



Vardhman

**VARDHMAN TEXTILES LIMITED**  
37<sup>th</sup> Annual Report 2009-2010





Vardhman

## The Indian Textile Industry: Facing the New Challenges



Dear Shareholders,

The year 2009-10 undoubtedly was a tough year but there was respite compared to the preceding year. After the gloom of 2008-09, when the world economy slumped into an abyss, then came hope and optimism as the current year rolled out. The inventory levels which had gone very low as a result of reduced buying by the retailers faced with economic uncertainties needed to be replenished as soon as they could find the off take at the retail improving and the confidence was returning.

The world trade in textile and clothing in the year also witnessed a decline over 2007- 08. But in the later part of the year, the exports looked up and capacity utilization in the Industry improved considerably. The stimulus package of Govt. of India in the form of subventions in the interest rates of the order of 2% on exports and extension of DEPB benefit on yarn definitely helped the Industry to tide over the difficult year. The depreciation of Indian Rupee also supported the export of Textiles including yarn. Offcourse towards the end of 2009-10 rupee tended to appreciate against dollar to some extent.

Overall the year 2009-10 has shown a considerable improvement in the Indian Textiles because of robust domestic demand and better export orders. Indian economy definitely was more insulated from the effects of world recession partly due to domestic demand and partly the timely policy changes brought in by the Government in the year 2008-09 like reduction in excise duty and lowering of interest rates.

Fortunately, India has achieved a good break through in cotton production. In both the years 2008 and 2009, the production was more than the consumption in the country. Though the prices in the year 2009 tended to increase due to uncontrolled exports causing imbalance in the demand and supply, yet the situation improved as soon as the new crop started picking up towards October-November, 2009. However, it is important that Govt. may regulate the export of cotton in a way that lends stability in domestic prices of cotton because the surplus that we have is just about 15% of the production-while we have around us, countries like China, Pakistan, Bangladesh who depend upon imports to a considerable extent.

The year 2010-11 started with a great degree of optimism. The demand for yarn is strong leading to rise in prices. Though the international cotton prices have also firmed up considerably due to lower estimate of production in the year 2010-11, causing therefore a reduction in carryover stock by more than 1.5 million tons of cotton, there has been commensurate increase in the yarn prices because of good demand. It is expected that Industry should pass through the year with restored margins which were impaired in the year 2008-09.

Steel Division has also picked up its production after reduced activity in the year 2008- 09. Automobile Industry is facing boom like condition in the country and demand of alloy steels has picked up. We expect the conditions to continue throughout the year.

With best wishes,

(SHRI PAUL OSWAL)  
Chairman & Managing Director



*The Chairman & Managing Director, Mr. S. P. Oswal receiving the Prestigious 'Padma Bhushan' Award, from Hon'ble Mrs. Pratibha Patil, the President of India, conferred on him by the Government for his incredible contribution to the Trade and Industry, at a ceremony held at Rashtrapati Bhavan on 31st March, 2010.*

## **BOARD OF DIRECTORS**

*SH. SHRI PAUL OSWAL — Chairman & Managing Director*  
*SMT. AMITA NARAIN — (Nominee of IDBI)*  
*SH. ARUN KUMAR PURWAR*  
*SH. PRAFULL ANUBHAI*  
*SH. SUBASH KHANCHAND BIJLANI*  
*SH. ASHOK KUMAR KUNDRA*  
*SH. DARSHAN LAL SHARMA*  
*SH. SHRAVAN TALWAR*  
*SH. SACHIT JAIN — Executive Director*  
*SMT. SUCHITA JAIN — Executive Director*  
*SH. NEERAJ JAIN — Executive Director*

## **CGM (FINANCE, ACCOUNTS & TAXATION)**

*SH. RAJEEV THAPAR*

## **COMPANY SECRETARY**

*SH. VIPIN GUPTA*

## **AUDITORS**

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

## **BANKERS**

*STATE BANK OF PATIALA, ALLAHABAD BANK*  
*ICICI BANK LTD., PUNJAB NATIONAL BANK*  
*STATE BANK OF INDIA, BANK OF BARODA*  
*CORPORATION BANK, UNION BANK OF INDIA*  
*CANARA BANK, STANDARD CHARTERED BANK*  
*BANQUE NATIONALE DE PARIS*

## **REGISTRAR & TRANSFER AGENT**

*ALANKIT ASSIGNMENTS LIMITED, NEW DELHI*

## REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.

Phones : (0161) 2228943-48

Fax : (0161) 2601048 & 2602710.

E-mail: [secretarial.lud@vardhman.com](mailto:secretarial.lud@vardhman.com)

Web site: [www.vardhman.com](http://www.vardhman.com)

## WORKS

**ANANT SPINNING MILLS,**  
MANDIDEEP

**ARIHANT SPINNING MILLS,**  
MALERKOTLA

**ARISHT SPINNING MILLS,**  
BADDI

**AURO DYEING,**  
BADDI

**AURO SPINNING MILLS,**  
BADDI

**AURO TEXTILES,**  
BADDI

**AURO WEAVING MILLS,**  
BADDI

**MAHAVIR SPINNING MILLS,**  
(GASSED MERCERISED YARN UNIT),  
HOSHIARPUR

**MAHAVIR SPINNING MILLS**  
(TEXTILE DIVISION), BADDI

**VARDHMAN SPECIAL STEELS,**  
LUDHIANA

**VARDHMAN SPINNING AND GENERAL MILLS**  
(UNIT-I & II), LUDHIANA

**VARDHMAN SPINNING MILLS,**  
BADDI

**VARDHMAN FABRICS,**  
BUDHNI

**VARDHMAN YARNS, SATLAPUR**

**VARDHMAN FABRICS**  
(POWER DIVISION),  
BUDHNI

**VARDHMAN YARNS**  
(POWER DIVISION),  
SATLAPUR

## BRANCHES

- P-22, 3rd Floor, Flat No.6,  
C.I.T. Road, Scheme IV,  
KOLKATA- 700 014.
- Chandigarh Road,  
LUDHIANA- 141 010.
- 314, Solaris II, Opp. L&T Gate  
No.6, Saki Vihar Road,  
Andheri (East), MUMBAI- 400 072.
- 504, Dalamal House,  
Nariman Point, MUMBAI- 400 021.
- 309-310, Surya Kiran Building,  
19, Kasturba Gandhi Marg,  
NEW DELHI- 110 001.
- 212, Urdu Ghar, Ist Floor,  
Deen Dayal Upadhyaya Marg,  
NEW DELHI-110 002.
- 377-B, Muthuswami Industrial  
Complex, Palladam Road, TIRUPUR- 638 604.

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## NOTICE

NOTICE is hereby given that the THIRTY SEVENTH ANNUAL GENERAL MEETING of Vardhman Textiles Limited will be held on Saturday, the 17<sup>th</sup> day of July, 2010 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 Audited Balance Sheet as at 31<sup>st</sup> March, 2010, Profit and Loss Account for the year ended on that date, together with Report of Auditors and Directors thereon.
2. To declare Dividend.
3. a). To appoint a Director in place of Mr. A. K. Purwar, who retires by rotation in accordance with Article 108 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. D. L. Sharma, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2010-2011 and to fix their remuneration.

### SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolutions as Ordinary Resolutions:-
  - (a). "RESOLVED THAT Mrs. Suchita Jain, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
  - (b). "RESOLVED THAT Mr. Shravan Talwar, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
  - (c). "RESOLVED THAT Mr. Neeraj Jain, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed 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 an Ordinary

Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. S.P. Oswal, be and is hereby re-appointed as the Chairman & Managing Director of the Company for a period of five years w.e.f. 1st June, 2010 to 31<sup>st</sup> May, 2015 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	In the scale of Rs. 3,37,500 - 7,500 - 3,67,500 per month.
II.	Commission	Equal to 2% of net profit calculated as per Section 349 of the Companies Act, 1956 subject to total remuneration being within the limits as prescribed in Part-II of Schedule-XIII to the Companies Act, 1956.
III.	Perquisites	The perquisites are allowed in addition to salary and commission as per details given below, however, such perks are restricted to an amount equal to one year's salary during each year:-
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary. Free furnishing is provided by the Company alongwith other amenities.
b)	Medical Re-imbusement	Re-imbusement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his 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 his family, are reimbursed 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 does not include admission and life membership fees.
e)	Personal Accident Insurance	Premium not to exceed Rs. 5,000/- per annum.
f)	Car & Telephone	Free use of Company's car for official work as well as for personal purposes along with Driver and telephone at Company's cost.
g)	Provident Fund & other funds	Contribution to provident fund, superannuation fund or annuity



h)	Gratuity	fund subject to the rules framed by the Company in this respect. Gratuity payable not exceeding half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time.	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 Company.
			d)	Club Fees	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

**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 the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and are acceptable to Mr. S.P. Oswal.

RESOLVED FURTHER THAT Mr. D.L. Sharma, Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. S.P. Oswal."

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 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mrs. Suchita Jain, be and is hereby appointed as an Executive Director of the Company for a period of five years w.e.f. 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2015 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,25,000 - 7,500 - 1,55,000 per month
II.	Commission	Commission equal to 75% of Annual Salary subject to total remuneration being within the limits as prescribed in Part-II of Schedule-XIII to the Companies Act, 1956.
III	Special Allowance	Special allowance @ 30,000 per month.
IV.	Perquisites	The perquisites are allowed in addition to salary and commission as per details given below, however, such perks are restricted to an amount equal to one year's salary during each year:-
a)	Housing	House Rent Allowance equal to 40% of basic salary.
b)	Medical Re-imbursement	Re-imbursement 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.

e)	Personal Accident Insurance	Premium not to exceed Rs. 5,000/- per annum.
f)	Car & Telephone	Free use of Company's car for official work as well as for personal purposes along with Driver and telephone at Company's cost.
g)	Provident Fund & other funds	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.
h)	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.

**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 the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and are acceptable to Mrs. Suchita Jain.

RESOLVED FURTHER THAT Mr. D.L. Sharma, Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mrs. Suchita Jain".

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 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Sachit Jain, be and is hereby re-appointed as an Executive Director of the Company for a period of five years w.e.f. 30<sup>th</sup> March,



2010 to 29<sup>th</sup> March, 2015 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,75,000 – 12,500 – 2,25,000 per month.
II.	Commission	Commission equal to 75% of Annual Salary subject to 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	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary and free furnishing shall be provided by the Company alongwith other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
b)	Medical Re-imbusement	Re-imbusement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his 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 his family shall be reimbursed 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)	Car & Telephone	Free use of Company's car for official work as well as for personal purposes along with Driver and telephone at Company's cost.
g)	Provident Fund & other funds	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.

h)	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.
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**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 the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and are acceptable to Mr. Sachit Jain.

RESOLVED FURTHER THAT Mr. D.L. Sharma, Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. Sachit Jain."

9. 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, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Neeraj Jain, be and is hereby appointed as an Executive Director of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2013 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,03,000 – Rs. 7500 – Rs. 1,18,000 per month.
II.	Commission	Commission equal to 75% of Annual Salary subject to total remuneration being within the limits as prescribed in Part-II of Schedule-XIII to the Companies Act, 1956.
III.	Special Allowance	Special allowance @ Rs. 27,150 per month.
IV.	Other Allowances	Other allowances @ Rs. 7500 per month
V.	Perquisites	The perquisites are allowed in addition to salary and commission as per details given below, however, such perks are restricted to an amount equal to one year's salary during each year:-



Vardhman

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

- |    |                              |   |
|----|------------------------------|---|
| a) | Housing                      | House Rent Allowance equal to 40% of basic salary.  |
| b) | Medical Re-imbursement       | Re-imbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a maximum of Rs. 30,000 p.a.   |
| c) | Leave Travel Concession      | The expenses incurred on leave travel by the appointee on self and his family shall be reimbursed once in a year in accordance with the rules specified by the Company subject to a maximum of Rs. 40,000 p.a.  |
| d) | Car                          | Free use of Company's car for official work as well as for personal purposes along with Driver.   |
| e) | Provident Fund & other funds | 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. |
| f) | 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.   |

**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 the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and are acceptable to Mr. Neeraj Jain.

RESOLVED FURTHER THAT Mr. Sachit Jain, Executive Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. Neeraj Jain".

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

"RESOLVED THAT pursuant to the provisions of Section 309, 310, and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members of the Company be and is hereby given to the enhancement of

the sitting fee payable to the Directors from Rs.10,000/- and Rs. 6,000/- per Meeting to Rs. 15,000/- and Rs. 10,000/- per Meeting for attending the Board Meeting and Committee Meeting respectively."

**BY ORDER OF THE BOARD**

**PLACE : NEW DELHI**

**(VIPIN GUPTA)**

**DATED : 7th May, 2010**

**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. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting as proposed in Item No. 3, 5 (a),(b),(c), 6, 7, 8 and 9 of the notice is also being annexed hereto separately and forms part of the Notice.
3. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 6th July, 2010 to 17th July, 2010.**
4. The Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Registrar & Transfer Agent/Company. However members, holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
5. 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.
6. 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.
7. Members are requested to bring their copy of Annual report along with them to the Annual General Meeting.
8. 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 Transfer Agent.

**BY ORDER OF THE BOARD**

**PLACE : NEW DELHI**

**(VIPIN GUPTA)**

**DATED : 7th May, 2010**

**COMPANY SECRETARY**

## **ANNEXURE TO THE NOTICE:**

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

#### **ITEM NO. 5 (a), 5(b) & 5(c) OF THE SPECIAL BUSINESS.**

The Board of Directors had appointed Mrs. Suchita Jain and Mr. Shravan Talwar as Additional Directors on the Board of the Company in its Meeting held on 29th January, 2010 pursuant to Article 105 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. Further, the Board of Directors in its Meeting held on 31st March, 2010 had appointed Mr. Neeraj Jain also as an Additional Director w.e.f. 1st April, 2010 on the Board of the Company.

The Company has received notices from the members of the Company u/s 257 of the Companies Act, 1956, together with the requisite deposit, proposing the candidature of Mr. Shravan Talwar, Mr. Neeraj Jain and Mrs. Suchita Jain as the Directors of the Company.

#### **MEMORANDUM OF INTEREST.**

None of the Directors, except Mr. S.P. Oswal & Mr. Sachit Jain, being the relatives of Mrs. Suchita Jain, and Mrs. Suchita Jain, being the appointee herself, in Item No. 5(a), Mr. Shravan Talwar, being the appointee himself, in Item No. 5(b) and Mr. Neeraj Jain, being the appointee himself, in Item No. 5(c), is concerned or interested in the respective resolutions.

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

The Board of Directors in its meeting held on 17<sup>th</sup> June, 2005 had appointed Mr. S. P. Oswal as Chairman and Managing Director of the Company w.e.f. 1st June, 2005 for a period of five years. The said term of five years is about to expire on 31<sup>st</sup> May, 2010. Therefore, he has been re-appointed by the Board of Directors in its meeting held on 7th May, 2010 as the Chairman and Managing Director of the Company for a further period of five years w.e.f. 1<sup>st</sup> June, 2010 on remuneration and other terms and conditions as mentioned in the resolution. His appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

#### **MEMORANDUM OF INTEREST.**

Except the appointee himself i.e. Mr. S.P. Oswal, Mr. Sachit Jain and Mrs. Suchita Jain, being the appointee's relatives, none of the other Directors is concerned or interested in the appointment.

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

The Board of Directors of the Company in its meeting held on 31st March, 2010 had appointed Mrs. Suchita Jain as Executive Director of the Company for a period of five years w.e.f. 1<sup>st</sup> April, 2010 on remuneration and other terms and conditions as mentioned in the resolution to look after the Fabric Business of the Company since she has a rich experience of more than 17 years in Textile Industry. Her appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

#### **MEMORANDUM OF INTEREST.**

Except the appointee herself i.e. Mrs. Suchita Jain, Mr. S. P. Oswal and Mr. Sachit Jain being the appointee's relatives, none of the other Directors is concerned or interested in the appointment.

#### **ITEM NO. 8 OF THE SPECIAL BUSINESS.**

The Board of Directors in its meeting held on 30th March, 2005 had appointed Mr. Sachit Jain as Executive Director of the Company w.e.f. 30th March, 2005 for a period of five years. The said term of five years was expired on 29th March, 2010. Therefore, he was re-appointed by the Board of Directors in its meeting held on 31st March, 2010 as the Executive Director of the Company for a further period of five years w.e.f. 30<sup>th</sup> March, 2010 on remuneration and other terms and conditions as mentioned in the resolution. His appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

#### **MEMORANDUM OF INTEREST.**

Except the appointee himself i.e. Mr. Sachit Jain, Mr. S.P. Oswal and Mrs. Suchita Jain being the appointee's relatives, none of the other Directors is concerned or interested in the appointment.

#### **ITEM NO. 9 OF THE SPECIAL BUSINESS.**

Since the Yarn business of the Company contributes to the largest share of the revenue of the Company, an able guidance in this segment was required. As Mr. Neeraj Jain was looking after the Yarn Business of the Company, accordingly, the Board of Directors of the Company in its meeting held on 31st March, 2010 had appointed Mr. Neeraj Jain as Executive Director of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2010 on remuneration and other terms and conditions as mentioned in the resolution. His appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

#### **MEMORANDUM OF INTEREST.**

Except the appointee himself i.e. Mr. Neeraj Jain, none of the other Directors is concerned or interested in the appointment.

#### **ITEM NO. 10 OF THE SPECIAL BUSINESS.**

Article 96 of the Articles of Association of your company provides for payment of sitting fee to every director for attending a meeting of the Board or its Committee subject to such maximum fee as may be prescribed by the Central Government from time to time. In terms of Circular No. G. S. R. 580 (E) dated 24.07.2003 issued by the Central Government, your Company can pay a maximum amount of Rs. 20,000/- as sitting fee for each meeting of the Board or any Committee thereof.

Keeping in view the contribution made by the Directors in framing progressive policies and also giving their valuable guidance/suggestions from time to time to the Company, the Board of Directors of the Company in its meeting held on 24th October, 2009 had enhanced the sitting fee from Rs. 10,000/- to Rs. 15,000/- and from Rs. 6,000/- to Rs. 10,000/- per meeting for attending the Board Meeting and Committee Meeting respectively, subject to the consent of the Members. Accordingly, your approval is solicited.

#### **MEMORANDUM OF INTEREST.**

Except Mr. S. P. Oswal, Chairman & Managing Director, Mr. D.L. Sharma, Director, Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Neeraj Jain, Executive Directors, all other Directors of the Company are concerned or interested in this resolution.



Vardhman

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## Information pursuant to Corporate Governance Clause of the Listing Agreement(s)

Name of the Director	Mr. S. P. Oswal	Mr. A.K. Purwar	Mr. D. L. Sharma
Date of Birth	08.04.1942	14.05.1946	10.11.1948
Expertise in specific functional area	Rich experience of more than 43 years in Textile Industry	Eminent Banker having experience of more than 36 years in Banking	Business Executive having rich experience of more than 35 years in Textile and Sewing Thread Business.
Qualification	M.Com (Gold Medalist)	M.Com, PGDCA	B.Sc. (Engg), M.B.A
Directorships of Other Companies as on 31 <sup>st</sup> March, 2010	<ol style="list-style-type: none"> <li>1. Vardhman Holdings Limited</li> <li>2. VMT Spinning Company Limited</li> <li>3. Vardhman Acrylics Limited</li> <li>4. VTL Investments Limited</li> <li>5. Vardhman Yarns &amp; Threads Limited</li> <li>6. Devakar Investment &amp; Trading Company (P) Limited</li> <li>7. Adinath Investment &amp; Trading Company</li> <li>8. Anklesh Investments (P) Limited</li> <li>9. Srestha Holdings Limited</li> <li>10. Mahavir Spinning Mills (P) Limited</li> <li>11. Santon Finance &amp; Investment Company Limited</li> <li>12. Flamingo Finance &amp; Investment Company Limited</li> <li>13. Ramaniya Finance &amp; Investment Company Limited</li> <li>14. Marshall Investment &amp; Trading Company (P) Limited</li> <li>15. Pradeep Mercantile Company (P) Limited</li> <li>16. Plaza Trading Company (P) Limited</li> <li>17. Syracuse Investment &amp; Trading Company (P) Limited</li> <li>18. Nimbua Greenfield (Punjab) Limited</li> <li>19. UTI Trustee Company (P) Limited</li> <li>20. Vardhman Spinning &amp; General Mills Limited</li> <li>21. Confederation of Indian Textile Industry</li> <li>22. New Delhi Institute of Management</li> </ol>	<ol style="list-style-type: none"> <li>1. Reliance Communications Limited</li> <li>2. Jindal Steel &amp; Power Limited</li> <li>3. Apollo Tyres Limited</li> <li>4. Engineers India Limited</li> <li>5. India Infoline Limited</li> <li>6. Jindal Power Limited</li> <li>7. Deccan Infrastructure and Land Holdings Limited</li> <li>8. IL &amp; FS Renewable Energy Limited (IREL)</li> <li>9. India Infoline Investment Services Limited</li> <li>10. ONGC- Tripura Power Company (P) Limited</li> <li>10. Caparo Engineering India (P) Limited</li> <li>11. India Venture Advisors (P) Limited</li> <li>12. Energy Infratech (P) Limited</li> <li>13. Sri Kavery Medical Care (Trichy) (P) Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Vardhman Acrylics Limited</li> <li>2. VTL Investments Limited</li> <li>3. VMT Spinning Company Limited</li> <li>4. Vardhman Yarns and Threads Limited</li> <li>5. Sangam Weavers (P) Limited</li> <li>6. ARCS India Dialysis (P) Limited</li> <li>7. Delux Fabrics (P) Limited</li> <li>8. Vardhman Texgarments Limited</li> </ol>
Chairman/Member of Committees of other Companies as on 31 <sup>st</sup> March, 2010		<p><b>Audit Committee</b></p> <ol style="list-style-type: none"> <li>1. Reliance Communications Limited (Member)</li> <li>2. Engineers India Limited (Chairman)</li> <li>3. Deccan Infrastructure and Land Holdings Limited (Chairman)</li> <li>4. Jindal Power Limited (Member)</li> </ol> <p><b>Investors' Grievance Committee</b></p> <ol style="list-style-type: none"> <li>1. Reliance Communications Limited (Chairman)</li> </ol>	<p><b>Audit Committee</b></p> <ol style="list-style-type: none"> <li>1. VMT Spinning Company Limited (Member)</li> <li>2. Vardhman Yarns &amp; Threads Limited (Member)</li> <li>3. Vardhman Acrylics Limited (Member)</li> </ol> <p><b>Investors' Grievance Committee</b></p> <ol style="list-style-type: none"> <li>1. Vardhman Acrylics Limited (Member)</li> </ol>
No. of shares held	<b>6,43,156</b>	<b>NIL</b>	<b>NIL</b>
Relationship with other Director(s)	Mr. Sachit Jain is the son-in-law & Mrs. Suchita Jain is the daughter of Mr. S. P. Oswal.	Not related to any Director	Not related to any Director

**regarding the Directors seeking appointment/re-appointment in the Annual General Meeting**

Mr. Sachit Jain	Mr. Neeraj Jain	Mr. Shravan Talwar	Mrs. Suchita Jain
08.07.1966	09.10.1967	17.04.1970	21.03.1968
Business Executive having rich experience of more than 20 years in Textile Industry	Business Executive having rich experience of more than 18 years in Finance & Yarn Business	Business Executive having rich experience of more than 10 years in the field of Strategic Planning, Marketing & Restructuring of Business Operations	Rich experience of more than 17 years in Textile Industry
B.Tech, M.B.A	B.Com, C.A.	B.A. (Computational & Applied Math & Economics), M.B.A.	M.Com
<ol style="list-style-type: none"> <li>1. Vardhman Acrylics Limited</li> <li>2. Vardhman Holdings Limited</li> <li>3. VMT Spinning Company Limited</li> <li>4. Vardhman Yarns and Threads Limited</li> <li>5. Srestha Holdings Limited</li> <li>6. Santon Finance &amp; Investment Company Limited</li> <li>7. Flamingo Finance &amp; Investment Company Limited</li> <li>8. Ramaniya Finance &amp; Investment Company Limited</li> <li>9. Vardhman Spinning &amp; General Mills Limited (Formerly known as Vardhman Linen Limited)</li> <li>10. Pradeep Mercantile Company (P) Limited</li> <li>11. Vardhman Apparels Limited</li> <li>12. Vardhman Texgarments Limited</li> <li>13. Syracuse Investment &amp; Trading Company (P) Limited</li> <li>14. Adinath Investment &amp; Trading Company</li> <li>15. Devakar Investment &amp; Trading Company (P) Limited</li> <li>16. Mahavir Spinning Mills (P) Limited</li> <li>17. Anklesh Investments (P) Limited</li> <li>18. Plaza Trading Company (P) Limited</li> <li>19. Marshall Investment &amp; Trading Company (P) Limited</li> <li>20. VTL Investments Limited</li> <li>21. UTI Asset Management Company Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Vardhman Apparels Limited</li> <li>2. Vardhman Textile Components Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Destiny Healthcare (P) Limited</li> <li>2. Destiny Health (P) Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Syracuse Investment &amp; Trading Company (P) Limited</li> <li>2. Srestha Holdings Limited</li> <li>3. Anklesh Investments (P) Limited</li> <li>4. Pradeep Mercantile Company (P) Limited</li> <li>5. Plaza Trading Company (P) Limited</li> <li>6. Marshall Investment &amp; Trading Company (P) Limited</li> <li>7. Santon Finance &amp; Investment Company Limited</li> <li>8. Flamingo Finance &amp; Investment Company Limited</li> <li>9. Ramaniya Finance &amp; Investment Company Limited</li> <li>10. Adinath Investment &amp; Trading Company</li> <li>11. Mahavir Spinning Mills (P) Limited</li> <li>12. Vardhman Holdings Limited</li> <li>13. Vardhman Spinning &amp; General Mills Limited (Formerly known as Vardhman Linen Limited)</li> </ol>
<p><b>Audit Committee</b></p> <ol style="list-style-type: none"> <li>1. VMT Spinning Company Limited (Chairman)</li> <li>2. Vardhman Yarns &amp; Threads Limited (Chairman)</li> <li>3. Vardhman Texgarments Limited (Member)</li> <li>4. UTI Asset Management Company Limited (Member)</li> </ol> <p><b>Investors' Grievance Committee</b></p> <ol style="list-style-type: none"> <li>1. Vardhman Holdings Ltd. (Member)</li> </ol>			
<b>40,005</b>	<b>15</b>	<b>NIL</b>	<b>2,61,334</b>
Mr. S. P. Oswal is the Father-in-law and Mrs. Suchita Jain is the wife of Mr. Sachit Jain	Not related to any Director	Not related to any Director	Mr. S. P. Oswal is the Father and Mr. Sachit Jain is the husband of Mrs. Suchita Jain



## DIRECTORS' REPORT

Dear Members,

The Board of Directors of your Company has pleasure in presenting the 37<sup>th</sup> Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended, 31<sup>st</sup> March, 2010.

### 1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

<b>PARTICULARS</b>	<b>2009-2010</b>	<b>(Rs. in Crore) 2008-2009</b>
Turnover	<b>2,767.22</b>	2,495.38
Profit before Depreciation, Interest & Tax (PBDIT)	<b>594.63</b>	371.37
Interest and Financial expenses	<b>86.73</b>	102.34
Profit before Depreciation and Tax (PBDT)	<b>507.89</b>	269.03
Depreciation	<b>220.87</b>	207.32
Profit before Tax (PBT)	<b>287.02</b>	61.71
Provision for Tax		
- Current	<b>56.75</b>	0.17
- Fringe Benefit Tax	-	0.91
- Deferred Tax		
(Net of Adjustment)	<b>16.51</b>	33.28
Profit after Tax (PAT) from continuing operations	<b>213.76</b>	27.35
Profit on sale of discontinued operations	-	113.42
Add: Debenture Redemption Reserve	-	-
Corporate Dividend Tax written back	<b>1.95</b>	1.25
Balance brought forward	<b>60.85</b>	57.34
Balance available for appropriation	<b>276.56</b>	199.36
<b>Appropriations:</b>		
Proposed Dividend on:		
- Equity shares	<b>17.33</b>	11.55
- Corporate Dividend Tax	<b>2.88</b>	1.96
	<b>20.21</b>	13.51
Transfer to General Reserve	<b>125.00</b>	125.00
Surplus carried to Balance Sheet	<b>131.35</b>	60.85
	<b>276.56</b>	199.36
Earnings per share (Rs.)		
- Basic	<b>37.00</b>	24.37
- Diluted	<b>31.83</b>	18.48
Dividend per share (Rs.)	<b>3.00</b>	2.00

### 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### A) Textile Business:

World economy has shown initial indications of recovery after a severe spell of recession. The world economy is expected to grow by 4.2 percent in 2010 and projected to maintain the growth momentum in the next 5 years. However, the consumer confidence in major importing countries like USA and EU has been lagging behind economic growth projections and may take some more time before showing any convincing revival. Though some growth has been seen in the world trade of textile and clothing especially post Sept. 2009. The USA textile and clothing imports, which declined by 13 percent in 2009 over 2008 has

increased by 1 percent during Jan-Feb 2010. The partial explanation of increase in textile and clothing imports may be attributed to the pressure on retailers caused by very low inventory levels. It has resulted into creation of demand for textile and clothing products in international market. The domestic market is also showing some signs of improvement leading to overall increase in textile manufacturing in the country.

The industry has attracted investment to the tune of Rs. 2 lacs crore under TUF for capacity expansion and modernization, which has started paying yield. It is evident from the increased textile manufacturing in the country in the form of increased spun yarn production. The spun yarn production is expected to increase at about 4200 mn kg in 2009-10 and expected to grow

by about 8% to 4500 mn kg in 2010-11. The domestic deliveries of spun yarn has also been growing consistently showing increased activities in the entire textile value chain.

There are some areas of concerns also, which need to be stated here. Along-with recovery, the textile industry is also facing increase in input prices in sync with the global trends. In addition to appreciating rupee, free export of cotton followed by withdrawal of export incentives on cotton yarn are also causing concerns for the sustained recovery in the textile industry. In our view, there is need for an integrated approach to be adopted for the development of the textile and clothing industry in the country. Such an approach is required to ward off any such situation where the strengths of one segment of the textile industry is being undermined for passing temporary relief to another segment of the industry leading to permanent damage to the complete textile value chain. In our views, if any segment suffers from some systemic disadvantages affecting its global competitiveness, it should be overcome through suitable incentives mechanism without affecting any other segment of the industry.

Vardhman has utilized the opportunity offered by the global recession for introspection to identify areas of improvement i.e. fine tuning supply chain management and resource optimization to strengthen our competitiveness by offering more value to customers in terms of high value added products. It is a matter of pleasure to note that such initiatives have paid us well, enhanced our learning, strengthen our resolve and increase our capabilities to overcome such events in future.

We have a firm faith in the bright future of textile industry in India. The Group is planning expansion in spinning, dyeing, weaving and fabric processing capacities to build on economies of scales and develop capabilities to serve the global market.

## **B) Steel business:**

Our steel business is dependent on demand for auto and other related users. The demand in auto industry which was suppressed because of global economic slow down has now revived since third quarter of 2009-10. Simultaneously, there has been a steep rise in raw material cost like shredded scrap, sponge iron etc. because of which there is more market driven pressure on pricing of finished steel. However, the auto industry is projecting healthy growth during 2010-11 and it is expected that the demand shall remain firm enabling steel plants in India to utilize their installed capacity in full.

The Company is also considering to restructure this business and have appointed the external advisors to help examine various options to restructure the same.

## **C) Financial Analysis and Review of Operations:**

### **• PRODUCTION & SALES REVIEW:**

During the year under review, your company has registered a turnover of Rs. 2,767.22 crore as compared to Rs. 2,495.38 crore showing an increase of 10.89% over the previous year turnover. The export of the Company increased from Rs. 627.04 crore to Rs. 704.00 crore, showing an increase of 12.27% over the previous year owing to enhanced production and better product/market penetration. The business wise performance is as under:-

#### **a). Yarn:**

The production of Yarn increased from 115,888 MT to 126,146 MT during 2009-2010. The sales revenue of yarn increased from Rs. 1,324.72 crore to Rs. 1,476.99 crore during the year under review.

#### **b). Steel:**

During the year, the production of steel ingots/billets has been 62,110 MT compared to 53,078 MT of the previous year and that of Rolled products has been 56,581 MT compared to 51,471 MT of the previous year. The sales revenue of the division has been Rs. 276.38 crore (Previous Year Rs. 321.74 crore).

#### **c). Fabric:**

During the year, the production of processed fabric increased from 51.35 million meter to 60.78 million meter, showing an increase of 18.36% over the previous year. The sales revenue of the processed fabric also increased from Rs. 482.17 crore to Rs. 556.52 crore showing an increase of 15.42% over the previous year.

### **• PROFITABILITY:**

The Company earned profit before depreciation, interest and tax of Rs. 594.63 crore as against Rs. 371.37 crore in the previous year. After providing for depreciation of Rs. 220.87 crore, (Previous year Rs. 207.32 crore), interest of Rs. 86.73 (Previous Year 102.34 crore), provision for current tax Rs. 56.75 crore (Previous year Rs. 0.17 crore), provision for deferred tax (net of adjustments), Rs. 16.51 crore (previous year Rs. 33.28 crore), and provision for Fringe Benefit Tax of Rs NIL (Previous Year Rs. 0.91 crore) the net profit from operations worked out to Rs. 213.76 crore as compared to Rs. 27.35 crore in the previous year.

### **• RESOURCES UTILISATION:**

#### **a). Fixed Assets:**

The gross fixed assets (including work-in-progress) as at 31<sup>st</sup> March, 2010 were Rs. 3,611.65 crore as compared to Rs. 3,414.27 crore in the previous year.

#### **b). Current Assets:**

Debtors outstanding for more than six months were Rs. 13.00 crore as compared to Rs. 22.87 crore in the previous year. The net current assets as on 31<sup>st</sup> March, 2010 were Rs. 1,769.52 crore as against Rs. 1,370.30 crore in the previous year. Inventory level was at Rs. 1,107.46 crore as compared to the previous year level of Rs. 620.10 crore.

• **FINANCIAL CONDITIONS & LIQUIDITY:**

The Company enjoys a rating of "AA-" with stable outlook and "P1+" from Credit Rating Information Services of India (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 crore)	
	2009-2010	2008-2009
<b>Cash and Cash equivalents:</b>		
Beginning of the year	357.21	62.70
End of the year	222.07	357.21
<b>Net cash provided (used) by:</b>		
Operating Activities	(79.72)	447.04
Investing Activities	(97.06)	(125.53)
Financial Activities	41.64	(26.99)

**D) 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 organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.

**E) Management perception of Risk and Concern:**

One of the major challenges to the textile industry is the continued appreciation in the Indian rupee against US dollar, which has serious implication on textile exports. Being highly competitive industry, increase in the external value of rupee would cripple the competitiveness of the industry. Another important issue is availability, quality and the price of power. The availability of good quality power at reasonable prices is critical for sustainability of the industry. However, the cost of power has been continuously increasing, adding to the input cost pressure in the industry. We hope that power situation will improve in the coming year.

Our major raw material-Cotton is agriculture produce, which suffers from climatic volatility in the major cotton producing countries. In addition, growing demand as well as overall increase in prices of commodities in the world has pushed up the prices of domestic cotton leading to pressure on the textile industry.

The differentiated treatment for different sectors of textile industry in government policy is also a serious development. The proposal to withdraw export incentives on cotton yarn exports can be seen in this respect. The integral approach is required for the growth of the industry in the country. While the country is surplus in cotton and it is anachronistic that we may discourage exports of cotton yarn while we remain committed to raw material i.e. cotton exports.

We are making all efforts to cope up with the challenges through continuous cost reduction, process improvements and improved customer services to mitigate the growing cost pressure.

**F). Human Resources/Industrial Relations:**

The Company continues to lay emphasis on building and sustaining an excellent organization climate based on human performance. Performance management is the key word for the company. During the year the Company employed over 24,788 employees.

Pursuit of proactive policies for industrial relations has resulted in a peaceful and harmonious situation on the shopfloors of the various plants.

**3. SUBSIDIARIES:**

The Company has following subsidiary companies the details of profitability of which are given below:-

**VMT Spinning Company Limited (VMT)**

The business of this subsidiary of the Company which is a Joint Venture with Marubeni Corporation and Toho Rayon Company Limited of Japan remained steady. However, the sales revenue of the Company has marginally increased to Rs. 101.65 crore from Rs. 100.98 crore but the net profits of the Company decreased from Rs. 15.45 crore to Rs. 10.13 crore due to depressed international market and sharp appreciation of Rupee vis-a-vis US Dollar. Out of the total present paid-up capital of Rs. 20.70 crore, your Company holds 73.33%. The Board of Directors of VMT has recommended a dividend of 12% for the year 2009-2010.

**VTL Investments Limited (VTL)**

This 100% subsidiary of your Company is engaged with the business of investments in the shares etc. The earnings of the company mainly comes from the dividend/interest earned on its investments and profits made on sale of investments. During the year the company has earned a net profit of Rs.1.55 crore.

**Vardhman Acrylics Limited (VAL)**

Vardhman Acrylics Limited (VAL) is another subsidiary of the Company which is engaged in the business of manufacturing of Acrylic Fibre. The works of the company is situated at Jhagadia in Gujarat. Presently the company holds 58.74% shares in this subsidiary. During the Financial Year 2009-2010, VAL recorded a sales volume of Rs. 286.74 crore as against Rs. 253.90 crore, an increase of 12.93% over the previous year. The net profit for the year has substantially increased to Rs. 43.44 crore from Rs. 4.23 crore in the previous year.

**Vardhman Yarns & Threads Limited (VYTL)**

This subsidiary of the Company which is a Joint Venture with American & Effird Inc. (A&E) which is second largest global player in Threads Manufacturing and Distribution with a partnership of 51:49 is engaged in the business of Threads Manufacturing and Distribution. During the year under review, the gross sales of this Company were Rs. 377.16 crore and the Profit after tax was Rs. 41.37 crore.



The Board of Directors of this Company has recommended a dividend @ 19.3%, on its paid up equity share capital, for the year 2009-10.

#### **Vardhman Texgarments Limited (VTGL)**

During the year, your Company has entered into a Joint Venture Agreement with Nisshinbo Textile Inc., Japan ("Nisshinbo") for manufacturing world class shirts with a partnership of 51:49 in this JV Company. Nisshinbo is a world class textile manufacturer with comprehensive operations including spinning, weaving, knitting, finishing and sewing. The foundation stone for the manufacturing facility was laid on 14<sup>th</sup> November, 2009. The project is being set-up at Focal Point in Ludhiana with a capacity of 1.8 million shirts per annum. The estimated capital cost for the project is Rs. 38 crores, to be financed partly from equity and partly from term loans. The Company will supply majority of its production for international markets through Nisshinbo. The Company shall also manufacture shirts for supply to the domestic brands. Nisshinbo shall provide technical assistance for setting up the facilities and for the manufacturing operations.

#### **4. DIVIDEND:**

The Board of Directors of your Company has recommended a dividend of Rs. 3/- per share on the Fully Paid-up Equity Shares of the Company.

#### **5. DIRECTORS:**

The Board of Directors had appointed Mr. Shravan Talwar and Mrs. Suchita Jain in its Meeting held on 29<sup>th</sup> January, 2010 as Additional Directors on the Board of the Company, pursuant to Article 105 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. Also, Mr. Neeraj Jain was appointed as the Additional Director of the Company w.e.f 01.04.2010 by the Board of Directors in its meeting held on 31<sup>st</sup> March, 2010, pursuant to Article 105 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. Further the Board of Directors in its Meeting held on 31<sup>st</sup> March, 2010 had appointed Mrs. Suchita Jain and Mr. Neeraj Jain as Executive Directors for a period of five years and three years respectively w.e.f 01.04.2010, subject to the approval of the members in the next Annual General Meeting of the Company. The Board of Directors has also re-appointed Mr. Sachit Jain as an Executive Director for a further period of five years w.e.f 30.03.2010 in its Meeting held on 31<sup>st</sup> March, 2010 and Mr. S. P. Oswal as the Chairman & Managing Director for a further period of five years w.e.f 1.06.2010, in its Meeting held on 7<sup>th</sup> May, 2010, subject to the approval of the members in the next Annual General Meeting.

The Company has received notices from some members under section 257 of the Companies Act, 1956, proposing the candidature of Mrs. Suchita Jain, Mr. Shravan Talwar and Mr. Neeraj Jain as Directors of the Company. Requisite approval for their appointment is being sought at the ensuing Annual General Meeting.

Mr. A.K. Purwar and Mr. D.L. Sharma, Directors of the Company, retire by rotation at the conclusion of the

forthcoming Annual General Meeting, pursuant to the provisions of Article 108 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment. The Board recommended their appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

#### **6. CORPORATE GOVERNANCE:**

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement is annexed to the report on Corporate Governance.

#### **7. AUDITORS:**

M/s. S.C. Vasudeva & Company, Chartered Accountants, New Delhi, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **8. AUDITORS' REPORT:**

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended March 31, 2010. In their report, they have made an observation that loss, if any, on valuation of open derivative options could not be determined by the Company due to certain reasons as specified in Note 13 of the Notes to Accounts. The ultimate outcome of these transactions and their effect on these accounts cannot be ascertained at this stage.

As you are aware that a part of revenue of your Company comes from export sales and as such Company has foreign currency fluctuation exposure. Your Company hedges its foreign currency fluctuation exposure against exports by way of foreign currency derivative options also. During the year, the Company has taken various foreign currency options from various banks and as at March 31, 2010, there were 7 options outstanding having a maturity period up to June 2013. These derivative options are proprietary products of banks which do not have a ready market and are not tradeable in the open market. These options are marked to a model, which is bank specific instead of being marked to market. In view of the significant uncertainty associated with the above derivative options, the ultimate outcome of which depends on future events which are not under the direct control of the company, the loss if any, on such open derivative options cannot be determined at this stage and has accordingly not been provided in the books of account. The other points of Auditors' Report are self-explanatory and need no comments.

#### **9. COST AUDITORS:**

The Board of Directors had re-appointed M/s. Ramanath Iyer & Company, Cost Accountants, New Delhi as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956, for the year 2009-10. The Cost Auditors' Report for the financial year 2009-2010 will be



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forwarded to the Central Government as required under law.

**10. STATEMENT OF PARTICULARS OF EMPLOYEES:**

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

**11. GROUP:**

The Company, inter-alia with the following entities, constitutes a 'Group' as defined under the Monopolies and Restrictive Trade Practices Act, 1969: -

- a) Vardhman Holdings Limited
- b) VTL Investments Limited
- c) Adinath Investment and Trading Company
- d) Devakar Investment and Trading Company Private Limited

**12. 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 optimize the energy cost while carrying out the manufacturing operations. Particulars with respect to conservation of energy and other areas as per Section 217(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 form part of this report.

**13. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section-217 (2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the annual accounts, the applicable accounting standards have been followed;

- a. appropriate accounting policies have been selected and applied consistently, and have made judgments 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 31<sup>st</sup> March, 2010 and of the profit of the Company for the year ended on 31<sup>st</sup> March, 2010;

- b. 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; and
- c. the annual accounts have been prepared on a going concern basis.

**14. ACKNOWLEDGEMENT:**

Your Directors are pleased to place on record their sincere gratitude to the Government, Financial Institutions, Bankers and Business Constituents for their continued and valuable co-operation and support to the Company. They also take this opportunity to express their deep appreciation for the devoted and sincere services rendered by the employees at all levels of the operations of the Company during the year.

**FOR AND ON BEHALF OF THE BOARD**

**PLACE : NEW DELHI**  
**DATED : 7th May, 2010**

**(S.P. OSWAL)**  
**CHAIRMAN &**  
**MANAGING DIRECTOR**

**ANNEXURE TO THE DIRECTORS' REPORT**

**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010:**

**I. CONSERVATION OF ENERGY:**

The Company has over the previous years taken several steps to conserve energy wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements. The Company has put in heat recovery systems, lighting system to channelise heat energy and also condensate recovery system in its boilers. The use of inverters is being explored as well.

The desired information is enclosed herewith

**Conservation measure taken, proposed measures being implemented for reduction of consumption of energy and consequent impact thereof on the cost of production of goods in Vardhman Textiles Limited for the year 2009-10:**

Sr. NO.	Measures taken	Saving amount (Rs. Lacs)	Energy savings (In Lac Units)
1.	Reduction of compressed air delivered volume by plugging air leakages, replacement of overhead 11 KV line with XLPE cables, Installation of automatic voltage controller for lighting load, replacement of standard & rewound motors with energy efficient motors, installation of CFL lamps, installation of Variable frequency drives, saving in water consumption by controlling the wastage / leakage of water, installation of harmonic filters and capacitors, saving in humidification plants by reducing the blade angle of fans and switching off the fans when not required etc.	<b>202.01</b>	50.50
<b>Total Saving</b>		<b>202.01</b>	50.50

FORM-A: PARTICULARS				B) CONSUMPTION PER UNIT OF PRODUCTION:			
	U.O.M.	2009-10	2008-09				
<b>(A) POWER AND FUEL CONSUMPTION:</b>				<b>1. Yarn (Cotton &amp; Acrylic):</b>			
<b>1. Electricity:</b>				Electricity	(KWH/Kg)	4.05	4.11
<b>a) Purchased:</b>				Coal	Kg./Kg.	2.39	2.47
Units	(KWH in lac)	4593.98	5023.05	Husk	Kg./Kg.	3.12	2.55
Total Amount	(Rs. in lac)	19312.29	20386.95	<b>2. Fabric:</b>			
Rate Per Unit	Rs./KWH	4.20	4.06	Electricity-Grey Fabric	Kwh/Mtr	0.84	0.83
<b>b) Own generation through Diesel Generator</b>				Electricity-Processed Fabric	Kwh/ Mtr	0.52	0.51
Units	(KWH in lac)	377.02	233.10	Steam (Used for Grey Fabric)	(Kg./mtr)	0.53	0.60
Unit/Ltr. of Oil	(KWH)	3.85	3.87	Steam (Used for Processed Fabric)	(Kg./mtr)	4.07	4.47
Cost Per Unit	Rs./KWH	5.57	6.29	<b>3. Steel Billets/Ingots:</b>			
<b>c) Own generation from STG :</b>				Electricity	(KWH/MT)	881.93	963.25
Units	(KWH in lac)	2751.19	1477.94	Furnace Oil/L.D.O.	(Ltr./MT)	10.54	12.33
Value	(Rs. in lac)	10861.88	5911.61	<b>4. Rolled Steel:</b>			
Cost Per Unit	Rs./KWH	3.95	4.00	Electricity	(KWH/MT)	92.49	82.79
<b>2. Coal (Used in Boiler):</b>				Oil (F.O., L.D.O.)	(Ltr./MT)	42.93	42.45
Quantity	MT	360071.27	238527.81				
Total Cost	(Rs. in lac)	10635.83	7526.35				
Average Rate	(Rs./MT)	2953.81	3155.33				
<b>3. Oil (Ldo/Hdp/Rfo/Hps):</b>							
(Used In Boiler)							
Quantity	(K.LTRS)	3386.89	3018.48				
Total Cost	(Rs. in lac)	814.20	810.72				
Average Rate	(Rs./Litre)	24.04	26.86				
<b>4. Others (Husk Use In Boiler)</b>							
Quantity	(MT)	62057.82	36766.06				
Total Cost	(Rs. in lac)	2025.33	1277.84				
Average Rate	(Rs./MT)	3263.61	3475.59				

**II. TECHNOLOGY ABSORPTION:**

Efforts made in Technology Absorption are furnished in Form-B as enclosed herewith: -

**A) RESEARCH AND DEVELOPMENT (R&D):**

**1. Specific areas in which Research & Development is carried out by the Company:**

Research & Development is carried out for development of new products and for improvement in the production process and quality of products. The Company has been able to pioneer the launch of new products that have been successful in the market due to its R&D efforts.

**2. Benefits derived as a result of R & D:**

The Company has been continuously improving the quality of its existing products and entered into new products and also been able to reduce the cost of production.

**3. Future Course of action:**

Management is committed to strengthen R&D activities further to improve its competitiveness in times to come.

**4. Expenditure on R&D:**

	(Rs. in lac)	
	2009-10	2008-09
Capital	91.45	163.10
Recurring	50.52	51.15
Total	141.97	214.25
Total R & D expenditure as a		
Percentage of turnover is	0.05%	0.09%

**B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

**1. Efforts made:**

The Company is continuously making efforts for adaptation of latest technology in all its units. The Company has also created specific cells for studying and analysing the existing processes for further improvement.

**2. Particulars of technology imported in the last five years.**

a) Technology imported	NIL
b) Year of import	N.A.
c) Has technology been fully absorbed	N.A.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

**Activities relating to export, initiatives taken to increase exports, development of new export market for products and services and export plans are given hereunder:**

- Exports of yarns diversified into more value added and complex products.
- Enhanced the sale of more environmentally friendly yarns.
- Made entry into new markets and established ourselves.
- Achieved 13.53% growth in exports in quantity terms over the last financial year.
- Targeting same level of growth in the next financial year also.

**Total Foreign Exchange earned and used:**

	(Rs. in crore)	
	2009-10	2008-09
a) Earnings (FOB value of Exports, commission earned)	704.00	627.03
b) Outgo (CIF value of Imports and expenditure in foreign currency)	253.25	191.49

## STATEMENT OF PARTICULARS OF EMPLOYEES

INFORMATION REQUIRED AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010.

**(A) PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION WHICH, IN THE AGGREGATE, WAS NOT LESS THAN Rs. 24,00,000/- PER ANNUM**

S. No.	Name of Employee	Designation/Nature of duties	Remuneration (In Rs. lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last Employment
1.	Mr. S.P. Oswal	Chairman & Managing Director	656.84	M.Com	68	43	01.06.2005	Chairman and Managing Director Vardhman Spinning and General Mills Limited
2.	Mr. Sachit Jain	Executive Director	45.75	B. Tech, M.B.A	44	20	30.03.2005	Executive Director, Vardhman Spinning and General Mills Limited
3.	Mr. B. K. Choudhary	President (Steel Division) & Director (Operations)	33.41	M.B.A.	59	34	23.12.1985	Chief Commercial Manager, Usha Alloys & Steels Ltd. Jamshedpur
4.	Mr. IMJS Sidhu	President & Director Incharge	33.50	B. Text	62	39	03.03.1981	Chief Spinning Master Shree Bhiwani Cotton Mills & Industries, Abohar
5.	Mr. D.K Sindwani	Chief Executive	27.20	B.Com. C.A	49	26	01.12.1992	Financial Controller, Vardhman Spinning & General Mills Limited
7.	Mr. Neeraj Jain	Chief Executive, Operations (Yarn Business)	25.69	B.Com. C.A	42	19	01.04.2004	CGM (Finance & Accounts) Vardhman Spinning and General Mills Limited
8.	Mr. S. Pal	Chief Executive	26.12	MA (Pol Science), 66 MA (History), Dip. in IR & Personnel	66	45	01.10.1999	General Manager, Vardhman Polytex Limited
9.	Mr. V. K. Goyal	Chief Executive	27.16	M. B. A.	51	29	01.04.2004	Chief Executive, Vardhman Spinning and General Mills Limited

**(B) PERSONS EMPLOYED FOR A PART OF THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION FOR ANY PART OF THE YEAR, AT A RATE WHICH, IN THE AGGREGATE, WAS NOT LESS THAN Rs. 2,00,000/- PER MONTH.**

1	Mr. R. K. Rewari*	Chief Executive	35.92	B.Sc., LLB, DIP. Personnel Mgt. & Labour Welfare	53	29	16.07.1981	First Employment.
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**Notes :**

\*Upto 30th Jan 2010

1. Remuneration includes Salary, Commission, Contribution to Provident Fund, Leave Travel Concession, Medical Assistance and other allowances paid in cash and taxable value of non cash perquisites.
2. Sh. S.P. Oswal and Sh. Sachit Jain are not related to any of the Directors of the Company except themselves and with Mrs Suchita Jain, being relatives.
3. Appointments of Sh. S.P. Oswal and Sh. Sachit Jain are contractual in nature.



## CORPORATE GOVERNANCE REPORT

This report on corporate governance forms part of the Annual Report. Corporate governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices that ensure that a Company meets its obligations to optimize shareholders' value and fulfill its responsibilities to the community, customers, employees, Government and other segments of society. Your Company is committed on adopting the best practices of Corporate Governance as manifested in the Company's functioning to achieve the business excellence by enhancing long-term shareholders' value. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities is hallmarks of the best practices followed by the Company. This report on Corporate Governance, besides being in compliance of the mandatory Listing Agreement, gives an insight into the functioning of the Company.

### 1. COMPANY'S PHILOSOPHY:

- ❖ Faith in bright future of Indian textiles and hence continued expansion in areas "which we know best".
- ❖ Total customer focus in all operational areas.
- ❖ Products to be of best available quality for premium market segments through TQM and zero defect implementation.
- ❖ Global orientation targeting - at least 20% production for exports.
- ❖ Integrated diversification/product range expansion.
- ❖ World class manufacturing facilities with most modern R & D and process technology.
- ❖ Faith in individual potential and respect for human values.
- ❖ Encouraging innovation for constant improvements to achieve excellence in all functional areas.
- ❖ Accepting change as a way of life.
- ❖ Appreciating our role as a responsible corporate citizen.

### 2. BOARD OF DIRECTORS:

#### i) Board Meetings:

During the financial year 2009-2010, the Board met 5 times on the following dates

- 7<sup>th</sup> May, 2009
- 24<sup>th</sup> Oct, 2009
- 31<sup>st</sup> March, 2010
- 25<sup>th</sup> July, 2009
- 29<sup>th</sup> Jan, 2010

#### b) Composition as on March 31<sup>st</sup>, 2010:

The Board of Directors comprises of a Chairman & Managing Director, an Executive Director and eight Non-Executive Directors including one Nominee Director. Out of the total strength of 10 directors, 6 directors are independent, thus it meets the stipulated requirement.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at last Annual General Meeting of the Company as also the number of other Directorship/Chairmanship in Indian Public Limited Companies are as follows: -

Name of Director	Designation & Category	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in other Companies	No. of Committee Memberships in other Companies	Total No. of Board Chairmanship in other Companies	Total No. of Committee Chairmanship in other Companies
Shri S. P. Oswal	Chairman and Managing Director	5	Yes	11	-	6	-
Mr. Arun Kumar Purwar	Non-Executive Independent Director	3	No	9	5	2	3
Dr. T. N. Kapoor*	Non-Executive Independent Director	1	No	-	-	-	-
Mr. Prafull Anubhai Shah	Non-Executive Independent Director	5	Yes	4	6	-	2
Mr. S. K. Bijlani	Non-Executive Independent Director	1	No	2	-	-	-
Mr. Sachit Jain**	Executive Director	4	Yes	13	5	1	2
Mr. D. L. Sharma	Non-Executive Non-Independent Director	5	Yes	5	4	-	-
Mrs. Amita Narain	IDBI Nominee Non-Executive Independent Director	2	No	-	-	-	-
Mr. A. K. Kundra	Non-Executive Independent Director	5	No	3	-	-	-
Mrs. Suchita Jain**	Non-Executive Non-Independent Director	2	No	6	-	-	-
Mr. Shravan Talwar**	Non-Executive Independent Director	2	No	-	-	-	-

\* Retired from Directorship on 25.07.2009.

\*\* Mrs. Suchita Jain and Mr. Shravan Talwar were appointed as the Additional Directors of the Company w.e.f 29.01.2010 by the Board of Directors in its meeting held on 29.01.2010.

\*\*\* Mr. Sachit Jain has been re- appointed as the Executive Director of the Company for a further period of 5 years w.e.f 30.03.2010 by the Board of Directors in its meeting held on 31.03.2010.

Mr. S. P. Oswal, Mr. Sachit Jain and Mrs. Suchita Jain are related among themselves. None of the other Directors is related to any other Director of the Company.

### **Disclosure of Change**

Dr. T.N. Kapoor retired from Directorship of the Company on 25.07.2009. Mr. Shravan Talwar was appointed as an Additional Director w.e.f 29.01.2010 by the Board in its meeting held on 29.01.2010. The Board also appointed Mrs. Suchita Jain as an Additional Director w.e.f 29.01.2010 and also as an Executive Director w.e.f 01.04.2010 in its meetings held on 29.01.2010 and 31.03.2010 respectively. The Board re-appointed Mr. Sachit Jain as Executive Director of the Company for a further period of 5 years w.e.f 30.03.2010 in its meeting held on 31.03.2010. The Board also appointed Mr. Neeraj Jain as an Additional Director as well as an Executive Director of the Company w.e.f 01.04.2010 in its meeting held on 31.03.2010. Further the Board in its meeting held on 07.05.2010 also re-appointed Mr. S. P. Oswal as the Chairman & Managing Director of the Company for a further period of 5 years w.e.f 01.06.2010.

### **3. AUDIT COMMITTEE:**

As at 31st March, 2010, the Audit Committee comprised of 4 Directors i.e. Mr. Prafull Anubhai, Mr. A.K. Kundra, Mr. D.L. Sharma and Mr. S.K. Bijlani. Mr. Prafull Anubhai is the Chairman of the committee. Mr. Vipin Gupta is the Secretary of the Committee. The terms of reference of the Audit Committee are, as contained in section 292A of the Companies Act, 1956, and also as contained in Corporate Governance Clause of the Listing Agreement.

The Audit Committee met four times during the financial year 2009-2010 on the following dates: -

- 7<sup>th</sup> May, 2009
- 24<sup>th</sup> October, 2009
- 25<sup>th</sup> July, 2009
- 29<sup>th</sup> January, 2010

The attendance of members of the Audit Committee during the financial year 2009-2010 is given below: -

Committee Members	Category	No. of Audit Committee Meetings Attended
Mr. Prafull Anubhai	Non-Executive Director	4
Mr. S.K. Bijlani	Non-Executive Director	1
Mr. A.K. Kundra	Non-Executive Director	4
Mr. D.L. Sharma	Non-Executive Director	4

### **4. DIRECTORS' REMUNERATION:**

#### **i) Chairman and Managing Director/Executive Directors:**

The Company pays remuneration to Chairman and Managing Director and to the Executive Directors as approved by the Board of Directors and the Members of the Company in the General Meeting.

A detail of remuneration paid to the Directors during the year 2009-2010 is as given below:

(Rs. in lac)

Name	Designation	Salary	Perquisites	P.F. Contribution	Commission	Gross remuneration
Mr. S.P. Oswal	Chairman & Managing Director	55.23	7.90	4.73	588.98	656.84
Mr. Sachit Jain	Executive Director	27.31	1.47	2.34	14.63	45.75

#### **ii) Non-Executive Directors:**

Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board & Committee Meetings.

The detail of sitting fees paid to the Non-Executive Directors during the Financial Year 2009-2010 is given hereunder: -

S.No.	Name of Director	Sitting Fee (Rs.)
1.	Mr. Prafull Anubhai	1,06,000
2.	Mr. S. K. Bijlani	16,000
3.	Mr. T. N. Kapoor	10,000
4.	Mr. A. K. Purwar	58,000
5.	Mrs. Amita Narain	20,000
6.	Mr. A. K. Kundra	98,000
7.	Mr. Shravan Talwar	30,000



**5. SHAREHOLDING OF DIRECTORS AS ON 31.03.2010**

The shareholding of the Directors in the Equity Share Capital of the Company is given as follows: -

<u>Name of Directors</u>	<u>Number of Shares held</u>
Mr. S.P. Oswal	643,156
Mr. Sachit Jain	40,005
Mrs. Suchita Jain	261,334

\*\* No other director held any share in the Equity Share Capital of the Company.

**6. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:**

The Investors' Grievance Committee constituted by the Company looks into the redressal of investors' complaints on various issues.

As at 31st March, 2010, the Investors' Grievance Committee comprised of Mr. A.K. Kundra, Mr. D.L. Sharma and Mr. Sachit Jain. Mr. A.K. Kundra was appointed to the Shareholders'/Investors' Grievance Committee w.e.f. 07.05.2009 in place of Dr. T.N. Kapoor. The Shareholders'/Investors' Grievance Committee met once during the year on 31.03.2010. Mr. A.K. Kundra is the Chairman of this Committee. The Compliance officer of this committee is Mr. Vipin Gupta, Company Secretary.

During the financial year 2009-2010, the Company has received 144 complaints related to non-receipt of dividend, bonus shares, annual report and transfer of shares, etc. All the complaints have been duly resolved by the Company and there is no pendency in respect of shares received for transfer during 2009-2010 except those that are disputed/sub-judice.

**7. GENERAL BODY MEETINGS:**

The detail of General Body Meetings held during the last three financial years is given as follows: -

<b>Meeting</b>	<b>Day, Date and Time of the Meeting</b>	<b>Venue</b>	<b>No. of Special Resolutions</b>
36 <sup>th</sup> Annual general Meeting for the Financial year ended 31 <sup>st</sup> March, 2009,	Saturday, 25th July, 2009 at 12.00 noon	Regd. Office, Chandigarh Road, Ludhiana- 141010	Nil
35 <sup>th</sup> Annual General Meeting for the Financial year ended 31 <sup>st</sup> March, 2008,	Saturday, 30th August, 2008 at 3.30 p.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010	Nil
34 <sup>th</sup> Annual General Meeting for the Financial year ended 31 <sup>st</sup> March, 2007	Saturday, 18th August, 2007 at 3.30 p.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010	1

The Company has not passed any resolution through postal ballot, during the financial year 2009-2010. No resolution is proposed to be passed by postal ballot in forthcoming Annual General Meeting.

**8. DISCLOSURES:**

There was no material/significant transaction with the directors or the management and their relatives etc. that have any potential conflict with interest of the Company at large. Also there has not been any non-compliance by the Company in respect of which penalties or strictures were imposed by the Stock Exchanges or Securities Exchange Board of India (SEBI) or any other Statutory Authority during the last three years.

Further, the Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement. The Company may also take up the non-mandatory requirements of Clause 49 in due course of time.

**9. MEANS OF COMMUNICATION:**

The Company communicates with the shareholders at large through its Annual Reports, publication of financial results, press releases in leading newspapers and by filing of various reports and returns with the Statutory Bodies like Stock Exchanges and the Registrar of Companies. The Quarterly Financial Results are published in prominent daily newspapers viz., "Business Standard" and "Desh Sewak". The Financial Results of the Company are also made available at the Company's web-site [www.vardhman.in](http://www.vardhman.in).



## GENERAL INFORMATION FOR SHAREHOLDERS

- i) **37<sup>th</sup> Annual General Meeting**  
 Date : 17<sup>th</sup> July, 2010  
 Time : 10.00 a. m.  
 Venue : Regd. Office, Chandigarh Road, Ludhiana-141 010
- ii) **Financial Calendar 2010-2011 (Tentative)**  
 First Quarter Results : July, 2010  
 Second Quarter Results : October, 2010  
 Third Quarter Results : January, 2011  
 Annual Results : May, 2011
- iii) **Dates of Book Closure** : 06.07.10 to 17.07.10 (both days inclusive)
- iv) **Dividend payment date** : Within 30 days after declaration.
- v) **Listing** : The securities of the Company are listed on the following Exchanges:-  
 1. The Bombay Stock Exchange Limited, Mumbai (BSE), 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Fort, Mumbai-400 001  
 2. The National Stock Exchange of India Limited (NSE), "Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai."
- The Company has duly paid the listing fee to both the aforesaid Stock Exchanges for the financial year 2010-11.
- vi) **Stock Code :**  
 ● The Bombay Stock Exchange Limited, Mumbai : 502986  
 ● The National Stock Exchange of India Limited : VTL

vii) **Stock Market Data :**

The month-wise highest and lowest and closing stock prices vis-a-vis BSE Sensex during the financial year 2009-10 is given below: -

Financial Year 2009-10	Share Prices of Vardhman Textiles Limited				BSE Sensex			
	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	%age change over last month's closing	Highest	Lowest	Closing	%age change over last month's closing
April	77.00	48.00	65.05	36.94	11,492.10	9,546.29	11,403.25	17.45
May	131.25	64.00	129.15	98.54	14,930.54	11,621.3	14,625.25	28.26
June	137.45	106.25	122.00	-5.54	15,600.30	14,016.95	14,493.84	-0.90
July	160.00	100.00	146.20	19.84	15,732.81	13,219.99	15,670.31	8.12
August	155.00	128.10	138.85	-5.03	16,002.46	14,684.45	15,666.64	-0.02
September	180.85	138.30	169.60	22.15	17,142.52	15,356.72	17,126.84	9.32
October	175.00	150.05	153.00	-9.79	17,493.17	15,805.20	15,896.28	-7.18
November	197.90	148.50	182.00	18.95	17,290.48	15,330.56	16,926.22	6.48
December	227.50	180.05	209.20	14.95	17,530.94	16,577.78	17,464.81	3.18
January	281.40	211.00	238.45	13.98	17,790.33	15,982.08	16,357.96	-6.34
February	262.20	211.55	218.35	-8.43	16,669.25	15,651.99	16,429.55	0.44
March	290.00	218.00	266.10	21.87	17,793.01	16,438.45	17,527.77	6.68

viii) **Information regarding Dividend Payment :**

- a) Dividends remaining unpaid/unclaimed upto the financial year 2001-2002 have been transferred to the Investors' Education and Protection Fund (IEPF). Further, pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, dividend declared in the financial year 2002-2003 and onwards, which remains unpaid/unclaimed for a period of 7 years, is required to be transferred to the IEPF. It may be noted that no claim will lie against the Company or the "Fund" in respect of the said unclaimed dividend amount so transferred to the "Fund". Accordingly, Members who have not claimed their dividend for the financial year 2002-2003 and onwards are requested to make their claim to the Company immediately.



- b) The Company provides the facility of paying dividend through Electronic Clearing Service (ECS). Members who wish to avail this facility should give necessary directions to Depository Participants (in case shares are held in demat form) or to the Registrar & Transfer Agent of the Company (in case shares are held in physical form).

**ix) Registrar & Transfer Agent:**

The work related to Share Transfer Registry in terms of both physical and electronic mode is being dealt with by M/s. Alankit Assignments Limited at the address given below: -

M/s. Alankit Assignments Limited, (Unit: Vardhman Textile Limited) 2E/21, Alankit House  
Jhandewalan Extension, New Delhi - 110 055.

Phone: (011) 41540060-63, Fax: (011) 41540064, E-mail: rta@alankit.com

**x) Share Transfer System:**

The Company has constituted a Share Transfer Committee of its directors. The Committee meets on an average once in a fortnight. The list of valid transfers prepared by the Transfer Agent in respect of transfer cases received by them and objections, if any, are placed before the Committee for its approval/confirmation. The Share Certificates are returned back to the shareholders by Transfer Agent normally within 15 days from the date of receipt by them.

The shares of the Company are traded on the Stock Exchanges compulsorily in demat form. The Company has participated as an issuer both with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The shareholders may operate through any of the depositories, based on tariffs, quality and range of services being offered by them. The International Securities Identification Number (ISIN) of the Company is **INE 825 A01012**.

**xi) Distribution of Shareholding as on 31st March, 2010:**

RANGE No. of Shares	SHAREHOLDERS		SHARES	
	Numbers of Total Holders	% to Total Holders	Number of Shares Held	% to Total Shares
Upto-500	18,733	87.77	22,29,040	3.86
501-1000	1,312	6.15	9,26,041	1.60
1001-2000	600	2.81	8,57,967	1.49
2001-3000	191	0.89	4,82,831	0.84
3001-4000	100	0.47	3,53,897	0.61
4001-5000	66	0.31	3,02,559	0.52
5001-10000	115	0.54	8,50,831	1.47
10001- above	227	1.06	5,17,66,361	89.61
<b>Total</b>	<b>21,344</b>	<b>100.00</b>	<b>5,77,69,527</b>	<b>100.00</b>

**xii) Dematerialisation of shares:**

As on 31st March, 2010, 66.11% of the capital comprising 3,81,92,817 shares, out of total of 5,77,69,527 shares, were dematerialized.

### xiii) Plant Locations:

- Arihant Spinning Mills,  
Industrial Area,  
Malerkotla-148 023
- Anant Spinning Mills,  
New Industrial Area,  
Mandideep-462 046
- Arisht Spinning Mills ,  
Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.)- 173 205
- Auro Spinning Mills,  
Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.)- 173 205
- Auro Dyeing,  
Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.)- 173 205
- Auro Weaving Mills,  
Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.) - 173 205
- Auro Textiles,  
Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.)- 173 205
- Mahavir Spinning Mills,  
(Gassed Mercerised Yarn Unit),  
Phagwara Road,  
Hoshiarpur-146 001
- Mahavir Spinning Mills,  
(Textile Division) Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.)- 173 205
- Vardhman Spinning Mills,  
Vill. Baddi, Teh. Nalagarh,  
Distt. Solan (H.P.)- 173 205
- Vardhman Spinning and General Mills  
(Unit-I&II),  
Chandigarh Road,  
Ludhiana-141 010.
- Vardhman Special Steels,  
C-58, Focal Point,  
Ludhiana- 141010
- Vardhman Fabrics,  
Budhni, Distt. Sehore (M.P.)
- Vardhman Yarns,  
Satlapur, Distt. Raisen (M.P.)
- Vardhman Fabrics (Power Division),  
Budhni, Distt. Sehore (M.P.)
- Vardhman Yarns (Power Division),  
Satlapur, Distt. Raisen (M.P.)

### xiv) Address for correspondence:

Registered office : Chandigarh road, Ludhiana-141010  
Tel : 0161-2228943-48  
Fax : 0161-2601048, 2602710, 2222616  
E-mail : secretarial.lud@vardhman.com  
(Exclusively for redressal of investors' grievances)



## Chairman & Managing Director's (CMD) declaration

I, S.P. Oswal, Chairman & Managing Director of Vardhman Textiles Ltd. (formerly Mahavir Spinning Mills Limited) declare that all Board Members and Senior Management personnel have affirmed compliance with 'Code of Conduct for Board & Senior Management Personnel' for the year ended 31st March, 2010.

S.P. Oswal  
Chairman & Managing Director

PLACE : NEW DELHI  
DATED: 7th May, 2010

## Auditors' Certificate on Compliance of Corporate Governance Under Corporate Governance Clause of the Listing Agreement(s)

To  
The Members of  
Vardhman Textiles Limited

We have examined the compliance of the conditions of Corporate Governance by Vardhman Textiles Limited for the year ended on 31<sup>st</sup> March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representation made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

FOR S.C. VASUDEVA & CO.  
CHARTERED ACCOUNTANTS  
Firm Registration No.: 000235N

PLACE : NEW DELHI  
DATED: 7th May, 2010

(SANJIV MOHAN)  
PARTNER  
Membership No. 86066

## AUDITORS' REPORT

To  
The Shareholders,  
Vardhman Textiles Limited (formerly known as Mahavir Spinning Mills Limited)

1. We have audited the attached Balance Sheet of Vardhman Textiles Limited as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Companies Act; 1956.
  - e) on the basis of the written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2010 from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956; and
  - f) *As indicated in note-13 in Schedule-18 there is significant uncertainty associated with the derivative options referred to in the said note, resolution of which is dependant upon future events which are not under the direct control of the company, on account of*

*which the company could not determine the possible loss, if any, on valuation of such derivative options. The ultimate outcome of these future events and their affect on the financial statements, cannot be ascertained at this stage.*

Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2010;
- ii) in the case of Profit and Loss account, of the profit for the year ended on that date; and
- iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For S.C. VASUDEVA & CO.  
CHARTERED ACCOUNTANTS  
Firm Registration No.: 000235N**

**SANJIV MOHAN  
PARTNER**

**PLACE : NEW DELHI  
DATED: 7th May, 2010**

**MEMBERSHIP NO. 86066**

### ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3)

- (i) a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) According to the information and explanations given to us, the company has adopted a policy of physically verifying the fixed assets once in every three years. Pursuant to the said policy, the company has physically verified the entire block of furniture and fixtures during the year. No material discrepancies were noticed on such physical verification. Further, in our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the company and nature of its business.
- c) In our opinion and according to the information and explanations given to us, the company has not disposed off substantial part of its fixed assets during the year.
- (ii) a) According to the information and explanations given

- to us, inventories have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management as evidenced by the written procedures and instructions are reasonable and adequate in relation to the size of the company and nature of its business.
- c) On the basis of our examination of the records of inventories, we are of the opinion that the company is maintaining proper records of inventories. The discrepancies noticed on physical verification of Inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) (a) The company has not granted secured or unsecured loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of paragraph 4 (iii) (b) (c) and (d) of the above said order are not applicable to the company.
- (e) The company has during the year taken unsecured loans from eleven companies covered in the register maintained under section 301 of the Companies Act, 1956. The amount involved in the transactions is Rs. 2,301.00 lacs. The amount payable as at the close of the year is Rs 619.75 lacs.
- (f) According to the information and explanations given to us, the rate of interest and other terms and conditions in respect of unsecured loans taken by the company, are not prima-facie prejudicial to the interest of the company.
- (g) In our opinion and according to the information and explanations given to us, the payment of principal amount and interest in respect of the aforesaid loans was regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) According to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us the company has complied with the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. According to the information given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to the company, if any, have been regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2010, for a period of more than six months from the date they became payable.
- b) According to the records of the company, the details of disputed statutory dues aggregating to Rs. 13,56,96,030/- that have not been deposited on account of matters pending before the appellate authorities in respect of income tax, sales tax, custom duty, service tax and excise duty are given below:

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)



Nature of Dues/ Name of Statute	Disputed Amount (Rs.)	Forum where Dispute is pending
<b>Sales Tax</b>		
The Punjab VAT Act, 2005	1,04,740	Punjab & Haryana High Court, Chandigarh
The Punjab Sales Tax Act, 1957	3,66,500	Joint Director Mobile Wing Patiala Division , Patiala
The Punjab VAT Act, 2005	2,00,000	Joint Director Mobile Wing Patiala Division , Patiala
The Punjab VAT Act, 2005	82,500	Joint Director (Enforcement), Patiala
M.P. Commercial Tax Act, 1994	52,137	Commercial Tax Appellate Board, Bhopal
<b>Excise Duty</b>		
Central Excise Act, 1944	27,78,084	Commissioner (Appeals) Central Excise, Chandigarh
Central Excise Act, 1944	4,15,723	Chief Commissioner Central Excise, Chandigarh
Central Excise Act, 1944	1,72,18,335	Custom, Excise & Service Tax Appellate Tribunal, New Delhi
Central Excise Act, 1944	1,08,33,843	Hon'ble Supreme Court, New Delhi
Central Excise Act, 1944	17,378	Asstt. Commissioner Central Excise, Ludhiana
<b>Service Tax</b>		
Finance Act, 1994	2,09,095	Commissioner (Appeals) Central Excise, Chandigarh
Finance Act, 1994	10,97,888	Custom, Excise & Service Tax Appellate Tribunal, New Delhi
Finance Act, 1994	1,19,807	Commissioner Appeals Custom, Central Excise, and Service Tax, Bhopal
<b>Income-Tax</b>		
Income-Tax Act, 1961	10,22,00,000	Commissioner of Income-Tax ((Appeals)

According to the information and explanations given to us, there are no disputed dues in respect of wealth tax and cess.

- (x) The company does not have accumulated losses as at 31<sup>st</sup> March 2010. The later part of the question relating to net worth is thus not applicable to the company. Further, the company has not incurred cash losses during the financial year covered under audit and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore the provisions of the clause 4 (xii) of the above said order are not applicable to the company.
- (xiii) The company is not a chit fund or a nidhi mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the above said order are not applicable to the

company.

- (xiv) According to the information and explanations given to us, the company has not dealt or traded in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the above said order are not applicable to the company.
- (xv) The company has not given guarantees for loans taken by others from banks. Therefore provisions of clause 4(xv) of above said order are not applicable to the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken during the year have been applied for the purpose for which they were obtained.
- (xvii) According to information and explanations given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis have not been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year. Accordingly the provisions of clause 4 (xix) of the above said order are not applicable to the company.
- (xx) The company has not raised any money by way of public issue during the year. Accordingly the provisions of clause 4 (xx) of the above said order are not applicable to the company.
- (xxi) According to the information and explanations given to us by the management and based upon the audit procedures performed we report that no fraud on or by the company has been noticed or reported during the year ended 31<sup>st</sup> March, 2010.

**For S.C. VASUDEVA & CO.  
CHARTERED ACCOUNTANTS  
Firm Registration No.: 000235N**

**SANJIV MOHAN  
PARTNER**

**PLACE : NEW DELHI  
DATED: 7th May, 2010**

**MEMBERSHIP NO. 86066**



**BALANCE SHEET as at 31st March, 2010**

Particulars	Schedule No.	As at 31.03.2010 (Rs. In Lac)	As at 31.03.2009 (Rs. In Lac)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' funds</b>			
a) Capital	1	5,776.95	5,776.95
b) Reserves and Surplus	2	139,808.01	121,498.08
		<u>145,584.96</u>	<u>127,275.03</u>
<b>2. Loan Funds</b>			
a) Secured Loans	3	222,670.28	212,387.25
b) Unsecured Loans	4	39,409.51	36,945.04
		<u>262,079.79</u>	<u>249,332.29</u>
<b>3. Deferred Tax Liability</b>		<b>19,638.07</b>	17,986.97
<b>TOTAL</b>		<u><b>427,302.82</b></u>	<u>394,594.29</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	5	357,101.87	335,548.43
b) Less: Depreciation		138,863.16	117,360.50
c) Net Block		<u>218,238.71</u>	<u>218,187.93</u>
d) Capital Work-in-Progress	6	4,063.16	5,878.19
		<u>222,301.87</u>	<u>224,066.12</u>
<b>2. Investments</b>	7	<b>28,048.49</b>	33,497.99
<b>3. Current Assets, Loans and Advances</b>			
a) Inventories	8	110,745.93	62,010.05
b) Sundry Debtors		39,733.69	27,566.78
c) Cash and Bank Balances		22,207.01	35,721.30
d) Loans and Advances		30,968.30	35,874.16
	<b>A</b>	<u>203,654.93</u>	<u>161,172.29</u>
<b>Less: Current Liabilities and Provisions</b>	9		
a) Current Liabilities		24,828.93	23,431.83
b) Provisions		1,873.54	710.28
	<b>B</b>	<u>26,702.47</u>	<u>24,142.11</u>
<b>Net Current Assets</b>	<b>(A-B)</b>	<b>176,952.46</b>	137,030.18
<b>TOTAL</b>		<u><b>427,302.82</b></u>	<u>394,594.29</u>
NOTES ON ACCOUNTS	18		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached  
For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

For and on behalf of the Board

SANJIV MOHAN  
Partner  
(M.No. 86066)

VIPIN GUPTA  
Company Secretary

RAJEEV THAPAR  
CGM (Finance,  
Accounts & Taxation)

SACHIT JAIN  
Executive Director

S.P. OSWAL  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010



# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)



## PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2010

Particulars	Schedule No.	Current Year (Rs. In Lac)	Previous Year (Rs. In Lac)
<b>INCOME</b>			
Sales (Gross)		276,722.16	249,537.69
Less: Excise Duty		2,426.80	4,173.18
Sales (Net)		274,295.36	245,364.51
Other Income	10	5,496.93	3,352.75
<b>Total</b>		<b>279,792.29</b>	<b>248,717.26</b>
<b>EXPENDITURE</b>			
Raw Material Consumed and Purchase of Finished Goods	11	135,720.59	124,502.34
Manufacturing Expenses	12	59,997.20	55,070.63
Personnel Expenses	13	16,488.27	15,314.70
Administrative, Exchange Rate Fluctuation and Other Expenses	14	5,061.14	9,801.27
Interest and Financial Charges	15	8,673.30	10,233.56
Selling and Distribution Expenses	16	8,510.16	8,371.14
(Increase)/Decrease in Work in Process and Finished Stock	17	(5,408.71)	(1,172.98)
Difference of Excise Duty on Stocks		(39.63)	(306.68)
Depreciation & Amortisation		22,087.57	20,732.41
<b>Total</b>		<b>251,089.89</b>	<b>242,546.39</b>
<b>Profit for the year before tax</b>		<b>28,702.40</b>	<b>6,170.87</b>
Less : Provision for			
- Current Tax [Including Rs. 22.00 Lac (Previous Year Rs 17.00 Lac) for Wealth Tax]		5,675.00	17.00
- Fringe Benefit Tax		-	91.00
- Deferred Tax		1,560.32	3,867.73
- Deferred Tax Adjustment		90.78	(539.53)
<b>Profit for the year after tax from ordinary activities</b>		<b>21,376.30</b>	<b>2,734.67</b>
<b>Profit on sale of discontinued operations</b>	-		14,139.38
Provision for			
- Current Tax	-		2,164.00
- Deferred Tax	-		662.21
- MAT Credit Entitlement	-		(29.00)
<b>Net Profit for the year after tax</b>		<b>21,376.30</b>	<b>14,076.84</b>
Add:			
Corporate Dividend Tax Written Back		195.15	125.19
Balance brought forward		6,085.04	5,734.76
<b>Balance available for appropriation</b>		<b>27,656.49</b>	<b>19,936.79</b>
<b>Appropriations:</b>			
Proposed Dividend			
- On Equity Shares	1,733.09		1,155.39
- Corporate Dividend Tax thereon	287.84	2,020.93	196.36
Transferred to General Reserve		12,500.00	12,500.00
Balance carried to Balance Sheet		13,135.56	6,085.04
		<b>27,656.49</b>	<b>19,936.79</b>
<b>Earning per share of Rs. 10/- each</b> (Refer Note No 17 of Notes on accounts)			
- Basic		37.00	24.37
- Diluted		31.83	18.48

NOTES ON ACCOUNTS 18  
The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date attached

For and on behalf of the Board

For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

SANJIV MOHAN  
Partner  
(M.No. 86066)

VIPIN GUPTA  
Company Secretary

RAJEEV THAPAR  
CGM (Finance,  
Accounts & Taxation)

SACHIT JAIN  
Executive Director

S.P. OSWAL  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010



Vardhman

**CASH FLOW STATEMENT for the year ended 31st March, 2010**

Particulars	Schedule No.	Current Year (Rs. in Lac)	Previous Year (Rs. in Lac)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before Tax and Extra-ordinary items		<b>28,702.40</b>	6,170.87
Adjustments for :			
Depreciation/Amortisation	<b>22,087.57</b>	20,732.41	
Interest Expense	<b>11,563.62</b>	12,367.76	
Interest/Dividend Income	<b>(4,621.00)</b>	(3,331.55)	
(Profit)/Loss on sale of Assets (Net)	<b>134.33</b>	(144.71)	
(Profit)/Loss on sale of Investments (Net)	<b>(490.43)</b>	(675.57)	
(Profit)/Loss on buy-back of FCCBs (Net)	-	(106.09)	
Provision no longer required written Back (Net)	<b>(225.47)</b>	(253.12)	
Sundry Balances Written Off (Net)	<b>100.52</b>	77.77	
Provision for Doubtful Debts (Net)	<b>(8.92)</b>	(39.11)	
Provision for fall in value of Investments (Net)	<b>(163.89)</b>	180.61	
Exchange Rate Fluctuation (Unrealised)	<b>(2,729.60)</b>	5,750.52	
		<b>25,646.73</b>	34,558.92
Operating Profit before Working Capital Changes		<b>54,349.13</b>	40,729.79
Adjustments for :			
(Increase)/Decrease in Trade & Other Receivables	<b>(8,373.01)</b>	(8,324.86)	
(Increase)/Decrease in Inventories	<b>(49,006.15)</b>	16,249.76	
Increase/(Decrease) in Trade Payables & Other Liabilities	<b>(629.68)</b>	(1,721.82)	
		<b>(58,008.84)</b>	6,203.08
Cash Generation from Operations		<b>(3,659.71)</b>	46,932.87
Taxes Paid	<b>(4,312.79)</b>	(2,228.91)	(2,228.91)
Net Cash from Operating activities		<b>(7,972.50)</b>	44,703.96
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	<b>(20,637.35)</b>	(16,856.27)	
Sale of Fixed Assets	<b>179.70</b>	322.45	
Purchase of Investments	<b>(182,129.95)</b>	(96,851.11)	
Sale of Investments	<b>188,233.76</b>	71,691.98	
Slump Sale Consideration*	-	25,797.72	
Interest/Dividend Received	<b>4,647.28</b>	3,341.99	
Net Cash used in Investing activities		<b>(9,706.56)</b>	(12,553.24)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from calls in arrears	-	0.47	
Proceeds from Long Term Borrowings (Net)	<b>5,447.96</b>	7,907.37	
Proceeds from Short Term Borrowings (Net)	<b>4,835.07</b>	348.09	
Proceeds from Zero Coupon Foreign Currency Convertible Bonds	-	(405.21)	
Proceeds from Other Unsecured Borrowings (Net)	<b>5,916.10</b>	4,329.38	
Capital Subsidy Received	-	60.00	
Dividend Paid	<b>(1,160.51)</b>	(2,575.07)	
Interest Paid	<b>(10,873.85)</b>	(12,364.42)	
Net Cash from Financing activities		<b>4,164.77</b>	(2,699.39)
Net Increase in cash & cash equivalents		<b>(13,514.29)</b>	29,451.33
Cash & cash equivalents as on beginning *		<b>35,721.30</b>	6,269.97
Cash & cash equivalents as on end		<b>22,207.01</b>	35,721.30

\* Previous year figure is net of Rs. 202.28 lac transferred to VYTL under slump sale

NOTES ON ACCOUNTS

18

The Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached  
For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

For and on behalf of the Board

SANJIV MOHAN  
Partner  
(M.No. 86066)

VIPIN GUPTA  
Company Secretary

RAJEEV THAPAR  
CGM (Finance,  
Accounts & Taxation)

SACHIT JAIN  
Executive Director

S.P. OSWAL  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010

**Schedules 1 to 18 Annexed to and forming part of the Balance Sheet as at 31st March, 2010 and Profit & Loss Account for the year ended 31st March, 2010**

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
<b>Schedule 1 — SHARE CAPITAL</b>		
<b>Authorised</b>		
9,00,00,000 Equity Shares of Rs. 10/- each (Previous Year 9,00,00,000)	9,000.00	9,000.00
1,00,00,000 Redeemable Cumulative Preference Shares of Rs. 10/- each (Previous Year 1,00,00,000)	<u>1,000.00</u>	<u>1,000.00</u>
<b>Issued, Subscribed &amp; Paid-up</b>	<b>10,000.00</b>	<b>10,000.00</b>
5,77,69,527 Equity Shares (Previous Year 5,77,69,527) of Rs. 10/- each	<u>5,776.95</u>	<u>5,776.95</u>
	<u>5,776.95</u>	<u>5,776.95</u>

**Notes:**

Of the above:

- (a) 1,35,916 (previous year 1,35,916) Equity Shares of Rs.10/- each are allotted as fully paid up, pursuant to a contract without payment being received in cash.
- (b) 3,54,27,580 (previous year 3,54,27,580) Equity Shares of Rs.10/- each are allotted as fully paid up, by way of bonus shares by capitalisation of Share Premium, Capital Redemption Reserve and General Reserve.

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
<b>Schedule 2 — RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	124.33	124.33
<b>Capital Subsidy Reserve</b>		
As per last account	255.00	195.00
Add: Capital Investment Subsidy received during the year	<u>-</u>	<u>66.00</u>
	255.00	255.00
<b>Share Premium</b>		
As per last account	2,667.71	5,517.33
Less: Utilised for providing for the premium payable on redemption of Zero Coupon Foreign Currency Convertible Bonds	<u>1,240.59</u>	<u>2,903.33</u>
Add: Write-back of provision for the premium against Buy-back of USD 1 Million Zero Coupon Foreign Currency Convertible Bonds	<u>-</u>	<u>53.71</u>
	1,427.12	2,667.71
<b>General Reserve</b>		
As per last account	112,366.00	99,866.00
Add: Transferred from Profit and Loss Account	<u>12,500.00</u>	<u>12,500.00</u>
	124,866.00	112,366.00
<b>Surplus i.e., Balance as per annexed Profit and Loss Account</b>	<u>13,135.56</u>	<u>6,085.04</u>
	<u>139,808.01</u>	<u>121,498.08</u>



	<b>As at 31.03.2010</b> <b>(Rs. in lac)</b>	<b>As at 31.03.2009</b> <b>(Rs. in lac)</b>
<b>Schedule 3 — SECURED LOANS</b>		
Loans and Advances from Banks		
- Term Loans	<b>189,607.13</b>	184,159.17
- Working Capital	<b><u>33,063.15</u></b>	<u>28,228.08</u>
	<b><u>222,670.28</u></b>	<u>212,387.25</u>
	<b><u>222,670.28</u></b>	<u>212,387.25</u>

**Notes:**

1. The Term Loans from Banks are secured by mortgage created or to be created on all the immovable assets of the Company , both present and future and hypothecation of all the movable assets including movable machinery, machinery parts, tools and accessories and other movables both present and future (except book debts), subject to charges created or to be created in favour of the Bankers for securing the working capital limits.
2. Working Capital Borrowings from Banks are secured by hypothecation of entire present and future tangible current assets of the Company as well as a second charge on the entire present and future fixed assets of the company.
3. Amount due for repayment out of Term Loans within one year is Rs. 12,545.90 lac (Previous Year Rs. 14,167.18 lac)

	<b>As at 31.03.2010</b> <b>(Rs. in lac)</b>	<b>As at 31.03.2009</b> <b>(Rs. in lac)</b>
<b>Schedule 4 — UNSECURED LOANS</b>		
Fixed Deposits	<b>43.13</b>	102.79
Interest accrued and due on above	<b>0.63</b>	0.76
Loans & Advances from Subsidiaries	<b>9,755.00</b>	6,898.99
Short Term Loans and Advances		
- From Banks	<b>2,500.00</b>	-
- From Others	<b>619.75</b>	-
Other Loans and Advances		
- Zero Coupon Foreign Currency Convertible Bonds	<b><u>26,491.00</u></b>	<u>29,942.50</u>
	<b><u>39,409.51</u></b>	<u>36,945.04</u>

**Note:**

Amount due for repayment out of above within one year is Rs. 39,390.75 lac (Previous Year Rs. 6,963.81 lac)

**Schedule 5 — FIXED ASSETS**

**A) TANGIBLE ASSETS** (Rs. in lac)

Sr. No.	Particulars	Gross Block		Depreciation		Net Block						
		As at 01.04.2009 to VYTL on Slump Sale	Additions during the year	Sales/ Adjustments	As at 31.03.2010	For the year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009			
1.	Freehold Land	4,989.06	-	218.25	8.87	5,198.44	-	-	5,198.44	4,989.06		
2.	Leasehold Land	818.30	-	0.18	-	818.48	24.04	8.06 *	786.38	794.26		
3.	Buildings	54,726.24	-	3,918.49	-	58,644.73	7,823.81	1,382.77	49,438.15	46,902.43		
4.	Plant & Machinery	270,856.32	-	17,895.56	583.89	288,167.99	107,351.66	20,296.59	160,987.25	163,504.66		
5.	Furniture & Fittings	2,072.75	-	154.75	109.85	2,117.65	1,091.85	135.23	974.35	980.90		
6.	Vehicles	727.49	-	160.42	73.66	814.25	275.84	67.13	504.90	451.65		
<b>Total (A)</b>		<b>334,190.16</b>	<b>-</b>	<b>22,347.65</b>	<b>776.27</b>	<b>355,761.54</b>	<b>116,567.20</b>	<b>21,889.78</b>	<b>584.91</b>	<b>137,872.07</b>	<b>217,889.47</b>	<b>217,622.96</b>

**B) INTANGIBLE ASSETS**

Sr. No.	Particulars	Gross Block		Amortisation		Net Block						
		As at 01.04.2009 to VYTL on Slump Sale	Additions during the year	Sales/ Adjustments	As at 31.03.2010	For the year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009			
1.	Computer Software	275.11	-	13.36	-	288.47	255.85	2.42	-	258.27	30.20	19.26
<b>Total (B)</b>		<b>275.11</b>	<b>-</b>	<b>13.36</b>	<b>-</b>	<b>288.47</b>	<b>255.85</b>	<b>2.42</b>	<b>-</b>	<b>258.27</b>	<b>30.20</b>	<b>19.26</b>

**C) EXPENDITURE ON POWER LINES**

Sr. No.	Particulars	Gross Block		Amortisation		Net Block						
		As at 01.04.2009 to VYTL on Slump Sale	Additions during the year	Sales/ Adjustments	As at 31.03.2010	For the year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009			
1.	Expenditure on Power Lines	1,083.16	-	18.70	50.00	1,051.86	537.45	195.37	-	732.82	319.04	545.71
<b>Total (C)</b>		<b>1,083.16</b>	<b>-</b>	<b>18.70</b>	<b>50.00</b>	<b>1,051.86</b>	<b>537.45</b>	<b>195.37</b>	<b>-</b>	<b>732.82</b>	<b>319.04</b>	<b>545.71</b>
<b>Grand Total (A+B+C)</b>		<b>335,548.43</b>	<b>-</b>	<b>22,379.71</b>	<b>826.27</b>	<b>357,101.87</b>	<b>117,360.50</b>	<b>22,087.57</b>	<b>584.91</b>	<b>138,863.16</b>	<b>218,238.71</b>	<b>218,187.93</b>
Previous Year		309,649.59	16,903.07	42,538.57	(263.34)	335,548.43	107,427.55	20,732.41	650.43	117,360.50	218,187.93	

**Notes:**

- # Includes Rs. 248.20 lac (Previous year Rs. 248.20 lac) cost of Residential flats at Mandideep, the land cost of which has not been excluded from this cost. The depreciation for the year has been taken on the entire cost of Rs. 248.20 lac (Previous Year Rs. 248.20 lac).
- \* Represents proportionate premium for acquisition of leasehold land being amortised over the period of lease.
- Freehold land includes Rs. 417.59 lac (Previous Year Rs. 452.59 lac) for the cost of land at Baddi, (Himachal Pradesh) for which title deeds are yet to be executed in favour of the Company, though the possession thereof has been taken by the company.
- Buildings include Rs. 21.72 lac (Previous Year Rs. 21.72 lac) for the cost of Leasehold Building at Ludhiana, (Punjab).
- Plant & Machinery includes Rs. 213.92 lac (Previous Year Rs. 716.71 lac) and Buildings include Rs. 68.84 lac (Previous Year Rs. 81.76 lac) for the amount allocated out of Project and Pre-operative Expenses.
- Borrowing cost amounting to Rs. 369.52 lac (Previous year Rs. 563.21 lac) has been capitalised during the year.
- Depreciation for the year includes net depreciation of Rs. (-) 18.76 lac (Previous Year Rs. (-) 223.07 lac) pertaining to earlier years.
- Intangible Assets are not internally generated.



	As at <b>31.03.2010</b> (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
<b>Schedule 6 — CAPITAL WORK-IN-PROGRESS</b>		
Building Under Construction	694.09	3,195.00
Machinery Under Erection	1,282.20	1,622.76
Machinery in Transit	1,029.60	-
Capital Advances	1,057.27	793.19
Project and Pre-operative Expenses	-	267.24
(Refer Note No. 16 of notes on accounts)		
	<b>4,063.16</b>	5,878.19

**Schedule 7 — INVESTMENTS**

**I. LONG TERM INVESTMENTS (AT COST)**

**1. Trade**

(A) (QUOTED)

In Subsidiary Companies

6,37,53,661 ( Previous Year 5,92,53,378 ) Equity Shares of Rs. 10/- each fully paid up of Vardhman Acrylics Limited 5,802.74 5,375.58

(B) (UNQUOTED)

(i) 3,00,000 (Previous year 3,00,000) Equity Shares of Rs.10/- each fully paid-up of Vardhman Textile Components Limited 30.00 30.00

(ii) 25,000 (Previous year 25,000) Equity Shares of Rs.10/- each fully paid-up of Vardhman Spinning & General Mills Limited (formerly known as Vardhman Linen Limited) 2.50 2.50

(iii) In Subsidiary Companies

1,51,80,060 (Previous year 1,51,80,060) Equity Shares of Rs.10/- each fully paid up of VMT Spinning Company Limited 1,518.01 1,518.01

40,00,000 (Previous year 40,00,000) Equity Shares of Rs.10/- each fully paid up of VTL Investments Limited (formerly known as Vardhman Threads Limited) 403.50 403.50

2,90,72,240 (Previous year 2,90,72,240) Equity Shares of Rs.10/- each fully paid up of Vardhman Yarns & Threads Limited 12,747.16 12,747.16

71,40,000 (Previous year Nil) Equity Shares of Rs. 10/- each fully paid up of Vardhman Texgarments Limited 714.00 -

**2. OTHERS**

(UNQUOTED)

4,495 (Previous year 4,495) Equity shares of Rs. 10/- each fully paid-up of Srestha Holdings Ltd., 80 (Previous Year 80) shares of Rs. 50/- each fully paid-up in the Valencia Co-operative Housing Society Limited, Mumbai and 5 (Previous Year 5) Shares of Dalamal House Commercial Complex Society Ltd, Mumbai 0.46 0.46

41,000 (Previous Year 41,000) Equity-Shares of Rs. 10/- each fully paid-up of Shivalik Solid Waste Management Limited (Section 25 Company) 4.10 4.10

2,50,000 (Previous year 2,50,000) Equity Shares of Rs. 10/- each fully paid-up of Nimbua Greenfield (Punjab) Limited 25.00 25.00

**Total (A)** **21,247.47** 20,106.31

**II. CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE)**

**OTHER THAN TRADE**

(QUOTED)

1,69,120 (Previous Year 1,69,120) Equity Shares of Rs.10/- each fully paid up of Industrial Development Bank of India Limited 89.32 89.32

16,565 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Rural Electrification Corporation Limited 33.45 -

4,167 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Aditya Birla Nuvo Limited 39.39 -

7,958 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Adani Enterprises Limited 27.95 -

6,899 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Shriram Transport Finance Company Limited 28.79 -

1,398 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Bharat Heavy Electricals Limited 31.50 -

3,010 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Reliance Industries Limited 30.25 -

10,731 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Torrent Power Limited 33.20 -

1,710 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Sun Pharmaceuticals Industries Limited 20.80 -

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
4,461 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Divis Laboratories Limited	19.78	-
13,906 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Opto Circuits (India) Limited	18.25	-
1,734 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Lupin Limited	25.45	-
20,903 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Anant Raj Industries Limited	31.58	-
6,050 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Ess Dee Aluminium Limited	23.70	-
2,893 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Tulip Telecom Limited	26.44	-
1,126 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of State Bank of India	19.55	-
7,286 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Bharti Airtel Limited	29.71	-
1,569 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Maruti Udyog Limited	22.03	-
3,252 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Emami Limited	16.45	-
<b>(UNQUOTED)</b>		
Nil (Previous Year 1,96,55,339) units of Rs.10/- each of Reliance Liquidity Fund - Growth Option	-	2,600.76
Nil (Previous Year 70,96,300) units of Rs.10/- each of Reliance Income Fund - Retail Plan - Growth Option	-	2,000.00
1,00,00,000 (Previous Year 1,00,00,000) units of Rs.10/- each of Reliance Fixed Horizon Fund - XII - Series 3 Super - Super Institutional Plan - Growth Option	1,000.00	1,000.00
Nil (Previous Year 28,93,890) units of Rs.10/- each of Reliance Medium Term Fund - Retail Plan - Growth Plan - Growth Option	-	522.40
35,82,778 (Previous Year Nil) units of Rs.10/- each of Reliance Monthly Income Plan - Growth	700.00	-
65,22,817 (Previous Year Nil) units of Rs.10/- each of Reliance Regular Savings Fund - Debt Plan - Institutional Growth Plan	800.00	-
Nil (Previous Year 31,36,017) units of Rs.10/- each of SBI Magnum Insta Cash Fund - Cash Option	-	609.93
Nil (Previous Year 52,285) units of Rs.1,000/- each of UTI Liquid Cash Plan Institutional - Growth Option	-	750.00
Nil (Previous Year 17,750) units of Rs. 8,450/- each of NABARD Bonds	-	1,499.88
Nil (Previous Year 62,13,187) units of Rs. 10/- each of HDFC High Income Fund - Short Term Plan - Growth	-	1,000.00
Nil (Previous Year 30,17,228) units of Rs. 10/- each of Tata Short Term Bond Fund - Growth	-	500.00
Nil (Previous Year 1,20,26,844) units of Rs. 10/- each of HSBC Flexi Debt Fund - Institutional Growth	-	1,500.00
Nil (Previous Year 49,28,751) units of Rs. 10/- each of ICICI Prudential Institutional Income Plan - Growth	-	1,500.00
50 (Previous Year Nil) units of Rs.10,00,000/- each of DB Cholamandalam Bonds	512.78	-
20 (Previous Year Nil) Redeemable Debentures of Rs.10,00,000/- each of Sky Deck Properties & Developers Private Limited	204.52	-
25 (Previous Year Nil) Redeemable Non-Convertible Debentures of Rs.10,00,000/- each of Barclays Investments & Loans (India) Limited	250.00	-
20,000 (Previous Year Nil) Units of Rs.100/- each of 8.60% PFC Bonds	21.46	-
9,10,000 (Previous Year Nil) Units of Rs.100/- each of 10% Punj Lloyd Limited Bonds	963.27	-
3,00,000 (Previous Year Nil) Units of Rs.100/- each of 7.60% REC Bonds	300.00	-
5,00,000 (Previous Year Nil) Units of Rs.100/- each of 7.75% REC Bonds	500.99	-
30,000 (Previous Year Nil) Units of Rs.100/- each of 8.32% TNEB Bonds	29.66	-
1,60,000 (Previous Year Nil) Units of Rs.100/- each of 8.64% TNEB Bonds	160.00	-
2,40,200 (Previous Year Nil) Units of Rs.100/- each of 8.52% Karnataka SDL 2020	240.50	-
43,75,169 (Previous Year Nil) Units of Rs. 10/- each of Kotak Liquid Institutional Fund - Daily Dividend - Re-investment Plan	535.00	-
1,80,377 (Previous Year Nil) Units of Rs.10/- each of Principal Cash Management Fund	31.97	-
	<b>6,817.74</b>	13,572.29
Less : Provision for fall in value of Investments	16.72	180.61
<b>Total (B)</b>	<b>6,801.02</b>	13,391.68
<b>Grand Total (A+B)</b>	<b>28,048.49</b>	33,497.99

**NOTES:**

1. Aggregate value of quoted investments	6,370.33	5,464.90
2. Aggregate value of unquoted investments	21,694.88	28,213.70
3. Market Value of quoted investments	7,651.94	2,417.29
4. Investments purchased and sold during the year - Refer Note No 21 for details		



Vardhman

Vardhman Textiles Limited  
(Formerly known as Mahavir Spinning Mills Limited)

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
<b>SCHEDULE 8 — CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>(A) CURRENT ASSETS</b>		
<b>1. Inventories</b>		
Raw Materials	72,189.02	31,039.85
Material in Transit	1,880.12	302.24
Work-in-Process	7,245.60	6,132.59
Finished Goods	23,398.25	19,102.55
Stores and Spares	6,032.94	5,162.56
Work-in-Progress (Refer Note No. 7)	-	270.26
<b>Total (A)</b>	<b>110,745.93</b>	<b>62,010.05</b>
<b>2. Sundry Debtors (Considered good unless otherwise stated)</b>		
Unsecured		
a) Debts outstanding for a period exceeding six months		
(i) Considered Good	1,235.19	2,203.55
(ii) Considered Doubtful	65.12	83.55
b) Other Debts: Considered Good	38,498.50	25,363.23
Less : Provision for doubtful debts	65.12	83.55
<b>Total (B)</b>	<b>39,733.69</b>	<b>27,566.78</b>
<b>3. Cash and Bank Balances</b>		
(a) Cash Balances		
Cash in hand	130.67	129.63
Cheques in hand	821.83	397.34
	<b>952.50</b>	<b>526.97</b>
(b) Bank Balances		
With Scheduled Banks:		
(i) in Current Accounts	1,912.99	3,317.02
(ii) in Saving Bank Accounts	2.35	4.50
(iii) Fixed Deposit Accounts [Including Rs. 2.46 lac (Previous Year Rs. 2.65 Lac) pledged with Government Authorities]	19,339.17	31,872.81
<b>Total (C)</b>	<b>22,207.01</b>	<b>35,721.30</b>
<b>(B) LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)</b>		
(a) Advance to subsidiary company	634.98	-
(b) Advances recoverable in cash or in kind or for value to be received		
(i) Considered Good	17,776.22	24,728.38
(ii) Considered Doubtful	14.98	5.46
Less : Provision for doubtful advances	14.98	5.46
(c) Amount recoverable from Mahavir Share Trust in respect of Shares held in Trust (Refer Note No. 10 & 11 of notes on accounts)	1,787.40	1,787.30
(d) Balance with Government Authorities	9,774.70	7,429.48
(e) MAT Credit entitlement	995.00	1,929.00
<b>Total (D)</b>	<b>30,968.30</b>	<b>35,874.16</b>
<b>Total (A+B+C+D)</b>	<b>203,654.93</b>	<b>161,172.29</b>



	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
<b>SCHEDULE 9 — CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(A) CURRENT LIABILITIES</b>		
Sundry Creditors		
- Dues of Micro, Small and Medium Enterprises	-	-
- Others	5,431.98	5,868.52
Balance of Subsidiary Company	29.84	375.04
Trade Deposits & Advances	1,905.45	2,527.20
Unclaimed Dividends	114.11	118.03
Other Liabilities	16,656.27	14,199.48
Realisations under agreement to sell (Refer Note No. 7)	-	229.85
Interest accrued but not due	691.28	113.71
<b>Total (A)</b>	<b>24,828.93</b>	<b>23,431.83</b>
<b>(B) PROVISIONS:</b>		
Provision for Current Tax	35,606.20	29,931.21
Provision for Fringe Benefit Tax	436.00	436.00
Less: Prepaid Taxes	36,719.95	(677.75)
	<u>1,733.09</u>	<u>1,155.39</u>
Proposed Dividend	1,733.09	1,155.39
Corporate Dividend tax thereon	287.84	196.36
	<u>2,020.93</u>	<u>1,351.75</u>
Provision for compensated absences	390.39	431.35
Provision for gratuity (net)	139.97	39.21
<b>Total (B)</b>	<b>1,873.54</b>	<b>710.28</b>
<b>Total (A+B)</b>	<b>26,702.47</b>	<b>24,142.11</b>

**Note :** Unclaimed Dividends do not include any amount due and outstanding required to be credited to the Investors' Education and Protection Fund.

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 10 — OTHER INCOME</b>		
Claims received	98.98	136.10
Provisions no longer required written back	225.46	253.12
Dividend Income from Long Term Trade Investments		
- Subsidiaries	1,148.27	736.62
- Other than Subsidiaries	31.98	67.33
Dividend Income from Current Investments		
- Others	50.58	314.53
Profit on Sale of Current Investments	537.16	675.57
Profit on Sale of Long Term Investments	0.06	-
Gain on Buy-back of FCCBs	-	106.09
Profit on sale of fixed assets	20.16	243.66
Provision for fall in value of Investments written back	163.89	-
Provision for Doubtful Debts written back	29.18	40.00
Exchange rate fluctuation (Net)	1,854.67	-
Miscellaneous	1,336.54	779.73
	<u>5,496.93</u>	<u>3,352.75</u>



	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
<b>SCHEDULE 11 — RAW MATERIAL CONSUMED AND PURCHASE OF FINISHED GOODS</b>		
Opening Stock	<b>31,039.85</b>	51,392.64
Add : Purchases	<b>175,504.76</b>	106,225.95
	<b><u>206,544.61</u></b>	<u>157,618.59</u>
Less : Material transferred on Slump Sale (Refer Note No. 20)	-	2,996.99
Less : Closing Stock	<b>72,189.02</b>	31,039.85
Raw Material Consumed	<b>134,355.59</b>	123,581.75
Add : Purchase of Finished Goods	<b>1,365.00</b>	920.59
	<b><u>135,720.59</u></b>	<u>124,502.34</u>
 <b>SCHEDULE 12 — MANUFACTURING EXPENSES</b>		
Power and Fuel	<b>34,952.51</b>	32,220.28
Packing Material and Charges	<b>3,697.54</b>	3,831.87
Stores & Spares Consumed	<b>3,533.52</b>	3,195.33
Dyes & Chemicals Consumed	<b>8,793.83</b>	8,675.82
Repairs to Plant and Machinery	<b>7,346.65</b>	5,855.52
Processing Charges	<b>539.38</b>	219.09
Technical know-how	<b>93.77</b>	126.28
Miscellaneous	<b>1,040.00</b>	946.44
	<b><u>59,997.20</u></b>	<u>55,070.63</u>
 <b>SCHEDULE 13 — PERSONNEL EXPENSES</b>		
Salaries, Wages and Bonus	<b>14,488.24</b>	13,442.37
Contribution to Provident and other funds	<b>1,685.20</b>	1,625.20
Workmen and Staff Welfare	<b>230.22</b>	199.33
Miscellaneous	<b>84.61</b>	47.80
	<b><u>16,488.27</u></b>	<u>15,314.70</u>

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)



<b>Current Year</b>	<b>Previous Year</b>
<b>(Rs. in lac)</b>	<b>(Rs. in lac)</b>

## SCHEDULE 14 — ADMINISTRATIVE, EXCHANGE RATE FLUCTUATION AND OTHER EXPENSES

Rent	92.67	101.75
Fees, Rates and Taxes	137.41	129.58
Building Repairs and Maintenance	816.62	527.90
General Repairs and Maintenance	295.46	297.48
Insurance	291.41	303.67
Legal and Professional	340.09	256.11
Travelling and Conveyance	275.08	238.94
Printing and Stationery	197.05	187.15
Postage and Telegrams	50.37	47.65
Telephone and Telex	242.32	250.32
Vehicle Maintenance	424.80	418.53
Auditors Remuneration:		
Audit Fee	19.30	14.89
Tax Audit Fee	4.96	3.86
Reimbursement of Expenses	4.59	6.15
In other capacity (Certification)	6.00	0.55
Cost Audit Fee	3.09	3.39
Managerial Remuneration	698.14	234.62
Directors' Travelling	40.59	38.84
Exchange rate fluctuation (Net)	-	5,985.46
Bad debts written off	100.51	77.77
Provision for Doubtful Debts & Advances	20.27	0.89
Provision for fall in value of Investments	-	180.61
Loss on sale of Current Investments	46.78	-
Loss on sale and discarded fixed assets	154.50	98.95
Charity and Donation	80.95	10.97
Electricity & Water	113.10	87.67
Miscellaneous	605.08	297.57
	<u>5,061.14</u>	<u>9,801.27</u>

## SCHEDULE 15 — INTEREST AND FINANCIAL CHARGES

Interest:			
On Debentures		-	1.46
On Fixed Deposits		5.05	11.15
On Term Loans		9,461.73	9,659.04
On Working Capital	2,096.84		2,696.11
Less : Interest Received			
- on FDRs/Others (Gross) [TDS Rs. 309.92 lac			
(Previous Year Rs. 459.12 lac)]	2,981.56		2,126.97
- from Customers, Suppliers & Others (Gross)			
[TDS Rs. 20.39 lac (Previous Year Rs. 49.60 lac)]	<u>408.61</u>	<u>(1,293.33)</u>	<u>400.63</u>
Bank & Other charges		<u>499.85</u>	<u>393.40</u>
		<u>8,673.30</u>	<u>10,233.56</u>

## SCHEDULE 16 — SELLING AND DISTRIBUTION EXPENSES

Forwarding Charges and Octroi	4,543.07	4,579.66
Commission to Selling Agents	2,176.66	2,010.39
Rebate and Discount	1,066.68	1,028.45
Advertisement	122.52	128.31
Sales promotion	259.34	223.99
Miscellaneous	341.89	400.34
	<u>8,510.16</u>	<u>8,371.14</u>



	<b>Current Year (Rs. in lac)</b>		<b>Previous Year (Rs. in lac)</b>
<b>SCHEDULE 17 — (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED STOCK</b>			
Opening Stock:			
Work-in-Process	6,132.59		7,425.36
Finished Goods	19,102.55	25,235.14	21,773.53
			29,198.89
Less : Material transferred on Slump Sale (Refer Note No. 20)		-	5,136.73
		25,235.14	24,062.16
Less : Closing Stock:			
Work-in-Process	7,245.60		6,132.59
Finished Goods	23,398.25	30,643.85	19,102.55
		(5,408.71)	25,235.14
			(1,172.98)

**SCHEDULE 18 — NOTES ON ACCOUNTS**

**I. SIGNIFICANT ACCOUNTING POLICIES:**

**a) Accounting Convention:**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the applicable accounting standards referred to in section 211(3C) and other relevant provisions of the Companies Act, 1956.

**b) Use of Estimates:**

The preparation of financial statements, in conformity with the generally accepted accounting principles, require estimates and assumptions to be made that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results materialise.

**c) Revenue Recognition:**

**i) Sales :**

Sales comprise sale of goods, services and export incentives. Revenue from sale of goods is recognized:

- i) when all the significant risks and rewards of ownership are transferred to the buyer and the company retains no effective control of the goods transferred to a degree usually associated with ownership; and
- (ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

**ii) Interest :**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**iii) Dividend :**

Dividend income is recognized when the right to receive the payment is established.

**iv) Benefit under Duty Entitlement Pass Book Scheme / Duty Drawback Scheme :**

Revenue in respect of the above benefit is recognized on post export basis.

**v) Insurance and Other Claims :**

Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

**d) Employees Benefits :**

**(a) Short Term Employee Benefits :**

Short Term Employee Benefits are recognized as an expense on an undiscounted basis in the Profit & Loss Account of the year in which the related service is rendered.

**(b) Post Employment Benefits :**

**i) Defined Contribution Plans:**

**(1.1) Superannuation :**

The liability in respect of eligible employees covered under the scheme is provided through a policy taken from Life Insurance Corporation of India by an approved trust formed for the purpose. The premium in respect of such policy is recognized as an expense in the period in which it falls due.

**(1.2) Provident Fund :**

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is recognized as an expense in the profit and loss account.

**ii) Defined Benefit Plans**

**(1.1) Gratuity :**

Provision for gratuity liability to employees is made on the basis of actuarial valuation as at the close of the year.

**(1.2) Leave with Wages :**

Provision for leave with wages is made on the basis of actuarial valuation as at the close of the year.

**iii) The actuarial gain/loss is recognized in statement of profit and loss account.**

**e) Fixed Assets :**

Fixed Assets are stated at historical cost less accumulated depreciation.

**f) Intangible Assets :**

Intangible assets are stated at cost less accumulated amount of amortization.

**g) Depreciation :**

i) Depreciation on all assets except computers is provided on straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956. In case of computers, depreciation is provided on systematic basis to each accounting period during the estimated useful life thereof.

ii) Depreciation on assets costing Rs. 5,000/- or below is charged @ 100% per annum on proportionate basis.

**h) Amortization :**

Intangible assets are amortized on straight line method over their estimated useful life.

**i) Investments :**

Long term Investments are carried at cost less provision, if any, for decline in value which is other than temporary. Current investments are carried at lower of cost and fair value.

**j) Inventories :**

Inventories are valued at cost or net realizable value, whichever is lower. The cost in respect of the various items of inventory is computed as under:

- In case of raw materials at weighted average cost plus direct expenses.
- In case of stores and spares at weighted average cost plus direct expenses.
- In case of work in process at raw material cost plus conversion costs depending upon the stage of completion.
- In case of finished goods at raw material cost plus conversion costs, packing cost, excise duty and other overheads incurred to bring the goods to their present location and condition.

**k) Cenvat Credit :**

Cenvat credit of excise duty paid on inputs, capital assets and input services is recognised in accordance with the Cenvat Credit Rules, 2004.

**l) Expenditure incurred during construction period :**

In respect of new/major expansion of units, the indirect expenditure incurred during construction period upto the date of the commencement of commercial production, which is attributable to the construction of the project, is capitalized on various categories of fixed assets on proportionate basis.

**m) Subsidy :**

Government grants available to the company are recognised when there is a reasonable assurance of compliance with the conditions attached to such grants and where benefits in respect thereof have been earned and it is reasonably certain that

the ultimate collection will be made. Government subsidy in the nature of promoter's contribution is credited to capital reserve. Government subsidy received for a specific asset is reduced from the cost of the said asset.

**n) Borrowing Costs :**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**o) Segment Information :**

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole.

**p) Operating Leases :**

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

**q) Foreign Currency Transaction :**

- i) Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction. Where export bills are negotiated with the bank, the export sales are recorded at the rate on the date of negotiation as the said rate approximates the actual rate at the date of the transaction.
- ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognized as income or expense in the period in which they arise.
- iii) The premium or discount arising at the inception of forward exchange contract is amortized as an expense or income over the life of the contract. Exchange difference on such a contract is recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Profit or loss arising on cancellation or renewal of such contract is recognized as income or expense in the period in which such profit or loss arises.
- iv) The exchange difference to the extent of loss, arising on forward contracts to hedge the transactions in the nature of firm commitments and/or highly probable forecast transactions is recognised in the Profit and Loss Account. The profit, if any arising thereon is ignored.

**r) Accounting for Taxes on Income :**

The accounting treatment followed for taxes on income is to provide for Current Tax and Deferred Tax. Current Tax is the aggregate amount of income-tax determined to be payable in respect of taxable income for a period. Deferred tax is the tax effect of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**s) Earning per Share :**

Basic earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into account the aggregate of the weighted average number of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity shares into equity shares.

**t) Impairment of Assets :**

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

**u) Provisions and Contingent Liabilities :**

- i) Provision is recognized (for liabilities that can be measured by using a substantial degree of estimation) when:
  - a) the company has a present obligation as a result of a past event;
  - b) a probable outflow of resources embodying economic benefits is expected to settle the obligation; and
  - c) the amount of the obligation can be reliably estimated
- ii) Contingent liability is disclosed in case there is :
  - a) possible obligation that arises from past events and existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

- b) a present obligation arising from past events but is not recognised
- (i) when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) a reliable estimate of the amount of the obligation cannot be made.

**II. NOTES TO ACCOUNTS :**

	<b>As At</b>	<b>As At</b>
	<b>(Rs. In Lac)</b>	<b>(Rs. In Lac)</b>
1. There are contingent liabilities in respect of the following items : No outflow is expected in view of the past history relating to these items :-	<b>31.3.2010</b>	31.3.2009
a) Claims not acknowledged as debts	<b>739.06</b>	720.02
b) Bank Guarantees and Letters of Credit outstanding	<b>4,537.93</b>	3,083.16
c) Bills discounted with banks	<b>218.31</b>	9,638.57
2. Estimated amount of contracts remaining to be executed on Capital Account (Net of advances)	<b>1,296.57</b>	12,555.93
3. The Company has contested the additional demand in respect of Sales Tax, Excise Duty etc., amounting to Rs. 576.69 lac (Previous Year Rs. 836.28 lac). As against this a sum of Rs. 217.22 lac (Previous Year Rs. 239.90 lac) has been deposited under protest and stands included under the head "Advances and other recoverables in cash or in kind". The Company has filed an appeal with the Appellate Authorities and is advised that the demand is not in accordance with law. No provision, therefore, has been made in accounts in respect thereof.		
4. The Company has executed bonds for an aggregate amount of Rs. 35,095.04 lac (Previous Year Rs. 32,539.27 lac) in favour of the President of India under section 59 (2) and 67 of the Customs Act, 1962 and Central Excise and Salt Act, 1944, for fulfillment of the obligation under the said Acts.		
5. The Company has contested the additional demand in respect of income tax amounting to Rs. 2,478.00 lac (Previous Year Rs. 2,121.00 lac). Pending appeal with appellate authorities, no provision has been made in the books of account as the company is hopeful to get the desired relief in appeal.		
6. The Company had taken over the textile undertaking of Vardhman Holdings Limited (formerly known as Vardhman Spinning & General Mills Limited) by a scheme of Arrangement and De-merger. An injunction was obtained against the London Branch of the said textile undertaking for preventing disposal of assets upto the value of Pound Sterling 2.99 lac as a result of a court case pending in London for alleged non-fulfillment of an agreement of cotton purchase. The said matter had been decided against the textile undertaking and accordingly, Pound Sterling 0.48 Lac lying in the bank account at London had been paid to the claimant pursuant to the Order of the Court. The said amount was written off in the books of the said undertaking by way of debit to the Profit and Loss Account. No provision has been made for the balance decree amount in view of the fact that the said undertaking was prevented by force majeure in fulfilling its part of contract. The Company as successor to the textile undertaking is contesting this matter in Indian Courts and is confident that there would not be any further liability in this regard.		
7. The erstwhile amalgamating Company i.e. Mohta Industries Limited had constructed and sold the flats in the building at Bhikaji Cama Place, New Delhi before the date of Amalgamation. However DDA did not execute a lease deed in favour of the company in respect of the land on which construction of flats had been effected by the amalgamating company, on the contention that on account of amalgamation with the company there has been a transfer of the lease hold land auctioned to amalgamating company. The Hon'ble High Court vide its order dated 02.02.2010 has agreed with the contention of the company that the company has no claim in the rights of the land and is only maintaining common facilities in the building sold to various flat owners by the amalgamating company. In view thereof, the company has written off the amount of difference of Rs. 40.41 lacs between Rs. 229.85 lacs realised by the amalgamating company in respect of the sale of flats and the cost of construction of such flats amounting to Rs. 270.26 lacs reflected under Work-in-Progress in the earlier Balance Sheets.		
8. The Company has provided depreciation on Computers @ 25% on straight line basis as the useful life of the computers has been estimated to be not more than four years.		
9. Intangible assets which comprise of softwares have been amortized @ 25% on straight line basis as the useful life thereof has been estimated to be not more than four years.		
10. The Company is holding 15,98,741 (Previous year 15,98,741) equity shares of Vardhman Textiles Limited (formerly known as Mahavir Spinning Mills Limited) through a trust, which were received by it in its capacity as a shareholder of Vardhman		



Holdings Limited (formerly known as Vardhman Spinning & General Mills Limited), in accordance with the 'Scheme of Arrangement and Demerger'. The said trust has been exclusively formed for the benefit of the company. As per the provision of the trust deed, all the money received by the trust (including dividend and the proceeds of the sale of shares) shall be paid forthwith to the company by the trust.

11. The detail of the amount recoverable from Mahavir Share Trust as at the close of the year is as under:

	Rs. in Lac
Cost of 15,98,741 Shares	1,785.40
Other Recoverable Amount	2.00
	1,787.40

12. The company had paid Rs. 18.70 Lacs (Previous Year Rs. 80.74 Lacs) to Madhya Pradesh Power Transmission Company Limited, Bhopal for expenditure on power lines. As future economic benefits associated with the installation of such power lines will flow to the company, the same has been reflected in the schedule of Fixed Assets. The company has amortized these lines @ 20% on straight line basis as the useful life is estimated to be five years.
13. *The Company also hedges its foreign currency fluctuation exposure by way of foreign currency derivative options. The Company has taken various USD/INR options from banks. As at March 31, 2010, there are 7 options (Previous Year 5) against exports having a maturity period up to June 2013. These derivative options are proprietary products of banks which do not have a ready market and are not tradeable in the open market. These options are marked to a model, which is bank specific instead of being marked to market. In view of the significant uncertainty associated with the above derivative options, the ultimate outcome of which depends on future events which are not under the direct control of the company, the resultant gain/loss if any, on such open derivative options cannot be determined at this stage and has accordingly not been accounted for in the books of account.*
14. Segment Information as required by Accounting Standard (AS)-17 on Segment Reporting, issued by Companies (Accounting Standards) Rules 2006, has been compiled on the basis of the consolidated financial statements and is disclosed in the notes to accounts forming part of the consolidated financial statements in accordance with the above standard. Therefore segment information in respect of separate financial statements of the company is not being disclosed in the stand alone financial statements.
15. In accordance with the Accounting Standard (AS)-28 on Impairment of Assets, the Company has assessed as on the balance sheet date, whether there are any indications (listed in paragraphs 8 to 10 of the Standard) with regard to the impairment of any of the assets. Based on such assessment it has been ascertained that no potential loss is present and therefore, formal estimate of recoverable amount has not been made. Accordingly no impairment loss has been provided in the books of account.



# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## 16. Project and Pre-operative expenses

	Current Year	(Rs. in lac) Previous Year
Power & Fuel	10.32	421.73
Stores, Oil & Lubricants	0.92	22.00
Machinery Repair	2.37	-
Salary, Wages & Bonus	36.74	102.21
Staff Welfare	-	0.02
Rent, Rates and Taxes	-	5.79
Insurance	0.08	15.25
Miscellaneous	0.55	115.75
Interest	369.52	533.98
<b>Total (A)</b>	<b>420.50</b>	<b>1,216.73</b>
<b>Trial Run Expenses</b>		
Power & Fuel	-	14.66
Stores, Oil, Lubricants, Dyes & Chemicals	-	3.47
Salary, Wages & Bonus	-	14.11
Insurance	-	0.02
Miscellaneous	-	16.17
Interest	-	29.23
<b>Total (B)</b>	<b>-</b>	<b>77.66</b>
<b>Total (C=A+B)</b>	<b>420.50</b>	<b>1,294.39</b>
Less : Allocated to Plant & Machinery	213.92	716.71
Buildings	68.84	81.76
Capital work in progress	137.74	18.40
Less : Sale of Finished Goods	-	210.28
<b>Total (D)</b>	<b>420.50</b>	<b>1,027.15</b>
<b>Pending Allocation (C-D)</b>	<b>-</b>	<b>267.24</b>

## 17. Earning Per Share

- (a) The calculation of Earning Per Share (EPS) as disclosed in the Statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 on "Earning Per Share" issued by Companies (Accounting Standards) Rules, 2006.

A statement on calculation of diluted EPS is as under:

	Current Year	(Rs. in lac) Previous Year
Profit after tax	21,376.30	14,076.84
(Previous Year includes profit on sale of discontinued operations)		
Add : Increased earnings on account of interest savings on dilutive potential equity shares (net of taxes)	30.39	69.95
<b>Total (A)</b>	<b>21,406.69</b>	<b>14,146.79</b>
Weighted average number of equity shares (No. in lac)	577.70	577.70
Weighted average number of equity shares which would be issued on conversion of dilutive potential equity shares (No. in lac)*	94.86	188.00
<b>Total (B)</b>	<b>672.56</b>	<b>765.70</b>
Earning per share : diluted (A/B) Rs.	<b>31.83</b>	<b>18.48</b>

- (b) \*The diluted earning per share has been disclosed in accordance with the requirement of the aforesaid Standard. There has been no default on any account during the relevant year which would require the conversion of debt/loans into equity. Further, there are no outstanding warrants.
- (c) The conversion price of Zero coupon foreign currency convertible bonds is higher than the fair value of the equity share as at the close of the year and is accordingly anti-dilutive. Therefore, the same has not been considered for computing the diluted earnings per share.

**Vardhman Textiles Limited**  
(Formerly known as Mahavir Spinning Mills Limited)

**18. Deferred Tax Liability (Net) as on 31st March, 2010 is as follows :**

	<b>Current Year</b>	(Rs in lac) Previous Year
Deferred Tax Liability arising on account of Timing Difference due to Depreciation	<b>20,100.18</b>	18,510.15
Less : Deferred Tax Asset arising on account of timing difference:		
Due to disallowances u/s 43-B of the Income Tax Act, 1961	<b>435.50</b>	494.78
Due to provision for doubtful debts and advances	<b>26.61</b>	28.40
<b>Total</b>	<b><u>19,638.07</u></b>	<b><u>17,986.97</u></b>

19. Any change in the amount of deferred tax liability on account of change in the enacted tax rates and change in the quantum of depreciation allowable under the tax laws, is disclosed in the statement of profit and loss account as 'Deferred tax adjustment'.
20. Pursuant to the Scheme of Arrangement, Reorganization & De-merger, the sewing thread business of the company alongwith its spinning unit at Hoshiarpur got vested in Vardhman Yarns & Threads Limited (VYTL) w.e.f. 1st April 2008 by way of a slump sale for a consideration of Rs. 260 crores.
21. Investments which were made subsequent to the date at which the previous Balance Sheet was made out but not existing as on 31.03.2010 i.e. the date of Balance Sheet:

**Liquid Fund / Debt Fund / Income Funds**

**Name of Mutual Fund**

	<b>No. of Units</b>
SBI-Magnum Insta Cash Fund - Cash Option	2,329,599.00
ICICI Prudential Flexible Income Plan Premium - Growth	2,785,266.00
ICICI Prudential Liquid Super Institutional Plan - Growth	589,877.84
ICICI Prudential Flexible Income Plan Premium - Growth	47,053,539.00
Reliance Floating Rate Fund-Daily Dividend Re-investment Plan	119,527,078.00
Reliance Medium Term Fund-Daily Dividend Plan	70,470,738.49
Reliance Medium Term Fund-Retail Plan - Growth Plan - Growth Option	1,372,150.15
Reliance Liquid Fund - Treasury Plan-Institutional Option - Daily Dividend Option	33,691,080.00
Reliance Liquid Fund - Treasury Plan-Institutional Option - Growth Option - Growth Plan	9,468,267.00
Reliance Money Manager Fund-Institutional Option - Daily Dividend Plan	1,535,862.00
Reliance Money Manager Fund-Institutional Option - Growth Plan	1,992,930.00
Reliance Liquidity Fund-Growth Option	19,819,346.00
Kotak Liquid Fund	1,000,142.46
Principal Cash Management - (G) Liquid Option	3,188,040.00
UTI-Floating Rate Fund -Short Term Plan - Institutional Daily Dividend Plan - Re-investment	630,607.00
UTI Money Market Mutual Fund - Institutional Daily Dividend - Re-investment	314,256.00
UTI Liquid Cash Plan Institutional - Daily Income Option - Re-investment	490,495.00
Axis Liquid Fund - Retail Growth	9,974.00
Kotak Liquid (Institutional) - Daily Dividend	306,704,972.21

**Equity Shares**

**Name of Share**

	<b>No. of Shares</b>
Anant Raj Industries Limited	8,200
Divis Laboratories Limited	794
DLF Limited	4,139
Lupin Limited	215
Opto Circuits (India) Limited	2,566
Rural Electrification Corporation Limited	2,417
State Bank of India	362
Sterlite Industries (India) Limited	1,636
Sun Pharmaceuticals Industries Limited	404
Suzlon Energy Limited	26,973

**Bonds & Debentures**

**Name of Bond / Debenture**

	<b>No. of Units</b>
10% TATA Chemicals Limited 02/07/2019	25
10.05% NABARD 11/06/2014	50
10.35% HDFC Limited 06/06/2017	50
10.50% Reliance Capital 20/03/2012	90
10.70% IRFC 11/09/2023	89
10.85% REC 14/08/2018	5
11% PFC 15/09/2018	6
11.25% PFC 28/11/2018	20
6.85% IIFCL 22/01/2014	59
7% REC 02/06/2012	45

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8% OIL MKT COMP GOI 23/03/2026	5
8.10% IIFCL 08/04/2024	213
8.20% OIL 15/09/2024	18
8.28% GOI 15/02/2032	5
8.50% IRFC 26/12/2023	12
8.50% NPCL 16/11/2019	111
8.52% KARNATAKA SDL 2020	24
8.52% TAMIL NADU SDL 2020	16
8.53% IDBI 23/11/2019	41
8.55% IIFCL 03/11/2024	111
8.55% IRFC 15/01/2019	14
8.60% PFC 07/08/2014	62
8.60% PFC 07/08/2024	12
8.65% Bank of Maharashtra	90
8.65% IRFC 15/01/2024	8
8.65% REC 22/01/2020	25
8.70% Punjab & Sind Bank 11/04/2020	59
8.72% REC 04/09/2019	50
8.75% IDFC Limited 17/12/2019	115
8.75% OBC 12/02/2024	1
8.80% Central Bank of India	22
8.80% PFC 15/01/2025	45
8.80% PGC 29/09/2022	101
8.80% PGC 29/09/2024	59
8.80% REC 06/10/2019	61
8.81% IDFC Limited 15/01/2025	34
8.85% PNB Housing Finance Limited 09/11/2019	94
8.85% PNB Housing Finance Limited 12/11/2019	20
8.90% IDBI 19/11/2024	21
9% IDBI OMNI 25/09/2024	170
9.05% IDFC Limited 31/08/2024	130
9.10% IDFC Limited 08/02/2018	60
9.10% SBM	18
9.15% BOB	195
9.15% NCRPB 18/02/2019	10
<b>Name of Bond / Debenture</b>	<b>No. of Units</b>
9.20% BOB	218
9.20% CBI 03/05/2017	50
9.20% HDFC Limited 07/02/2018	10
9.20% IDBI OMNI	76
9.24% IOB 05/09/2021	1
9.25% IDBI OMNI	39
9.30% UBI 25/03/2019	50
9.30% IOB	242
9.35% GES Company Limited 08/02/2019	71
9.35% UCO Bank 22/12/2022	1
9.40% GES Company Limited 06/01/2019	100
9.60% GES Company Limited 10/11/2019	40
9.78% SBBJ Upper Tier II 2022	10
9.80% NABARD 10/09/2012	50
9.85% REC 28/09/2017	4
9.90% SBOP Upper Tier 2022	10

## 22. Leases :

The Company has leased facilities under cancellable and non-cancellable operating lease arrangements with lease terms ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognised during the year amounts to Rs. 45.83 lac. The future minimum lease payments in respect of the non-cancellable operating leases as at 31st March, 2010 are:

	(Rs. In lac)
	As at 31.03.2010
a) not later than one year	31.47
b) later than one year but not later than five years	20.28
c) later than five years	2.98

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## 23. Related Party Disclosure

(a) Disclosure of Related Parties and relationship between the parties.

- |  |   |
|--|---|
| 1. Subsidiaries  | VMT Spinning Company Limited<br>Vardhman Acrylics Limited<br>VTL Investments Limited (Formerly known as Vardhman Threads Limited)<br>Vardhman Yarns & Threads Limited<br>Vardhman Texgarments Limited   |
| 2. Associates  | Vardhman Textile Components Limited<br>Vardhman Spinning & General Mills Limited<br>(Formerly known as Vardhman Linen Limited)  |
| 3. Key Management Personnel  | Mr. S.P.Oswal, Mr. Sachit Jain  |
| 4. Enterprises over which key Management Personnel and relative of such personnel is able to exercise significant influence or control | Vardhman Holdings Limited<br>(Formerly known as Spinning & General Mills Limited)<br>Vardhman Apparels Limited<br>Banarso Devi Oswal Public Charitable Trust<br>Sri Aurobindo Socio Economic and Management Research Institute<br>*Adinath Investment & Trading Company<br>*Devakar Investment & Trading Company Limited<br>*Srestha Holdings Limited<br>*Santon Finance & Investment Company Limited<br>*Flamingo Finance & Investment Company Limited<br>*Ramaniya Finance & Investment Company Limited<br>*Marshall Investment & Trading Company (P) Limited<br>*Pradeep Mercentile Company (P) Limited<br>*Plaza Trading Company (P) Limited<br>*Anklesh Investment (P) Limited<br>*Syracuse Investment & Trading Company (P) Limited<br>**Mahavir Spinning Mills (P) Limited<br>(Formerly known as Vardhman Textiles Processors (P) Limited)<br>**Northern Trading Company |

Note: \*Only Loan Transactions have taken place with these Companies.

\*\*No transaction has taken place during the year.

(b) Description of the nature of transactions with the related parties :

(Rs. in lac)

Particulars	Subsidiaries		Associates		Key Management		Enterprises over which Personnel (KMP) significant influence		TOTAL KMP is able to exercise	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase/processing of goods	12,332.27	16,195.47	12,805.04	5,413.15	-	-	-	-	25,137.31	21,608.62
Purchase of DEPB licences	17.42	20.08	-	-	-	-	-	-	17.42	20.08
Sale/processing of goods	4,547.61	3,580.56	13.49	497.37	-	-	-	-	4,561.10	4,077.93
Sale of DEPB licences	1,308.05	90.60	-	-	-	-	-	-	1,308.05	90.60
Sale of fixed assets	16.66	1.58	-	-	-	-	-	-	16.66	1.58
Donation	-	-	-	-	-	-	75.00	-	75.00	-
Rent Paid	-	9.90	-	-	-	-	6.79	6.79	6.79	16.69
Receipt against licence agreement *	279.45	257.00	-	-	-	-	-	-	279.45	257.00
Payment against licence agreement *	-	-	-	-	-	-	55.00	50.00	55.00	50.00
Interest paid	608.59	242.17	29.33	10.26	-	-	76.74	13.85	714.66	266.28
Interest received	36.09	122.96	-	-	-	-	-	-	36.09	122.96
Rent Received	0.72	-	-	-	-	-	-	-	0.72	-
Managerial remuneration	-	-	-	-	698.14	234.62	-	-	698.14	234.62
Loan Given (Including Opening Balance)	-	17,608.45	-	-	-	-	-	-	-	17,608.45
Loan Repayment	-	17,608.45	-	-	-	-	-	-	-	17,608.45
Closing Balance	-	-	-	-	-	-	-	-	-	-
Loan Taken (Including Opening Balance)	79,721.79	34,589.13	-	-	-	-	2,612.00	1,286.00	82,333.79	35,875.13
Loan Repayment	69,966.79	27,690.14	-	-	-	-	1,992.25	1,286.00	71,959.04	28,976.14
Closing Balance	9,755.00	6,898.99	-	-	-	-	619.75	-	10,374.75	6,898.99

\*excluding service tax

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

24. Computation of net profit for Section 198 read with Section 349 of the Companies Act, 1956, for the purpose of commission payable to the Chairman & Managing Director and Executive Director.

	(Rs. in lac)	
	<b>Current Year</b>	Previous Year
Profit before tax	<b>28,702.40</b>	6,170.87
Add: Depreciation as per Books of account	<b>22,087.57</b>	20,732.41
Managerial Remuneration	<b>698.14</b>	234.62
Less: Depreciation allowable	<b>22,025.98</b>	20,664.82
Profit on sale of Assets as per Section 349(3)(d) of the Companies Act, 1956	<b>12.82</b>	40.39
Profit for computation of Commission	<b>29,449.31</b>	6,432.69
Maximum permissible i.e. 10% of profits	<b>2,944.93</b>	643.27
a) Computation of commission payable to Executive Director :		
75% of salary	<b>14.63</b>	13.95
b) Computation of Commission payable to Chairman & Managing Director :		
Commission @ 2%	<b>588.98</b>	128.65
	<b>603.61</b>	142.60
Remuneration paid/payable to Chairman & Managing Director and Executive Director		
	<b>Current Year</b>	Previous Year
a) <b>Chairman &amp; Managing Director</b>		
Salary	<b>55.23</b>	53.97
Commission	<b>588.98</b>	128.65
Contribution to Provident & Other Funds	<b>4.73</b>	4.63
Others including perquisites*	<b>7.90</b>	6.69
b) <b>Executive Director</b>		
Salary	<b>27.31</b>	25.84
Commission	<b>14.63</b>	13.95
Contribution to Provident & Other Funds	<b>2.34</b>	2.53
Others including perquisites*	<b>1.47</b>	2.13
<b>TOTAL **</b>	<b>702.59</b>	238.39

\* Perquisites includes non-cash items of Rs. 4.45 lac (Previous Year Rs. 3.77 lac) calculated as per Income Tax Rules, 1962.

\*\* The above excludes contribution to the approved group pension and gratuity fund which are actuarially determined on an overall basis.

25. Previous year's figures have been recast / regrouped wherever necessary.

26. Disclosure required by Clause 32 of Listing Agreement:

The Company has given inter corporate deposits aggregating to Rs. Nil (Previous Year Rs. 11,613.00 lac) to M/s Vardhman Acrylics Limited during the year. The maximum amount outstanding during the year was Rs. Nil (Previous Year Rs. 2,857.00 lac). The Balance outstanding as on 31.03.10 is Rs. Nil (Previous Year Rs. Nil).

The Company has given inter corporate deposits aggregating to Rs. Nil (Previous Year Rs. 883.00 lac) to M/s VMT Spinning Company Limited during the year. The maximum amount outstanding during the year was Rs. Nil (Previous Year Rs. 350.00 lac). The Balance outstanding as on 31.03.10 is Rs. Nil (Previous Year Rs. Nil).

The Company has given inter corporate deposits aggregating to Rs. Nil (Previous Year Rs. 4,562.45 lac) to M/s Vardhman Yarns & Threads Limited during the year. The maximum amount outstanding during the year was Rs. Nil (Previous Year Rs. 2,328.10 lac). The Balance outstanding as on 31.03.10 is Rs. Nil (Previous Year Rs. Nil).

27. Excise Duty amounting to Rs. 2,426.80 lac (Previous Year Rs. 4,173.18 lac) has been reduced from gross turnover as the same is included in the figure of gross turnover. Further the difference of excise duty between the closing stock and opening stock has been disclosed separately in the statement of profit and loss.

28. The Company has outstanding Zero Coupon Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 59 Million. The bond holders have an option to convert bonds in to equity shares of the company at a price of Rs. 423.25 per share (subject to adjustment, if any) with a fixed exchange rate of Rs. 44.1722 per US \$ at any time on or after 16<sup>th</sup> March, 2006 but before 17<sup>th</sup> Jan, 2011. Further these FCCBs may be redeemed in whole, at the option of company at any time on or after 16<sup>th</sup> Feb, 2007 but on or before 10<sup>th</sup> Feb, 2011, subject to satisfaction of certain conditions. These FCCBs are redeemable on 17<sup>th</sup> Feb, 2011 at a premium of 34.39% of their principal amount unless previously converted, redeemed, paid or cancelled.

29. Figures in bracket indicate deductions.

**30. Employee Benefits :**

The summarized position of Post-employment benefits and long term employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard (AS) 15 is as under:-

**(a) Changes in the present value of the obligations :**

Particulars	(Rs. In lac)			
	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
Present value of obligation as at beginning of the year	265.08	225.24	1,229.65	1,423.24
Transfer to VYTL on Slump Sale	-	(34.12)	-	(400.50)
Interest cost	19.37	12.45	95.21	68.11
Past service cost	-	-	-	-
Current service cost	95.44	115.98	205.94	171.61
Curtailement cost	-	-	-	-
Settlement cost	-	-	-	-
Benefits Paid	(74.47)	(50.21)	(218.98)	(229.21)
Actuarial (gain)/loss on obligations	(45.45)	(4.26)	147.53	196.40
Present value of obligation as at end of the year	259.97	265.08	1,459.35	1,229.65

**(b) Change in Fair Value of Plan Asset :**

Particulars	(Rs. In lac)			
	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
Fair value of Plan Assets as at beginning of the year	-	-	1,190.43	1,470.65
Transfer to VYTL on Slump Sale	-	-	-	(443.77)
Expected return on Plan Assets	-	-	90.76	79.94
Contributions	-	-	39.21	78.03
Benefits Paid	-	-	-	-
Actuarial gain/(loss) on obligations	-	-	(1.02)	5.58
Fair value of Plan Assets as at end of the year	-	-	1,319.38	1,190.43

**(c) Amount recognized in Balance Sheet :**

Particulars	(Rs. In lac)			
	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
Present value obligation as at end of the year	259.97	265.08	1,459.35	1,229.65
Fair value of Plan Assets as at end of the year	-	-	1,319.38	1,190.43
Funded Status	(259.97)	(265.08)	(139.97)	(39.22)
Present value of unfunded obligation as at end of the year	259.97	265.08	-	-
Unfunded Actuarial (gain)/loss	-	-	-	-
Unfunded Net Asset/(Liability) recognised in Balance Sheet	(259.97)	(265.08)	(139.97)	(39.22)

**(d) Expenses Recognized in Profit & Loss**

Particulars	(Rs. In lac)			
	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
Current service cost	95.44	115.98	205.94	171.61
Past service cost	-	-	-	-
Interest cost	19.37	12.45	95.21	68.11
Expected return on Plan Assets	-	-	(90.75)	(79.94)
Curtailement cost	-	-	-	-
Settlement cost	-	-	-	-
Net Actuarial (gain)/loss recognised during the year	(45.45)	(4.26)	148.55	190.82
Total Expenses recognised in Profit & Loss Account	<u>69.36</u>	<u>124.17</u>	<u>358.95</u>	<u>350.60</u>

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

**(e) Investment details of Fund :**

Particulars	(Rs. In lac)			
	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
Central Govt. Securities	-	-	344.46	122.38
State Govt. Securities	-	-	6.87	6.87
Investment in PSU	-	-	-	-
Other Investments	-	-	957.27	1,060.27
Bank Balance	-	-	10.78	0.91
Total	-	-	<u>1,319.38</u>	<u>1,190.43</u>

**(f) Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted average)**

Particulars	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
	Discount Rate (per annum)	8.50%	7.50%	8.50%
Rate of increase in compensation levels (per annum)	7.00%	5.00%	6.00%	4.00%
Rate of return on plan assets (per annum)	N.A.	N.A.	7.50%	7.50%
Expected Average remaining working lives of employees (years)	23	23	28	28
Method Used	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in employee market.

**(g) Other short term employees' benefits (Un-Funded)**

Particulars	(Rs. In lac)					
	Leave		Leave Travel Encashment		Ex-Gratia	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Liability as at beginning of the year	61.76	104.77	81.18	78.18	98.82	105.73
Liability as at end of the year	54.97	61.76	83.34	81.18	154.31	98.82
Transitional Liability	-	-	-	-	-	-
Amount debited to P&L Account	(6.79)	(26.26)	64.47	70.04	194.19	134.44

**(h)** During the year, the company has recognized an expense of Rs. 874.35 lac (Previous Year Rs. 842.07 lac) in respect of Contribution to Provident Fund and Rs. 56.35 lac (Previous Year Rs. 68.29 lac) in respect of Contribution to Superannuation Scheme.

**31.** The Company uses forward contracts and options to hedge its risk associated with fluctuation in foreign currency relating to foreign currency assets and liabilities, firm commitment and highly probable forecast transactions. The use of the aforesaid financial instruments is governed by the company's overall strategy. The company does not use forward contracts and options for speculative purposes. The details of the outstanding forward contracts and options as at 31st March, 2010 is as under:

**a) Category wise quantitative data**

	Current Year		Previous Year	
	No. of Contracts	Amount in Foreign Currency (million)	No. of Contracts	Amount in Foreign Currency (million)
Forward contracts against exports (USD)	50	33.85	26	22.00
Forward contracts against exports (EURO)	7	3.60	6	2.21
Put and Call options against exports (USD) *	7	65.50	5	70.00
Forward contracts against imports (USD)	4	6.00	3	1.50
Forward contracts against imports (YEN)	4	380.00	-	-
Forward contracts against imports (EURO)	3	2.00	-	-
Forward contracts against Foreign Currency Loans (USD)	14	35.00	1	9.00
Put and Call options against Foreign Currency Loans (USD)*	3	20.00	3	20.00

**b) Details of foreign currency exposure that has not been hedged by a derivative instrument or otherwise is given below :**

Against Debtors & Exports (YEN)	24.34	-
Against Creditors (USD)	1.33	1.40
Against Creditors (YEN)	0.48	-
Against Loans (USD)	20.28	41.96

\* Option Contracts are based on the maximum coverage under options.

**Vardhman Textiles Limited**  
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32. The information required by Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956:-

**(A) CAPACITY**

	Unit	Licensed Capacity		Installed Capacity	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
1. Spindles	No.	N.A.	N.A.	736,168	683,376
2. Looms	No.	N.A.	N.A.	900	900
3. Rotors	No.	N.A.	N.A.	3,408	3,408
4. Steel Ingots/Billets	MT	N.A.	N.A.	100,000	1,00,000
5. Rolled Products	MT	N.A.	N.A.	80,400	80,400

**(B) ACTUAL PRODUCTION**

	Unit	Current Year		Previous Year	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
Yarn	MT	126,146	115,888		
Fabric \$	MN Mtrs	108.49	91.52		
Processed Fabric	MN Mtrs	60.78	51.35		
Steel Ingots/Billets	MT	62,110	53,078		
Rolled Products *	MT	56,581	51,471		

\*including goods processed by/for others on job basis and consumed for captive consumption

\$ Including fabric transferred to Process House

**(C) PURCHASE OF FINISHED GOODS**

	Unit	Current year		Previous Year	
		Quantity	Value	Quantity	Value
				(Rs. In Lac)	
Yarn	MT	880	1,365.00	634	911.44
Billets	MT	-	-	29	9.15
Total			<u>1,365.00</u>		<u>920.59</u>

**(D) SALES**

	Unit	Current year		Previous Year	
		Quantity	Value	Quantity	Value
				(Rs. In Lac)	
Yarn	MT	90,928	147,699.52	86,567	132,471.84
Fabric	MN Mtrs	45.98	23,771.71	37.49	18,947.87
Processed Fabric	MN Mtrs	60.09	55,651.95	51.28	48,217.25
Raw Material (Others)	MT	2,604	2,278.42	2,596	3,295.64
Raw Material (Fabric)	MN Mtrs	0.01	25.81	-	-
Billets	MT	148	308.79	1,070	503.89
Rolled Products	MT	54,660	27,329.16	51,503	31,670.51
Processing Charges			1,294.10		345.59
Waste			10,542.36		10,110.04
Miscellaneous			7,820.34		3,975.06
Total			<u>276,722.16</u>		<u>249,537.69</u>

**(E) RAW MATERIAL CONSUMED**

	Unit	Current year		Previous Year	
		Quantity	Value	Quantity	Value
				(Rs. In Lac)	
Cotton	MT	130,054	90,055.60	120,759	77,232.60
Manmade Fibre	MT	25,046	27,978.58	22,886	25,496.36
Yarn	MT	1,340	1,942.00	1,793	2,379.13
Fabric	MN Mtrs	-	-	-	1.00
Scrap	MT	65,286	13,445.96	62,711	15,546.90
Others			-		102.96
Total			<u>133,422.14</u>		<u>120,758.95</u>



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## (F) OPENING STOCK OF FINISHED GOODS

	Unit	Current year		Previous year	
		Quantity	Value	Quantity	Value
		(Rs. In Lac)			
Yarn	MT	7,795	10,437.60	6,852	9,341.70
Sewing thread	MT	-	-	1,069	2,525.55
Fabric	MN Mtrs	9.02	4,177.43	8.12	3,661.99
Processed Fabric	MN Mtrs	1.77	1,066.03	1.70	1,064.30
Billets	MT	2,606	940.60	4,612	1,532.29
Rolled Products	MT	5,433	2,480.89	7,897	3,647.70
Total			<u>19,102.55</u>		<u>21,773.53</u>

## (G) CLOSING STOCK OF FINISHED GOODS

	Unit	Current year		Previous Year	
		Quantity	Value	Quantity	Value
		(Rs. In Lac)			
Yarn	MT	8,456	13,525.96	7,795	10,437.60
Fabric	MN Mtrs	9.71	4,935.49	9.02	4,177.43
Processed Fabric	MN Mtrs	2.47	1,529.39	1.77	1,066.03
Billets	MT	4,214	1,348.26	2,606	940.60
Rolled Products	MT	5,117	2,059.15	5,433	2,480.89
Total			<u>23,398.25</u>		<u>19,102.55</u>

## (H) CIF VALUE OF IMPORTS

	Current Year	Previous Year
	(Rs. In Lac)	
Raw Materials	13,489.81	11,055.21
Components & Spare Parts	3,466.18	3,026.08
Capital Goods	7,134.03	3,700.67
Total	<u>24,090.02</u>	<u>17,781.96</u>

## (I) EXPENDITURE IN FOREIGN CURRENCY

	Current Year	Previous Year
	(Rs. In Lac)	
Travelling	49.07	29.99
Commission	1,005.63	1,129.12
Technical Know-how Fee	85.04	111.58
Interest	-	38.10
Miscellaneous	96.23	58.64
Total	<u>1,235.97</u>	<u>1,367.43</u>

## (J) EARNING IN FOREIGN CURRENCY

	Current Year	Previous Year
	(Rs. In Lacs)	
FOB Value of Exports	70,400.35	62,703.55
Interest	-	316.40
Total	<u>70,400.35</u>	<u>63,019.95</u>

## (K) VALUE OF RAW MATERIALS, COMPONENTS & SPARE PARTS CONSUMED

	Current Year		Previous Year	
	Value	%	Value	%
(Rs. In Lac)				
(1) Raw Materials				
Imported	13,035.08	9.77	11,334.40	9.39
Indigenous	120,387.06	90.23	109,424.55	90.61
Total	<u>133,422.14</u>	<u>100.00</u>	<u>120,758.95</u>	<u>100.00</u>
(2) Components and Spare Parts:				
Imported	3,314.93	13.06	2,580.63	8.26
Indigenous	22,069.02	86.94	28,661.12	91.74
Total	<u>25,383.95</u>	<u>100.00</u>	<u>31,241.75</u>	<u>100.00</u>

**Information required by Part IV of Schedule-VI to the Companies Act, 1956:**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. REGISTRATION DETAILS**

Registration No.   3  3  4  5 State Code   1  6

Balance Sheet Date   3  1   0  3   2  0  1  0  
Date Month Year

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand)**

Public Issue <span style="border: 1px solid black; padding: 2px;">  N  I  L</span>	Rights Issue <span style="border: 1px solid black; padding: 2px;">  N  I  L</span>
Bonus Issue <span style="border: 1px solid black; padding: 2px;">  N  I  L</span>	Private Placement <span style="border: 1px solid black; padding: 2px;">  N  I  L</span>

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand)**

Total Assets <span style="border: 1px solid black; padding: 2px;">  4  2  7  3  0  2  8  2</span>	Total Liabilities <span style="border: 1px solid black; padding: 2px;">  4  2  7  3  0  2  8  2</span>
SOURCES OF FUNDS Paid-up Capital <span style="border: 1px solid black; padding: 2px;">  5  7  7  6  9  5</span>	Reserves & Surplus* <span style="border: 1px solid black; padding: 2px;">  1  5  9  5  4  6  0  8</span>
Secured Loans <span style="border: 1px solid black; padding: 2px;">  2  2  2  6  7  0  2  8</span>	Unsecured Loans <span style="border: 1px solid black; padding: 2px;">  3  9  4  0  9  5  1</span>
APPLICATION OF FUNDS Net Fixed Assets <span style="border: 1px solid black; padding: 2px;">  2  2  2  3  0  1  8  7</span>	Investments <span style="border: 1px solid black; padding: 2px;">  2  8  0  4  8  4  9</span>
Net Current Assets <span style="border: 1px solid black; padding: 2px;">  1  7  6  9  5  2  4  6</span>	Miscellaneous Expenditure <span style="border: 1px solid black; padding: 2px;">  N  I  L</span>
Accumulated Losses <span style="border: 1px solid black; padding: 2px;">  N  I  L</span>	

\*including Deferred Tax Liability amounting to Rs. 19,63,807 thousand

**IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousand)**

Turnover (including other income) <span style="border: 1px solid black; padding: 2px;">  2  7  9  7  9  2  2  9</span>	Total Expenditure <span style="border: 1px solid black; padding: 2px;">  2  5  1  0  8  9  8  9</span>
+ - Profit/Loss before Tax <span style="border: 1px solid black; padding: 2px;">  2  3  7  0  2  4  0</span>	Profit/Loss after Tax <span style="border: 1px solid black; padding: 2px;">  2  1  3  7  6  3  0</span>
Earnings per Share (in Rs.)	Dividend Rate (%)
BASIC <span style="border: 1px solid black; padding: 2px;">  3  7  .  0  0</span>	<span style="border: 1px solid black; padding: 2px;">  3  0</span>
DILUTED <span style="border: 1px solid black; padding: 2px;">  3  1  .  8  3</span>	

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per Monetary Terms)**

Item Code No. (ITC Code)	5  2  .  0  5
Product Description	C O T T O N   Y A R N
Item Code No. (ITC Code)	5  5  .  0  9
Product Description	Y A R N   O F   S Y N T H E T I C
Item Code No. (ITC Code)	5  2  .  0  8
Product Description	W O V E N   F A B R I C   O F   C O T T O N
Item Code No. (ITC Code)	7  2  .  0  6
Product Description	S T E E L

As per our report of even date attached  
For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

For and on behalf of the Board

SANJIV MOHAN  
Partner  
(M.No. 86066)

VIPIN GUPTA  
Company Secretary

RAJEEV THAPAR  
CGM (Finance,  
Accounts & Taxation)

SACHIT JAIN  
Executive Director

S.P. OSWAL  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To  
The Board of Directors  
Vardhman Textiles Limited

1. We have audited the attached consolidated balance sheet of Vardhman Textiles limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31<sup>st</sup> March, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of all material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 83,976.83 lac as at 31<sup>st</sup> March, 2010, total revenue of Rs. 76,072.20 lac and cash flows amounting to Rs. 2,579.21 lac for the year ended on that date and an associate whose financial statements reflect the Group's share of income of Rs. 3.15 lac. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statement" and Accounting Standard(AS) 23 "Accounting for Investment in Associates in Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the company, its

subsidiaries and associates included in the consolidated financial statements.

5. *As indicated in note-7 in Schedule-18 there is significant uncertainty associated with the derivative options referred to in the said note, resolution of which is dependant upon future events which are not under the direct control of the company, on account of which the company could not determine the possible loss, if any, on valuation of such derivative options. The ultimate outcome of these future events and their affect on the financial statements cannot be ascertained at this stage.*

Subject to paragraph 5 above, on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the company, its subsidiaries and associates, in our opinion the consolidated financial statements read together with the significant accounting policies and other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Group, as at 31<sup>st</sup> March, 2010;
- (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date; and
- (c) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

**FOR S.C. VASUDEVA & CO.,  
CHARTERED ACCOUNTANTS  
Firm Registration No.: 000235N**

**(SANJIV MOHAN)  
PARTNER**

**PLACE : NEW DELHI  
DATED : 7th May, 2010**

**MEMBERSHIP NO. 86066**

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## CONSOLIDATED BALANCE SHEET as at 31st March, 2010

PARTICULARS	Schedule No.	As At 31.03.2010 (Rs. in Lac)	As At 31.03.2009 (Rs. in Lac)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' funds</b>			
a) Capital	1	5,663.55	5,663.55
b) Reserves and Surplus	2	154,754.84	132,659.25
		<u>160,418.39</u>	<u>138,322.80</u>
<b>2. Loan Funds</b>			
a) Secured Loans	3	234,649.64	223,268.80
b) Unsecured Loans	4	29,654.51	30,046.05
		<u>264,304.15</u>	<u>253,314.85</u>
<b>3. Minority Interest</b>			
a) Capital		8,509.31	8,273.34
b) Reserves and Surplus		18,687.25	14,596.67
		<u>27,196.56</u>	<u>22,870.01</u>
<b>4. Deferred Tax Liability</b>			
		22,867.24	20,795.19
		<u>474,786.34</u>	<u>435,302.85</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	5	417,640.26	393,574.70
b) Less: Depreciation		162,309.78	137,437.92
c) Net Block		255,330.48	256,136.78
d) Capital Work-in-Progress	6	4,527.52	6,942.58
		<u>259,858.00</u>	<u>263,079.36</u>
<b>2. Goodwill on Consolidation</b>			
		293.15	506.03
<b>3. Investments</b>			
	7	9,225.62	14,007.92
<b>4. Current Assets, Loans and Advances</b>			
a) Inventories	8	129,699.38	73,963.71
b) Sundry Debtors		47,584.80	34,590.15
c) Cash and Bank Balances		26,237.87	37,296.52
d) Other Current Assets		0.63	0.63
e) Loans and Advances		34,826.78	40,908.59
	<b>A</b>	<u>238,349.46</u>	<u>186,759.60</u>
<b>Less: Current Liabilities and Provisions</b>			
a) Current Liabilities	9	30,036.74	27,336.56
b) Provisions		2,903.15	1,713.50
	<b>B</b>	<u>32,939.89</u>	<u>29,050.06</u>
<b>Net Current Assets</b>	<b>(A-B)</b>	<u>205,409.57</u>	<u>157,709.54</u>
<b>TOTAL</b>		<u>474,786.34</u>	<u>435,302.85</u>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 18

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached  
For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

For and on behalf of the Board

SANJIV MOHAN  
Partner  
(M.No. 86066)

VIPIN GUPTA  
Company Secretary

RAJEEV THAPAR  
CGM (Finance,  
Accounts & Taxation)

SACHIT JAIN  
Executive Director

S.P. OSWAL  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2010

Particulars	Schedule No.	Current Year (Rs. in Lac)	Previous Year (Rs. in Lac)
<b>INCOME</b>			
Sales (Gross)		339,138.83	301,353.95
Less: Excise Duty		4,071.59	4,811.85
Sales (Net)		335,067.24	296,542.10
Other Income	10	4,806.33	2,741.12
Income from Associates		5.31	4.88
<b>Total</b>		<b>339,878.88</b>	<b>299,288.10</b>
<b>EXPENDITURE</b>			
Raw Material Consumed and Purchase of Finished Goods	11	156,741.49	141,034.43
Manufacturing Expenses	12	73,713.34	68,024.58
Personnel Expenses	13	21,492.48	20,014.43
Administrative, Exchange Rate Fluctuation and Other Expenses	14	6,986.39	11,572.47
Interest and Financial Charges	15	8,516.92	10,684.27
Selling and Distribution Expenses	16	11,860.82	11,484.81
(Increase)/Decrease in Work in Process and Finished Stock	17	(6,189.36)	(518.76)
Difference of Excise Duty on Stocks		(39.63)	(306.68)
Preliminary Expenses		0.31	-
Depreciation & Amortisation		25,663.66	24,338.20
<b>Total</b>		<b>298,746.42</b>	<b>286,327.75</b>
<b>Profit for the year before tax</b>		<b>41,132.46</b>	<b>12,960.35</b>
<b>Less:</b>			
<b>Provision for</b>			
- Current Tax [Including Rs. 23.51 Lac (Previous Year Rs. 18.67 Lac) for Wealth Tax]		8,924.15	1,593.16
- MAT Credit Entitlement		(101.62)	(376.58)
- Deferred Tax		1,981.42	4,350.31
- Deferred Tax Adjustment		90.63	(554.93)
- Fringe Benefit Tax(FBT)		-	120.10
- Tax adjustment for earlier years		0.01	-
<b>Profit for the year after tax from ordinary activities</b>		<b>30,237.87</b>	<b>7,828.29</b>
<b>Profit on sale of discontinued operations</b>	-	-	14,139.38
Less: Provision for			
- Current Tax	-	-	2,164.00
- Deferred Tax	-	-	662.21
- MAT Credit Entitlement	-	-	(29.00)
<b>Net Profit for the year after tax but before Minority Interest</b>		<b>30,237.87</b>	<b>19,170.46</b>
Less: Minority Interest		4,090.58	2,045.13
<b>Profit after tax and minority Interest</b>		<b>26,147.29</b>	<b>17,125.33</b>
Add:			
Corporate Dividend Tax written back		195.14	125.19
Balance brought forward		8,763.91	8,038.11
<b>Balance available for appropriation</b>		<b>35,106.34</b>	<b>25,288.63</b>
<b>Appropriations:</b>			
Interim Dividend			
- On Equity Shares	-	-	-
- Corporate Dividend Tax thereon	-	-	101.97
Proposed Dividend			
- On Equity Shares	2,304.42	1,828.07	2,337.75
- Corporate Dividend Tax thereon	511.83	509.68	-
Transferred to General Reserve		14,300.00	14,085.00
Balance carried to Balance Sheet		17,990.09	8,763.91
		<b>35,106.34</b>	<b>25,288.63</b>
Earning per share of Rs. 10/- each (Refer Note No 5 of Notes on accounts)			
- Basic		53.39	33.85
- Diluted		45.78	25.51

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 18  
The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached

For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

SANJIV MOHAN  
Partner  
(M.No. 86066)

VIPIN GUPTA  
Company Secretary

RAJEEV THAPAR  
CGM (Finance,  
Accounts & Taxation)

SACHIT JAIN  
Executive Director

S.P. OSWAL  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010

For and on behalf of the Board

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2010

Particulars	Schedule No.	Current Year (Rs. in Lac)	Previous Year (Rs. in Lac)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before Tax and Extra-ordinary items		41,132.46	12,960.35
Adjustments for :			
Depreciation/Amortisation	25,663.66	24,338.20	
Interest Expense	11,631.24	12,755.11	
(Income)/Loss from Associates	(5.31)	(4.88)	
Interest/Dividend Income	(3,815.47)	(2,938.75)	
(Profit)/Loss on sale of Assets (Net)	264.35	(139.51)	
(Profit)/Loss on sale of Investments (Net)	(631.43)	(816.51)	
(Profit)/Loss on buy-back of FCCBs (Net)	-	(106.09)	
Provision no longer required written Back (Net)	(239.41)	(375.77)	
Sundry Balances Written off (Net)	134.16	18.49	
Provision for Doubtful Debts and Advances (Net)	76.13	(15.42)	
Provision for fall in value of Investments (Net)	(108.71)	180.61	
Exchange Rate Fluctuation (Unrealised)	(2,729.60)	5,750.52	
		<b>30,239.61</b>	38,646.00
<b>Operating Profit before Working Capital Changes</b>		<b>71,372.07</b>	51,606.35
Adjustments for :			
(Increase)/Decrease in Trade & Other Receivables	(8,188.32)	(10,168.92)	
(Increase)/Decrease in Inventories	(55,735.67)	19,802.60	
Increase/(Decrease) in Trade Payables & Other Liabilities	1,046.38	(1,043.46)	
		<b>(62,877.61)</b>	8,590.22
Cash Generation from Operations		<b>8,494.46</b>	60,196.57
Taxes Paid	(7,364.80)	(7,364.80)	(3,718.97)
Net Cash from Operating activities		<b>1,129.66</b>	56,477.60
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(23,064.22)	(37,975.40)	
Sale of Fixed Assets	357.56	20,167.88	
Purchase of Investments	(183,094.73)	(84,765.97)	
Sale of Investments	188,622.49	71,939.77	
Interest/Dividend Received	3,990.68	2,851.91	
Net Cash used in Investing activities		<b>(13,188.22)</b>	(27,781.81)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Capital and call in arrears	258.83	13,073.52	
Proceeds from Long Term Borrowings (Net)	5,808.19	7,153.53	
Proceeds from Short Term Borrowings (Net)	5,572.65	(1,739.28)	
Proceeds from Zero Coupon Foreign Currency Convertible Bonds	-	(405.21)	
Proceeds from Other Unsecured Borrowings (Net)	3,060.09	(1,364.61)	
Capital Subsidy Received	-	60.00	
Dividend Paid	(2,146.51)	(2,713.06)	
Interest Paid	(11,553.34)	(12,656.84)	
Net Cash from Financing activities		<b>999.91</b>	1,408.05
Net Increase in cash & cash equivalents		<b>(11,058.65)</b>	30,103.84
Cash & cash equivalents as on beginning		<b>37,296.52</b>	7,192.68
Cash & cash equivalents as on end		<b>26,237.87</b>	37,296.52

NOTES ON ACCOUNTS 18  
The Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached  
For S.C. Vasudeva & Co.,  
Chartered Accountants  
Firm Registration No.: 000235N

For and on behalf of the Board

**SANJIV MOHAN**  
Partner  
(M.No. 86066)

**VIPIN GUPTA**  
Company Secretary

**RAJEEV THAPAR**  
CGM (Finance,  
Accounts & Taxation)

**SACHIT JAIN**  
Executive Director

**S.P. OSWAL**  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## Schedules 1 to 18 Annexed to and forming part of the Balance Sheet as at 31st March, 2010 and Profit & Loss Account for the year ended 31st March, 2010

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 1 — SHARE CAPITAL</b>		
<b>Authorised</b>		
9,00,00,000 Equity Shares of Rs. 10/- each (Previous Year 9,00,00,000)	<b>9,000.00</b>	9,000.00
1,00,00,000 Redeemable Cumulative Preference Shares of Rs. 10/- each (Previous Year 1,00,00,000)	<b>1,000.00</b>	1,000.00
	<b><u>10,000.00</u></b>	<u>10,000.00</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
5,66,35,527 Equity Shares (Previous Year 5,66,35,527) of Rs. 10/- each	<b>5,663.55</b>	5,663.55
	<b><u>5,663.55</u></b>	<u>5,663.55</u>

### NOTES:

Of the above:

- (a) 1,35,916 (previous year 1,35,916) Equity Shares of Rs. 10/- each are allotted as fully paid up, pursuant to contract without payment being received in cash.
- (b) 3,50,49,580 (previous year 3,50,49,580) Equity Shares of Rs. 10/- each are allotted as fully paid up, by way of bonus shares by capitalisation of Share Premium, Capital Redemption Reserve and General Reserve.

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 2 — RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per last account	-	-
Add : On account of purchase of Shares in Associate Company	-	0.42
Add : On account of purchase of Shares in Subsidiary Company	<b>212.88</b>	-
Less : Adjusted with Goodwill arising on consolidation	<b>212.88</b>	0.42
	<b>600.00</b>	600.00
<b>Capital Redemption Reserve</b>		
As per last account	<b>285.00</b>	225.00
Add: Subsidy for the year	-	60.00
	<b>285.00</b>	285.00
<b>Share Premium</b>		
As per last account	<b>2,667.71</b>	5,517.33
Add : Share premium received during the year	-	20,123.03
Less : Share premium of Holding company extinguished on Consolidation	-	9,839.94
Less : Share premium transferred to Minority Reserves	-	10,283.09
Less : Utilised for providing premium on redemption of Zero Coupon Foreign Currency Convertible Bonds	<b>1,240.59</b>	2,903.33
Add : Write-back of provision for the premium against Buy-back of USD 1 Million Zero Coupon Foreign Currency Convertible Bonds	-	53.71
	<b>1,427.12</b>	2,667.71
<b>General Reserve</b>		
As per last account	<b>120,342.63</b>	106,257.63
Less: on account of purchase of Shares in Subsidiary Company	<b>190.00</b>	-
Add: Transferred from Profit and Loss Account	<b>14,300.00</b>	14,085.00
	<b>134,452.63</b>	120,342.63
Surplus i.e., Balance as per annexed Profit and Loss Account	<b>17,990.09</b>	8,763.91
	<b><u>154,754.84</u></b>	<u>132,659.25</u>

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 3 — SECURED LOANS</b>		
Loans & Advances from Banks		
- Term Loans	200,294.48	194,486.29
- Working Capital	34,355.16	28,782.51
	<b>234,649.64</b>	<b>223,268.80</b>

**NOTES:**

1. Term Loans from Banks are secured by mortgage created or to be created on all the immovable assets of the Company, both present and future and hypothecation of all the movable assets including movable machinery, machinery parts, tools and accessories and other movables both present and future (except book debts), subject to charges created or to be created in favour of the Bankers for securing the working capital limits.
2. Working Capital Borrowings from Banks are secured by hypothecation of entire present and future tangible current assets of the Company as well as a second charge on the entire present and future fixed assets of the company.
3. Amount due for repayment out of Term Loans within one year is Rs. 13,552.84 lacs (Previous Year Rs. 15,056.95 lacs)

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 4 — UNSECURED LOANS</b>		
Fixed Deposits	43.13	102.79
Interest accrued and due on above	0.63	0.76
Short Term Loans and Advances		
a) From Banks	2,500.00	-
b) From Others	619.75	-
Other Loans & Advances		
– Zero Coupon Foreign Currency Convertible Bonds	26,491.00	29,942.50
	<b>29,654.51</b>	<b>30,046.05</b>

**Note:** Amount due for repayment out of above within one year is Rs. 29,635.75 Lacs (Previous Year Rs. 64.82 Lacs)

## SCHEDULE 5 — FIXED ASSETS

**A) TANGIBLE ASSETS** (Rs. in Lac)

Sr. No.	Particulars	Gross Block			Depreciation				Net Block		
		As at 01.04.2009	Additions during the year	Sales/ Adjustments	As at 31.03.2010	As at 01.04.2009	For the year	Sales/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Freehold Land	9,120.83	218.25	8.87	9,330.21	-	-	-	-	9,330.21	9,120.83
2.	Leasehold Land	2,281.21	70.34	-	2,351.55	170.76	23.17 *	-	193.93	2,157.62	2,110.45
3.	Buildings	63,470.06	4,142.18	-	67,612.24 #	9,128.42	1,667.84	-	10,796.26	56,815.98	54,341.64
4.	Plant & Machinery	311,403.73	20,443.15	925.53	330,921.35	125,560.82	23,262.94	663.90	148,159.86	182,761.49	185,842.91
5.	Furniture & Fixture	2,275.51	178.35	112.09	2,341.77	1,204.59	151.30	85.83	1,270.06	1,071.71	1,070.92
6.	Vehicles	840.38	179.87	102.15	918.10	297.56	78.14	42.07	333.63	584.47	542.82
<b>Total (A)</b>		389,391.72	25,232.14	1,148.64	413,475.22	136,362.15	25,183.39	791.80	160,753.74	252,721.48	253,029.57

**B) INTANGIBLE ASSETS**

Sr. No.	Particulars	Gross Block			Amortisation				Net Block		
		As at 01.04.2009	Additions during the year	Sales/ Adjustments	As at 31.03.2010	As at 01.04.2009	For the year	Sales/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Computer Software	275.11	13.36	-	288.47	255.85	2.42	-	258.27	30.20	19.26
2.	Brand Value	2,824.71	-	-	2,824.71	282.47	282.47	-	564.94	2,259.77	2,542.24
<b>Total (B)</b>		3,099.82	13.36	-	3,113.18	538.32	284.89	-	823.21	2,289.97	2,561.50



# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## C) EXPENDITURE ON POWER LINES

Sr. No.	Particulars	Gross Block			Amortisation			Net Block			
		As at 01.04.2009	Additions during the year	Sales/ Adjustments	As at 31.03.2010	As at 01.04.2009	For the year	Sales/ Adjust-ment	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Expenditure on Power Line	1,083.16	8.70	50.00	1,051.86	537.45	195.38	-	732.83	319.03	545.71
	<b>Total (C)</b>	<b>1,083.16</b>	<b>18.70</b>	<b>50.00</b>	<b>1,051.86</b>	<b>537.45</b>	<b>195.38</b>	<b>-</b>	<b>732.83</b>	<b>319.03</b>	<b>545.71</b>
	<b>Grand Total (A+B+C)</b>	<b>393,574.70</b>	<b>25,264.20</b>	<b>1,198.64</b>	<b>417,640.26</b>	<b>137,437.92</b>	<b>25,663.66</b>	<b>791.80</b>	<b>162,309.78</b>	<b>255,330.48</b>	<b>256,136.78</b>
	Previous Year	346,086.42	64,442.44	16,954.16	393,574.70	124,164.88	24,338.20	11,065.16	137,437.92	256,136.78	

### NOTES:

- # Includes Rs. 248.20 lac (Previous year Rs. 248.20 lac) cost of Residential flats at Mandideep, the land cost of which has not been excluded from this cost. The depreciation for the year has been taken on the entire cost of Rs. 248.20 lac (Previous Year Rs. 248.20 lac).
- \* Represents proportionate premium for acquisition of leasehold land being amortised over the period of lease.
- Freehold land includes Rs. 417.59 lac (Previous Year Rs. 452.59 lac) for the cost of land at Baddi for which title deeds are yet to be executed in favour of the Company, though the possession thereof has been taken by the company.
- Buildings include Rs. 21.72 lac (Previous Year Rs. 21.72 lac) for the cost of Leasehold Building at Ludhiana, (Punjab).
- Plant & Machinery includes Rs. 213.92 lac (Previous Year Rs. 716.71 lac) and Buildings include Rs. 68.84 lac (Previous Year Rs. 81.76 lac) for the amount allocated out of Project and Pre-operative Expenses.
- Borrowing cost amounting to Rs. 369.52 lac (Previous year Rs. 563.21 lac) has been capitalised during the year.
- Depreciation for the year includes net depreciation of Rs. (-) 18.76 lac (Previous Year Rs. (-) 223.07 lac) pertaining to earlier years.

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 6 — CAPITAL WORK-IN-PROGRESS</b>		
Building Under Construction	1,042.44	3,391.06
Machinery Under Erection	1,289.19	2,357.60
Machinery in Transit	1,029.60	-
Capital Advances	1,156.03	926.68
Project and Pre-operative Expenses (Pending Allocation to Fixed Assets)	10.26	267.24
	<u>4,527.52</u>	<u>6,942.58</u>

## SCHEDULE 7 — INVESTMENTS

### I LONG TERM INVESTMENTS (AT COST)

<b>In Government Securities</b>	<b>0.10</b>	0.10
<b>1. TRADE (UNQUOTED)</b>		
(i) 3,00,000 (Previous year 3,00,000) Equity Shares of Rs.10/- each fully paid-up of Vardhman Textile Components Limited	30.00	30.00
Less: Goodwill arising on acquisition of shares in Associate Company	0.70	0.70
Add: Accumulated profit from Associate Company	46.92	43.77
(ii) 25,000 (Previous year 25,000) Equity Shares of Rs.10/- each fully paid-up of Vardhman Spinning & General Mills Limited (formerly known as Vardhman Linen Limited)	2.50	2.50
Add: Capital Reserve arising on acquisition of shares in Associate Company	0.42	0.42
Add: Accumulated profit from Associate Company	3.41	1.24
<b>2. OTHERS (UNQUOTED)</b>		
4,495 (Previous year 4,495) Equity shares of Rs.10/- each fully paid-up of Srestha Holdings Limited, 80 shares (previous Year 80 Shares) of Rs. 50/- each fully paid-up in the Valencia Co-operative Housing Society Limited, Mumbai and 5 shares (Previous Year 5) Dalamal House Commercial Complex Society Limited, Mumbai	84.61	84.61
8,461 (Previous Year 8,461) Equity-Shares of Perundurur Common Effluent Treatment Plant (Section 25 Company) of Rs. 1,000/-each fully paid-up	4.10	4.10
41,000 Equity-Shares (Previous Year 41,000 ) of Rs 10/- each fully paid-up of Shivalik Solid Waste Management Limited (Section 25 Company)	164.75	164.75
16,47,525 (Previous Year 16,47,525 ) Equity Shares of Bharuch Eco-Aqua Infrastructure Limited of Rs. 10/- each fully paid up	25.00	25.00
2,50,000 Equity Shares (Previous Year 2,50,000) of Nimbua Greenfield (Punjab) Limited of Rs. 10/- each fully paid-up	361.57	356.25
<b>Total (A)</b>	<u>361.57</u>	<u>356.25</u>
<b>II CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE) OTHER THAN TRADE (QUOTED)</b>		
1,69,120 (Previous Year 1,69,120) Equity Shares of Rs.10/- each fully paid up of Industrial Development Bank of India Limited	89.32	89.32
3,010 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Reliance Industries Limited	30.25	-
9,064 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Ess Dee Aluminium Limited	35.56	-

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
20,000 (Previous Year 4,810) Equity Shares of Rs.10/- each fully paid up of Opto Circuits (India) Limited	25.04	3.99
Nil (Previous Year 10,554) Equity Shares of Rs.10/- each fully paid up of Suzlon Energy Limited	-	3.99
2,439 (Previous Year 392) Equity Shares of Rs.5/- each fully paid up of Sun Pharmaceuticals Industries Limited	29.29	4.02
288 (Previous Year 288) Equity Shares of Rs.10/- each fully paid up of Housing Development Finance Corporation	3.97	3.97
24,694 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Rural Electrification Corporation Limited	49.80	-
11,360 (Previous Year Nil) Equity Shares of Rs.1/- each fully paid up of Adani Enterprises Limited	39.91	-
9,820 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Shriram Transport Finance Co Limited	40.98	-
5,655 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of Emami Limited	28.66	-
1,993 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Bharat Heavy Electricals Limited	44.91	-
15,316 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Torrent Power Limited	47.38	-
6,361 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of Divis Laboratories Limited	28.11	-
4,123 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Tulip Telecom Limited	37.67	-
1,607 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of State Bank of India	27.91	-
10,392 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Bharti Airtel Limited	42.37	-
2,238 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Maruti Udyog Limited	31.42	-
1,508 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Mahindra & Mahindra Limited	7.28	-
1,892 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Bajaj Holdings & Investment Limited	9.63	-
9,700 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Indusind Bank Limited	13.27	-
5,698 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Yes Bank Limited	9.33	-
1,267 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of ICICI Bank Limited	11.72	-
11,180 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Prism Cement Limited	6.11	-
10,468 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of India Cements Limited	13.32	-
1,769 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Gujarat NRE Coke Limited	1.62	-
14,612 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Moser-Baer (India) Limited	13.22	-
8,367 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of HCL Infosystems Limited	13.62	-
5,671 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of HCL Technologies Limited	17.51	-
7,126 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of Patni Computer Systems Limited	28.08	-
2,224 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Mindtree Limited	11.86	-
26,201 (Previous Year Nil) Equity Shares of Rs.5/- each fully paid up of Ansal Properties & Infrastructure Limited	20.01	-
54,869 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of Anant Raj Industries Limited	77.29	-
15,714 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of IVRCL Infrastructure & Projects Limited	29.00	-
3,593 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Housing Development & Infrastructure Limited	12.50	-
3,095 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Gayatri Projects Limited	12.73	-
3,499 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Simplex Infrastructures Limited	15.30	-
10,651 (Previous Year Nil) Equity Shares of Rs.1/- each fully paid up of Voltas Limited	15.14	-
7,225 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Bajaj Electricals Limited	11.56	-
16,346 (Previous Year Nil) Equity Shares of Rs.5/- each fully paid up of Eveready Industries India Limited	11.57	-
5,099 (Previous Year Nil) Equity Shares of Rs.1/- each fully paid up of Zee Entertainment Enterprises Limited	12.34	-
294 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Jindal South West Holdings Limited	5.43	-
994 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Glaxo Smithkline Consumer Healthcare Limited	12.40	-
818 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of Aban Offshore Limited	9.70	-
9,685 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of United Phosphorus Limited	15.07	-
3,647 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of Piramal Healthcare Limited	12.65	-
3,416 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Lupin Limited	49.73	-
6,353 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of CESC Limited	27.22	-
26,931 (Previous Year Nil) Equity Shares of Rs.2/- each fully paid up of India Bulls Financial Services Limited	36.54	-
15,919 (Previous Year Nil) Equity Shares of Rs.1/- each fully paid up of Mercator Lines Limited	10.58	-
12,213 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Jai Balaji Industries Limited	32.75	-
41,036 (Previous Year Nil) Equity Shares of Rs.1/- each fully paid up of Shree Renuka Sugars Limited	45.31	-
7,356 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of Aditya Birla Nuvo Limited	69.49	-
3,208 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up of KEC International Limited	15.25	-
23,966 (Previous Year Nil) Equity Shares of Rs.1/- each fully paid up of Apollo Tyres Limited	11.75	-
<b>(UNQUOTED)</b>		
Nil (Previous Year 1,96,55,339) units of Rs.10/- each of Reliance Liquidity Fund - Growth Option	-	2,600.75
Nil (Previous Year 70,96,300) units of Rs.10/- each of Reliance Income Fund - Retail Plan - Growth Option	-	2,000.00
1,00,00,000 (Previous Year 1,00,00,000) units of Rs.10/- each of Reliance Fixed Horizon Fund - XII - Series 3 Super - Super Institutional Plan - Growth Option	1,000.00	1,000.00
Nil (Previous Year 28,93,890) units of Rs.10/- each of Reliance Medium Term Fund - Retail Plan - Growth Plan - Growth Option	-	522.40
35,82,778 (Previous Year Nil) units of Rs.10/- each of Reliance Monthly Income Plan - Growth	700.00	-
65,22,817 (Previous Year Nil) units of Rs.10/- each of Reliance Regular Savings Fund - Debt Plan - Institutional Growth Plan	800.00	-
Nil (Previous Year 31,36,017) units of Rs.10/- each of SBI Magnum Insta Cash Fund - Cash Option	-	609.93
Nil (Previous Year 52,285) units of Rs.1,000/- each of UTI Liquid Cash Plan Institutional - Growth Option	-	750.00

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
Nil (Previous Year 17,750) units of Rs. 8,450/- each of NABARD Bonds	-	1,499.87
Nil (Previous Year 62,13,187) units of Rs. 10/- each of HDFC High Income Fund - Short Term Plan - Growth	-	1,000.00
Nil (Previous Year 30,17,228) units of Rs. 10/- each of Tata Short Term Bond Fund - Growth	-	500.00
Nil (Previous Year 1,20,26,844) units of Rs. 10/- each of HSBC Flexi Debt Fund - Institutional Growth	-	1,500.00
Nil (Previous Year 49,28,751) units of Rs. 10/- each of ICICI Prudential Institutional Income Plan - Growth	-	1,500.00
50 (Previous Year Nil) units of Rs.10,00,000/- each of DB Cholamandalam Bonds	512.77	-
20 (Previous Year Nil) Redeemable Debentures of Rs.10,00,000/- each of Sky Deck Properties & Developers Private Limited	204.52	-
25 (Previous Year Nil) Redeemable Non-Convertible Debentures of Rs.10,00,000/- each of Barclays Investments & Loans (India) Limited	250.00	-
20,000 (Previous Year Nil) Units of Rs.100/- each of 8.60% PFC Bonds	21.46	-
9,10,000 (Previous Year Nil) Units of Rs.100/- each of 10% Punj Lloyd Limited Bonds	963.27	-
3,00,000 (Previous Year Nil) Units of Rs.100/- each of 7.60% REC Bonds	300.00	-
5,00,000 (Previous Year Nil) Units of Rs.100/- each of 7.75% REC Bonds	500.99	-
30,000 (Previous Year Nil) Units of Rs.100/- each of 8.32% TNEB Bonds	29.66	-
1,60,000 (Previous Year Nil) Units of Rs.100/- each of 8.64% TNEB Bonds	160.00	-
2,40,200 (Previous Year Nil) Units of Rs.100/- each of 8.52% Karnataka SDL 2020	240.50	-
43,75,169 (Previous Year Nil) Units of Rs. 10/- each of Kotak Liquid Institutional Fund - Daily Dividend Re-investment Plan	535.00	-
1,80,377 (Previous Year Nil) Units of Rs.10/- each of Principal Cash Management Fund	31.97	-
23,85,970 (Previous Year Nil) Units of Rs 10/- each of Reliance Regular Savings Fund - Debt Plan - Growth	300.00	-
26,91,619 (Previous Year Nil) Units of Rs 10/- each of SBI - Magnum Insta Cash Fund - Cash Option	550.00	-
57,091 (Previous Year 1,075,067) Units of Rs.10/- each of Principal Cash Management Fund	10.12	183.97
Nil (Previous Year 5,99,610) Units of Rs.10/- each of HDFC Cash Management Fund Treasury Advantage - Retail Plan Weekly Dividend	-	60.07
15,90,647 (Previous Year Nil) Units of Rs.10/- each of Reliance Regular Savings Fund - Debt Plan - Institutional - Growth Plan	200.00	-
1,50,000 (Previous Year Nil) Units of Rs.10/- each of Axis Equity Fund - Growth	15.00	-
50 (Previous Year Nil) Redeemable Non-convertible Debentures of Rs. 1,00,000/- each of India Infoline Investment Services Limited	50.00	-
10 (Previous Year Nil) Debentures of Rs.10,00,000/- each of Barclays Investments & Loans (India) Limited	100.00	-
2 (Previous Year Nil) Secured Redeemable Non-Convertible Debentures of Rs. 50,00,000/- each of Churu Trading Company Private Limited	100.00	-
26 (Previous Year Nil) Units of Rs.1,000/- each of Benchmark Mutual Fund	0.26	-
	<b>8,935.95</b>	<b>13,832.28</b>
Less : Provision for fall in value of Investments	<b>71.90</b>	<b>180.61</b>
<b>Total (B)</b>	<b>8,864.05</b>	<b>13,651.67</b>
<b>Grand Total (A+B)</b>	<b>9,225.62</b>	<b>14,007.92</b>
1. Aggregate value of quoted investments	<b>1,360.53</b>	105.39
2. Aggregate value of unquoted investments	<b>7,936.99</b>	14,083.14
3. Market Value of quoted investments	<b>1,556.46</b>	94.53

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

		As at <b>31.03.2010</b> (Rs. in Lac)		As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 8 — CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>(A) CURRENT ASSETS</b>				
<b>1. Inventories</b>				
Raw Materials	80,763.68		36,354.94	
Material in Transit	4,638.61		690.97	
Work-in-Process	10,402.67		8,876.63	
Finished Goods	26,682.38		22,049.63	
Stores and Spares	7,296.82		6,182.23	
Work-in-Progress	-		270.26	
	129,784.16		74,424.66	
Less: Unrealised profit on Consolidation	84.78	129,699.38	460.95	73,963.71
<b>TOTAL (A)</b>		<b>129,699.38</b>		<b>73,963.71</b>
<b>2. Sundry Debtors (Unsecured)</b>				
a) Debts outstanding for a period exceeding six months				
(i) Considered Good	1,454.19		2,607.07	
(ii) Considered Doubtful	213.45		146.83	
b) Other Debts: Considered Good	46,130.61		31,983.08	
Less : Provision for doubtful debts	213.45	47,584.80	146.83	34,590.15
<b>TOTAL (B)</b>		<b>47,584.80</b>		<b>34,590.15</b>
<b>3. Cash and Bank Balances</b>				
(a) Cash Balances				
Cash in hand	236.23		197.50	
Cheques in hand	902.65		452.64	
Remittance in transit	2.48	1,141.36	2.27	652.41
(b) Bank Balances				
With Scheduled Banks:				
(i) Current Accounts	3,534.19		4,498.89	
(ii) Saving Bank Accounts	4.76		5.59	
(iii) Fixed Deposit Accounts	21,557.56	25,096.51	32,139.63	36,644.11
[Including Rs. 17.61 lac (Previous Year Rs. 5.15 lac) pledged with Government Authorities]				
<b>TOTAL (C)</b>		<b>26,237.87</b>		<b>37,296.52</b>
<b>4. Interest Accrued on Investment</b>		<b>0.63</b>		<b>0.63</b>
<b>TOTAL (D)</b>		<b>0.63</b>		<b>0.63</b>
<b>(B) LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)</b>				
(a) Advances recoverable in cash or in kind or for value to be received				
(i) Considered Good	20,305.49		28,568.07	
(ii) Considered Doubtful	18.13		8.62	
Less : Provision for doubtful advances	18.13	20,305.49	8.62	28,568.07
(b) Amount recoverable from Mahavir Share Trust in respect of Shares held in Trust		1,787.40		1,787.30
(c) Balances with Government Authorities		11,260.69		8,247.64
(d) MAT Credit entitlement		1,473.20		2,305.58
<b>TOTAL (E)</b>		<b>34,826.78</b>		<b>40,908.59</b>
<b>TOTAL (A+B+C+D+E)</b>		<b>238,349.46</b>		<b>186,759.60</b>

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

	As at 31.03.2010 (Rs. in Lac)		As at 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 9 — CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors			
- Total outstanding dues to Micro, Small and Medium Enterprises	-		-
- Others	8,671.36		7,667.81
Trade Deposits & Advances	2,029.34		2,826.11
Unclaimed Dividends	114.12		118.03
Other Liabilities	19,045.05		16,280.73
Realisations under agreement to sell	-		229.95
Interest accrued but not due	176.87		213.93
<b>TOTAL (A)</b>	<b>30,036.74</b>		<b>27,336.56</b>
<b>(B) PROVISIONS:</b>			
Provision for Taxation (Current Tax)	41,968.74	33,044.59	
Provision for Taxation (Fringe Benefit Tax)	490.90	490.89	
Less: Prepaid Taxes	43,145.06	(685.42)	34,857.57
Proposed Dividend	2,304.42		1,828.07
Corporate Dividend tax thereon	511.83	2,816.25	509.68
Provision for compensated absences	507.42		543.82
Provision for gratuity (net)	264.90		154.02
<b>TOTAL (B)</b>	<b>2,903.15</b>		<b>1,713.50</b>
<b>TOTAL (A+B)</b>	<b>32,939.89</b>		<b>29,050.06</b>

**NOTE:** Unclaimed Dividends do not include any amount due and outstanding required to be credited to Investor Education and Protection Fund.

## SCHEDULE 10 — OTHER INCOME

Claims received	221.57		165.51
Provisions no longer required written back	239.41		375.77
Dividend Income from Long Term Investments			
- Other than trade	31.99		71.11
Dividend Income from Current Investments			
- Other than trade	66.13		314.59
Profit on sale of Investments			
a) Long Term Investments	0.06		140.74
b) Current Investments	689.44		675.77
Profit on Buy-back of FCCBs	-		106.09
Profit on sale of fixed assets	37.03		248.91
Provision for fall in value of Investments written back	163.89		-
Provision for Doubtful Debts written back	29.18		40.00
Exchange rate fluctuation (Net)	1,830.30		-
Unrealised Loss on Consolidation of Stocks	376.17		-
Miscellaneous	1,121.16		602.63
	<b>4,806.33</b>		<b>2,741.12</b>

## SCHEDULE 11 — RAW MATERIAL CONSUMED AND PURCHASE OF FINISHED GOODS

<b>Raw Material</b>			
Opening Stock	36,354.94		56,633.52
Add : Purchases	196,243.13		117,338.94
	<b>232,598.07</b>		<b>173,972.46</b>
Less: Closing Stock	80,763.68		36,354.94
Raw Material Consumed	<b>151,834.39</b>		<b>137,617.52</b>
Add :Purchase of Finished Goods	4,907.10		3,416.91
	<b>156,741.49</b>		<b>141,034.43</b>

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

	<b>Current Year</b> <b>31.03.2010</b> <b>(Rs. in Lac)</b>	Previous Year 31.03.2009 (Rs. in Lac)
<b>SCHEDULE 12 — MANUFACTURING EXPENSES</b>		
Power and Fuel	41,261.14	38,104.86
Packing Material and Charges	6,166.08	6,357.59
Stores & Spares Consumed	4,285.13	3,878.31
Dyes & Chemicals Consumed	10,259.18	10,265.69
Repairs to Plant and Machinery	9,036.59	7,135.93
Processing Charges	1,226.81	882.74
Technical know-how	93.77	126.28
Miscellaneous	1,384.64	1,273.18
	<b>73,713.34</b>	<b>68,024.58</b>
<b>SCHEDULE 13 — PERSONNEL EXPENSES</b>		
Salaries, Wages and Bonus	18,792.89	17,485.44
Contribution to Provident and other funds	2,274.19	2,206.69
Workmen and Staff Welfare	319.63	269.13
Miscellaneous	105.77	53.17
	<b>21,492.48</b>	<b>20,014.43</b>
<b>SCHEDULE 14 — ADMINISTRATIVE, EXCHANGE RATE FLUCTUATION AND OTHER EXPENSES</b>		
Rent	217.23	246.69
Fees, Rates and Taxes	294.99	253.22
Building Repairs and Maintenance	983.06	689.81
General Repairs and Maintenance	406.63	395.72
Insurance	358.21	376.14
Legal and Professional	419.49	354.95
Travelling and Conveyance	539.96	467.79
Printing and Stationery	277.80	267.24
Postage and Telegrams	73.75	72.79
Telephone and Telex	308.94	322.06
Vehicle Maintenance	578.72	574.25
Auditors Remuneration:		
Audit Fee	36.91	29.72
Tax Audit Fee	6.25	5.17
Reimbursement of Expenses	6.83	8.56
In other capacity (certification)	10.87	12.35
Cost Audit Fee	3.95	4.25
Managerial Remuneration	773.66	296.84
Directors' Travelling	59.36	49.79
Exchange rate fluctuation (Net)	-	6,135.43
Bad debts written off	134.16	123.52
Provision for Doubtful Debts & Advances	105.31	24.57
Provision for fall in value of Investments	55.17	180.61
Loss on sale of Current Investments	58.07	-
Loss on sale and discarded fixed assets	301.38	109.39
Charity and Donation	112.85	52.22
Electricity & Water	153.24	130.89
Unrealised Profit on Consolidation	-	0.36
Miscellaneous	709.60	388.14
	<b>6,986.39</b>	<b>11,572.47</b>

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

	<b>Current Year</b>		Previous Year	
	<b>(Rs. in Lac)</b>		(Rs. in Lac)	
<b>SCHEDULE 15 — INTEREST AND FINANCIAL CHARGES</b>				
Interest:				
On Debentures		-		1.46
On Fixed Deposits		5.05		11.15
On Term Loans		<b>10,061.57</b>		10,206.31
On Working Capital	1,564.62		2,535.85	
Less : Interest Received				
- on FDRs/Others (Gross) [TDS Rs. 334.90 lac (Previous Year Rs. 478.22 lac)]	3,241.94		2,209.61	
- from Customers, Suppliers & Others (Gross) [TDS Rs. 20.39 lac (Previous Year Rs. 40.05 lac)]	<u>475.42</u>	<u>(2,152.74)</u>	<u>343.44</u>	<u>(17.20)</u>
Bank & Other charges		<b>603.04</b>		482.55
		<u><b>8,516.92</b></u>		<u>10,684.27</u>

## SCHEDULE 16 — SELLING & DISTRIBUTION EXPENSES

Forwarding Charges and Octroi	<b>6,021.71</b>		5,919.27
Commission to Selling Agents	<b>2,353.39</b>		2,234.74
Rebate and Discount	<b>2,380.74</b>		2,231.17
Advertisement	<b>164.26</b>		155.00
Sales promotion	<b>316.30</b>		264.46
Miscellaneous	<b>624.42</b>		680.17
	<u><b>11,860.82</b></u>		<u>11,484.81</u>

## SCHEDULE 17 — (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED STOCK

Opening Stock:				
Work-in-Process	8,876.63		7,926.19	
Finished Goods	<u>22,049.63</u>	<u>30,926.26</u>	<u>22,545.28</u>	30,471.47
Less: Cost of free box scheme		<b>30.57</b>		63.97
Less: Closing Stock:				
Work-in-Process	10,402.67		8,876.63	
Finished Goods	<u>26,682.38</u>	<u>37,085.05</u>	<u>22,049.63</u>	30,926.26
		<u><b>(6,189.36)</b></u>		<u>(518.76)</u>

# Consolidated Results of Vardhman Textiles Limited

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## SCHEDULE 18 — SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

### I. SIGNIFICANT ACCOUNTING POLICIES:

#### (a) Accounting Convention :

The accounts are prepared on accrual basis under the historical cost convention in accordance with the applicable accounting standards referred to in section 211 (3C) of the Companies Act, 1956 and other relevant provisions of the said Act.

#### (b) Use of Estimates:

The preparation of financial statements, in conformity with the generally accepted accounting principles, require estimates and assumptions to be made that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results materialise.

#### (c) Revenue Recognition:

##### (i) Sales

Sales comprise sale of goods, services and export incentives. Revenue from sale of goods is recognized:

- (i) When all the significant risks and rewards of ownership are transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership and
- (ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

##### (ii) Interest

Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

##### (iii) Dividend

Dividend is recognized as income when the right to receive the payment is established.

##### (iv) Benefit under Duty Entitlement Pass Book Scheme/Duty Drawback Scheme

Revenue in respect of above benefit is recognised on post export basis.

##### (v) Insurance and Other Claims

Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

#### (d) Employees Benefits:

##### (a) Short Term Employee Benefits :

Short Term Employee Benefits are recognized as an expense on an undiscounted basis in the Profit & Loss Account of the year in which the related service is rendered.

##### (b) Post Employment Benefits :

###### i) Defined Contribution Plans:

###### (1.1) Superannuation :

The liability in respect of eligible employees covered under the scheme is provided through a policy taken from Life Insurance Corporation of India by an approved trust formed for the purpose. The premium in respect of such policy is recognized as an expense in the period in which it falls due.

###### (1.2) Provident Fund :

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to the profit and loss account.

###### ii) Defined Benefit Plans

###### (1.1) Gratuity :

Provision for gratuity liability to employees is made on the basis of actuarial valuation as at the close of the year.

###### (1.2) Leave with Wages :

Provision for leave with wages is made on the basis of actuarial valuation as at the close of the year.

###### iii) The actuarial gain/loss is recognized in statement of profit and loss account.

#### (e) Fixed Assets:

Fixed Assets are stated at historical cost less accumulated depreciation.

#### (f) Intangible assets:

Intangible assets are stated at cost less accumulated amount of amortization.

#### (g) Depreciation:

- i) Depreciation on all assets except computers is provided on straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956. In case of computers, depreciation is charged on a systematic basis to each accounting period during the estimated useful life thereof.
- ii) Depreciation on assets costing Rs. 5,000/- or below is charged @ 100% per annum on proportionate basis.



# Consolidated Results of Vardhman Textiles Limited

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**(h) Amortization**

Intangible assets are amortized on straight line method. These assets are amortized over their estimated useful life.

**(i) Investments:**

Long term Investments are carried at cost less provision, if any, for diminution in value which is other than temporary and Current Investments are carried at lower of cost and fair value.

**(j) Inventories:**

Inventories are valued at cost or net realisable value, whichever is lower. The cost in respect of the various items of inventory is computed as under:

- In case of raw materials at weighted average cost plus direct expenses.
- In case of stores and spares at weighted average cost plus direct expenses.
- In case of work in process at raw material cost plus conversion cost depending upon the stage of completion.
- In case of finished goods at raw material cost plus conversion costs, packing cost, excise duty and other overheads incurred to bring the goods to their present location and condition.

**(k) Cenvat Credit:**

Cenvat credit on excise duty paid inputs, capital assets and input services is taken in accordance with the Cenvat Credit Rules, 2004.

**(l) Expenditure incurred during construction Period:**

In respect of new/major expansion of units, the indirect expenditure incurred during construction period upto the date of the commencement of commercial production, which is attributable to the construction of the project, is capitalised on various categories of fixed assets on proportionate basis.

**(m) Subsidy:**

Government grants available to the company are recognised when there is a reasonable assurance of compliance with the conditions attached to such grants and where benefits in respect thereof have been earned and it is reasonably certain that the ultimate collection will be made. Government subsidy in the nature of promoter's contribution is credited to Capital Reserve. The Government subsidy received for specific asset is reduced from the cost of the said asset.

**(n) Borrowing Costs:**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**(o) Operating Leases :**

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

**(p) Foreign Currency Conversion:**

- Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction. Where export bills are negotiated with the bank, the export sales are recorded at the rate on the date of negotiation as the said rate approximates the actual rate at the date of the transaction.
- Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the balance sheet date are recognised as income or expense in the period in which they arise.
- The premium or discount arising at the inception of forward exchange contracts is amortised as an expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rate changes. Profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense in the period in which such profit or loss arises.
- The exchange difference to the extent of loss, arising on forward contracts to hedge the transactions in the nature of firm commitments and/or highly probable forecast transactions is recognised in the Profit and Loss Account. The profit, if any arising thereon is ignored.

**(q) Accounting for Taxes on Income**

The accounting treatment followed for taxes on income is to provide for Current Tax and Deferred Tax. Current Tax is the aggregate amount of income-tax determined to be payable in respect of taxable income for a period. Deferred tax is the tax effect of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**(r) Earning per Share :**

Basic earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into account weighted average number of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity shares into equity shares.

**(s) Impairment of Assets**

At each balance sheet an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

# Consolidated Results of Vardhman Textiles Limited

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**(t) Provisions and Contingent Liabilities**

- i) Provision is recognized (for liabilities that can be measured by using a substantial degree of estimation) when:
  - a) the company has a present obligation as a result of a past event;
  - b) a probable outflow of resources embodying economic benefits is expected to settle the obligation; and
  - c) the amount of the obligation can be reliably estimated
- ii) Contingent liability is disclosed in case there is :
  - a) possible obligation that arises from past events and existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
  - b) a present obligation arising from past events but is not recognised
    - (i) when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - (ii) a reliable estimate of the amount of the obligation cannot be made.

**II. NOTES ON ACCOUNTS**

**(A) SUBSIDIARIES**

1. The Consolidated Financial Statements present the Consolidated Accounts of Vardhman Textiles Limited (Formerly known as Mahavir Spinning Mills Limited) :

<b>Name of Subsidiary</b>	<b>Extent of Parent Company's Shareholding</b>
a) VMT Spinning Company Limited	73.33 %
b) VTL Investments Limited (formerly known as Vardhman Threads Limited)	100.00 %
c) Vardhman Yarns & Threads Limited	51.00 %
d) Vardhman Acrylics Limited	58.74 %
e) Vardhman Texgarments Limited	51.00 %

**2. Principles of consolidation**

- i) The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. Minority interest in the net assets of the subsidiary companies has been disclosed separately.
- ii) Difference between the cost of investment and the parent's portion of equity in the subsidiary companies as on the date of the holding-subsidiary relationship coming into existence and at anytime thereafter is recognised as capital reserve/goodwill as the case may be.
- iii) Investments made by the parent company in the subsidiary companies subsequent to the holding - subsidiary relationship coming into existence are eliminated while preparing the consolidated financial statements.
- iv) Intra group balances and intra group transactions are eliminated to the extent of share of the parent company in full.
- v) Unrealised profits on account of intra group transactions have been accounted for depending upon whether the transaction is an upstream transaction or a downstream transaction.

**3. Consolidated financial statement have been prepared after making the following adjustments:**

- a) The dividend received by the holding company amounting to Rs. 1,148.25 lac (Previous Year Rs. 736.62 lac) from its subsidiary companies, included in the schedule of 'Other Income' in its individual balance sheet, has been eliminated on consolidation.
- b) The dividend received by the subsidiary company amounting to Rs. 22.68 Lac (Previous Year Rs. 45.36 lac) from its holding company, included in the schedule of 'Other Income' in its individual balance sheet, has been eliminated on consolidation.
- c) The Parent's portion of the proposed dividend amounting to Rs. 743.25 lac (Previous Year Rs. 1,148.25 lac) has been reduced from the aggregate of the proposed dividend as reflected in the financial statements of the subsidiary companies, as a result of which the profit carried to the consolidated balance sheet stands increased to that extent.
- d) The subsidiary's portion of the proposed dividend amounting to Rs. 34.02 lac (Previous Year Rs. 22.68 lac) has been reduced from the aggregate of the proposed dividend as reflected in the financial statements of the holding company, as a result of which the profit carried to the consolidated balance sheet stands increased to that extent.
- e) The unrealised profit on intra group transactions amounting to Rs. 84.77 lac (Previous Year Rs. 460.95 lac) has been reduced from the share of profits of the Parents Company in the Consolidated Profit & Loss Accounts.
- f) Unrealised profit for the previous year amounting to Rs. 460.95 lac (Previous Year Rs. 460.59 lac) has been reversed during the year and has been reduced from the figure of unrealised profit amounting to Rs. 84.77 lac (Previous Year Rs. 460.95 lac) made during the year.

**(B) ASSOCIATES**

- i) Investment in associates has been accounted for as per the Equity Method of accounting as prescribed by Accounting Standard (AS) - 23 on "Accounting for Investments in Associates" as issued by Companies (Accounting Standards) Rules, 2006 in the Consolidated Financial Statements.
  - a) Goodwill amounting to Rs. 0.70 lac arising on the investment made by the company in the equity of its associate i.e.Vardhman Textile Components Limited has been reduced from the carrying amount of investment in Consolidated Financial statements. The carrying amount of investment has also been adjusted thereafter to account for the share in the net assets of the associate after the date of acquisition of such shares.

# Consolidated Results of Vardhman Textiles Limited

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(ii) The details of investment in associates made by Vardhman Textiles Limited are given below:-

(Rs in lac)						
Associate Company	Ownership Interest & Voting Power	Original cost of Investment	Amount of Capital Reserve included in original cost	Amount of Goodwill included in original cost	Accumulated profit at the year end	Carrying amount at Investment at the year end
Vardhman Textile Components Limited	21.43%	30.00	-	0.70	46.92	76.22
Vardhman Spinning & General Mills Limited	50.00%	2.50	0.42	-	3.41	6.33

(iii) Company's share of contingencies and capital commitment in its associates for which the Company is also contingently liable is Rs. Nil (Previous Year Rs. Nil).

## (C) OTHERS

	As At 31.3.2010 (Rs. In Lac)	As At 31.3.2009 (Rs. In Lac)
1. There are contingent liabilities in respect of the following items : No outflow is expected in view of the past history relating to these items :-		
a) Claims not acknowledged as debts	996.98	832.74
b) Guarantee given by the Company on behalf of another company, to the extent utilized.	232.90	232.90
c) Bank Guarantees and Letters of Credit outstanding	5,269.26	5,089.51
d) Bills discounted with banks	218.31	9,965.44
2. Estimated amount of contracts remaining to be executed on Capital Account (Net of advances)	2,030.84	13,082.89

## 3. SEGMENT REPORTING

Segment Information as required by Accounting Standard (AS)-17 on Segment Reporting issued by Companies (Accounting Standards) Rules, 2006 and as compiled on the basis of the consolidated financial statements is disclosed below :-

The company has identified five segments as reportable segments viz. yarn, fabric, sewing thread, steel and fibre. The yarn segment comprises production of various types of yarns (from cotton, manmade fibers and blends thereof) and yarn processing activities.

### a) Primary Segment Information:

	(Rs. in lac)													
	Yarn		Fabric		S.Thread		Steel		Fibre		Unallocated		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>REVENUE</b>														
External sales	169,451.04	153,156.21	81,087.17	68,748.04	38,531.74	34,437.13	25,461.45	28,819.26	18,524.99	11,362.67	2,010.85	18.79	335,067.24	296,542.10
Inter-segment sales	49,164.15	40,009.62	26.48	5.54	20.48	187.68	-	-	8,513.20	12,731.30	10,277.13	6,612.00	68,001.44	59,546.14
Other income	1,897.91	785.83	912.30	121.51	118.94	108.85	46.61	50.25	64.52	115.52	107.50	4.76	3,147.78	1,186.72
Total revenue	220,513.10	193,951.66	82,025.95	68,875.09	38,671.16	34,733.66	25,508.06	28,869.51	27,102.71	24,209.49	12,395.48	6,635.55	406,216.46	357,274.96
<b>RESULT</b>														
Segment results	29,164.97	13,758.57	6,593.10	2,015.92	6,175.67	5,175.12	3,241.00	3,704.10	5,402.34	883.64	41.62	(1,517.80)	50,618.70	24,019.55
Unallocated Corporate Expenses (Net)													969.32	374.92
Operating profit													49,649.38	23,644.63
Interest expense													8,516.92	10,684.27
Income tax - Current													8,924.16	1,593.16
- Mat Credit entitlement													(101.62)	(376.58)
- Deferred													2,072.05	3,795.39
- Fringe benefit													-	120.10
Profit from ordinary activities													30,237.87	7,828.29
Extraordinary loss / (income)													-	(11,342.17)
Net profit													30,237.87	19,170.46
<b>OTHER INFORMATION</b>														
Segment assets	271,217.53	217,911.30	90,372.44	88,013.24	42,296.25	37,295.17	16,947.07	13,691.84	18,574.28	15,702.35	19,987.38	19,615.75	459,394.95	392,229.65
Unallocated Corporate Assets													48,331.28	68,050.26
Total assets	271,217.53	217,911.30	90,372.44	88,013.24	42,296.25	37,295.17	16,947.07	13,691.84	18,574.28	15,702.35	19,987.38	19,615.75	507,726.23	460,279.91
Segment Liabilities	9,287.52	10,884.26	4,098.42	3,583.84	3,783.59	3,553.20	1,447.82	1,400.25	2,701.30	983.50	732.45	431.75	22,051.10	20,836.80
Unallocated Corporate Liabilities													296,073.27	282,323.29
Total liabilities	9,287.52	10,884.26	4,098.42	3,583.84	3,783.59	3,553.20	1,447.82	1,400.25	2,701.30	983.50	732.45	431.75	318,124.37	303,160.09
Capital expenditure	20,446.69	20,120.18	1,791.94	12,804.31	1,970.94	21,259.41	157.16	166.76	214.32	37.10	643.20	9,970.09	25,224.25	64,357.85
Depreciation & Amortisation	15,373.59	14,188.93	5,751.65	5,690.60	1,955.20	2,018.59	375.23	375.33	1,124.28	1,121.06	952.07	773.17	25,532.02	24,167.68
Non-cash expenses other than depreciation & amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### b) Secondary Segment Information :

	2009-10	2008-09
Segment Revenue – External Turnover		
- within India	2,58,851.87	2,26,187.90
- outside India	76,215.37	70,354.20
Total Revenue	3,35,067.24	2,96,542.10

## Segment Revenue & Expenses:

Segment revenue comprises sales to external customers and inter segment sales. Segment expenses comprise expenses that are directly attributable to the segment and expenses relating to transactions with other segments of the enterprise.

## Segment Assets & Liabilities:

Segment assets include all operating assets used by a segment and consist of cash and bank balances, debtors, inventories and fixed assets. Segment liabilities include all operating liabilities and consist of creditors and other liabilities. Segment assets and liabilities do not include current and deferred taxes. For the purpose of Segment Assets & Liabilities, expenditure incurred in respect of its expansion projects viz. Vardhman Yarns at Satlapur and

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Vardhman Fabrics at Budhni (other than capacities already operational in respect of these projects), has not been taken into account, as it is still under Capital-work-in-progress. The said expenditure is Rs. Nil as on 31st March, 2010 and Rs. 40.73 Crores as on 31st March, 2009.

## Inter Segment Transfers:

Inter segment transfers are accounted for at prevailing market prices. These transfers are eliminated in consolidation.

### 4. RELATED PARTY DISCLOSURE

(a) Disclosure of Related Parties and relationship between the parties.

1. Subsidiaries	VMT Spinning Company Limited Vardhman Acrylics Limited VTL Investments Limited (formerly known as Vardhman Threads Limited) Vardhman Yarns & Threads Limited Vardhman Textgarments Limited
2. Associates	Vardhman Textile Components Limited Vardhman Spinning & General Mills Limited (Formerly known as Vardhman Linen Limited) Marubeni Corporation, Marubeni Hongkong & South China Limited (formerly known as Marubeni Textile Asia Limited), Toho Tenax Company Limited
3. Key Management Personnel	Mr. S.P. Oswal, Mr. D.L. Sharma, Mr. Sachit Jain
4. Enterprises over which Key Management Personnel and relative of such personnel is able to exercise significant influence	Vardhman Holdings Limited (formerly known as Vardhman Spinning & General Mills Limited) Vardhman Apparels Limited Banarso Devi Oswal Public Charitable Trust Sri Aurobindo Socio Economic and Management Research Institute *Adinath Investment & Trading Company *Devakar Investment & Trading Company (P) Limited *Srestha Holdings Limited *Santon Finance & Investment Company Limited *Flamingo Finance & Investment Company Limited *Ramaniya Finance & Investment Company Limited *Marshall Investment & Trading Company (P) Limited *Pradeep Mercentile (P) Limited *Plaza Trading Company (P) Limited **Mahavir Spinning Mills (P) Limited (Formerly known as Vardhman Textile Processors (P) Limited) *Anklesh Investments (P) Limited *Syracuse Investment & Trading Company (P) Limited **Northern Trading Company

Note: \* Only Loan Transactions have taken place with these Companies.

\*\* No transaction has taken place during the year.

(b) Description of the nature of transactions with the related parties:

(Rs. in Lac)

Particulars	Associates		Key Management Personnel (KMP)		Relatives of KMP		Enterprises over which KMP is able to exercise significant influence		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase/processing of goods	12,805.03	5,413.15	-	-	-	-	-	-	12,805.03	5,413.15
Sale/processing of goods	24.81	561.63	-	-	-	-	-	-	24.81	561.63
Sale of Investments	-	-	-	-	-	-	-	247.59	-	247.59
Sale of Fixed Assets	-	-	-	-	-	8.00	-	-	-	8.00
Donation	-	-	-	-	-	-	75.00	-	75.00	-
Rent Paid	-	-	-	-	-	-	6.79	6.79	6.79	6.79
Payment against licence agreement	-	-	-	-	-	-	75.00	70.00	75.00	70.00
Interest paid	29.33	10.26	-	-	-	-	76.74	13.85	106.07	24.11
Commission paid	1.32	12.56	-	-	-	-	-	-	1.32	12.56
Managerial remuneration	-	-	773.66	296.84	-	-	-	-	773.66	296.84
Loan Given (Including Opening Balance)	-	-	9.43	11.00	-	-	-	-	9.43	11.00
Loan Repayment	-	-	1.57	1.57	-	-	-	-	1.57	1.57
Closing Balance	-	-	7.86	9.43	-	-	-	-	7.86	9.43
Loan Taken	-	-	-	-	-	-	2,612.00	1,286.00	2,612.00	1,286.00
Loan Repayment	-	-	-	-	-	-	1,992.25	1,286.00	1,992.25	1,286.00
Closing Balance	-	-	-	-	-	-	619.75	-	619.75	-

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## 5. EARNING PER SHARE

- (a) The calculation of Earning Per Share (EPS) as disclosed in the Statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 on "Earning Per Share" issued by Companies (Accounting Standards) Rules, 2006.

A statement on calculation of diluted EPS is as under:

Particulars	(Rs in Lac)	
	Current Year	Previous Year
Profit after tax	30,237.87	19,170.46
Add : Increased earnings on account of interest savings on dilutive potential equity shares (net of taxes)	30.39	69.95
Total (A)	30,268.26	19,240.41
Weighted average number of equity shares (No in lac)	566.35	566.35
Weighted average number of equity shares which would be issued on conversion of dilutive potential equity shares (No in lac)*	94.86	188.00
Total (B)	661.21	754.35
Earning per share : diluted (A/B) (Rs.)	45.78	25.51

- (b) \*The diluted earning per share has been disclosed in accordance with the requirement of the aforesaid Standard. There has been no default on any account during the relevant year which would require the conversion of debt/loans into equity. Further, there are no outstanding warrants.
- (c) The conversion price of Zero coupon foreign currency convertible bonds is higher than the fair value of the equity share as at the close of the year and is accordingly anti-dilutive. Therefore, the same has not been considered for computing the diluted earnings per share.

## 6. Deferred Tax Liability (Net) as on 31<sup>st</sup> March, 2010 is as follows:

Particulars	(Rs in lac)	
	Current Year	Previous Year
Timing Difference on account of Depreciation/Amortisation	23,581.24	21,367.71
Less : Deferred Tax Asset arising on account of timing difference:		
Due to disallowances u/s 43-B of the Income Tax Act, 1961	640.98	536.07
Due to provision for doubtful debts and advances	73.02	36.45
<b>Total</b>	<b>22,867.24</b>	<b>20,795.19</b>

7. *The Company also hedges its foreign currency fluctuation exposure by way of foreign currency derivative options. The Company has taken various USD/INR options from banks. As at March 31, 2010, there are 7 options (Previous Year 5) against exports having a maturity period up to June 2013. These derivative options are proprietary products of banks which do not have a ready market and are not tradeable in the open market. These options are marked to a model, which is bank specific instead of being marked to market. In view of the significant uncertainty associated with the above derivative options, the ultimate outcome of which depends on future events which are not under the direct control of the company, the resultant gain/loss if any, on such open derivative options cannot be determined at this stage and has accordingly not been accounted for in the books of account.*

8. The change in the amount of deferred tax liability on account of any change in the enacted tax rates and change in the quantum of depreciation allowable under the tax laws, is disclosed in the statement of profit and loss account as 'Deferred tax adjustment'.

## 9. The detail of Goodwill as on 31.03.2010

Particulars	(Rs. In Lac)	
	Current Year	Previous Year
Goodwill as per last account	506.03	511.27
Less : adjusted against Capital Reserve on acquisition of shares	212.88	5.24
	<b>293.15</b>	<b>506.03</b>

10. Previous year's figures have been recast/regrouped wherever necessary.

11. Figures in brackets indicate deduction.

12. Figures pertaining to the subsidiary companies have been regrouped/recast wherever necessary to bring them in line with the Parent Company's financial statements.

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

Name of Subsidiary Company	Financial Year ending of the Subsidiary	Number of Shares held & Face Value	Extent of Holding	For Financial Year of the Subsidiary			For the Previous Financial Years since it became a Subsidiary	
				Profit/(Losses) so far it concerns the members of the Holding Company and not dealt with the books of accounts of the Holding Company (Except to the extent dealt within Col.6)	Profit/(Losses) so far it concerns the members of the Holding Company and dealt within the books of accounts of the Holding Company.	Profit/(Losses) so far it concerns the members of the Holding Company and not dealt within the books of accounts of the Holding Company (Except to the extent dealt within Col. 8)	Profit/(Losses) so far it concerns the members of the Holding Company and dealt within the books of accounts of the Holding Company.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
VMT Spinning Company Limited	31.03.10	1,51,80,060 of Rs.10/- each	73.33%	743.00	Nil	4029.02	1463.42	
VTL Investments Limited	31.03.10	40,00,000 of Rs.10/- each	100.00%	154.95	Nil	3211.03	800.00	
Vardhman Yarns & Threads Limited	31.03.10	2,90,72,240 of Rs 10/- each	51.00%	2107.87	Nil	2329.73	465.18	
Vardhman Acrylics Limited	31.03.10	6,37,53,661 of Rs.10/- each	58.74%	2551.72	Nil	329.10	Nil	
Vardhman Textgarments Limited	31.03.10	71,40,000 of Rs. 10/- each	51.00%	2.88	Nil	N.A.	N.A.	

Note : There is no material change between the end of the financial year of the Subsidiaries and that of the Company.

**For and on behalf of the Board**

**S.P. OSWAL**  
Chairman &  
Managing Director

**SACHIT JAIN**  
Executive Director

**RAJEEV THAPAR**  
CGM (Finance,  
Accounts & Taxation)

**VIPIN GUPTA**  
Company Secretary

**PLACE : NEW DELHI**  
**DATED : 7th May, 2010**

# Consolidated Results of Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

## STATEMENT PURSUANT TO THE TERMS OF APPROVAL GRANTED UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

(Rs. in lac)

Particular	VMT Spinning Company Limited		VTL Investments Limited (Formerly known as Vardhman Threads Ltd)		Vardhman Yarns & Threads Limited		Vardhman Acrylics Limited	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
(a) Capital	2,070.02	2,070.02	400.00	400.00	5,700.64	5700.64	10,853.25	10,853.25
(b) Reserves	4,974.38	4,250.81	2,339.00	2,184.04	26,853.75	24,003.63	8,014.95	3,670.85
(c) Total Assets	12,034.21	10,587.76	2,739.00	2,584.04	39,994.29	36,750.80	21,671.79	17,040.92
(d) Total Liabilities	12,034.21	10,587.76	2,739.00	2,584.04	39,994.29	36,750.80	21,671.79	17,040.92
(e) Details of Investment (Except in case of investment in the subsidiaries)	-	-	1,640.41	687.38	84.71	84.71	1,014.75	164.75
(f) Turnover (Net)	10,164.68	10,097.13	-	-	37,715.10	33,653.98	27,048.19	24,057.43
(g) Profit Before Taxation	1,217.06	1,576.84	212.95	365.14	6,058.10	4,823.17	5,706.99	801.79
(h) Provision for Taxation	203.83	31.72	58.00	50.00	1,925.03	1,454.65	1,362.89	378.33
(i) Profit after Taxation	1,013.23	1,545.12	154.95	315.14	4,133.07	3,368.52	4,344.10	423.46
(j) Proposed dividend (including tax thereon)	289.66	1,089.82	-	701.97*	1,282.95	1,067.11	-	-

\* Interim Dividend

Note : In terms of the provision of Section 212 (8) of the Companies Act, 1956, the Company has been granted exemption from attaching to the Balance Sheet of the Company, the Accounts and other documents of its following Subsidiary Companies viz. VMT Spinning Company Limited, VTL Investments Limited, Vardhman Acrylics Limited and Vardhman Yarns and Threads Limited. However, the Consolidated Financial Statements of the Company, which include the results of aforesaid subsidiaries, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for Company's aforesaid Subsidiaries is also given above. The Hard Copies of the related detailed information can be sought by any investor of the Company or its Subsidiary on making a written request to the Company in this regard. The Annual Accounts of the aforesaid Subsidiary Companies are also available for inspection by any investor at the Registered Office of the Company and/or its Subsidiaries.

For and on behalf of the Board

**VIPIN GUPTA**  
Company Secretary

**RAJEEV THAPAR**  
CGM (Finance,  
Accounts & Taxation)

**SACHIT JAIN**  
Executive Director

**S.P. OSWAL**  
Chairman &  
Managing Director

PLACE : NEW DELHI  
DATED : 7th May, 2010

## DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their first Annual Report together with the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2010.

### 1. SHIRT MANUFACTURING PROJECT:

During the year, Vardhman Textiles Limited entered into a Joint Venture Agreement with Nisshinbo Textile Inc., Japan ("Nisshinbo") for manufacturing world class shirts. Nisshinbo is a world class textile manufacturer with comprehensive operations including spinning, weaving, knitting, finishing and sewing. Your Company became a confirming party to the said joint venture for implementation of the shirt manufacturing project. The foundation stone for the manufacturing facility was laid by the Hon'ble Chief Minister Sardar Parkash Singh Badal on 14<sup>th</sup> November, 2009.

The project is being set-up at Focal Point in Ludhiana with a capacity of 1.8 million shirts per annum. The estimated capital cost for the project is Rs. 38 crores, to be financed partly from equity and partly from term loans.

The Company will supply majority of its production for international markets through Nisshinbo. The Company shall also manufacture shirts for supply to the domestic brands. Nisshinbo shall provide technical assistance for setting up the facilities and for the manufacturing operations.

### 2. DIRECTORS:

Mr. Sachit Jain, Director of your Company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

### 3. AUDITORS:

M/s. B S R and Company, the statutory auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

### 4. AUDITORS' REPORT:

The Auditors' Report on the accounts is self-explanatory and requires no comments.

### 5. AUDIT COMMITTEE:

The Company has duly constituted an Audit Committee of its Board of Directors. The constituent members of the Audit Committee are Mr. D.L. Sharma, Mr. Shigenori Mori, Mr. Masatsugu Ohno and Mr. Sachit Jain.

### 6. STATEMENT OF PARTICULARS OF EMPLOYEES:

During the year, no employee of the Company received a salary of more than Rs. 24.00 lac. per annum or Rs. 2.00 lac. per month. Accordingly, no particulars of employees are to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956.

### 7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

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 Directors) Rules, 1988 are nil.

### 8. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section-217(2AA) of the Companies Act, 1956, 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 judgments 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 31<sup>st</sup> March, 2010 and of the profit of the Company for the year ended on 31<sup>st</sup> March, 2010;
- 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; and
- iv) the annual accounts have been prepared on a going concern basis.

### 9. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to Government and Business Constituents for their continued valuable co-operation and support to the Company. Your Directors also express their deep appreciation for the devoted and sincere services rendered by executives at all levels of operations of the Company and we are confident that your Company will continue to receive such co-operation from them in future also.

**FOR AND ON BEHALF OF THE BOARD**

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

**(D.L. SHARMA)**  
Chairman



# Vardhman Texgarments Limited

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## AUDITORS' REPORT

To the Members of

### Vardhman Texgarments Limited

1. We have audited the attached Balance Sheet of Vardhman Texgarments Limited ('the Company') as at 31 March 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company (or 'financial statements') for the period from 17 April 2009 to 31 March 2010 ('period'), annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) on the basis of written representations received from the directors as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as at 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (f) without qualifying our opinion, attention is invited to Note 8 on Schedule 8, which explains the Company's position with regard to its construction activities on the land proposed to be transferred in its favour by Vardhman Textiles Limited ('parent company'). In terms of the Property Transfer Agreement dated 20 August 2009 between the Company and its parent company, while the principal regulatory approvals for transfer of title of land have already been received, the Company is in the process of complying with certain procedural requirements. Pending such procedures, since the transaction is with the parent company only, the Company has commenced construction of its factory building and all expenditure thereon has been considered as capital expenditure and included in capital work in progress in Schedule 3 of the financial statements; and
- (g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
  - (ii) in the case of the Profit and Loss Account, of the profit for the period 17 April 2009 to 31 March 2010; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the period 17 April 2009 to 31 March 2010.

**For B S R and Company**

**Chartered Accountants**

**Firm Registration No.: 128900W**

**Kaushal Kishore**

**Partner**

**Place: Gurgaon**

**Dated: 27<sup>th</sup> April, 2010**

**Membership No.: 090075**

**Annexure referred to in paragraph 3 of the Auditors' report to the members of Vardhman Texgarments Limited on the accounts for the period from 17 April 2009 to 31 March 2010**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the Company has physically verified its fixed assets during the period. In our opinion, this periodicity of physical verification is reasonable having regard to

- the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification carried out during the current period.
- (c) No fixed assets were disposed off during the period. Hence paragraph 4(i)(c) of the Order is not applicable.
- (ii) The Company did not have any inventories during the period. Therefore, paragraph 4(ii) of the Order is not applicable.
- (iii) (a) The Company has granted unsecured loans, to Vardhman Textiles Limited, a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the period was Rs. 139,500,000 and the period-end balance of such loans was Rs. 75,000,000.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to a company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) The loans granted by the Company to Vardhman Textiles Limited, a company covered in the register maintained under Section 301 of the Act, are repayable on demand and the balance has not been recalled during the period.
- (d) According to the information and explanations given to us, there are no amounts overdue in respect of the loans referred to in paragraph (iii)(a) above and interest thereon. The interest on such loans was not due during the period.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and inventories and with regard to sale of goods. The Company did not have any sale of services during the period. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) According to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year within the meaning of Sections 58A and 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- (vii) The Company has been registered for a period less than three years and does not have a paid up capital and reserves exceeding Rs. 50 lakhs as at the commencement of the financial year. Therefore, paragraph 4(vii) of the Order is not applicable.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Income tax, Sales tax, Investor Education and Protection Fund, Provident Fund, Employees' State Insurance, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues, to the extent applicable, have generally been regularly deposited during the period by the Company with the appropriate authorities.
- There were no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid Section came into force has not yet been notified by the Central Government.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales tax and other material statutory dues to the extent applicable, were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Service tax, Wealth tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has been registered for a period of less than five years. Accordingly, paragraph 4(x) of the Order is not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institutions, banks or debenture holders during the period.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

## Vardhman Texgarments Limited

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- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
- (xvi) According to the information and explanations given to us, the Company did not have any term loans outstanding during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to Vardhman Textiles Limited, a company covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money by way of public issues during the period.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of the audit.

**FOR B S R and Company**  
**Chartered Accountants**  
**Firm Registration No.: 128900W**

**Place: Gurgaon**  
**Dated: 27<sup>th</sup> April, 2010**

**Kaushal Kishore**  
**Partner**  
**Membership No.: 090075**

# Vardhman Texgarments Limited

## BALANCE SHEET as at 31 March, 2010

Particulars	Schedule Number	As at 31 March, 2010 (Rupees)
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' funds</b>		
Share capital	1	140,000,000
Reserve and surplus	2	565,111
		<u>140,565,111</u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed assets</b>		
Gross block (at cost)	3	70,805
Less: Accumulated depreciation		<u>2,042</u>
Net block		68,763
Capital work in progress		<u>41,736,308</u>
		41,805,071
Deferred tax assets	8(11)	14,870
<b>Current assets, loans and advances</b>		
Cash and bank balances	4	19,755,683
Loans and advances		<u>82,477,554</u>
		102,233,237
<b>Less: Current liabilities and provisions</b>		
Current liabilities	5	3,475,135
Provisions		<u>12,932</u>
		3,488,067
<b>Net current assets</b>		<u>98,745,170</u>
		<u>140,565,111</u>
<b>Significant accounting policies and notes to the accounts</b>		
8		
Schedules referred to above form an integral part of the financial statements		

As per our report attached

For B S R and Company  
Chartered Accountants  
Firm Registration No.: 128900W

KAUSHAL KISHORE  
Partner  
Membership No. 090075

Place : Gurgaon  
Dated : 27<sup>th</sup> April, 2010

V. K. GOYAL  
Director-in-charge

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

D. L. SHARMA  
Chairman

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

KARAN KAMAL WALIA  
Company Secretary

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

For and on behalf of the Board of  
Vardhman Texgarments Limited

# Vardhman Texgarments Limited

## PROFIT AND LOSS ACCOUNT for the period from 17 April, 2009 to 31 March, 2010

Particulars	Schedule Number	For the period from 17 April 2009 to 31 March 2010 (Rupees)
<b>Income</b>		
Sales		1,550
Interest income		5,558,795
- On inter-corporate deposits (gross of tax deducted at source Rs. 555,880)		
		<b>5,560,345</b>
<b>Expenditure</b>		
Purchases for trading		1,547
Personnel expenses	6	746,977
Preliminary expenses		30,815
Depreciation	3	2,042
Administrative and other expenses	7	2,339,289
		<b>3,120,670</b>
<b>Profit before tax</b>		2,439,675
<b>Less: Provision for tax</b>		
Current income tax		1,889,434
Deferred tax credit		(14,870)
<b>Profit for the period after tax taken to reserves and surplus</b>		565,111
Basic and diluted earnings per share (of face value of Rs.10 each)	8(5)	0.06

### Significant accounting policies and notes to the accounts

The schedules referred to above form an integral part of the financial statements

As per our report attached

For B S R and Company  
Chartered Accountants  
Firm Registration No.: 128900W

KAUSHAL KISHORE  
Partner  
Membership No. 090075

Place : Gurgaon  
Dated : 27<sup>th</sup> April, 2010

V. K. GOYAL  
Director-in-charge

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

D. L. SHARMA  
Chairman

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

KARAN KAMAL WALIA  
Company Secretary

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

For and on behalf of the Board of  
Vardhman Texgarments Limited

**CASH FLOW STATEMENT for the period from 17 April, 2009 to 31 March, 2010**

	Schedule Number	For the period from 17 April 2009 to 31 March 2010 (Rupees)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax		2,439,675
<b>Adjustments for:</b>		
Depreciation		2,042
Interest income		(5,558,795)
Operating loss before working capital changes		(3,117,078)
<b>Adjustments for:</b>		
Increase in loans and advances		(2,308,193)
Increase in current liabilities and provisions		668,079
Cash generated from operations		(4,757,192)
Income tax paid		(2,055,880)
<b>Net cash used from operating activities</b>		<b>(6,813,072)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and capital work in progress (including capital advances)		(38,987,125)
Inter-corporate deposit given		(215,800,000)
Inter-corporate deposit received back during the period		140,800,000
Tax on Interest income		555,880
<b>Net cash used in investing activities</b>		<b>(113,431,245)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share capital issued		140,000,000
<b>Net cash generated from financing activities</b>		<b>140,000,000</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>19,755,683</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>19,755,683</b>
<b>Components of cash and cash equivalents:</b>		
Cash in hand		13,801
Balances with scheduled banks:		
- On current accounts		19,741,882
		<b>19,755,683</b>

Significant accounting policies and notes to the accounts

**Note:-**

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 on Cash Flow Statement prescribed by the Companies (Accounting Standards) Rules, 2006.
- This being the year of incorporation of the Company, hence there are no previous year figures.

As per our report attached

For B S R and Company  
Chartered Accountants  
Firm Registration No.: 128900W

For and on behalf of the Board of  
Vardhman Texgarments Limited

KAUSHAL KISHORE  
Partner  
Membership No. 090075

V. K. GOYAL  
Director-in-charge

D. L. SHARMA  
Chairman

KARAN KAMAL WALIA  
Company Secretary

Place : Gurgaon  
Dated : 27<sup>th</sup> April, 2010

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

# Vardhman Texgarments Limited

## Schedules forming part of the Accounts

As at  
31 March 2010  
(Rupees)

### SCHEDULE 1 : SHARE CAPITAL

#### Authorised

15,000,000 equity shares of Rs. 10 each 150,000,000

#### Issued, subscribed and paid up

14,000,000 equity shares of Rs. 10 each fully paid 140,000,000

Of the above 7,140,000 equity shares are held by Vardhman Textiles Limited, the holding company

**140,000,000**

### SCHEDULE 2 : RESERVES AND SURPLUS

Profit and loss account

Opening balance -

Add : Profit for the period 565,111

Balance carried to balance sheet **565,111**

### SCHEDULE 3 : FIXED ASSETS

Particulars	Gross block		Depreciation		Net block
	Additions for the period	As at 31 March 2010	For the period	As at 31 March 2010	As at 31 March 2010
Computer equipment	62,624	62,624	1,983	1,983	60,641
Office equipment	8,181	8,181	59	59	8,122
Total	70,805	70,805	2,042	2,042	68,763
Capital work in progress (Includes capital advances of Rs. 63,81,804)					41,736,308
					<b>41,805,071</b>

### SCHEDULE 4 : CURRENT ASSETS, LOANS AND ADVANCES

#### Cash and bank balances

Cash in hand 13,801

Balances with scheduled banks -

-on current accounts 19,741,882

**19,755,683**

#### Loans and advances

*(unsecured and considered good)*

Advances recoverable in cash or in kind or for value to be received 2,308,193

Advance income tax and tax deducted at source (Net of provision for tax Rs. 1,889,434) 166,446

Inter-corporate deposits to Vardhman Textiles Limited (the holding company) 75,000,000

Interest accrued but not due 5,002,915

**82,477,554**

### SCHEDULE 5 : CURRENT LIABILITIES AND PROVISIONS

#### Current liabilities

Sundry creditors

- Total outstanding dues to micro and small enterprises # -

- Others 3,106,768

Other liabilities 368,367

**3,475,135**

# Refer to Note 6 on Schedule 8.

#### Provisions

Provision for leave encashment 4,336

Provision for gratuity 8,596

**12,932**

**For the period from  
17 April 2009 to  
31 March 2010  
(Rupees)**

## SCHEDULE 6 : PERSONNEL COSTS

Salaries and allowances	734,045
Leave encashment	4,336
Gratuity	8,596
	<b>746,977</b>

## SCHEDULE 7 : ADMINISTRATIVE AND OTHER EXPENSES

Rates and taxes (fee for increase in authorised share capital)	830,000
Legal and professional	300,833
Repairs and maintenance - others	2,147
Travelling and conveyance	982,573
Inauguration expenses	177,870
Miscellaneous expenses	45,866
	<b>2,339,289</b>

## SCHEDULE 8: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

### 1. Introduction

Vardhman Texgarments Limited ('the Company') was incorporated as a public limited company under the Companies Act, 1956 on 17 April 2009 as a subsidiary of Vardhman Textiles Limited. Vardhman Textiles Limited has entered into a joint venture with Nisshinbo Textile Inc., Japan for establishment of the Company for manufacture and sale of garments. Presently, the Company is under construction stage and has not commenced its commercial operations.

### 2. Significant Accounting Policies

#### (a) Accounting Convention

The financial statements are prepared on accrual basis under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles and applicable accounting standards issued under the Companies (Accounting Standards) Rules, 2006 and the presentational requirements of the Companies Act, 1956, to the extent applicable.

#### (b) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### (c) Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost is inclusive of freight, duties, taxes and other directly attributable costs of bringing the assets to their working condition and intended use.

#### (d) Depreciation

Depreciation is provided on the straight-line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Rates of depreciation (where different from the rates prescribed in Schedule XIV to the Companies Act, 1956) have been derived on the basis of the following estimated useful lives:

Computer Equipment

4 years

#### (e) Impairment

The carrying value of assets is reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If such indication exists, the amount recoverable towards such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there is a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, had no impairment loss been recognised.

#### (f) Revenue Recognition

Revenue from sales of goods is recognised upon dispatch of goods to customers, which coincides with the transfer of risk and rewards to the customer.

Interest income from inter-corporate deposits is recognised using the time proportion method, based upon the agreed interest rates.

#### (g) Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the respective transactions. Monetary foreign currency assets and liabilities remaining unsettled at the balance sheet date are translated at the rates of exchange prevailing on that date. Gains / losses arising on account of realisation / settlement of foreign currency transactions and on translation of foreign currency monetary assets and liabilities are recognised in the Profit and Loss Account.



# Vardhman Texgarments Limited

## (h) Provisions and Contingencies

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

## (i) Employee Benefits

### Short term benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences and bonus etc. are recognized in the profit and loss account in the period in which the employee renders the related service.

### Gratuity (Defined benefit plan)

Provision for gratuity, which is a defined benefit plan, is made on the basis of an actuarial valuation carried out by an independent actuary at the balance sheet date, using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

### Leave encashment (Other long term benefits)

As per the Company's policy eligible leaves can be accumulated by the employees and carried forward to future periods to either utilise during the service or encash. Encashment can be made during the service, on early retirement, on withdrawal of scheme, at resignation by employee or upon death of employee. The Company accounts for the liability for compensated absences payable in future based on an independent actuarial valuation carried out at the end of the period.

## (j) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit/(loss) for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of equity and dilutive potential equity shares outstanding during the period, except where the results would be anti-dilutive.

## (k) Taxation

Income tax expense comprises of current tax (i.e., amount of tax for the period determined in accordance with the Income tax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities and / or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

## 3. Auditors' Remuneration:

(Amount in Rupees)

**For the period from  
17 April 2009 to  
31 March 2010**

Statutory audit fee including service tax	275,750
<b>4. Expenditure in Foreign Currency</b>	
Travelling and conveyance	872,981
<b>5. Earnings per Share:</b>	
The computation of basic and diluted earnings per share is set out below:	
Net profit after tax attributable to equity shareholders	565,111
Weighted average number of basic equity shares outstanding during the period	9,003,438
Nominal value of shares	10
<b>Basic and Diluted Earnings Per Share</b>	<b>0.06</b>

Since there are no dilutive potential equity shares, the diluted earnings per share remains the same as basic earnings per share.

## 6. Based on the information available there are no amounts due to any micro or small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

## 7. Capital Commitments

(Amount in Rupees)

**As at  
31 March 2010**

Estimated amounts of contracts remaining to be executed on capital account and not provided for	66,819,027
<b>8.</b> The Company has entered into a Transfer of Property Agreement dated 20 August 2009 ('the Agreement') with Vardhman Textiles Limited ('the parent company'). As per the Agreement, the Company has agreed to purchase a piece of land ('factory land') located at Ludhiana for a consideration of Rs. 11,920,000. The transfer of factory land is conditional upon the parent company receiving requisite approvals, including that from the Director of Industries & Commerce, Government of Punjab, for transfer of land in favour of the Company. During the period, the parent company has received approval from the Director of Industries & Commerce, Government of Punjab, for transfer of land in the name of the Company. Further, the Director of Industries & Commerce, Government of Punjab, has also decided to grant certain incentives / concessions to the Company associated with the	

setting up of manufacturing unit as a Mega Project. The Company is in the process of complying with the requisite procedures before transfer of title in its favour.

As a part of the Agreement, the parent company has agreed that it shall not directly or indirectly sell, transfer, convey, mortgage, gift, lease, assign or otherwise transfer or create any kind of encumbrance or enter into any kind of agreement which may prejudice the rights of the Company or any of the provisions of the above stated Agreement.

As indicated above, the principal regulatory approvals associated with the transfer of factory land in the name of the Company have been received. However, pending the transfer of title of the said land in the name of the Company, considering that the transaction is with the parent company, with an intention of a long term association, the Company has commenced construction of factory building on it. All expenditure associated with the construction of factory building has been included in "capital work in progress" in Schedule 3 of the financial statements.

## 9. Related Parties:

- (i) Related parties and nature of related party relationship where control exists:

### Description of Relationship

Holding company

### Name of the party

Vardhman Textiles Limited, India

- (ii) Other related parties with whom transactions have taken place during the period:

### Description of Relationship

Joint venturer

### Name of the party

Nisshinbo Textile Inc., Japan

Key managerial personnel

Mr. V. K. Goyal

- (iii) Transactions during the period:

*(Amount in Rupees)*

### Particulars

**For the period from  
17 April 2009 to  
31 March 2010**

#### Issue of shares

Vardhman Textiles Limited, India

71,400,000

Nisshinbo Textile Inc., Japan

68,600,000

#### Total

**140,000,000**

#### Inter-corporate deposit given during the period

Vardhman Textiles Limited

215,800,000

#### Inter-corporate deposit received back during the period

Vardhman Textiles Limited

140,800,000

#### Closing balance of Inter-corporate deposit

Vardhman Textiles Limited

75,000,000

## 10. Disclosures pursuant to adoption of Accounting Standard ('AS') 15 - "Employee Benefits"

### General description of defined benefit plan:

**Gratuity Plan:** The Company has a gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement or separation or death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Plan whichever is more beneficial.

The following tables set out the disclosures in respect of the gratuity plan as required under AS 15.

### (A) Reconciliation of benefit obligations for gratuity for the period:

#### Particulars

*(Amount in Rupees)*  
**Period from  
17 April 2009 to  
31 March 2010**

Opening defined benefit obligation

Nil

Current Service Cost

8,596

Interest Cost

Nil

Actuarial Losses/(Gain)

Nil

Benefits Paid

Nil

#### Closing Defined Benefit Obligation (Unfunded)

**8,596**

### (B) Reconciliation of fair value of plan assets for the period:

Opening Fair Value of Plan Assets

Nil

Expected Return on Plan Assets

Nil

Actuarial Gains/(Losses)

Nil

Contributions by Employer

Nil

Benefits Paid

Nil

#### Closing Fair Value of Plan Assets

**Nil**

### (C) Actuarial gain/loss recognized are as follows:

Actuarial gain/(loss) for the period – obligation

Nil

Actuarial gain/(loss) for the period – plan assets

Nil

Total gain/(loss) for the period

Nil

Actuarial gain/(loss) recognized in the period

Nil

#### Unrecognised actuarial gains/(losses) at the end of the period

**Nil**

# Vardhman Texgarments Limited

## Particulars

### (D) The amounts recognized in the Balance Sheet are as follows:

Present value of obligation as at the end of the period	8,596
Fair value of plan assets as at the end of the period	Nil
Funded/(unfunded) status	(8,596)
Excess of actual over estimated	Nil
Unrecognised actuarial (gains)/losses at the end of the period	Nil
<b>Net assets/(liability) recognised in balance sheet</b>	<b>(8,596)</b>

(Amount in Rupees)

**Period from  
17 April 2009 to  
31 March 2010**

### (E) The amounts recognized in the Profit and Loss Account are as follows:

Current service cost	8,596
Past service cost	Nil
Interest cost Nil	
Expected return on plan assets	Nil
Actuarial gain / (loss) recognized in the period	Nil
<b>Expense recognized in the statement of profit and losses</b>	<b>8,596</b>

Principal actuarial assumptions in respect of provision for gratuity are as under:

	<u>As at 31 March 2010</u>
<b>Economic Assumptions</b>	
Discount rate	8.50%
Expected rate of salary increase	6.00%
Expected rate of return on plan assets	Nil
<b>Demographic Assumptions</b>	
Retirement age	58 years
Mortality Table	LIC (1994-96) duly modified
Withdrawal Rates	5%

### 11. Major components of Deferred Tax Assets are summarized below:

<b>Deferred Tax Assets</b>	
Provision for leave encashment	1,474
Provision for gratuity	2,922
Preliminary expenses	<u>10,474</u>
<b>Net Deferred tax assets</b>	<u>14,870</u>

### 12. Details of opening stock, purchases, sales and closing stock

#### Quantitative details of purchases for trading

Class of goods	Unit	Purchases for the period from 17 April 2009 to 31 March 2010	
		Quantity	Value (Rs.)
Textile garments	Nos.	6	<u>1,547</u>
<b>Total</b>			<u>1,547</u>
<b>Quantitative details of sales</b>			
Textile garments	Nos.	6	<u>1,550</u>
<b>Total</b>			<u>1,550</u>

Note: Since there are no opening and closing stocks, no quantitative details have been furnished.

13. The Company, presently, is at construction stage and has not commenced its commercial production. Accordingly, disclosures in relation to licensed/installed capacity, production, raw material consumption, segment reporting, etc., are not applicable for the period from 17 April 2009 to 31 March 2010.

14. The Company was incorporated on 17 April 2009. This being the first year after incorporation, there are no previous year figures.

For and on behalf of the Board of  
Vardhman Texgarments Limited

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

V. K. GOYAL  
Director-in-charge

D. L. SHARMA  
Chairman

KARAN KAMAL WALIA  
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. REGISTRATION DETAILS**

Registration No.

U 1 8 1 0 0 P B 2 0 0 9 P L C 0 3 2 7 6 4

State Code

1 6

Balance Sheet Date

3 1

0 3

2 0 1 0

Date

Month

Year

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)**

Public Issue

Nil

Right Issue

Nil

Bonus Issue

Nil

Private Placement

1 4 0 0 0 0

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)**

Total Liabilities

1 4 0 5 6 5

Total Assets

1 4 0 5 6 5

Sources of Funds

1 4 0 0 0 0

Reserves and Surplus

5 6 5

Secured Loans

Nil

Unsecured Loans

Nil

Deferred Tax Liability

Nil

**Application of Funds**

Net Fixed Assets\*

4 1 8 0 5

Investments

Nil

\* Including Capital work in progress

Net Current Assets

9 8 7 4 5

Deferred Tax Asset

1 5

Accumulated Losses

Nil

**IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)**

Turnover \*

5 5 6 0

Total Expenditure

3 1 2 0

\* Including other income

+ -

Profit before Tax

2 4 4 0

+ -

Profit after Tax

5 6 5

(Please tick Appropriate Box + for Profit, - for Loss)

Earnings per Share (in Rs.)

0 . 0 6

Dividend Rate %

N A

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per Monetary Terms)**

Item Code No. (ITC Code)

Product Description

Note: The Company has not yet started manufacturing activity

For and on behalf of the Board of  
Vardhman Texgarments Limited

Place : Ludhiana  
Dated : 27<sup>th</sup> April, 2010

V. K. GOYAL  
Director-in-charge

D. L. SHARMA  
Chairman

KARAN KAMAL WALIA  
Company Secretary

# VARDHMAN TEXTILES LIMITED

(Formerly known as Mahavir Spinning Mills Limited)

REGD. OFFICE: CHANDIGARH ROAD, LUDHIANA - 141 010



Vardhman

## PROXY FORM

I/We.....  
of.....  
in the District .....being a Member/Members  
of **Vardhman Textiles Limited** hereby appoint.....  
of.....in the  
District .....failing him/her  
.....of.....  
.....in the District .....  
as my/our proxy to vote for me/us on my/our behalf at the 37th Annual General Meeting of the Company to be held at Registered Office of the Company situated at Chandigarh Road, Ludhiana, at 10.00 a.m., on Saturday, the 17<sup>th</sup> day of July, 2010 and at any adjournment thereof.  
Signed this.....day of.....2010.

Affix  
Revenue  
Stamp here

Signature.....  
Address.....  
Folio No./Client-Id.....

### NOTES :

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself.
2. The Proxy form duly signed across Revenue Stamp should reach the Company's Registered Office at least 48 hours before the time of meeting.

(TEAR HERE)

# VARDHMAN TEXTILES LIMITED

(Formerly known as Mahavir Spinning Mills Limited)

REGD. OFFICE: CHANDIGARH ROAD, LUDHIANA - 141 010



Vardhman

## SUGGESTIONS

In case you have any suggestion for the betterment of your Company, please do write to us.

Suggestion.....  
.....  
.....  
Name.....Folio No./Client-Id.....  
Address.....  
.....Pin Code

# VARDHMAN TEXTILES LIMITED

(Formerly known as Mahavir Spinning Mills Limited)

REGD. OFFICE: CHANDIGARH ROAD, LUDHIANA - 141 010



Vardhman

## ATTENDANCE SLIP

I hereby record my presence at the 37th Annual General Meeting of the above named Company being held at Registered Office of the Company situated at Chandigarh Road, Ludhiana, at 10.00 a.m., on Saturday, the 17<sup>th</sup> day of July, 2010.

.....  
Full Name of the Member  
(IN BLOCK LETTERS)  
Folio No./ Client-Id .....  
.....  
Full Name of the Proxy  
(IN BLOCK LETTERS)

.....  
Signature  
No. of Shares held.....  
.....  
Signature

**NOTE:** Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.



## Financial Highlights of Five Years

	(Rs. in Crore)				
Parameters	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Gross sales (Domestic + Exports)	2767.22	2495.38	2346.36	2159.24	1957.25
FOB Value of Exports	704.00	627.03	450.51	434.02	367.42
Net Profit	213.76	140.77 *	122.54	171.70	196.32
Profit Before Tax (PBT)	287.02	203.10 *	168.98	225.77	250.59
Cash Profit (PBT + Dep)	507.89	410.42 *	323.54	345.21	351.93
Gross Block (FA + CWIP)	3611.65	3414.27	3424.10	2649.38	1856.33
Net Block (NA + CWIP)	2223.02	2240.66	2349.82	1718.63	1037.56
Paid up Share Capital	57.77	57.77	57.77	57.77	57.77
Net Worth	1398.08	1272.75	1172.14	1092.03	961.67
Capital employed	4273.23	3945.94	3703.34	2911.39	2156.04
Debt Equity Ratio	1.78:1	1.96:1	1.76:1	1.37:1	0.92:1
Current Ratio	3.41:1	3.08:1	2.74:1	2.79:1	2.99:1

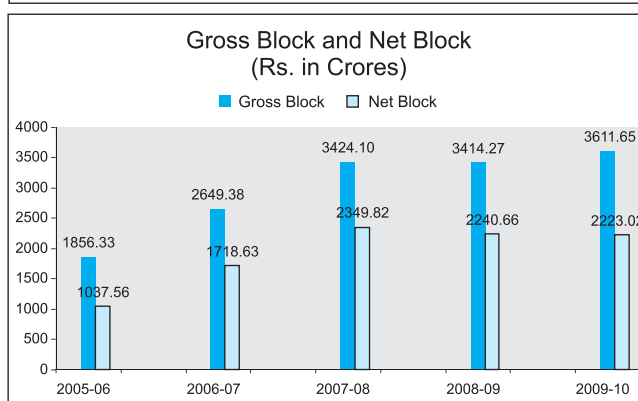
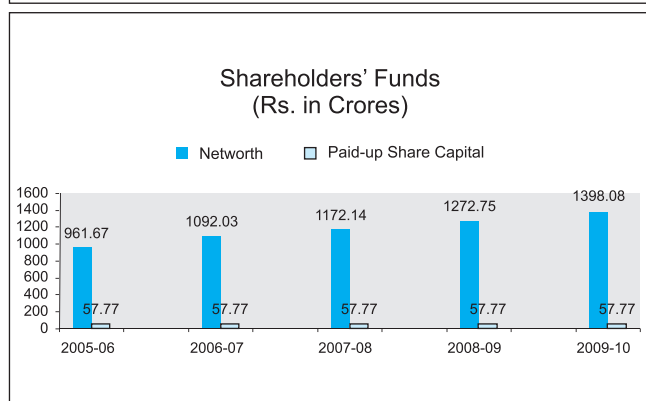
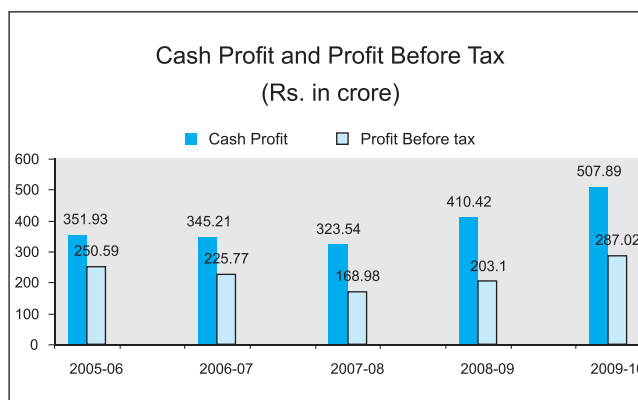
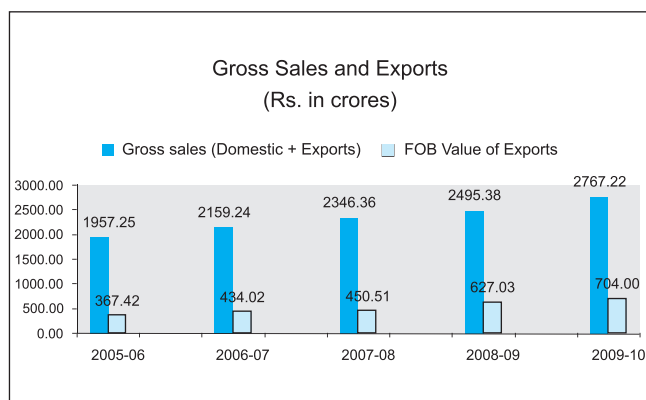
\* Includes profit on sale of discontinued operations.

The figures for the financial year 2009-10 and 2008-09 are not comparable with the figures of the previous years as the figures for the year 2009-10 and 2008-09 do not include the figures of sewing thread business including the spinning unit at Hoshiarpur which stands vested with Vardhman Yarns & Threads Ltd. w.e.f. 1.04.2008 pursuant to the Scheme of Arrangement, Re-organisation and Demerger.

## Equity Shares Data of Five Years

	2009-2010	2008-2009	2007-2008	2006-2007	2005-06
Book value per share (Rs.)	252.01	220.31	202.90	189.03	166.47
Earnings Per Share (Rs.)					
Basic	37.00	24.37	21.21	29.72	33.98
Diluted	31.83	18.48	13.58	16.56	16.50
Cash Earnings Per Share (Rs.)	87.92	71.04	56.00	59.76	60.92
Dividend per Share (Rs.)	3.00	2.00	4.00	4.00	4.00
Price to Basic Earnings (P/E)	7.19	1.95	4.89	7.21	10.37
Price to Cash Earnings	3.03	0.67	1.85	3.42	5.78
Price to Book Value	1.06	0.22	0.51	1.08	2.12

Price to Basic Earnings (P/E), Price to Cash earnings and Price to Book value has been calculated after taking into account the closing price of the Shares of the Company on 31/03/2010 on Bombay Stock Exchange i.e. Rs. 266.10.



Previous years' figures have been recast/regrouped wherever necessary to make these comparable with current Year's figures.



*Hon'ble Chief Minister (Punjab), Shri. Prakash Singh Badal unveiling the foundation stone of the Garments Project of Vardhman Textgarments Limited (a subsidiary of the Company).*



*A panoramic view of Vardhman Fabrics, Budhni, a unit of the Company.*