

39th  
Annual Report  
2002-2003



VARDHMAN

VARDHMAN SPINNING AND GENERAL MILLS LIMITED





## Textile Industry- Looking Ahead



During 1990s, the world witnessed large-scale investments in the textile industry especially in spinning. As per International Textile Manufacturers' Federation (ITMF), 30 million spindles and 3 million rotors were shipped during 1992-2001. Similarly textured yarn segment has also seen significant investment during the same period. The disproportionate increase in the textile machinery, which is far more than the demand for textile products, has led to a situation of over supply in the global textile market. It is evident from the fact that about 20-25% of excess capacity prevails in the spinning industry in the world. The picture is similar in weaving, knitting and apparel manufacturing. The situation has been aggravated with aggressive growth of textile industry in China. The impact of excess capacity has resulted into intense competition and large scale cratering of prices of textile products in international market. The domestic market has also not been immune to global developments. As a result, the profit margins of the textile industry across the board have been adversely affected.

The situation in India is more challenging in comparison to other competing countries like China, Pakistan, Sri Lanka, Bangladesh, Indonesia etc. A recent study on cost benchmarking among above mentioned countries by Texprocil-Gherzi Eastern shows that India lagged behind in international cost competitiveness in terms of power and fuel cost, high wage cost and low labour productivity, higher interest cost, lower yarn realization and serious quality issues.

The uncompetitiveness of the Indian textile industry may also be attributed to low technological upgradation of the industry especially in the weaving and fabrics processing segment and sub-scale of operations in the garment sector. The industry suffered due to the faulty fiscal policies pursued in the past. However in the Union Budget 2003-04, a complete package for the revival of the textile industry has been announced, which is a welcome step and would go a long way towards removing some of the impediments to growth. We are hopeful that the textile industry would benefit from the initiatives taken by the Government of India and will reorganise and modernise itself to face the competition in the international and domestic market.

Vardhman Spinning and General Mills Limited has been on the forefront of the technological developments and has some of the most modern plants in the country. As the industry gets restructured and better organised, our systemic working, focus on innovative new products and human resource development will help us improve performance in the coming years.

I look forward to a strong revival of the industry in the next three years.

With best wishes,

(S.P. OSWAL)  
Chairman



# Vardhman Spinning and General Mills Limited

## BOARD OF DIRECTORS :

MR. SHRI PAUL OSWAL	— Chairman
MR. BAL KRISHAN BATRA	— Nominee of IDBI Limited
MR. SURINDER KUMAR BANSAL	
MR. SURINDER SINGH BAGAI	
AIR MARSHAL KULDIP SINGH BHATIA (Retd.)	
MR. CHAMAN LAL JAIN	
MR. SUBASH KHANCHAND BIJLANI	
MR. RAJENDRA	
MR. BAL KRISHAN CHOUDHARY	
MR. SACHIT JAIN	— Executive Director
MRS. SUCHITA JAIN	— Executive Director

## CORPORATE GEN. MANAGER : (FINANCE, ACCOUNTS & MIS)

MR. NEERAJ JAIN

## COMPANY SECRETARY :

MRS. SHAKTI JINDAL

## BANKERS :

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

## AUDITORS :

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

## WORKS :

1. VARDHMAN SPINNING AND GENERAL MILLS LIMITED, UNIT-I, Chandigarh Road, Ludhiana-141 010
2. VARDHMAN SPINNING AND GENERAL MILLS LIMITED, UNIT-II, Chandigarh Road, Ludhiana-141 010
3. AURO SPINNING MILLS, Village Baddi, District Solan (H.P.)-173 205
4. AURO WEAVING MILLS, Village Baddi, District Solan (H.P.)-173 205
5. AURO DYEING, Village Baddi, District Solan (H.P.)-173 205
6. VARDHMAN SPINNING AND GENERAL MILLS LIMITED, (100% EOU), Village Baddi, District Solan (H.P.)-173 205
7. AURO TEXTILES, Village Baddi, District Solan (H.P.)-173 205

## 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) 2662543-547  
 Cable : VARDHMAN  
 Fax : (0161) 2601048, 2602710 & 2642616  
 Website: www.vardhman.com  
 E-mail : secretarial.lud@vardhman.com

## CONTENTS ..... PAGE NO.

NOTICE .....	02
DIRECTORS' REPORT .....	06
CORPORATE GOVERNANCE REPORT .....	13
AUDITORS' REPORT .....	18
BALANCE SHEET .....	20
PROFIT & LOSS ACCOUNT .....	21
CASH FLOW STATEMENT .....	22
SCHEDULES TO THE ACCOUNTS .....	23



## Vardhman Spinning and General Mills Limited

### NOTICE

NOTICE is hereby given that the THIRTY-NINTH ANNUAL GENERAL MEETING of the members of the Company will be held on Saturday, the 2nd day of August, 2003 at 3.00 P.M. at the Registered Office of the Company situated at Chandigarh Road, Ludhiana, to transact the following business :-

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003, Profit and Loss Account for the year ended on that date together with the Report of Auditors and Directors thereon.
2. To declare Dividend.
3. a) To appoint a Director in place of Mr. 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.
- b) To appoint a Director in place of Mr. Surinder Singh 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.
4. To appoint Auditors for the year 2003-2004 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 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Financial Institutions, Mrs. Suchita Jain be and is hereby re-appointed as an Executive Director of the Company for a period of five years w.e.f. 01.06.2003 to 31.05.2008 at the remuneration and other perquisites as detailed below:-

- I. **Salary** : Salary will be in the scale of Rs.75,000-5,000-95,000 per month.
- II. **Commission** : Commission equal to 75% of Annual Salary subject to the total remuneration being within the limits as prescribed in Part-II of Schedule XIII to the Companies Act, 1956.
- III. **Perquisites** : The perquisites shall be allowed in addition to salary and commission. However, such perquisites shall be restricted to an amount equal to one year's salary during each year as per details given below :-
- a) **Housing** – The appointee shall be entitled to free furnished accommodation or House Rent Allowance

equal to 40% of the basic salary. Free furnishing shall also be provided by the Company alongwith other amenities. The said facility shall, however, be subject to the policy framed by the Company in this respect. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962.

- b) **Medical Reimbursement** – Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and her family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years.
- c) **Leave Travel Concession** – The expenses incurred on leave travel by the appointee on self and her family shall be reimbursed once in a year in accordance with the rules specified by the Board.
- 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 and this will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. The said contribution will also be subject to the rules framed by the Company in this respect.
- g) **Gratuity** – Gratuity payable shall not exceed half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time.
- h) **Car & Telephone** – Free use of Company's car for official work as well as for personal purposes alongwith driver and telephone at Company's cost.

#### Explanation :

"Family" means the spouse, the dependent children and dependent parents of the appointee.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and acceptable to Mrs. Suchita Jain and to take necessary steps for the appointment of Mrs. Suchita Jain as an Executive Director of the Company."

6. 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

## Vardhman Spinning and General Mills Limited

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. 46.00 crore (Rupees forty six 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."

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

"RESOLVED THAT approval of the members be and is hereby accorded to get the equity shares of the Company delisted from The Delhi Stock Exchange Association Limited (DSE), New Delhi.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the above resolution and to do all other ancillary and consequential matters thereto."

BY ORDER OF THE BOARD

PLACE : LUDHIANA  
DATED: 21.05.2003

(SHAKTI JINDAL)  
COMPANY SECRETARY

### 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 Items Nos. 5 to 7 is annexed hereto and forms part of the Notice and the information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking re-appointment in the Annual General Meeting as proposed in Item Nos. 3(a), 3(b) & 5 of the Notice is also annexed hereto separately and forms part of the Notice.
3. The Dividend declared, if any, will be paid to those members whose names appear in the Register of Members of the Company as on the date of Annual General Meeting i.e. 2nd August, 2003. However, in respect of the shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as at the end of the 15th day of July, 2003, as per details furnished by Depositories for this purpose.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 16th July, 2003 to 2nd August, 2003 (Both days inclusive).**
5. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Company/Registrar and Transfer Agent. However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
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 holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant share certificates to the Company/Registrar and Share Transfer Agent.





## Vardhman Spinning and General Mills Limited

### 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 in its meeting held on 24.05.2001 had re-appointed Mrs. Suchita Jain as an Executive Director for a period of 2 years w.e.f. 01.06.2001 to 31.05.2003 on a salary of Rs. 50,000-6,000-60,000 per month and other perquisites equal to one year's salary and commission equal to 75% of annual salary subject to total remuneration being within the limits as prescribed in Part II of Schedule XIII attached to the Companies Act, 1956. Her appointment was also approved by the members in their meeting held on 14.08.2001. The term of her appointment comes to an end on 31st May, 2003.

Keeping in view her active involvement in the affairs of the Company, the Board of Directors in its meeting held on 21.05.2003 approved the re-appointment of Mrs. Suchita Jain as an Executive Director of the Company for a further period of five years w.e.f. 01.06.2003 to 31.05.2008 on the remuneration, terms and conditions as mentioned in the resolution, for which your approval is solicited.

##### Memorandum of Interest:

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

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

Your Company has been sanctioned a Rupee Term Loan of Rs.46.00 crore from State Bank of Patiala under Technology Upgradation Fund Scheme (TUFS). The loan has been sanctioned for the modernisation-cum-expansion of various units of the Company situated at Baddi and Ludhiana. The principal amount of loan together with interest cost, expenses and other monies, as stipulated in the 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.

##### ITEM NO. 7 OF THE SPECIAL BUSINESS :

Presently, the equity shares of the Company are listed on The Ludhiana Stock Exchange Association Limited (LSE), The Stock Exchange, Mumbai (BSE) and The Delhi Stock Exchange Association Limited (DSE). As the trading in the equity shares of the Company at DSE is almost negligible, it is proposed to get the equity shares of the Company delisted from DSE & your approval is solicited accordingly.

##### Memorandum of Interest:

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

BY ORDER OF THE BOARD

PLACE : LUDHIANA  
DATED : 21.05.2003

(SHAKTI JINDAL)  
COMPANY SECRETARY

## Vardhman Spinning and General Mills Limited

### INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT REGARDING THE DIRECTORS SEEKING RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING.

Name of the Director	Mr. Rajendra	Mr. Surinder Singh Bagai	Mrs. Suchita Jain
Date of Birth	22.04.1927	07.03.1929	21.03.1968
Date of Appointment	24.02.1989	18.02.1971	01.06.1998
Expertise in specific functional area	More than 40 years of experience in various corporate laws with specialisation in taxation.	More than 40 years of experience in various corporate laws with specialisation in taxation.	Industrial & business experience of more than 10 years in Textile Industry.
Qualification	M.A., L.L.M. (Gold Medalist)	M.A., LL.B.	M.Com.
Directorships of other companies	Nil	<ul style="list-style-type: none"> <li>- Bagai Investment Company</li> <li>- Bagai Tax Law Services Pvt. Limited</li> <li>- DLF Power Limited</li> <li>- Kevicon Builders &amp; Developers Pvt. Limited</li> <li>- Kevicon Consultants Limited</li> <li>- Nachiketa Real Estate Limited</li> <li>- Primrose Properties &amp; Traders</li> <li>- SCI -Tech</li> <li>- Wasti Properties</li> </ul>	<ul style="list-style-type: none"> <li>- Anklesh Investments (P) Limited</li> <li>- Flamingo Finance &amp; Investment Company Limited</li> <li>- Marshall Investment &amp; Trading Company Pvt. Limited.</li> <li>- Panchsheel Textile Manufacturing &amp; Trading Company (P) Limited</li> <li>- Plaza Trading Company Pvt. Limited</li> <li>- Pradeep Mercantile Company Pvt. Limited</li> <li>- Ramaniya Finance &amp; Investment Company Limited</li> <li>- Santon Finance &amp; Investment Company Limited</li> <li>- Srestha Holdings Limited</li> <li>- Syracuse Investment &amp; Trading. Company Pvt. Limited</li> </ul>
Chairman/Member of Committees of other companies	Nil	Nil	Nil



# Vardhman Spinning and General Mills Limited

## DIRECTORS' REPORT

To  
The Members,

The Directors of your Company have pleasure in presenting their 39th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2003.

### 1. FINANCIAL RESULTS :

The Financial Results for the year are as under :-

	(Rs. in lac)	
PARTICULARS	2002-2003	2001-2002
Sales (Gross)	63,000.92	59,307.16
Profit before Depreciation, Interest & Tax (PBDIT)	10,367.25	8,372.99
Interest & Financial Expenses	3,098.27	3,863.87
Profit before Depreciation & Tax (PBDT)	7,268.98	4,509.12
Depreciation	4,121.92	3,748.04
Profit before Tax (PBT)	3,147.06	761.08
Provision for Tax		
—Current	225.00	36.00
—Deferred	818.50	219.14
Profit after Tax (PAT)	2,103.56	505.94
<b>Appropriations:</b>		
Proposed Dividend		
— On Equity Shares	558.41	398.87
— Corporate Dividend Tax thereon	71.55	—
Transfer to Debenture Redemption Reserve	125.00	—
Transfer to Reserve for Bad & Doubtful Debts	—	100.00
Transfer to General Reserve	2,545.58	3,000.00
Balance carried to Balance Sheet	913.05	986.98
	<b>4,213.59</b>	<b>4,485.85</b>
Earnings per Share (Rs.)		
—Basic	13.18	3.17
—Diluted	2.61	1.63
Dividend per Share (Rs.)	3.50	2.50

### 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

#### a) TEXTILE INDUSTRY-GLOBAL PERSPECTIVE :

The world economy is on its way to slow recovery. The World Economic Forum has projected a growth rate of 3 per cent for 2003 and a growth rate of 4 per cent for 2004. The developed economies like European Union (EU) and United States of America (USA) are growing very slowly and Japan is almost stagnant. However, with easing of the tension in Middle East and stabilization of oil prices, the world economy has signalled revival of global business activities.

The global textile industry has been passing through a difficult time and is undergoing a process of restructuring

and re-adjustments. With continuous expansion in production capacity in the textile industry across countries, the international market is facing a situation of over supply. The impending removals of quotas will further lead to volatility in the international market situation. Increased competition among suppliers and sluggish economic conditions in importing countries has led to contraction of the international trade in textile and clothing. The international trade in textile and clothing declined from \$ 356 billion in 2000 to \$ 344 billion in 2001. The trade is reported to have increased marginally in the year 2002. Moreover with increasing raw material prices, the industry situation does not look healthy.

#### b) TEXTILE INDUSTRY-INDIAN PERSPECTIVE :

The Indian economy has recorded a growth of 4.4 per





Vardhman

## Vardhman Spinning and General Mills Limited

cent in 2002-03 against 5.5 per cent growth during 2001-02. Even in the face of difficult economic scenario, the external sector has performed very well and exports crossed the important psychological benchmark of \$50 billion. With this, the probability of raising India's share up to one percent of world trade by 2007 has increased significantly. On the domestic front, increased public expenditure on developing infrastructure in the country, as announced in the current budget, is bound to give impetus to growth rate. The RBI projects a growth rate of 6 per cent during the current financial year.

The textile industry in India has been waiting for restructuring, modernization and integration for the last two decades. The industry suffers from low level of technology and sub-scale operations and declining international competitiveness. However, according to experts, the industry has a potential of achieving 5 per cent share (exports of \$34 billion) of world trade in textile and clothing by 2010. The domestic market too can grow at a higher growth rate of 6-7 per cent. The size of the industry can grow from its present size of Rs. 1,50,000 crore to Rs. 3,50,000 crore by 2010. All this can be achieved with the bold policy initiatives on the part of the Government and orchestrated efforts on the part of the industry. The Government seems to have recognised the potential of the textile industry as reflected in the fiscal reforms carried out specifically for the textile industry in the Union Budget 2003-04.

### c) FINANCIAL ANALYSIS & REVIEW OF OPERATIONS :

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

#### i) PRODUCTION & SALES REVIEW :

During the year under review, your Company has registered Gross Sales of Rs.63,000.92 lac as compared to Rs.59,307.16 lac in the previous year, thereby registering an increase of 6.23 per cent. The segment-wise performance is as under :-

- **YARN:** The production of yarn increased from 29,218 MT to 30,177 MT during 2002-2003, registering an increase of 3.28 per cent. However, the sales of yarn decreased by 6.21 per cent from Rs. 37,177.14 lac in the previous year to Rs. 34,867.48 lac during the year under review. The export of yarn was Rs. 9,203.62 lac during the year as against Rs. 11,415.17 lac in the previous year, showing a decrease of 19.37 per cent.
- **FABRIC:** The production of grey fabric has marginally decreased from 24.95 million metres in the previous year to 24.65 million metres in the current year. The Company also produced processed fabric of 24.76 million metres as compared to 16.35 million metres in the previous

year. During the year under review, turnover was Rs.22,198.93 lac as against Rs.17,781.32 lac in the previous year, showing an increase of 24.84 per cent. The export turnover of fabric was Rs. 2,651.92 lac during the year as against Rs. 1,936.79 lac in the previous year, registering an increase of 36.92 per cent.

#### ii) PROFITABILITY :

The Company earned profit before depreciation, interest and tax of Rs.10,367.25 lac as against Rs.8,372.99 lac in the previous year, showing an increase of 23.82 per cent. The Company earned profit before depreciation and tax of Rs.7,268.98 lac as compared to Rs.4,509.12 lac in the previous year, showing an increase of 61.21 per cent. After providing for depreciation of Rs.4,121.92 lac (previous year Rs.3,748.04 lac), provision for current tax Rs.225.00 lac (previous year Rs.36.00 lac) and provision for deferred tax Rs.818.50 lac (previous year Rs.219.14 lac), net profit worked out to Rs.2,103.56 lac as compared to Rs.505.94 lac in the previous year, showing an increase of 315.77 per cent.

The balance available for appropriation after adding the surplus of Rs. 986.98 lac carried from the previous year was Rs.4,213.59 lac. Out of this, a sum of Rs. 558.41 lac and Rs. 71.55 lac respectively has been appropriated towards proposed dividend and corporate dividend tax thereon, Rs. 125.00 lac is proposed to be transferred to debenture redemption reserve, Rs. 2,545.58 lac is proposed to be transferred to general reserve and the balance Rs. 913.05 lac will be carried as surplus to the balance sheet.

The main reasons for increase in the profitability of the Company is increase in the production of processed fabric by Auro Textiles, a unit of the Company at Baddi and better sales realisation thereof. Further, the Company has been able to reduce its financial expenses mainly due to repayment of high cost debentures during the year and availability of loan at lower cost.

#### iii) RESOURCE UTILISATION :

- **FIXED ASSETS:** The gross fixed assets (including capital work-in-progress) as at 31st March, 2003 were Rs. 64,019.32 lac as compared to Rs.60,793.34 lac in the previous year. During the year, the Company added assets amounting to Rs.3,492.04 lac which is mainly on account of additions of fixed assets made in all the units of the Company at Ludhiana and Auro Spinning Mills, Auro Textiles, Vardhman Spinning and General Mills Limited (100% EOU) and Auro Dyeing units of the Company at Baddi (H.P.).
- **CURRENT ASSETS:** Debtors outstanding for more than six months were Rs.1,449.32 lac as compared to Rs.1,134.83 lac in the previous year. The net



## Vardhman Spinning and General Mills Limited

current assets as on 31st March, 2003 were Rs.23,527.70 lac as against Rs.22,848.68 lac in the previous year. Inventory level was at Rs.17,073.58 lac which was more than the previous year level of Rs.15,242.30 lac.

### iv) 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 are 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)

	Current Year	Previous Year
<b>Cash &amp; cash equivalents :</b>		
Beginning of the Year	548.00	852.35
End of the Year	770.28	548.00
<b>Net cash provided/(used) by :</b>		
Operating Activities	6,930.65	4,491.19
Investing Activities	(4,875.12)	(3,278.67)
Financial Activities	(1,833.25)	(1,516.87)

The net cash from operating activities at Rs.6,930.65 lac shows a tremendous increase as compared to Rs.4,491.19 lac in the previous year primarily due to increase in the profits of the Company. The cash used in investing activities increased from Rs.3,278.67 lac to Rs.4,875.12 lac during the year under review.

### d) FUTURE OUTLOOK :

The bold initiatives announced by Government of India in Budget 2003-04 in completing the CENVAT chain, withdrawal of unproductive exemptions, rationalization of excise duty structure and creation of textile specific infrastructure will go a long way in improving the investment environment of the industry and its overall performance. With these initiatives, the under WTO industry is likely to improve its global competitiveness in the new environment. Also with 1st January, 2005 approaching, when international trade in textiles and apparel is to become quota free, the opportunities for the efficient Indian companies is likely to improve.

The Company will stand to gain from the growth in world trade in the Post ATC (Agreement on Textile and Clothing) period. The growing demand for yarn and fabric will enable the Company to expand production capacity and improve profitability.

### 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.

### f) MANAGEMENT PERCEPTION OF RISKS & CONCERNS :

Increasing prices of raw material coupled with increasing competition in the international market will continue to exert downward pressure on profitability. The major consuming markets in US, Europe and Japan are facing economic sluggishness. The quantitative restrictions still stifle the free flow of textile materials. The domestic consumption of textile products continues to be much below the global per capita consumption. However, with the new set of Government policies, as announced in the Union Budget 2003-04, the industry is likely to undergo restructuring and modernisation. The organised sector will have a level playing field, which will help reduce risk and improve performance in coming years.

### g) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS :

Continued emphasis on the development of human resources and creation of a culture, wherein employees can contribute to the fullest of their potential, has remained the focus of your Company. During the year, the Company employed over 6,600 persons.

Many new themes for training & development have been taken up with a special focus on building functional competence. Vardhman Training and Development Centre at Ludhiana has been expanded and better facilities have been made available. A special focus on talent identification through assessment centres has enabled identification and retention of talent.

Your Company has been able to ensure harmonious industrial relations through its proactive policies in this regard. The Company has been successful in directing the energies of the employees towards positive activities. Culture building exercises like Worker's Skill Olympiad, Quality Circles competition & sports have enhanced the competitive spirit and enabled recognition of special contribution in these areas.

Employees involvement has been ensured through various forums like suggestion schemes, quality circle activities and communication meetings. The Company has also begun work in the areas of Total Quality Management (TQM) and Total Preventive Maintenance (TPM).