

Vardhman Textiles Limited

Tax Transparency Report

FY 2023-24



Vardhman

Message from our Chief Financial Officer

Mr. Rajeev Thapar



“At Vardhman Textiles, we recognize the critical role that tax transparency plays in fostering trust with our stakeholders, including investors, employees, communities, and Government Authorities. Our commitment to ethical and responsible tax practices reflects our broader philosophy of conducting business with integrity and accountability.

Tax compliance is not just a regulatory obligation for us; it is an integral part of our contribution to the economic and social development of the country as a whole. As a responsible corporate citizen, we are dedicated to ensure full compliance with tax laws and regulations while adhering to the highest standards of transparency in reporting our tax contributions.

We ensure to take all the effective measures from time to time to enhance our tax governance framework, which includes clear policies, robust internal controls, and periodic reviews. These measures ensure that our tax practices align with our business objectives, risk management priorities, and commitment to ESG principles.

This Tax Transparency Report highlights our approach to tax governance, our total tax contributions, and the value we create for society. By openly sharing this information, we aim to reinforce the confidence of our stakeholders in our business practices. We remain committed to continuous improvement in our tax strategies to support sustainable growth while fulfilling our obligations to the communities and economies we serve.



We thank our stakeholders for their unwavering trust and look forward to continuing this journey of accountability and transparency together.”

Tax Principles

Our tax governance principles are as follows:

- 1. Compliance:** We are dedicated to full compliance with tax laws, both in letter and spirit. This commitment ensures that we meet all our tax obligations, including timely filing of tax returns, accurate reporting of financial information, and prompt payment of taxes due. By adhering to these standards, we maintain our integrity and uphold the trust placed in us by our stakeholders.
- 2. Transfer Pricing:** All intra-group transactions are conducted in accordance with arm's-length principles and international transfer pricing guidelines. This means that transactions between related entities are priced as if they were between independent parties, ensuring fairness and compliance with global standards. We regularly review and document our transfer pricing policies to align with regulatory requirements and best practices.
- 3. Tax Structure:** Our business structures are designed based on genuine commercial considerations and substantial economic activities. Our approach ensures that our tax practices reflect the real economic substance of our operations, supporting sustainable business growth and contributing to the economies in which we operate.
- 4. Transparency:** We are committed to transparent disclosure of tax-related information in our financial and annual reports. This includes providing detailed insights into our tax strategy, tax contributions, and the impact of our tax practices on our financial performance.

These principles reflect our commitment to responsible tax practices, ensuring that we operate with integrity, fairness, and transparency in all our tax-related matters.

Tax Strategy

We are dedicated to paying the appropriate amount of tax on the profits we generate, within the correct time frame. This commitment is rooted in our respect for the tax laws applicable in each country, both in letter and in spirit.

All related party transactions undergo prior approval by the audit committee, in accordance with the Companies Act and SEBI regulations. We ensure these transactions adhere to the arm's length principle and comply with generally accepted transfer pricing rules and regulations in the countries where we operate. We are committed not to transfer any value created to low-tax jurisdictions.



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We prepare and file all tax returns in the specified forms within the required timelines, as mandated by applicable laws.

We also ensure that records required by tax laws, or those useful for resolving any queries from tax authorities, are appropriately prepared and retained.

It is essential for us to employ competent, qualified, and trained professionals with tax expertise and a deep understanding of our tax principles. This ensures that we maintain high standards of tax governance and transparency.

Tax Risk Management and Governance

Our organization has implemented a systematic procedure for scrutinizing all tax-related positions and decisions. This process adopts a sequence of preparation, review, and approval to guarantee comprehensive evaluation and precision.

The tax team, comprised of qualified professionals and reporting to the Chief Financial Officer (CFO), is tasked with providing guidance to both management and the broader business on the tax consequences of various business strategies. This tax function works in close partnership with other departments to embed tax considerations within the overall decision-making framework.

We regularly conduct self-assessments and audits of our internal control mechanisms and protocols to preserve their efficacy. We adopt a zero-tolerance approach to tax risk, emphasizing the identification, analysis, evaluation, treatment, mitigation, and monitoring of risks. Our internal controls and procedures ensure that all tax risks are managed effectively, maintaining a low-risk profile in tax compliance.

Our organization actively participates in industry associations and contributes to shaping tax legislation and practices when opportunities arise. Both our internal tax specialists and external advisors possess a comprehensive understanding of the relevant tax laws and ensure that our tax practices are in harmony with our code of conduct, corporate ethos, and our professional and ethical obligations.

We embrace tax benefits and incentives, structuring our tax affairs to qualify for such advantages, all the while maintaining alignment with Vardhman's strategic goals.

Reconciliation of Tax Expenses and Accounting Profit multiplied by India's Tax Rate

(All amounts in INR crores)

Particulars	Year ended March 31,2024	Year ended March 31,2023
Profit before tax	790.98	987.04
Tax rate	25.17%	25.17%
Profit for the year	199.07	248.42
Differential tax rate on capital gain on sale of investments/mark to market gain on investment	-19.58	-6.28
Effect of indexation benefit on value of investment	-0.12	-4.74



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Deductions u/s 80JJAA/80M	-2.03	-2.82
Effect of expenses considered as not deductible in determining taxable profit	7.08	6.59
Others	-1.07	-3.2
Total Income Tax Expense	183.35	237.97

The effective tax rate for the year ended March 31, 2024, is **23.18%** and for March 31, 2023, is **24.11%**.

Key Financial Information

(All amounts in INR crores)

Tax Jurisdiction	Related Party Revenue	Unrelated Party Revenue	Total Revenue	Profit before Income Tax	Income Tax paid on cash basis (net of refund)	Corp. Income Taxes Accrued	Stated Capital	Accumulated Earnings	Tangible Assets	No. of employees
India	60.7	9,237.9	9,298.6	790.9	207.4	183.3	57.8	8,747.1	3,693.3	24929
Total	60.7	9237.9	9298.6	790.9	207.4	183.3	57.8	8747.1	3693.3	24929

All our manufacturing units are situated in India & all business operations are carried out from India only.

Basis of Preparation

This section outlines the scope of the data reported herewith.

Reporting Period

The data covers the period from 01 April 2023 to 31 March 2024 and is based on the information used in the preparation of our Annual Report.

Detailed Breakdown of Taxes and Contributions

Taxes Contributed

- Corporate Tax:** Taxes accrued on the taxable profits of our group operations, including amounts withheld by third parties and deposited on our behalf with the government.
- Custom Duty:** Duties paid on the import of goods across borders.



- 3. Other Taxes:** Includes Property Tax, License Fees, Stamp Duty, ROC Fees, and any other statutory taxes paid on our operations.

Key Financial Information

- 1. Revenue:** Revenue is split between unrelated and related-party revenues. Unrelated revenue consists of all forms of revenue flowing from entities which are not controlled by us. Related-party revenues include revenue from our group companies.
- 2. Profit or (Loss) Before Tax:** This refers to the profit or loss in a jurisdiction and is aggregated as per the financials of the entities of the respective jurisdiction.
- 3. Corporate Income Taxes accrued:** The amount of corporate income tax accruing on the operations for the reporting period. It may or may not be the same as corporate income taxes paid or refunded in the period.
- 4. Stated capital & accumulated earnings:** The amount of capital invested in Vardhman Textiles Limited, and its subsidiaries and the earnings accumulated from our operations. The amount of accumulated earnings includes all free reserves as per companies act.
- 5. Employees:** The number of employees indicate the number of employees employed with us on 31 March 2024, based on the normal work jurisdiction of the employee.

This detailed breakdown ensures transparency and clarity in our tax reporting, reflecting our commitment to responsible tax practices.

Disclaimer

The information in this release has been included in good faith and is for general purposes only. It should not be relied upon for any specific purpose and no representation or warranty is given as regards to its accuracy or completeness. No information in this release shall constitute an invitation to invest in Vardhman Textiles Ltd. or any of its affiliates. Neither Vardhman Textiles Ltd., nor their affiliates' officers, employees or agents shall be liable for any loss, damage or expense arising out of any action taken on the basis of this release, including, without limitation, any loss of profit, indirect, incidental or consequential loss. Vardhman Textiles Ltd. assumes no obligation to update any information or forward-looking statement contained herein, save for any information we are required to disclose by law