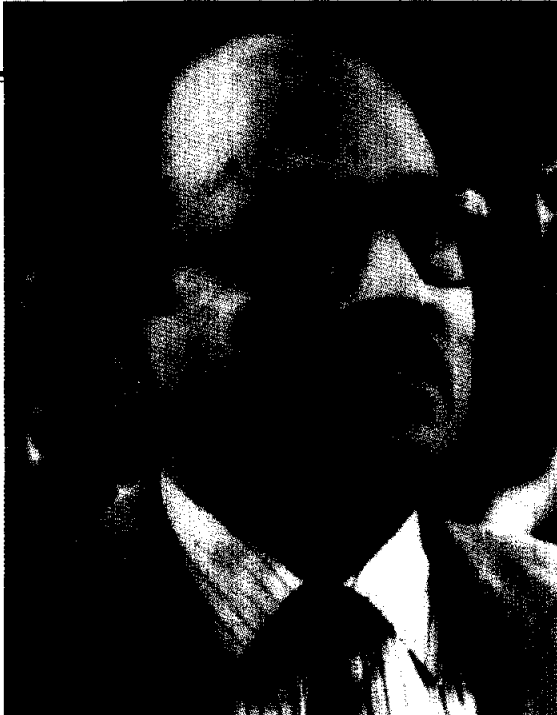


37TH
ANNUAL REPORT
2000-2001



VARDHMĀN

VARDHMAN SPINNING & GENERAL MILLS LIMITED



NEW HOPES, NEW HORIZONS

The dawn of a new century is a welcome event signifying major changes and new beginnings. To us at Vardhman, the new century symbolises new horizons, new hopes and new aspirations. The global business is undergoing a great shift putting most industries on the move in search of finding sustainable competitive advantage. The textile industry is one of the world's most volatile industries at this juncture. The industry is simultaneously facing incessant recession, global reorganisation and relocation. Therefore, the industry is passing through most difficult circumstances all over the world.

The announcement of New Textile Policy, 2000 augurs well for the Indian textile industry with its bold features for growth and export projections of US\$50 billion by 2010. The New Textile Policy marks a significant shift from inward looking to export led growth. If the policy intent is followed to its logical end of redrawing the rules of the game, policy reforms and infrastructure support, I am sure the textile industry in the country will be basking in the new found glory in the new century. The Vardhman group will be in the fore front of the resurgence of Indian Textiles.

Without sounding pessimistic, I must state that the textile industry is passing through severe recession which is unlikely to end in the near future. The Indian textile industry is facing enormous difficulties on account of the

obstructive government policies which were framed at a time when self reliance was the economic credo. The competitiveness was not looked at as the merit for survival because of protection and controls. These policies, therefore, need to be abolished and a level playing field provided for all players in the industry to create sound economic advantages in strengthening our global competitiveness. We are hopeful that the Government will objectively review the entire policy framework so that there are no distortions or bottlenecks in the growth of the textile industry in the country.

In step with the changing times, the Vardhman group is striving to transform itself to face emerging challenges of market led domestic economy and global economic integration as also seize new opportunities in the enlarged market place. The group is on steady growth path and is building competitive strengths in products, processes, markets and people for sustainable growth over the coming years.

With best wishes,



(S.P. OSWAL)



BOARD OF DIRECTORS :	SHRI SHRI PAUL OSWAL	— Chairman & Managing Director
	SHRI RAJENDER MOHAN MALLA	— Nominee of IDBI Ltd.
	SHRI SURINDER KUMAR BANSAL	— Nominee of IFCI Ltd.
	SHRI SURINDER SINGH BAGAI	
	AIR MARSHAL K.S. BHATIA (Retd.)	
	SHRI CHAMAN LAL JAIN	
	SHRI S.K. BIJLANI	
	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 : SHRI NEERAJ JAIN
(FINANCE,
ACCOUNTS & MIS)

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 LTD., (100% EOU), Village Baddi, District Solan (H.P.)
	7. AURO TEXTILES, Village Baddi, District Solan (H.P.)
	8. VARDHMAN SPG. & GEN. MILLS LTD., UNIT-III, Phase-VIII, Focal Point, Chandigarh Road, Ludhiana

BRANCHES :	1. 309, 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, KOLKATA-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

Fax : (0161) 601040, 601048, 602710, 642616

E-mail : secretarial.lud@vardhman.com

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NOTICE

NOTICE is hereby given that the THIRTYSEVENTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Tuesday, the 14th day of August, 2001 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, 2001 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 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.
- b) To appoint a Director in place of Shri K.S. Bhatia, 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 2001-2002 and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Sh. S.K. Bijlani, 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 Sh. S.K. Bijlani for the office of the director be and is hereby appointed as a Director of the company liable to retire by rotation under the Articles of Association of the Company."
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 Sections 269, 309, 311, 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 Mrs. Suchita Jain as an Executive Director of the Company for a period of 2 years w.e.f. 01.06.2001 to 31.05.2003 on the remuneration and perquisites as detailed below :-

i)	SALARY	:	Salary will be in the scale of Rs.50,000-5,000-60,000 per month.
ii)	COMMISSION	:	Commission equal to 75 percent 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 :-
<p>a) Housing - Free furnished accommodation or House rent allowance equal to 40 percent 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 will be valued as per the Income Tax Rules, 1962.</p>			
<p>b) Medical Reimbursement - The expenses incurred by the appointee (including medi-claim insurance premium) on self and her family will be reimbursed to her subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.</p>			

VARDHMAN SPINNING AND GENERAL MILLS LIMITED



- c) Leave Travel Concession - The expenses incurred on Leave Travel by the appointee on self and her family will be reimbursed to her 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 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 Sh. B.K. Choudhary, Director, be and is hereby authorised to sign an Agreement on behalf of the Company with Mrs. Suchita Jain in this regard."

BY ORDER OF THE BOARD

(G.K. SHARMA)

COMPANY SECRETARY

PLACE : LUDHIANA

DATED : 24.05.2001

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 and 6 is annexed hereto and forms part of the Notice.
3. Dividend declared, if any, will be paid to all those Members whose names appear in the Register of Members of the Company as on 14th August, 2001. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as at the end of the 16th day of July, 2001 as per details furnished by the Depositories for this purpose.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 17th July, 2001 to 14th August, 2001 (Both days inclusive).**
5. Members are requested to notify the change in their addresses, 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. Copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
8. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.
9. Members/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.
10. Shares of the Company can be traded only in dematerialised form w.e.f. 24th July, 2000 onwards as per the guidelines issued by Securities and Exchange Board of India (SEBI).

ANNEXURE TO THE NOTICE :**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 5 OF THE SPECIAL BUSINESS :**

The Board of Directors of the Company in its meeting held on 28.10.2000 appointed Shri S.K. Bijlani as an Additional Director of the Company pursuant to Article 94 of the Articles of Association of the Company.

Shri S.K. Bijlani is a Graduate in Mechanical Engineering from the University of Manchester Institute of Science & Technology, United Kingdom and also holds Postgraduate Diplomas in Computer Management and in Finance.

In terms of Section 260 of the Companies Act, 1956 read with Article 94 of the Articles of Association of the Company, Shri S.K. Bijlani 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 Shri S.K. Bijlani as a Director of the Company. Consent in writing has also been received from Shri S.K. Bijlani to act as a Director of the Company, if appointed.

MEMORANDUM OF INTEREST :

Except Shri S.K. Bijlani, the appointee himself, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

ITEM NO. 6 OF THE SPECIAL BUSINESS :

The Board of Directors in its meeting held on 09.05.1998 had appointed Mrs. Suchita Jain as an Executive Director for a period of 3 years w.e.f. 01.06.1998 to 31.05.2001 in the pay scale of Rs.25,000-2,500-30,000/- and other perquisites equal to one year's salary and commission equal to 75 percent of annual salary subject to total remuneration being within the limit of 5 percent of net profit of the Company as prescribed under Schedule XIII attached to the Companies Act, 1956. Her appointment was also approved by the Members in their meeting held on 14.08.1998.

Keeping in view her active involvement into the affairs of the Company and keen interest in business activities of the Company, the Board of Directors in its meeting held on 24.05.2001 has approved the re-appointment of Mrs. Suchita Jain as an Executive Director of the Company for a further period of 2 years w.e.f. 01.06.2001 to 31-05-2003 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 of 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.



BY ORDER OF THE BOARD



(G.K. SHARMA)

COMPANY SECRETARY

PLACE : LUDHIANA
DATED : 24.05.2001



VARDHMĀN

DIRECTORS' REPORT :

To

The Members,

The Directors of your Company have pleasure in presenting their 37th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2001.

1. FINANCIAL RESULTS :

The Financial Results for the year are as under :-

(Rs. in lac)

	2000-2001	1999-2000
Turnover	56,351.15	45,941.35
Profit before Depreciation, Interest & Tax (PBDIT)	8,303.26	9,973.33
Interest & Financial Charges	3,544.16	3,501.48
Profit before Depreciation & Tax (PBDT)	4,759.10	6,471.85
Depreciation	3,295.13	2,909.14
Profit before Tax (PBT)	1,463.97	3,562.71
Provision for Tax	60.00	300.00
Profit after Tax (PAT)	1,403.97	3,262.71
Earnings per Share (Rs.)	8.80	20.46
Dividend per share (Rs.)		
Interim	—	3.50
Final	2.50	0.70

2. ECONOMIC PERSPECTIVE :

The Indian economy has been facing difficulties in the preceding years. The Gross Domestic Product growth rate during the year was 5.2 percent which is quite low and indicates that to keep pace with the global competition, the economy needs to further accelerate the process of reforms.

The Indian Industry achieved a growth rate of about 5.8 percent during 2000-2001 as compared to 6.7 percent in the last fiscal year. India surpassed its exports growth target by achieving exports of \$44.1 billion, registering an increase of 19.81 percent. However, with the slow-down trend setting in, the major exports of Indian textiles have become stagnant.

The Textile Industry has been going through a tough phase of restructuring. Especially with the WTO poised to change the rules of the game in the near future, the Indian Textile Industry is in urgent need to revamp its technology, cost and productivity in order to compete in global markets.

Because of the economic slow-down in major textile consuming countries like United States and Europe, the prices of textile products including yarn and fabric, both in the international and domestic markets have registered a declining trend. Unless the demand picks up in the coming months, the lower prices will exert pressure on profitability in the operations of the Company.

The Government, among its major policy initiatives, has increased the Budget provision for TUFs, reduced the basic customs duty on specific textile machinery and also devised a scheme to set up integrated apparel parks. All these measures coupled with the National Textile Policy, 2000 will provide a healthy frame-work for the growth and development of the Indian Textile Industry. Although the industry is facing recession, yet the directors are quite hopeful that your Company will continue to achieve good performance in the coming years.

3. REVIEW OF OPERATIONS :

During the year under review, your Company has registered a turnover of Rs. 56,351.15 lac as compared to Rs. 45,941.35 lac in the previous year, showing thereby an increase of 22.66 percent. The net profit after tax of your Company has decreased from Rs. 3,262.71 lac in the previous year to Rs. 1,403.97 lac during the year under review showing a decrease of 56.97 percent. The decrease in profits as compared to previous year is mainly on account of differential excise duty being charged on composite mills sector as compared to independent Process Houses and initial teething problems being faced by the Fabric Process House which was commissioned towards the end of 1999-2000. Although this differential excise duty has been set right in the Union Budget 2001, the condition of Fabric Process House may take some more time to stabilise. In addition, the poor winter this year affected the sales of acrylic products leading to accumulation of stocks and lower price realisation. The profitability on acrylic products continues to be low because of the inequitable Indo Nepalese Treaty. The fall in the profits has led the Board of Directors to even reduce the dividend for the year.

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

PRODUCTION AND SALES REVIEW :

The business-wise performance is as under :-

- i) **YARN:** The production of yarn increased from 25,600.28 MT to 27,538.61 MT during 2000-2001, registering an increase of 7.57 percent. The sales also increased from Rs. 34,376.83 lac to Rs. 39,236.95 lac during the year under review showing an increase of 14.14 percent. The export of yarn increased from Rs. 7,291.76 lac to Rs. 11,582.93 lac during the year under review.
- ii) **FABRIC:** The production of fabric increased from 15.60 million metres to 21.41 million metres, showing an increase of 37.24 percent. The Company also produced processed fabric of 11.37 million metres (Full year) as compared to 2.57 million metres (Four months) in the previous year. During the year under review, sales were Rs. 13,593.58 lac as against Rs. 7,864.26 lac in the previous year showing an increase of 72.85 percent. The export turnover of fabric has decreased from Rs. 1,849.88 lac to Rs. 1,583.80 lac.

PROFITABILITY :

The Company earned profits before depreciation, interest and tax of Rs. 8,303.26 lac as against Rs. 9,973.33 lac in the previous year, showing a decrease of 16.75 percent. The Company earned profit before depreciation and tax of Rs. 4,759.10 lac as compared to Rs. 6,471.85 lac in the previous year, showing a decrease of 26.46 percent. After providing for depreciation of Rs. 3,295.13 lac (previous year Rs. 2,909.14 lac) and provision for tax including wealth tax of Rs. 60.00 lac (previous year Rs. 300.00 lac), net profit worked out to Rs. 1,403.97 lac as compared to Rs. 3,262.71 lac in the previous year showing a decrease of 56.97 percent. The balance available for appropriation after adding the surplus carried from previous year of Rs. 1,149.40 lac is Rs. 2,614.37 lac.

4. EXPANSIONS AND TECHNOLOGICAL UPGRADATIONS :

Despite difficult times, the Company completed the following expansions in 2000-2001 :-

- The expansion of the Dye House at Ludhiana increasing production capacity from 10 tonnes per day to 18 tonnes per day for Acrylic products and Hand Knitting Yarn.
- Expansion of the Weaving Unit at Baddi, Distt. Solan (H.P.) was completed by installation of 48 additional looms.
- The capacity of the Fabric Process House at Baddi, Distt. Solan (H.P.) has been increased from 20 million metres to 30 million metres during the year under review.
- The Company has postponed the setting up of the new Weaving Unit of 110 Looms at Ludhiana. However, the Company is going ahead with the implementation of the Spinning Unit at Ludhiana with a capacity of about 8,000 spindles.
- The Company is also modernising and expanding the capacity of its dyeing plant at Baddi from 7 tonnes per day to 9 tonnes per day.

The Company is also in the process of implementing an ERP package. All the manufacturing units have already been covered, and by September, 2001 the entire Company will be completed on ERP.

5. FUTURE OUTLOOK :

Textile industry, in the world, generally has gone into downturn phase. In India, the industry faces formidably difficult times. Since in this year, the country harvested very poor cotton crop; necessitating the industry to import more than 2 million bales of cotton to meet this shortfall. While the raw material prices ruled high during the marketing season of cotton, but the steep decline in the international prices caused primarily by good world crop coupled with the economic slow down in all major economies has lead to slow consumption growth. Both these factors have brought sharp decline in prices of yarn and fabric. This trend seems to continue for the year and also do believe that the margin in the current year will remain under pressure. This is bound to affect the financial results of the year adversely. Undoubtedly, there is a need for change in the Government Policies to help the industry to become competitive. Most countries like Pakistan, Thailand and Indonesia which are our major competitors, have witnessed sharp devaluation and thereby it has helped the industry for these countries, to compete; at least in this turbulent year. Nevertheless, we believe that long term prospects for the industry remain good for our country provided there are fiscal and non-fiscal reforms carried out on the lines recommended by Satyam Committee appointed by the Ministry of Textiles, Government of India.

6. FUND RAISING :

- i) The Company entered into two Loan Agreements for availment of the loans amounting to Rs. 5,000.00 lac from the Industrial Development Bank of India Limited for its expansion programme.
- ii) The Company has also obtained Term Loans amounting to Rs. 2100.00 lac each from Canara Bank and State Bank of India to part finance the setting up of the Fabric Process House and for the expansion of Weaving Unit of the Company at Baddi by installation of additional looms which has been completed during this year.



7. MARKETING INITIATIVES :

Yarn : The Company introduced products in new blends in Polyester-Cotton, Acrylic - Cotton and Cotton - Viscose (both in Grey & Dyed), keeping in view international trends.

Hand Knitting Yarns : The Company initiated the concept of brand ambassador by choosing TV Star Renuka Shahane and successfully introduced a nation wide consumer promotional campaign for the first time in the category of hand knitting yarns. With an objective to promote hand knitting among younger generation, the Company introduced a learner's knit - Aao Bune. A hand-knitting contest was organised in Punjab in which more than 25,000 students participated.

Fabric : The Company has initiated meetings with some of the leading approved brands in US and hopes to get a few breakthroughs shortly.

8. SUBSIDIARY :

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

9. PUBLIC DEPOSITS :

At the end of the year, fixed deposits from the Public were outstanding to the tune of Rs. 328.12 lac. Out of these deposits, 115 deposits amounting to Rs. 11.48 lac were due for payment on or before 31st March, 2001 but were not claimed by the depositors. Since then, 7 deposits amounting to Rs. 1.51 lac have either been repaid or renewed and for the balance 108 deposits amounting to Rs. 9.97 lac, instructions of the Depositors are awaited.

The Company reduced the rates of interest payable on fixed deposits w.e.f. 24th April, 2001, as per following details:-

Period	EXISTING RATE (PER ANNUM)	NEW RATE (PER ANNUM)
One year	10.0%	8.5%
Two years	10.5%	9.0%
Three years	11.0%	9.5%

10. DIVIDEND :

The Board of Directors of your Company is pleased to recommend final dividend @ 25% on the paid-up Equity Share Capital of the Company and shall be paid to those Members whose names appear in the Register of Members on 14-07-2001 i.e. the day of Annual General Meeting.

11. DIRECTORS :

Shri C.L. Jain and Shri K.S. Bhatia, 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 S.K. Bijlani has been appointed as an Additional Director of your Company and he is going to hold office upto the ensuing Annual General Meeting. A Notice Under Section 257 of the Companies Act, 1956, proposing his name for appointment as Director liable to retire by rotation has been received from a member. Shri Krishan Balakrishnan has resigned from the directorship of your Company. The Board places on record its appreciation for the services rendered by Shri Krishan Balakrishnan during his tenure as a Director of the Company.

12. AUDIT COMMITTEE :

The Company has constituted an Audit Committee of its Board of Directors. The constituent members of the Audit Committee are Shri B.K. Choudhary, Shri Sachit Jain and Shri S.K. Bansal. Shri S.K. Bansal has been appointed as the Chairman of the Said Committee.

13. DEPOSITORY SERVICE :

Trading in equity shares of your Company has been made compulsory in dematerialised form by SEBI w.e.f. 24th July, 2000. The Shares of the Company are available for dematerialisation with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2001, 32.52 percent Equity Shares of your Company have been dematerialised.

14. LISTING OF SECURITIES :

The securities of the Company are presently listed on the Ludhiana Stock Exchange Association Limited, the Delhi Stock Exchange Association Limited and the Stock Exchange, Mumbai. The Company has duly paid the listing fees to all the aforesaid Stock Exchanges for the financial year 2001-2002.

15. CORPORATE GOVERNANCE :

Your Directors have always strived hard to ensure compliance with Law and transparency in its operations which are the basic objectives of the corporate governance. It is because of this policy that your Company has been following the various



provisions of the corporate governance much before its coming into legal effect. The Directors recognise communication as a key element of the overall corporate governance framework and, therefore, emphasise continuous, efficient, and relevant communication to all external constituencies. Requisite steps have already been initiated to ensure that all the mandatory provisions of corporate governance are complied well within the stipulated time, that is, by the end of March, 2002.

16. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that -

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and of the profits of the Company for the year ended on 31st March, 2001;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

17. AUDITORS :

The Statutory Auditors of the Company, M/s. S.C. Vasudeva & Company, 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 2001-2002.

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, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Energy conservation continues to be an area of major emphasis in your Company. Efforts are made to optimise the energy cost which carry out the manufacturing operations. Particulars with respect to conservation of energy and other areas as per Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed 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 Constituents for the 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

(S.P. OSWAL)

CHAIRMAN & MANAGING DIRECTOR

PLACE : LUDHIANA

DATED : 24.05.2001