the Canara Bank may be regarded as disposal of Company's properties/undertaking(s), 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. 5B OF THE SPECIAL BUSINESS :

Your Company has been sanctioned a Rupee Term Loan of Rs. 21.00 crore by the State Bank of India, to part finance the setting up of a Fabric Process House and for the expansion of Weaving Unit of the Company at Village Baddi, District Solan (H.P.) by installation of additional looms. The said Loan is secured by way of mortgage/charge over the immovable and movable assets/properties, both present and future of the Company, in favour of the State Bank of India. Since the mortgage by the Company of its immovable assets/properties, as aforesaid, in favour of the State Bank of India may be regarded as disposal of Company's properties/undertaking(s), 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. 5C OF THE SPECIAL BUSINESS:

Your Company has allotted 25 - 12.1% Secured Redeemable Non-Convertible Debentures of Rs.1.00 crore each aggregating to Rs.25.00 crore on 03.05.2000 on private placement basis to ABN AMRO Securities (India) Pvt. Limited. The said Debentures shall be secured by way of mortgage/charge in favour of the Trustee/Agent/Lender for and on behalf of the Debentureholders over the movable and immovable assets/properties of the Company. Since the mortgage by the Company of its immovable assets/properties as aforesaid, in favour of the Trustee/Agent/Lender may be regarded as disposal of Company's properties/undertaking(s), 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 Company has opted to participate as an issuer with the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for introduction of the Company's securities into their depository system.

Consequent upon the introduction of the Company's securities into Depository System, some of the provisions of the Articles of Association of the Company relating to the issue, transfer/transmission and dealing in shares and debentures, are proposed to be amended to meet the requirements of the Depositories Act, 1996.

Further the Companies Act, 1956 has been amended by the Companies (Amendment) Act, 1999. The amendment has introduced a few important changes in the law to provide for inter-alia facility to the shareholders to nominate a person to whom his shares in the Company shall vest in the event of his death.

In order to be consistent with the provisions of the Companies Act, it is proposed to insert/amend certain Clauses in the Articles of Association of the Company.

A copy of the Articles of Association of the Company with the proposed alteration is available for inspection by the members during the business hours on any working day at the Registered Office of the Company, upto to the date of the Annual General Meeting.

The Directors recommend the resolution set out at item No. 6 for approval of the members.

MEMORANDUM OF INTEREST :

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

BY ORDER OF THE BOARD



(G.K. SHARMA)

COMPANY SECRETARY

PLACE : LUDHIANA

DATED : 08.05.2000

DIRECTORS' REPORT :

To
The Members,

The Directors of your Company have pleasure in presenting their 36th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2000.

1. FINANCIAL RESULTS :

The Financial Results for the year are as under:-

	(Rs. in Lac)	
	1999-2000	1998-1999
Turnover	45,941.35	42,791.64
Profit before Depreciation, Interest and Tax (PBDIT)	9,817.55	9,142.69
Interest	3,345.70	2,934.96
Profit before Depreciation and Tax (PBDT)	6,471.85	6,207.73
Depreciation	2,909.14	2,526.91
Profit before Tax (PBT)	3,562.71	3,680.82
Provision for tax	300.00	600.00
Profit after Tax (PAT)	3,262.71	3,080.82
Earnings per Share (Rs.)	20.46	19.32
Dividend per share (Rs.)		
Interim	3.50	—
Final	0.70	4.00

2. ECONOMIC PERSPECTIVE :

The Indian economy has been passing through a downturn during the last three years. The economy has also experienced difficulties in the wake of its integration with the global economy. Many sectors of the economy, including textile suffer from excess capacities. Given the low growth rate, it would take quite some time before the demand and supply equilibrium is achieved.

The manufacturing sector of the country has recorded an average growth of about 5 percent during the last three years. However, the potential growth rate of this sector in the country is 12 to 15 percent. Considering low inflation, sufficient food grain stocks, high forex reserves, declining interest rates, there is every likelihood that the industry will grow at double digit rate in the coming years, provided infrastructure and Government policies are supportive of the industrial growth.

The textile industry all over the world has been experiencing sluggishness in the last five years. With the massive restructuring going on in the global textile industry, the Indian textile industry is not immune to global trends. It is likely that the textile industry in the country would come out of its present difficulties in the coming two years. Some sectors of the industry like cotton yarn have done well in the global markets. But the real growth of the industry will come when we achieve a unified textile chain. This will necessitate major policy initiatives on the part of the Government. In this context, the Technology Upgradation Fund Scheme is a boon to the industry for modernising its operations and achieving cost and quality competitiveness.

3. REVIEW OF OPERATIONS :

During the year under review, your Company has registered a turnover of Rs. 45,941.35 lac as compared to Rs. 42,791.64 lac in the previous year, an increase of 7.36 percent. The net profit after tax of your Company has also increased from Rs. 3,080.82 lac in the previous year to Rs. 3,262.71 lac during the year under review, registering an increase of 5.90 percent.

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

4. PRODUCTION AND SALES REVIEW :

The business-wise performance is as under :-

- Yarn:** The production of yarn increased from 23,150.75 MT to 25,600.28 MT during 1999-2000, registering an increase of 10.58 percent as a result of change in the product mix in the spinning unit of the Company at Baddi. The sales also increased from Rs. 33,847.36 lac to Rs. 34,376.83 lac during the year under review. The export of yarn, however, decreased from Rs. 8,027.71 lac to Rs. 7,291.74 lac during the year under review.

- ii) **Fabric :** The production of fabric increased from 13.11 million metres to 15.60 million metres, showing an increase of 18.99 percent as a result of increase in the number of looms in Auro Weaving Mills at Baddi. The Company also produced processed fabric of 2.57 million metres during the year under review (previous year nil). During 1999-2000, sales were Rs. 7,864.26 lac as against Rs. 5,960.73 lac in the previous year, an increase of 31.93 percent. The export turnover of fabric has however, decreased from Rs. 2,112.70 lac to Rs. 1,849.88 lac during the year.

5. PROFITABILITY :

The Company earned profit before depreciation, interest and tax of Rs. 9,817.55 lac as against Rs. 9,142.69 lac in the year 1998-1999, showing an increase of 7.38 percent. The Company earned profit before depreciation and tax of Rs. 6,471.85 lac as compared to Rs. 6,207.73 lac in the previous year, thereby showing an increase of 4.25 percent. After providing for depreciation of Rs. 2,909.14 lac (previous year Rs. 2,526.91 lac) and provision for tax including wealth tax of Rs. 300.00 lac (previous year Rs. 600.00 lac), net profit after tax worked out to Rs. 3,262.71 lac as compared to Rs. 3,080.82 lac in the previous year, showing an increase of 5.90 percent. The balance available for appropriation after adding the surplus carried from previous year of Rs. 1,298.27 lac and amount transferred from General Reserve of Rs. 1,750.00 lac is Rs. 6,255.49 lac.

6. FUTURE OUTLOOK :

The textile industry in India is facing enormous difficulties. After relative decline and stability in the last year, the cotton prices, which have a major influence on the performance of the Company have started going up, both in the domestic and international markets. At the same time, cotton yarn prices continue to be low. The scenario at the textile front is also equally tough. The directors are, however, confident that with sound fundamentals, your Company will be able to face these difficulties and continue to achieve strong performance in growth and profitability in the coming years.

Further, the processed fabric has a duty disadvantage compared to independent processors. Your Company and other industrial associations are making attempts to convince the Government of this inequality. If this gets resolved, the prospects of processed fabric will improve significantly.

7. FUND RAISING :

- i) The Company entered into Loan Agreements for availment of the following loans from the Industrial Development Bank of India Limited :-
- Rs.63.00 crore for setting up of a Fabric Process House and for the expansion of Auro Weaving Mills, at Baddi, District Solan (H.P.).
 - Foreign Currency Loan of USD 4.00 million for meeting capital expenditure requirements.
- (ii) The Company raised an amount of Rs.25.00 crore through ABN AMRO Securities (India) Pvt. Limited by issue of Secured Redeemable Non-Convertible Debentures of Rs.1.00 crore each to meet its long term Working Capital and Normal Capital expenditure requirements. Further, the Term Loans of Rs.25.00 crore and Rs.10.00 crore obtained from GE Capital Services (India) Limited (GECSI) were converted into 14% Secured Redeemable Non-Convertible Debentures of Rs.1.00 crore each aggregating to Rs.35.00 crore during the year under review.

8. MARKETING INITIATIVES :

The Company has launched many initiatives in the marketing of its products in the last few years. Some of these are outlined below:-

Fabric : Until last year, the Company was producing grey fabric only. The Company has now launched a wide variety of fabric including Cotton lycra and yarn dyed fabric, mainly used in shirtings and bottom weights. The Company has created strong marketing infrastructure to service the growing Readymade garment sector in the country.

Yarns : The Company continued initiating new varieties of grey, dyed and speciality yarns for a wide variety of applications. The Company's brands like Paragon, Harmony, Daffodil and Rainbow are well accepted in the market.

Cuddles : A ready to knit pack of Hand Knitting Yarns with accessories had been introduced for the first time in the country. Miss India Gul Panag launched the product successfully.

9. EXPANSIONS AND TECHNOLOGICAL UPGRADATION :

Your Company is alive to the needs of the changing requirements of the Indian and global markets. In the year 1999-2000, the Company completed the following projects :-

- Auro Textiles - The fabric process house at Baddi, District Solan (H.P.) with technology from Nihon Sanmo K.K. with final capacity of 30 million metres was commissioned on 01.12.1999 with an initial capacity of 20 million metres with an investment of Rs.80.00 crore. This project was part financed by a term loan under Technological Upgradation Fund Scheme.



- **Auro Spinning Mills :** - Auro Spinning Mills, the spinning unit at Baddi, District Solan (H.P.) was technologically upgraded with an investment of Rs.27.00 crore. This has substantially improved the quality of yarn produced at this unit.

The Company is launching the following expansion and technological upgradation projects to enhance its competencies in the near future :-

- Setting up a Spinning Unit with a capacity of 15,000 spindles and a Weaving Plant of 110 looms at Industrial Focal Point, Ludhiana at an estimated total project cost of Rs.103.24 crore.
- Expansion and technological upgradation of its Spinning and Dyeing Units at Ludhiana and Spinning Unit at Baddi, District Solan (H.P.) at an estimated total cost of Rs.48.76 crore.
- Expansion of existing Weaving Unit at Baddi, District Solan (H.P.) by installation of additional looms of which 16 looms were commissioned during the year 1999-2000.

The Company has approached the Financial Institutions/Banks for sanction of loans for the said expansions.

10. SUBSIDIARY :

Auro Fabriks Limited, your Company's subsidiary started its business operations in the field of trading of yarn. The statement under Section 212 of the Companies Act, 1956 is enclosed together with the Annual Report of the Company.

11. PUBLIC DEPOSITS :

Fixed Deposits received from the Public to the tune of Rs.305.71 lac were outstanding at the end of the year. Out of these deposits, 126 deposits amounting to Rs.9.78 lac were due for payment on or before 31st March, 2000 but were not claimed by the depositors till that date. Since then, 16 deposits amounting to Rs.1.72 lac have either been repaid or renewed and for the balance 110 deposits amounting to Rs.8.06 lac, instructions of the Depositors are awaited. Further, the Board of Directors in their meeting held on 8th May, 2000 reduced the rates of interest payable on Fixed Deposits with effect from 11-05-2000 as per following details :-

PERIOD	EXISTING RATE (PERCENT)	NEW RATE (PERCENT)
One Year	11.0	10.0
Two Years	12.0	10.5
Three Years	13.0	11.0

12. DIVIDEND :

The Board of Directors of your Company declared an interim dividend @ 35 percent for the year 1999-2000 in its Board Meeting held on 28.03.2000. Further, the Board of Directors is pleased to recommend a final dividend @ 7 percent on the paid-up Equity Share Capital of the Company.

13. DIRECTORS :

Shri A.K. Oswal, Shri Rajendra and Shri S.S. Bagai, Directors of your Company, retire by rotation at the conclusion of the forthcoming 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.

Shri R.M. Malla, Nominee from the Industrial Development Bank of India (IDBI) and Shri B.K. Choudhary have been appointed as Directors of your Company in place of Shri G. Venkatraman and Dr. M.A. Zahir respectively. Besides, Dr. R.S. Gupta has resigned from the Directorship of your Company. The Board places on record its appreciation for the services rendered by Shri G. Venkatraman, Dr. M.A. Zahir and Dr. R.S. Gupta during their tenure as directors of the Company.

14. DEPOSITORY SERVICE :

During the year, your Company signed an agreement with National Securities Depository Limited (NSDL) thereby making the fully paid-up Equity Shares of the Company available for dematerialisation. For the convenience of the Shareholders, the Company has recently also signed an agreement with the Central Depository Services (India) Limited (CDSL), Mumbai enabling its shareholders to operate through any of the Depositories as per their suitability.

15. CORPORATE GOVERNANCE :

The recommendations of the Kumar Mangalam Committee on Corporate Governance, set up by the Securities and Exchange Board of India (SEBI) have been implemented by way of amendments in the Listing Agreement. The said provisions are applicable to the Company within financial year 2001-2002 but not later than March 31, 2002. However,

the Company has already initiated steps for implementing the said recommendations and is confident that it will be able to fulfill the legal expectations in terms of transparency, full-disclosure and independent monitoring in the times to come.

16. Y2K PREPAREDNESS :

With all round steps taken through in-house expertise and outside Agencies, your Company has smoothly migrated to the year 2000 (Y2K) with zero disruption in the operations, both hardware and software. To combat the problem, the Company incurred about Rs.20.00 lac during the year.

17. AUDITORS :

The Statutory Auditors of the Company, M/s. S.C. Vasudeva & Co., Chartered Accountants, New Delhi, retire at the conclusion of the forthcoming 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.

18. AUDITORS' REPORT :

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

19. 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 2000-2001.

20. PERSONNEL & HUMAN RESOURCES :

Your Company continues to lay emphasis on continued qualitative growth of its human resources by providing a congenial and conducive work environment in consonance with its belief that the real strength of its organisation lies in its employees. The training process was reinforced through systematic appraisal of the existing programmes and introduction of new ones with inputs focused on specific needs of the people across the Company. A series of training and development programmes for personnel at all levels coupled with the thrust on service orientation was the highlight of Human Resources Development activities during the year.

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

21. 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.

22. 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 enclosed hereto and forms part of this report.

23. ACKNOWLEDGEMENT :

Your Directors are pleased to place on record their sincere gratitude to the Financial Institutions, Bankers and Business Associates 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 operations of the Company during the year.

FOR AND ON BEHALF OF THE BOARD



(S.P. OSWAL)

CHAIRMAN & MANAGING DIRECTOR

PLACE : LUDHIANA

DATED : 08.05.2000