

**38th
Annual Report
2001-2002**



VARDHMAN SPINNING & GENERAL MILLS LIMITED

Towards Resurgence of Indian Textile Industry



Most businesses face challenges. But the textile industry, often referred as Mother of all industries, faces unique challenges. With over one hundred countries competing through thousands of companies in the international textile market, the "competitive advantage of nations" and competence of individual companies are put to severe test. Yet it is also very enchanting world. The plethora of technologies and fibres offer enormous opportunities for companies to test their creative potential in producing a diverse range of products for the growing market.

During the last fifty years, the textile industry in the country has recorded impressive growth. But in relative terms, the industry has actually lagged behind in the global textile trade. The Sathyam Committee Report clearly points out the policy dynamics restricting the growth of industry. The industry has confined itself to produce basic products. As a consequence, we are not present in the more lucrative segments in the international market. It has also kept the domestic market shallow with basic, low quality and functional products, thus having lowest per capita consumption of textiles in the world.

The Vardhman Group is focussed on the emerging opportunities in the global and national textile market. As one of the largest exporters of textile products from the country, we keep identifying the critical barriers that need to be addressed at policy level and enterprise level. At policy level, I believe, India needs to make textile exports as the corner stone of its manufactured goods export drive. A 20% per annum growth in the textile exports is not beyond our capabilities. An export led textile industry will also help expand domestic market by upgrading the product quality, designing and reduced cost to the customer. At the enterprise level, Vardhman Group is making constant efforts to enhance our competitiveness by continuous productivity improvement, product and process development initiatives.

I believe we are standing at the door of tremendous opportunity, which we cannot afford to pass by. A visionary and bold approach to the development of textile industry can lead to the creation of strong and vibrant textile section worth about \$100 billion, compared to \$30 billion today. This will give big push to our economic development - raising income and expanding employment opportunities specially for the deprived section of the society. However, we must move fast to build competitive advantages in the global textile market, before the competitors get a strong, impregnable foothold.

With best wishes,



(S.P. OSWAL)
Chairman

BOARD OF DIRECTORS :

SHRI SHRI PAUL OSWAL — Chairman
 SHRI BAL KRISHAN BATRA — Nominee of IDBI Ltd.
 SHRI SURINDER KUMAR BANSAL
 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 :
(FINANCE,
ACCOUNTS & MIS)**

SHRI NEERAJ JAIN

BANKERS :

- | | |
|------------------------|----------------------------------|
| 1. ALLAHABAD BANK | 6. STATE BANK OF PATIALA |
| 2. STATE BANK OF INDIA | 7. AMERICAN EXPRESS BANK LIMITED |
| 3. BANK OF AMERICA | 8. STANDARD CHARTERED BANK |
| 4. CANARA BANK | 9. DEUTSCHE BANK |
| 5. ICICI BANK LIMITED | |

AUDITORS :

M/S. S.C. VASUDEVA & CO., CHARTERED ACCOUNTANTS, NEW DELHI

WORKS :

- VARDHMAN SPG. & GEN. MILLS LTD., UNIT-I,
Chandigarh Road, Ludhiana-141 010
- VARDHMAN SPG. & GEN. MILLS LTD., UNIT-II,
Chandigarh Road, Ludhiana-141 010
- AURO SPINNING MILLS, Village Baddi, District Solan (H.P.)
- AURO WEAVING MILLS, Village Baddi, District Solan (H.P.)
- AURO DYEING, Village Baddi, District Solan (H.P.)
- VARDHMAN SPG. & GEN. MILLS LTD.,
(100% EOU), Village Baddi, District Solan (H.P.)
- AURO TEXTILES, Village Baddi, District Solan (H.P.)
- VARDHMAN SPG. & GEN. MILLS LTD., UNIT-III,
Phase-VIII, Focal Point, Chandigarh Road, Ludhiana

BRANCHES :

- 309, SURYA KIRAN BUILDING,
19, KASTURBA GANDHI MARG, NEW DELHI-110 001
- 504, DALAMAL HOUSE, NARIMAN POINT, MUMBAI-400 021
- P-22, 3rd FLOOR, C.I.T. ROAD, KOLKATA-700 014
- S.C.O. 1-2-3, SECTOR 17-B, CHANDIGARH-160 017
- 266, KAMRAJ ROAD, TIRUPUR-638 604
- CHANDIGARH ROAD, LUDHIANA-141 010

REGISTERED & CORPORATE OFFICE :

Chandigarh Road, Ludhiana-141 010
 Phones : (0161) 662543-547
 Cable : VARDHMAN
 Fax : (0161) 601048, 602710 & 642616
 E-mail : secretarial.lud@vardhman.com

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VARDHMAN SPINNING AND GENERAL MILLS LIMITED

NOTICE

NOTICE is hereby given that the THIRTY EIGHTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 31st day of August, 2002 at 2.00 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, 2002 and Profit and Loss Account for the year ended on that date, together with Auditors' Report thereon.
2. To declare Dividend.
3. 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.
4. To appoint Auditors for the year 2002-2003 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 Shri S.K. Bansal, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company and in respect of whom the Company has received notices from some Members under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-
"RESOLVED THAT Shri B.K. Choudhary, who was appointed as a Director of the Company pursuant to Section 262 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company and in respect of whom the Company has received notices from some Members under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. 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 255 and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded for the appointment of Shri S.P. Oswal, as a Director on the Board of Directors of the Company not liable to retire by rotation."
8. 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 all 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 Patiala to secure :
 - i) Rupee Term Loan not exceeding Rs. 25.00 crore (Rupees Twenty five 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."

BY ORDER OF THE BOARD

(G.K. SHARMA)

COMPANY SECRETARY

PLACE : LUDHIANA

DATED : 11.07.2002

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 8 and the information required pursuant to Corporate Governance clause of the listing Agreement(s) regarding the re-appointment of Directors in the AGM as proposed in item nos. 5 to 7 of the notice are annexed hereto and forms part of the Notice.
3. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 17.08.2002 to 31.08.2002 (Both days Inclusive).**
4. The Dividend declared, if any, will be paid to those Members whose names appear in the Register of Members of the Company as on the date of AGM i.e. 31st August, 2002. However, 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 August, 2002 as per details furnished by the Depositories for this purpose.
5. The Members are requested to notify the change in their address, if any, 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. 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.

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 28.03.2002 appointed Shri S.K. Bansal as an Additional Director of the Company pursuant to Article 94 of the Articles of Association of the Company.

In terms of Section 260 of the Companies Act, 1956 read with Article 94 of the Articles of Association of the Company, Shri S.K. Bansal will hold office of Additional Director upto the ensuing Annual General Meeting. The Company has received notices from some Members under Section 257 of the Companies Act, 1956, signifying their intention to propose Shri S.K. Bansal as a Director of the Company. Shri S.K. Bansal is a Practising Chartered Accountant having experience of more than thirty years. Presently, he is the President of Indian Chapter Association of Certi-Fraud Examiners and Member of the Northern India Regional Council of the Institute of Chartered Accountants of India.

MEMORANDUM OF INTEREST :

Except Shri S.K. Bansal, the appointee himself, 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 the Company in its meeting held on 28.01.2000 appointed Shri B.K. Choudhary to fill the casual vacancy caused due to resignation of Dr. M.A. Zahir pursuant to the provisions of Section 262 and Article 109 of the Articles of Association of the Company. The tenure of the Director in whose place Shri B.K. Choudhary had been appointed expires



in the ensuing Annual General Meeting. The Company has received notices from some Members u/s 257 of the Companies Act, 1956, signifying their intention to propose Shri B.K. Choudhary as a Director of the Company. Shri B.K. Choudhary is a post graduate in Commerce from Meerut University and also holds post graduate degree in Business Administration (Marketing) from Jodhpur University. He has 28 years of working experience in Steel and Textile industry.

MEMORANDUM OF INTEREST :

Except Shri B.K. Choudhary, the appointee himself, none of the Directors of the Company is concerned or interested in this Resolution.

ITEM NO. 7 OF THE SPECIAL BUSINESS :

The Board of Directors in its meeting held on 09.05.1998 had approved the re-appointment of Shri S.P. Oswal as a Chairman and Managing Director of the Company for a period of 5 years w.e.f. 01.06.1998. His appointment was also approved by the Members in their meeting held on 14.08.1998. Shri S.P. Oswal resigned from executive position of Managing Director of the Company w.e.f. 10th August, 2001 but continued to be the Director and Chairman of the Company. He is now liable to retire by rotation in the ensuing Annual General Meeting. Being eligible, he offers himself for re-appointment as a Director not liable to retire by rotation. Further, Shri S.P. Oswal is M.Com (Gold Medalist) from Punjab University, Chandigarh. He is founder of the Ludhiana Stock Exchange Assn. Limited. Presently, he is representing on the Board of various Associations like Punjab Pollution Control Board, National Council, Confederation of Indian Industry, CII and Committee of Administration, TEXPROCIL. He is also Chairman of the National Committee on Textiles, CII and Punjab State Council Northern Region, CII.

Keeping in view the active involvement of Shri S.P. Oswal in the affairs of the Company since its very beginning, his contribution towards the growth and prosperity of the Company and also his qualification and experience, the Board has recommended his re-appointment as a Director not liable to retire by rotation. The proposal has also been received from some Members of the Company in this regard.

MEMORANDUM OF INTEREST :

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

ITEM NO. 8 OF THE SPECIAL BUSINESS :

Your Company has been sanctioned a Rupee Term Loan of Rs. 25.00 crore from State Bank of Patiala under Technology upgradation Fund Scheme (TUFS). The loan has been sanctioned for the Modernisation cum Expansion of Spinning units & dyeing facilities of the Company. The principal amount of loan together with interest cost, expenses and other monies, whatsoever stipulated in Loan Agreement shall be secured by extension of first charge by way of mortgage on all immovable assets and by way of hypothecation on all movable assets, both present and future, of the Company subject to prior charge on specified movable properties created/to be created in favour of Company's Bankers for Working Capital facilities, ranking pari-passu with the charge created/to be created in favour of participating Institutions/Banks.

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a public limited company shall not, without the consent of the Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s).

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of the Bank may be regarded as disposal of Company's properties/undertakings, the approval of the Members under Section 293(1)(a) of the Companies Act, 1956, is solicited.

MEMORANDUM OF INTEREST :

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

BY ORDER OF THE BOARD

(G.K. SHARMA)
COMPANY SECRETARY

PLACE : LUDHIANA
DATED : 11.07.2002

Information Pursuant to Corporate Governance Clause of the listing agreement regarding the re-appointment of Directors in the AGM.

Name of the Director	Shri Surinder Kumar Bansal	Shri Bal Krishan Choudhary	Shri Shri Paul Oswal
Date of Birth	15.05.1946	27.06.1951	08.04.1942
Date of Appointment	28.03.2002	28.01.2000	12.04.1971
Expertise in specific functional area	More than 30 years of experience in Audit & Accounts and specialisation in Taxation.	Industrial and business experience of more than 25 years in Steel & Textile Industry.	Rich industrial & business experience of more than 30 years in Textile Industry.
Qualification	F.C.A.	M. Com., MBA	M.Com (Gold Medalist)
Directorship of other Companies as on 31st March, 2002	<ul style="list-style-type: none"> - Indian Acrylics Ltd. - Marudhar Hotels Pvt. Ltd. 	<ul style="list-style-type: none"> - Vardhman Acrylics Ltd. - Vardhman Fibres Ltd. 	<ul style="list-style-type: none"> - Vardhman Polytex Ltd. - Mahavir Spg. Mills Ltd. - VMT Spg. Co. Ltd. - Vardhman Threads Ltd. - Vardhman Acrylics Ltd. - Adinath Invst. & Trdg. Co. - VKM Colourspin Ltd. - Devakar Invst. & Trdg. Co. Pvt. Ltd. - Anklesh Investments (P) Ltd. - Srestha Holdings Ltd. - Vardhman Textile Processors Pvt. Ltd. - Santon Finance & Invst. Co. Ltd. - Flamingo Finance & Invst. Co. Ltd. - Ramaniya Finance & Invst. Co. Ltd. - Pradeep Mercantile Co. (P) Ltd. - Plaza Trading Co. Pvt. Ltd. - Panchsheel Textile Mfg. & Trdg. Co. (P) Ltd. - Marshall Investments & Trdg. Co. (P) Ltd. - Syracuse Investments & Trdg. Co. (P) Ltd. - The Ludhiana Industrial Power Co. Ltd. - Auro Special Steels Co. Ltd.
Chairman/Member of Committees of other Companies as on 31st March, 2002	Chairman - Audit Committee of Indian Acrylics Limited	Member - Audit Committee of Vardhman Acrylics Limited	Chairman - Audit Committee of Vardhman Threads Limited

DIRECTORS' REPORT :

To
The Members,

The Directors of your Company have pleasure in presenting their 38th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2002.

1. FINANCIAL RESULTS :

The Financial Results for the year are as under :-

PARTICULARS	(Rs. in lac)	
	2001-2002	2000-2001
Turnover	59,307.16	56,351.15
Profit before Depreciation, Interest & Tax (PBDIT)	8,372.99	8,303.26
Interest & Financial Expenses	3,863.87	3,544.16
Profit before Depreciation & Tax (PBDT)	4,509.12	4,759.10
Depreciation	3,748.04	3,295.13
Profit before Tax (PBT)	761.08	1,463.97
Provision for Tax		
—Current	36.00	60.00
—Deferred	219.14	—
Profit after Tax (PAT)	505.94	1,403.97
Earnings per share (Rs.)		
—Basic	3.17	8.80
—Diluted	1.63	2.47
Dividend per share (Rs.)	2.50	2.50

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**a) TEXTILE INDUSTRY-GLOBAL PERSPECTIVE :**

Global trade in textile and clothing is growing at the rate of 5-7% and was estimated at \$ 356 billion in 2000. The textile industry manufacturing base continues to shift to developing countries, especially in the Asian region. China, Pakistan and India are the three main beneficiary countries from the global relocation of textile industry and would be the hub of world textile industry in coming years. The global fibre consumption is projected to grow at the rate of 2% per annum during the next five years. The per capita consumption of fibre in the world is increasing. It has increased from 7 kg in 1990 to 7.7 kg in 2001 and is projected at 8.5 kg by 2005. The USA and European Union (EU) will remain the major consumers of textile products.

b) TEXTILE INDUSTRY-INDIAN PERSPECTIVE :

The Textile Industry occupies a place of prominence in industrial sector of India. India has the largest capacity of installed spindles (38 million, being 24% of world's installed capacity) and looms (64% of world's installed capacity) in the world. India is the third largest producer of spun yarn and the largest exporter of cotton yarn.

The size of Indian Textile Industry is estimated at Rs 1,51,000 crore, which is growing at the rate of 5%. Presently the per capita consumption of textile fibre is one of the lowest (2.5 kg) in the world but with the steady growth of GDP at 5-6% per annum and increasing income of the masses, it is likely to grow. If the structural rigidities can be removed, the textile industry is projected to grow by 7-8%. Accordingly, the fibre consumption will also increase from 4.6 billion kg in 2001 to 8.4 billion kg in 2010. Similarly, the textile exports are also likely to grow from present level of about \$10 billion in 2001 to \$ 15-18 billion by 2005. All this holds good promise for the Indian Textile Industry notwithstanding temporary downturn in its fortune.

c) FINANCIAL ANALYSIS & REVIEW OF OPERATIONS :

Your Directors are pleased to report performance of the business operations as follows :-

● **PRODUCTION & SALES REVIEW :**

During the year under review, your Company has registered a turnover of Rs.59,307.16 lac as compared to Rs.56,351.15 lac in the previous year showing thereby an increase of 5.25%. The business wise performance is as under :-

- i) **YARN :** The production of yarn increased from 27,538.61 MT to 29,218.18 MT during 2001-2002, registering an increase of 6.10%. The sales decreased from Rs.39,236.95 lac to Rs.37,177.14 lac during the year under review showing a decrease of 5.25%. The export of yarn decreased from Rs.11,582.93 lac to Rs.11,415.17 lac during the year under review showing a marginal decrease of 1.49% whereas the export of yarn of the country as a whole has registered a fall of 14% during the year as compared to the last year.
- ii) **FABRIC :** The production of grey fabric increased from 21.41 million metres to 24.95 million metres, showing an increase of 16.53%. The Company also produced processed Fabric of 16.35 million metres as compared to 11.37 million metres in the previous year. During the year under review, turnover was Rs.17,781.32 lac as against Rs.13,593.59 lac in the previous year showing an increase of 30.81%. The export turnover of fabric has increased from Rs.1,583.80 lac in the previous year to Rs.1,936.79 lac during the year under review.

● **PROFITABILITY :**

The Company earned profit before depreciation, interest and tax of Rs.8,372.99 lac as against Rs.8,303.26 lac in the previous year, showing a marginal increase of 0.84%. The Company earned profit before depreciation and tax of Rs.4,509.12 lac as compared to Rs.4,759.10 lac in the previous year, showing a decrease of 5.25%. After providing for depreciation of Rs.3,748.04 lac (previous year Rs.3,295.13 lac), provision for current tax Rs.36.00 lac (previous year Rs.60.00 lac) and provision for deferred tax Rs.219.14 lac (previous year Rs.nil), net profit worked out to Rs.505.94 lac as compared to Rs.1,403.97 lac in the previous year.

The profitability has decreased partly due to sharp drop in yarn prices because of the crash of cotton prices by about 50% in international market in February, 2001 onwards i.e. after the Company had covered its yearly requirement of cotton in October/November, 2000 due to seasonal factor and partly due to the operations of Process House set up by the Company during the year 1999-2000. The Company has been facing iniquitous competition from small exempted Process Houses because of prevailing fiscal policies of the Government which have been partly set right by reducing excise duty from 16% to 12% on processed fabric in the Union Budget 2002. The Company is still taking up the matter at various forums to impress upon the Government to further reduce the excise duty on processed fabric from 12% to 8% in case of mill sector so as to narrow down the gap between mill sector and small exempted units and have a level playing field. Keeping in view the changes already made by the Government in fiscal policies and the expected changes therein, the Company being vertically integrated having all in house facilities is all set to take advantage of the business conditions in the times to come. However, inspite of the odd factors prevailing in the market during the year under review, the Company's Processed Fabric has found great acceptability in the market and the product is being supplied to leading garment manufacturers in the country as well as abroad.

● **RESOURCE UTILISATION :**

i) **Fixed Assets :**

The gross fixed assets (including work-in-progress) as at 31st March, 2002 were Rs. 60,793.34 lac as compared to Rs.57,387.93 lac in the previous year. During the year, the Company added assets amounting to Rs. 3,300.00 lac which is mainly on account of additions of fixed assets made in all the three units of the Company at Ludhiana and Auro Spinning Mills, Auro Textiles and Auro Dyeing Units of the Company at Baddi (H.P.).

ii) **Current Assets :**

Debtors outstanding for more than six months were Rs.1,134.83 lac as compared to Rs.1,072.60 lac in the previous year. The net current assets as on 31st March, 2002 were Rs. 22,848.68 lac as against Rs. 23,176.26 lac in the previous year. Inventory level was at Rs.15,242.30 lac which was in fact less than the previous year level of Rs.16,485.12 lac.

● **FINANCIAL CONDITIONS & LIQUIDITY :**

The Company enjoys a rating of "AA-" and "P1+" from Credit Rating Information Services of India Limited (CRISIL) for long term and short term borrowings respectively. Management believes that the Company's liquidity and capital resources

should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:-

	(Rs. in lac)	
LIQUIDITY & CAPITAL RESOURCES	2001-02	2000-01
Cash & cash equivalents :		
Beginning of the Year	852.35	552.11
End of the Year	548.00	852.35
Net cash provided (used) by :		
Operating Activities	4,491.19	103.60
Investing Activities	(3,278.67)	(5,761.95)
Financial Activities	(1,516.87)	5,958.59

The net cash from operating activities at Rs.4,491.19 lac shows a tremendous increase as compared to Rs.103.60 lac in the previous year primarily due to changes in working capital. The cash used in investing activities decreased from Rs.(5,761.95) lac to Rs.(3,278.67) lac during the year under review.

d) FUTURE OUTLOOK :

The textile industry has faced the most difficult time during the last five years. The cost of production has been going up and the price realisation, both in the domestic and export markets, has been declining. There is global excess capacity in the industry which has reduced profitability to an extremely low level.

The demand for textile products is likely to pick up with the global economy pulling out of recession. The textile fibre consumption in the country is low and likely to increase with growing income and more organised retailing of apparel etc. Keeping the above in view and assuming that the Government will remove the bottlenecks, constraining the growth of the industry, we believe that the industry will show better performance in the coming years. As one of the industry leader, the performance of your Company is likely to show improvement.

e) INTERNAL CONTROL SYSTEM :

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal audit in the organisation is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organisation. All significant issues are brought to the attention of the Audit Committee of the Board. The Company has also introduced Enterprise Resource Planning (ERP) package which will enhance the internal control mechanism.

f) MANAGEMENT PERCEPTION OF RISKS & CONCERNS :

The world textile environment has been quite favourable on account of scaling down of import duties in post WTO era. The South Asian Countries are better placed to emerge as global suppliers of textile products but the current business environment in India continues to be non-conducive due to distorted fiscal regime, rigid labour laws, entry and exit barriers, adverse investment environment in textile industry and brand equity in international markets. The prices of yarn continue to be lower due to lower demand and intense competition among major suppliers of textile products coupled with weak demand due to recession in major components of textile products. However, more recently, the off take of yarn has increased which is prominently reflected in growth in export of readymade garments during April, 2002 and gives hope for a better future. The fluctuations in the prices of cotton and the high cost of inputs like power and capital are other risks being faced by the Company.

However, your management has continued its efforts to improve performances by higher capacity utilisation, captive power generation, technology upgradation and development of new products and new markets.

g) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS :

The Company continues to lay emphasis on developing and facilitating optimum human performance. Performance management was the key word for the Company this year. Recruitment process has been strengthened to ensure higher competence levels. In line with this, your Company has also initiated an MBO based performance management system this year. In addition, training has been further strengthened through introduction of various new topical programs and through considerable enhancement of training time per person. Training programmes were organised so as to ensure coverage of all levels of employees in the group.