



Vardhman

Delivering Excellence. Since 1965.

VARDHMAN TEXTILES LIMITED

CHANDIGARH ROAD, LUDHIANA-141010

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Ref.VTXL:SCY:MAY: 2016-17

Dated: 9-May-2016

The Deputy General Manager,
Corporate Relationship Department,
Bombay Stock Exchange Limited,
1st Floor, New Trading Ring,
Rotunda Building, P.J Towers,
Dalal Street, Fort,
Mumbai - 400001
Scrip Code: 502986

The National Stock Exchange of India Ltd.,
"Exchange Plaza",
Bandra-Kurla Complex,
Bandra (East),
Mumbai - 400051

Scrip Code: VTL

SUB: COMPLIANCE OF REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Sir,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the Board of Directors of Vardhman Textiles Limited ("**Company**") in its meeting held on May 9, 2016 have approved the execution of a Share Sale and Purchase Agreement ("**SPA**"), the Amended and Restated Shareholders Agreement, and other incidental and ancillary agreements (collectively, "**Transaction Documents**") to be entered into between the Company, Vardhman Yarns and Threads Limited ("**VYTL**") and American & Efid Global, LLC ("**A&E Global**"). In terms of the SPA, the Company *inter alia* will sell 2,28,02,541 (Two crore Twenty Eight Lakh Two Thousand Five Hundred and Forty One) equity shares held by the Company in VYTL aggregating to 40% (Forty per cent) of the issued, subscribed and paid-up equity share capital of VYTL to A&E Global.

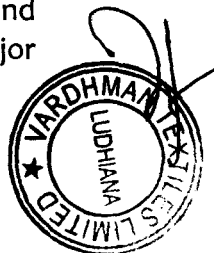
A&E Global became the joint venture partner of the Company in VYTL in 2008. In 2011, KPS Capital Partners (KPS) acquired A&E Global. Since then, KPS has taken a strategic direction for the growth of A&E Global, both organically and through acquisitions of thread companies worldwide, with a view to make A&E Global a sizeable and strong global company. In line with this strategy, A&E Global expressed their desire to have a majority ownership in VYTL to consolidate the VYTL financials as required under US GAAP.

The Board discussed the proposal in detail. They took into account the long and successful partnership with A&E Global and also, the fact that the Company's major

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strategic focus is to consolidate and strengthen its core business of yarn and fabric by way of having a significant market share in the Asian Countries.

The business of sewing thread is a complex business and requires significant management time and attention. In addition, the business definitely gets a boost if it is aligned to a global partner or it operates globally. In view of the Company's focus on other related textile business like yarn and fabric, it was inconceivable for the Company to spread sewing thread business in competition to the global players. Therefore, the Board took a pragmatic and long term view of disinvesting in favour of A&E Global as the Company has had a very good relationship with A&E Global over the last 8 years.

A&E Global currently holds 2,79,33,114 (Two crore Seventy Nine Lakh Thirty-Three Thousand One Hundred and Fourteen) equity shares in VYTL aggregating to 49% (Forty Nine per cent) of the issued, subscribed and paid-up equity share capital of VYTL and post the acquisition of the said 2,28,02,541 (Two crore Twenty Eight Lakh Two Thousand Five Hundred and Forty One) equity shares from the Company, A&E Global will hold 5,07,35,655 (Five crore Seven Lakh Thirty Five Thousand Six Hundred and Fifty Five) equity shares in VYTL aggregating to 89% (Eighty Nine per cent) of the issued, subscribed and paid-up equity share capital of VYTL. In terms of the Transaction Documents, post the said acquisition by A&E Global, the Company will have a 'put option' and A&E Global will have a 'call option' on the remaining 11% (Eleven per cent) issued, subscribed and paid-up equity share capital of VYTL held by the Company, and such put option / call option will be exercisable by the Company or A&E Global, as the case may be, at any time beginning 3 (Three) years following the closing under the SPA.

The SPA is to be entered into on May 9, 2016. The closing under the SPA will occur upon fulfilment of the conditions precedent contained in the SPA *inter alia* including receipt of the merger control approval from the Competition Commission of India.

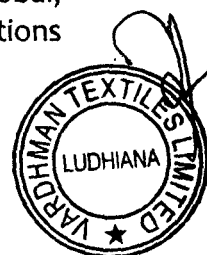
The amount and percentage of Consolidated Turnover of the Company generated by VYTL in financial year 2015-16 is Rs 728.48 cr (10.98%) and net worth of VYTL on the Company's Consolidated Net Worth (including minorities interest) as on March 31st, 2016 is Rs. 355.10 cr (8.42%).

The valuation of VYTL was done by a reputed independent valuer who completed the exercise purely on principles adopted internationally. The Company and A&E Global, after taking into consideration all the relevant factors and based on negotiations

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between them, have placed an equity valuation of VYTL at Rs 990 cr, as of March 31, 2016. The consideration to be received by the Company for the sale of the aforementioned shares to A&E Global shall be determined based on the said agreed valuation and the adjustment formula linked to the closing date.

The said transaction is not a related party transaction in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly note and display the notice on your notice board for the information of the members of your exchange and general public.

Thanking you,

Yours faithfully,
FOR VARDHMAN TEXTILES LIMITED



(KARAN KAMAL WALIA)
Company Secretary

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