



ANNUAL REPORT - 2001



BIRLA VXL LIMITED

DIGJAM OCM

BIRLA VXL LIMITED

SHAREHOLDER INFORMATION

We try hard to be attentive to our Shareholders by having a policy of being readily accessible to them. We emphasize the importance of responding promptly in a friendly, helpful way when our Shareholders have questions or need assistance. If you need normally available information about your holding, please do not hesitate to call us on Telephone No. (033) 220 1680 or (033) 248 0135 and ask for Mr. B.B. Nayak (Extn. 1017) or write to Secretarial Department at Birla VXL Limited, Birla Building, 9/1, R.N. Mukherjee Road, Kolkata 700 001, E-mail: birlacal@cal.vsnl.net.in

Registrars & Share Transfer Agents (Physical & Demat)

AXC Computers Pvt. Ltd. (Formerly ABC Computers Pvt. Ltd.), National Council of Education, Bengal, Jadavpur University Campus, Kolkata 700 032
Tel: (033) 414 6292, 414 6363, Fax : (033) 413 7900, E-mail: abccal@cal.vsnl.net.in

Stock Exchange Listings

Saurashtra Kutch Stock Exchange Ltd.,
Popatbhai Sorathia Bhavan, Sadar Bazar, Rajkot 360 001
The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023
The Calcutta Stock Exchange Association Ltd.,
7, Lyons Range, Kolkata 700 001
The Delhi Stock Exchange Association Ltd.,
DSE House, 3/1, Asaf Ali Road, New Delhi 110 002
National Stock Exchange of India Ltd.,
"Exchange Plaza" Bandra Kurla Complex, Bandra (E), Mumbai 400 051

The Company has paid up to date Annual Listing Fee to each of the above Stock Exchanges.

Note on Depository

It may be noted that the Shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors wef **8.5.2000**. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the Shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of the above Depositories.

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REPRESENTATIVE OFFICES

London : 1st Floor, Signal House, 16 Lyon Road, Harrow, HA1 2AG, England,
Tel: +44 - 20 8861 5510, Fax: +44 - 20 8424 0242, E-mail: bvxl@hemscott.net

New York : 509, Madison Avenue, Suite 1110, New York NY 10022,
Tel: +1 - 212 759 6821, Fax : +1 - 212 759 7064, E-mail: birla@erols.com



REGISTERED OFFICE

Aerodrome Road
Jamnagar 361 006
(Gujarat)

CORPORATE OFFICE

ECE House
28-A, Kasturba Gandhi Marg
New Delhi 110 001

PRINCIPAL OPERATING DIVISIONS**BIRLA VXL LIMITED**

Aerodrome Road
Jamnagar 361 006 (Gujarat)

BIRLA VXL LIMITED

G.T. Road, Chheharta
Amritsar 143 001 (Punjab)

UNIVERSAL CLOTHING

14/5, Mathura Road
Faridabad 121 003

REGISTRARS &**SHARE TRANSFER AGENTS**

AXC Computers Pvt. Ltd
(Formerly ABC Computers Pvt. Ltd.)
National Council of Education, Bengal
Jadavpur University Campus
Kolkata 700 032

BANKERS

UCO Bank
Bank of India
Bank of Baroda
Punjab National Bank
Punjab & Sind Bank
State Bank of India
State Bank of Saurashtra
Standard Chartered Bank
Union Bank of India

BOARD OF DIRECTORS

S.K. BIRLA - Chairman
A.N. LALBHAI
SIDHARTH BIRLA - Vice-Chairman
DR. V.K. BHALLA
R.K. CHOUDHURY
DR. S. GANGULY
N.L. HAMIRWASIA
V.R. MENTA
G. MOMEN
A.C. MUKHERJI
V.J. PABARI
D.F. PATEL
K.V. UNNI
C.L. RATHI

EXECUTIVES

C.L. RATHI
Deputy Managing Director &
Chief Operating Officer
M.K. GOENKA
President - Jamnagar Unit
R.S. SINGHVI
President - Amritsar Unit
& International Division
J.P. AGRAWAL
President (Group Finance)
R.P. JAIN
Joint President
S.K. AGARWAL
Joint President (Technical),
Amritsar Unit
GIRISH BHATIA
Secretary

AUDITORS

LODHA & CO.
Chartered Accountants,
14, Government Place East,
Kolkata 700 069

BIRLA VXL LIMITED**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the Fiftysecond Annual General Meeting of the Members of the Company will be held on Wednesday, the 26th June, 2002 at 10.30 a.m at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006 (Gujarat), to transact the following business :

- 1) To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the year ended 31st December, 2001.
- 2) To appoint Directors in place of Sri V.R. Mehta, Dr. S. Ganguly and Sri C.L. Rathi, who retire from Office by rotation and being eligible, offer themselves for re-election.
- 3) To appoint Auditors and fix their remuneration and for the purpose, to consider and if thought fit, to pass with or without modification the following resolution, which will be proposed as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/S. Lodha & Co., Chartered Accountants, Kolkata, be and are hereby re-appointed Auditors of the Company, to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications, the following resolution :

4. AS AN ORDINARY RESOLUTION

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board/Committee of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertakings of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of Bank of India.

- A. to secure Rupee Term Loan of Rs. 1309.20 lacs sanctioned by Bank of India together with interest or any other charges, expenses and other monies payable to Bank of India in respect of the said Rupee Term Loan in terms of the Loan Agreement/Hypothecation Agreement/ Letter of Sanction/ Memorandum of Terms and Conditions as amended from time to time entered into by the Company, in respect of the said Rupee Term Loan ; and
- B. to the Board/Committee of Directors of the Company agreeing with Bank of India in terms of their Loan Agreement/Hypothecation Agreement/Letter of Sanction/ Memorandum of Terms and Conditions as amended from time to time to reserve a right to take over the management of the business and concern of the Company in certain events ;

FURTHER RESOLVED THAT the security to be created in the manner aforesaid in favour of Bank of India to secure the above said Rupee Term Loan shall be by way of first charge, ranking pari passu in all respects with similar charges, if any, already created/to be created on the said properties to secure the existing borrowings.

FURTHER RESOLVED THAT the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above by and with the authority of the Board/Committee of Directors of the Company be and are hereby approved and confirmed."

The Register of Members of the Company will remain closed as already notified from 12.6.2002 to 26.6.2002 (both days inclusive)

Registered Office :
Aerodrome Road,
Jamnagar 361 006 (Gujarat)

Dated, 26th March, 2002

By Order of the Board
GIRISH BHATIA
Secretary

NOTES :

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
- 2) The instrument appointing a proxy has to be deposited at the Company's Registered Office at Aerodrome Road, Jamnagar 361006 (Gujarat), not less than 48 hours before the time for holding the aforesaid meeting.
- 3) The instruments of Share transfer complete in all respects should be sent to the Company's Registrars and Transfer Agents - M/s. AXC Computers Private Ltd., (formerly ABC Computers Pvt. Ltd.) National Council of Education, Bengal, Jadavpur University Campus, Kolkata 700 032, well in advance, so as to reach them prior to Book Closure. Shares under any defective transfer (unless defect is removed prior to Book Closing) and/or instruments of transfer received during the period of Book Closing shall be considered after re-opening of the books.
- 4) Shareholders are requested to intimate the Company's Registrars and Transfer Agents as mentioned in Note No.3 above, changes, if any, in their registered addresses including PIN CODE Number.
- 5) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed Dividends upto the Financial Year 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend Warrants upto the said period are requested to claim the amount from the Registrar of Companies, Gujarat, Ahmedabad, by submitting an application in the prescribed form. In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends from the Financial year 1995-96 and thereafter will be transferred to the Investor Education and Protection Fund ("the Fund") established by the Central Government in accordance with Section 205C of the Companies Act, 1956 after the expiry of 7 years from the date of transfer of Dividend to the Unpaid Dividend Account of the Company. Members, who have not yet claimed their Dividend for any of the aforesaid financial years, may claim it now from the Company before the same is transferred to the Fund. It may be noted that no claims shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund and no payment shall be made in respect of any such claim.
- 6) Members holding more than one Share Certificate in the same name under different Ledger Folios, are requested to apply for consolidation of such folios and send relevant Share Certificates to the Company's Registrars and Transfer Agents as stated in Note No. 3 above.
- 7) Members attending the meeting are requested to complete the enclosed slip and deliver the same at the entrance of the Meeting Hall.
- 8) Persons attending the Annual General Meeting are requested to bring their copies of Annual Report as the practice of distribution of copies of the Annual Report at the meeting has been discontinued.

- 9) **SHAREHOLDERS OF THE COMPANY ARE AGAIN REMINDED TO SURRENDER ALLOTMENT LETTER FOR 12.5% FULLY CONVERTIBLE DEBENTURES DULY DISCHARGED ALONG WITH RECEIPTED ALLOTMENT ADVICE-CUM-ALLOTMENT MONEY NOTICE TO THE COMPANY'S REGISTRARS AND TRANSFER AGENTS, AS MENTIONED IN NOTE NO. 3 ABOVE, TO ENABLE THEM TO DESPATCH FULLY PAID DEBENTURE-CUM-SHARE CERTIFICATE IN LIEU THEREOF.**
- 10) For any further information regarding the said Accounts, advance intimation be given and the members should ensure that it reaches Birla Building, 9/1, R.N. Mukherjee Road, Kolkata 700 001, atleast 10 days before the date of the ensuing meeting.
- 11) The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the Shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of the above Depositories. It may be noted that the shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors wef 8.5.2000. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future.
- 12) **EXPLANATORY STATEMENT** pursuant to Section 173 of the Companies Act, 1956 ('the Act') / SEBI code for corporate governance :

Item No. 2 : A brief resume of the Directors offering themselves for re-election is given below :

Sri V.R. Mehta, aged 68 years, holds an Honours Degree in Engineering. He is also an Economist and Financial expert by practice and experience. Earlier, he worked as a senior expert in the Asian Development Bank (ADB) Manila, for over 14 years, dealing with evaluation and implementation of transport, power and industry sector projects in various South-East Asian countries including China. Prior to joining the ADB, Sri Mehta served in the Government of India in the Ministry Shipping and Transport for almost six years first as Director and then as Joint Secretary, with the charge of all the major ports in the country. During his tenure, a number of mega Port projects such as the Haldia, Chennai, Paradeep, Vizag and Goa Port expansions were evaluated and implemented. He is the founder Managing Director of the Dredging Corporation of India. Sri Mehta had earlier served for about 17 years in various senior positions in the Railway Board and the Zonal Railways. Sri Mehta is a member of the Maritime Economists Group, London.

Sri V.R. Mehta is a Director of Haldia Petrochemicals Ltd., Kolkata, Pipavav Ship Dismantling and Engineering Ltd., Mumbai, Sea King Infrastructure Ltd., Mumbai, SRF Ltd., New Delhi, Tata Engineering & Locomotive Co. Ltd., Mumbai, Telco Construction Equipment Co. Ltd., Mumbai and Tamil Nadu Newsprint and Papers Ltd., Chennai.

Sri V.R. Mehta is the Chairman of Audit Committee and Member of Remuneration Committee of Tata Engineering & Locomotive Co. Ltd. He is Member of Audit Committee and Shareholders and Investors Grievance Committee of Tamil Nadu Newsprint and Papers Ltd. He is Chairman of Audit Committee and Member of Remuneration Committee of Telco Construction Equipment Co. Ltd. and Chairman, Audit Committee of Pipavav Ship Dismantling and Engineering Ltd. respectively.

Except Sri V.R. Mehta, no other Director is interested in the Resolution.

Dr. S. Ganguly, aged 69 years, is Ph.D in Applied Chemistry. He has vast experience in Chemical Industry. He was in ICI Group of Companies since 1956-1982. He was Chairman & Managing Director of Indian Petrochemicals Corp. Ltd. between 1983-1988. He was Chairman of Engineers India Ltd. between 1986-1988. During the period between 1988 to 1996, he was Executive Vice-Chairman and Managing Director of ACC Ltd. (wef 1.11.1988). Between 1996-1998, he was Executive Vice-Chairman wef 1.4.1996 and Vice-Chairman from 1998 till April, 2000.

Except Dr. S. Ganguly, no other Director is interested in the Resolution.

Sri C.L. Rath, aged 56 years, is B.Com (Hons), LLB, FCA and FCS, is the Deputy Managing Director and Chief Operating Officer of the Company. He has vast experience in senior management position in India and abroad in various industries, like Textiles, Plastics, Edible Oil, Light Engineering etc. Sri Rath is Director of Birla Metals Ltd., Kolkata, Cimco Plecter Ltd., Kolkata, Drap Leasing & Finance Pvt. Ltd., Indore, Drap Plastics Pvt. Ltd., New Delhi, Sidharth Soya Products Ltd., Harda and VXL Technologies Ltd., Faridabad.

Sri C.L. Rath is the Member of Managing Committee of Indian Woollen Mills' Federation besides being a member of the Share Transfer and Shareholders/Investors Grievance Committee of our Company and is also a member of the Committee of Directors and Committee of Directors/Officers (Investments/Assets) of our Company.

Except Sri C.L. Rath, no other Director is interested in the Resolution.

Item No. 4

The Company has been sanctioned Rupee Term Loan of Rs. 1309.20 lacs by Bank of India in substitution of ECB of US\$ 3 Million availed from them earlier.

The financial assistance from Bank of India has to be secured by a first mortgage in a form satisfactory to the Bank of all the immovable properties of the Company, wheresoever situate, both present and future and a charge by way of hypothecation of all the movables, save and except book debts, but including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and to be created on specific equipment obtained under deferred credit and subject also to the charges on current assets created and to be created in favour of the Bankers for securing working capital requirements. The above mortgage and charge will rank pari passu with the charges created and/or to be created in favour of the Trustees of the existing/proposed Debentureholders and other existing term lenders and Banks.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not without the consent in General Meeting, sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking of the whole or substantially the whole of such undertaking. Since the charging by the Company of its immovable and movable properties as aforesaid in favour of Bank of India may be regarded as disposal of the Company's properties/undertakings, it is necessary for the Members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

INSPECTION OF DOCUMENTS

The following document is open for inspection at the Registered Office of the Company between 10 a.m. and 12 noon on any working day prior to the date of meeting :

Copy of letter No. ZO.LBD:BN:216 dated 16.5.2000 for Rupee Term Loan of Rs. 1309.20 lacs from Bank of India.

The Board recommends the proposed resolution for your approval.

None of the Directors are concerned or interested in the proposed resolution.

Registered Office :
Aerodrome Road,
Jamnagar 361 006(Gujarat)

Dated, 26th March, 2002

By Order of the Board
GIRISH BHATIA
Secretary

BIRLA VXL LIMITED

REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS

We present herewith our Annual Report together with the Audited Accounts of the Company for the year ended December 31, 2001.

GENERAL REVIEW

The condition of Indian economy further worsened during the year, with lower growth rate of 5.4% and an extremely poor performance in the Manufacturing Sector. Consumer spending hit a new low during the year and the Textile Sector as a whole continued to face semi-recessionary conditions. The Agriculture sector however did better this year due to a good and well distributed monsoon and it is hoped this will help a partial recovery in 2002. The year was marred by various calamitous events starting with the massive earthquake in Gujarat, crisis in financial sector and ending with the terrorist strike on Parliament in December. All these factors affected consumer spending adversely. Conditions in major world economies were no better with recessionary conditions prevailing in US and other countries, and Japan actually facing economic contraction. The terrorist strike in US in September 2001 dealt a severe blow to the economies struggling for recovery. World economic growth is estimated to have slowed down to 2.4% in 2001.

The Woollen Textile industry in India continued to suffer due to very sluggish market conditions and a supply-demand imbalance. While demand continues to stagnate, availability of cheap imported fabrics have added to the already intensified competition. The international markets for woollen worsted also remained under pressure. As it is one of the largest markets in the world for woollen textiles, exports to US were also affected and there was news of cancellation or suspension of orders by buyers. In the face of this situation, it is a matter of satisfaction that we received no cancellations and in fact improved our exports over the previous years.

As mentioned above, the overall economic outlook for the current year is hopefully expected to improve. A revival process has already started in the US, which will have salutary effect on international demand and thereby on exports. The Union budget for fiscal 2002-03 provides attractive package for the Indian agriculture sector aimed at boosting rural income, which should also help our sector, which is working for a higher rural penetration of its products. However, there has appeared a major constraint; the international prices of wool, the principal raw material, have hardened by about 40% within the last three months. The recent civic disturbances in Gujarat (about half of Company's operations are based there), also disturbed the operations of the Company.

REVIEW OF KEY OPERATIONAL MATTERS

Sales for the year under review stood at Rs.248 Crores (previous period: annualised: Rs.257 Crores). Export revenues crossed Rs. 94 Crores (including deemed exports) (previous period: annualised: Rs.56 Crores). Fabric production for the year was 9.7 million metres reflecting considerable under-utilisation, which is necessarily the outcome of depressed market conditions. However, there was a positive, though marginal, pro-rata improvement in fabric production compared to the last. Overall, the Company's financial performance during the year improved over the previous period with reduced losses and we are hopeful of achieving further improvements in the current year.

Our thrust on garment exports has paid off well. Export of Garment made from our fabrics crossed 4.7 lac number against 2.5 lac number (annualised) during the last period, registering an increase of about 88%. As a result of protracted efforts, we are receiving increasing support from our major customers amongst whom we are privileged to count several highly prestigious international brands. We are happy to report that the Company has received awards as the highest exporter of worsted garments for 1998-99 & 1999-2000 and the third highest exporter of woollen and blended fabrics for 1998-99.

Our efforts towards cost control at all levels were intensified. A voluntary retirement scheme for employees has been formulated and is receiving encouraging response. There are plans for further rationalisation and streamlining of operations during the current year. All these efforts have already started to be reflected in the total costs.

Based on Company's business plan and its profit and cash flow assessment, ICICI, the lead Financial Institution, finalised a scheme for rationalisation of loan liabilities of the Company. The scheme has since been sanctioned by the other major Financial Institutions and the effect of the sanctions received so far has been given effect to in these accounts. It is now in an advanced stage of discussions with the Banks. The effect of scheme has reflected in the accounts by way of considerable saving

in interest costs through write-back of interest and reduction in interest rates during the year as also extended repayment period.

The Company had availed of external commercial borrowing of US\$ 18.44 million in 1998; the facility was guaranteed by separate guarantees of ICICI and IFCI. The Company has been meeting its obligations under the facility regularly and punctually. Based on a misconstruction of the situation, the lender recalled the facility amount and then invoked the guarantees, despite the Company reasoning with them for withdrawal of their notice. RBI, on application of the said financial institutions, has not permitted premature repayment of the facility. It may however be clarified that the guarantees, even if encashed, would not have affected the debt profile of the Company.

Preference shares amounting to Rs 24.25 Crores and unsecured debentures amounting to Rs 1.34 Crores were privately placed during the year. Redemption of debentures during the year amounted to Rs 26.50 Crores.

CORPORATE GOVERNANCE

The Board is committed to adopting, apart from any obligations under relevant laws or regulations, best practices for Corporate Governance. Accordingly the Company follows a code in line with the SEBI code.

SUBSIDIARY COMPANIES

Sidharth Soya Products Limited had another year of satisfactory performance. The Company has achieved the highest turnover during the year ended on 31st March, 2001 amounting to Rs.97.43 Crores (previous year Rs.78.95 Crores) and Net Profit at Rs. 1.87 Crores (previous year Net Profit of Rs.1.10 Crores). Exports, (including through merchant exporters) stood at Rs 25.05 Crores, registering an increase of 23% over last year. The soya industry passed through a difficult year due to drought affecting the soya cultivation areas and farm productivity. Despite three hikes in import duty on edible oil, sales realisation remained under pressure. Efficient management of the operations however helped to improve margins. The Company maintained Equity Dividend @ 5% for the year.

VXL Technologies Limited (name changed during the year from VXL Engineers Limited) recorded sales of Rs 34.14 Crores (previous year Rs.34.38 Crores) and Net Profit Rs.2.74 Crores (previous year Rs.3.77 Crores) during the year ended on 31st March, 2001. The performance can be viewed as satisfactory in view of severe recession and increased input costs.

Outlook for these companies is clearly positive and is likely to be better in FY 2001-02.

Masuzawa Punjab Silk Limited, an EOU, faced extremely sluggish markets and dumping of silk yarn resulting in lack of adequate business at viable prices. Due to overall pressures, accumulating losses and inadequate working capital availability, working for the year ended March 31, 2001 remained severely restricted resulting in Sales of only Rs.178 lacs and a Net Loss of Rs.242 lacs. As more than 50 percent of the net worth of the Company has been eroded, the requisite report to the Board for Industrial & Financial Reconstruction has been made. As the Joint Venture partner is not honouring commitments, suitable legal advice has been sought, so that needless liability does not attach to the Company.

FINANCIAL RESULTS

| | (Rs. lacs) |
|---|-------------------|
| | December 31, 2001 |
| Working for the year resulted in a Gross Profit/(Loss) of | (766.61) |
| From which are deducted provisions for: | |
| - Depreciation | 2,863.70 |
| - Provision for diminution in value of assets | 805.48 |
| - Provision for premium on redemption of loans | 381.38 |
| - Loss due to Foreign exchange fluctuation | 306.73 |
| Making a total of | (5,123.90) |
| To which are added: | |
| Debiture Redemption Reserve written back | 344.43 |
| Investment Allowance Reserve written back | 264.00 |
| Balance brought forward | (11,105.24) |
| Leaving a balance of | (15,620.71) |
| Which is carried forward | |

In view of the results, the Directors regret their inability to recommend any Dividend.

AUDITORS' REPORT

Observations of the Auditor's read together with relevant notes to the accounts are self-explanatory and do not call for further clarification.

DIRECTORS

During the year, Mr. Hanamaki resigned from the Board of Directors consequent upon withdrawal of his nomination by Mitsubishi Electric Corporation, Japan. We place on record our sincere appreciation for the advice and guidance tendered by Mr. Hanamaki during his tenure. Sri V.R. Mehta, Dr. S. Ganguly and Sri C.L. Rathie retire by rotation and being eligible, offer themselves for re-election.

STATUTORY INFORMATION & OTHER MATTERS

Statutory information forming part of this report as per requirements of the Companies Act is annexed hereto. Statutory statements in respect of subsidiary companies and their Annual Reports and Accounts are also given in separate Annexures and form part of this Report. Relations with employees were, generally cordial and we appreciate the contribution made by all dedicated employees during the year.

Fixed Deposits as on December 31, 2001 stood at Rs. 70.31 lacs and deposits amounting to Rs. 3.35 lacs due for repayment on or before that date remained unclaimed by depositors on that date of which Rs. 1.47 lacs have since been repaid.

As per our governance practices, the management's statement on the integrity and fair presentation of financial statements is provided to the Board as part of the process of accounts approval. However, pursuant to the Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors indicate that they have taken reasonable and bonafide care that : (a) in the preparation of the Annual Accounts, applicable accounting standards have been followed & proper explanations relating to material departures, if any, furnished; (b) such accounting policies were selected and applied consistently and judgements and estimates deemed to be reasonable and prudent made so as to give a true & fair view of the state of affairs of the Company at the end of the financial year & of the profit and loss of the Company for the year; (c) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and the Companies (Amendment) Act, 2000, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities; and (d) that the annual accounts have been prepared on a "Going Concern" basis.

AUDITORS

M/s Lodha & Co., Chartered Accountants, retire as Auditors and, being eligible, offer themselves for reappointment.

ACKNOWLEDGEMENT

We would like to express our grateful appreciation for the continuing co-operation, guidance, help and support received by the Company from its lead Financial Institution ICICI, all other Financial Institutions and Banks, various Government and other concerned authorities, shareholders and distribution channel partners during the year.

FOR AND ON BEHALF OF THE BOARD

Kolkata
March 26, 2002

S.K. BIRLA
Chairman

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We have pleasure in submitting Management Discussion and Analysis Report on the business of the Company. In this, we have attempted to include discussion on all the specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's own competitive position. The year under review saw difficult economic conditions in global and Indian economies. Indian conditions in our sector were probably the worst in several decades. While the major economies in the world have been passing through varying stages of recession the Indian economy, though it registered a positive growth rate, was constrained by industrial slowdown. The economic conditions were aggravated by natural and other disturbances in India and abroad through the year and consumer confidence worldwide stayed low.

INDUSTRY & COMPANY STRUCTURE

The woollen worsted industry in the country comprises of a handful of mills in organised sector and large number of mills in unorganised sector. The industry has been passing through a continuously difficult phase on account of demand-supply imbalance and significant slow down in consumer spending. Imports of cheaper fabrics, not necessarily wool based, have flooded the markets. The worsening of general economic conditions did not help matters. The sector, thus, continues to face trying times with sluggish demand, lower price realisations while input costs continue to rise, intense competition. The Company operates in the woollen worsted textile segment. It has two modern composite mills (ISO 9002 certified) for manufacturing quality woollen worsted suiting fabric at Jamnagar and Amritsar, and also has a garment manufacturing unit at Faridabad. The Company is the second largest in this industry in India and has been in this business for more than 50 years. It has sound product design capabilities and manufactures more than 5,000 design-shade combinations every year in Light Wool, Polyester Wool as well as Woollen fabrics for its brands. Its commitment to quality and strong customer orientation reflects in its strong national brands - Digjam and OCM, supported by strong distribution channels with representative offices abroad to support its international marketing.

REVIEW OF OPERATIONS

A summary of major performance indicators is given below, while the detailed financial and physical performance may be viewed from the Balance Sheet and Annexures thereto in the Annual Report.

| | Units | 2001 | 1999-2000* |
|---|-----------|--------|------------|
| Production : | | | |
| Cloth | Lac Mtrs. | 96.97 | 93.46 |
| Garments** | Lac Pcs. | 4.78 | 2.80 |
| Sales: | | | |
| Cloth | Lac Mtrs. | 97.31 | 100.83 |
| Garments | Lac Pcs. | 4.75 | 2.43 |
| Total Sales | Rs. Cr. | 247.89 | 257.03 |
| Exports (including deemed exports) | Rs. Cr. | 93.90 | 56.31 |

* Annualised figures as Financial Year 1999-2000 was of 18 months.

** includes outside conversion.

Comparing this year's performance against last period, it may be seen that there was positive growth in fabric as well as garment production. The fabric production was planned in line with the order position and to keep the working capital under control resulting in lower capacity utilisation. The volume of fabric sales declined marginally and due to intense competition higher discounts had to be offered resulting in lower sales realisations with consequent effect on profitability. The Company excelled in export markets, (with exports at about 40% of sales volume) both for fabric and garments, and enjoyed increasing patronage from its customers including from prestigious international brands. This should be viewed favourably in the light of sluggish international markets particularly after terrorist strike in September in US. To neutralise the effect of poor domestic market conditions, the Company has been pushing hard for widening its international market base and got major success in the Far East market, while other new markets are being explored.

The Company has taken up a programme to fully revamp its operations to the best international standards in order to compete successfully. The Company has retained services of international experts for this purpose. Several cost reduction measures

BIRLA VXL LIMITED

are under implementation including Voluntary Retirement Schemes. Considerable savings were achieved in various other areas of operations. Major Financial Institutions have sanctioned a scheme for rationalisation of loan liabilities of the Company, resulting in a revised repayment schedule. The scheme is now under discussion with the banks also and is expected to be finalised soon which, when implemented, would further support our recovery process. The Company has plans for wide ranging cost reductions and sweating out its assets with firm control on capital expenditure.

The Company had availed external commercial borrowing of US\$ 18.44 million in 1998; the facility was guaranteed by separate guarantees of ICICI and IFCI and the Company has been meeting its obligations punctually and regularly under the facility. Based on misconstruction of facts, the lender sought to recall the facility and then invoked the guarantees, despite the Company reasoning with them for withdrawal of their notice. RBI, on application of the said financial institutions, has not permitted the payment of the facility when they are not due as per the original schedule. It may be clarified that the guarantees, even if encashed, would not have affected the overall debt of the Company. The subdued operations in view of difficult market conditions and resulting slower turn of working capital continues to exert pressure on our cash flows, which has been at times obstructing some of the plans of the Company aimed at cost reduction, rationalisation of raw material procurement, brand positioning etc., for which however the Company is working on appropriate measures.

OUTLOOK

In general, the woollen worsted textile industry is a viable business as it enjoys a very healthy value addition and relatively low marginal costs. Profitability has the potential to rise sharply with increase in volumes. The Company has a globally competitive capacity base which can yield significant profits with upturn in the market conditions. The industry presently has a limited rural demand base but given the size of Indian rural population, this could be a vast market to tap with improvement in rural incomes. The increasing affluence and growing Indian middle class also offers scope for market expansion. There are now strong signs of revival of the US economy and it may be expected that this will have positive effect on other economies and the international aggregate demand for various products would improve. The Union Budget for fiscal 2002-03 has some important features with reforms and overall growth orientation. It also has, inter alia, provisions for boosting the agriculture sector and seeks to consolidate and implement policies for infrastructure, structural and other reforms. The excise duty on processed fabric has been lowered from 16% to 12%, which may give some fillip to demand for our product. Withdrawal of tax concessions on certain savings and soft interest rate regime is also likely to promote consumer spending, act as disincentive to savings and spur demand. All these measures are likely to have the effect of augmenting the aggregate demand in the long run. As already stated, the Company's plans for further cost reduction will also have positive impact on the bottom line. However, there are concerns still continuing in the current year. So far, the markets remain sluggish and competition intensified. The slowdown phase in Indian Textile industry has already run a very long period and is taking its toll on the industry. The current year began with spurring international wool prices, which rose by 30-40% across various specifications; the situation remains volatile and uncertain. Gujarat (about half of the Company's operations are based there), which was recovering from the tragedy of last year's calamitous earthquake, finds itself facing a fresh wave of civic disturbances. The management views the long term outlook for the Company business as definitely positive, though in the short term the outlook remains very challenging, which we face with determination

ENVIRONMENT & SAFETY

Company is conscious of the need for an environmentally clean and safe operations. Our industry is not a polluting one. The Company's policy requires the conduct of all operations in such a way so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

HUMAN RESOURCES

Management recognises that employees represent our greatest assets and it is only through motivated, creative and committed employees that we can achieve our aims. Hence, Company takes care and measures, to the extent possible, for welfare and betterment of employees.

OTHER MATTERS

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems have been found to be adequate, but are continuously reviewed with a view to improvement. Out team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence. We take all care to diligently comply with all applicable laws and regulations. The overall financial performance is in line with and reflective of operational performance. Our appreciation are due to all employees; gratefulness to our Board, shareholders, and other stakeholders, concerned Government and other authorities, our channel partners for their continued support and guidance and to customers for their reposing faith and confidence in us.

CAUTIONARY STATEMENT

Statements in this "Management Discussion & Analysis" which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those express or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes, economic developments within India and countries with which the Company conducts business besides other factors, such as litigation and labour negotiations.

FOR AND ON BEHALF OF THE MANAGEMENT TEAM

Kolkata
March 26, 2002

C.L. RATHI
Deputy Managing Director
& Chief Operating Officer

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board emphasises the philosophy of good corporate governance and emphasises transparency, integrity and accountability. We have adopted best relevant practices for governance. We believe that good governance is voluntary and self-disciplining with the strongest impetus coming from Directors and the management itself. The organisation at Birla VXL endeavours to be progressive, competent and trustworthy, creating and enhancing value for customers and stakeholders, while reflecting and respecting the best of Indian values in its conduct.

THE BOARD OF DIRECTORS

The Board presently consists of 14 Directors, of which 13 are non-Executive. The Chairman's position is basically non-Executive and non-managerial in character and the Vice-Chairman officiates in his absence. Management of the affairs of the Company is vested in Sri C.L. Rath, Deputy Managing Director & Chief Operating Officer ("DMO & COO"), subject to the general supervision, control and direction of the Board. Sri Rath heads the management team, holds operational responsibility for the day-to-day activities of the Company and has been entrusted with ensuring that all management functions are carried out professionally and is accountable to the Board for actions and results.

The SEBI Code requires that in the case of a non-executive chairman, at least one-third of the Board should comprise of independent directors. Out of 14, our Board has 10 Independent Directors including 4 nominee directors who are considered independent under SEBI guidelines, viz. Sri R.K. Choudhury (Senior Advocate), Dr. S. Ganguly (Company Director with vast industrial experience), Sri Anand N. Lalbhai (noted Industrialist) Sri V.R. Mehta (erstwhile Joint Secretary in the Govt. of India), Sri G. Momen (Businessman of repute) and Sri A.C. Mukherji (retired CMD of New India Assurance Co. Ltd.). Dr. V.K. Bhatta (Professor, Faculty of Management Studies, Delhi University) is the Nominee of IDBI, Sri K.V. Unni (official at ICICI) is the Nominee of ICICI, Sri V.J. Pabari and Sri D.F. Patel are nominated by the Govt. of Gujarat. Sri S.K. Birla, Chairman (Industrialist with wide experience), Sri Sidharth Birla, Vice-Chairman (MBA, B.Sc. (Hons)) & Sri N.L. Hamirwasia (Professional Manager) represent the promoters. None of the Directors (except Sri S.K. Birla and Sri Sidharth Birla) are related to each other or to promoters.

Independent Directors play an important role in deliberations at the Board level and bring to the Company their wide experience in fields of industry, banking and finance, law and administration and also contribute significantly to Board Committees. Their independent role vis-à-vis the Company means that they add a broad perspective, help ensure that interests of all shareholders are kept in acceptable balance and can also provide an objective view in any potential conflict of interest between stakeholders. As required by law, the appointment(s) and remuneration(s) of any Executive Director(s) require the approval of the shareholders, the period of such appointments are not more than five years and, when eligible, they qualify for re-appointment at the end of their term. One-third of the other Directors retire every year and, when eligible, qualify for re-appointment. Nominees of Financial Institutions and Govt. of Gujarat do not usually retire by rotation. Specified details are given below by category, attendance and total Directorships besides Memberships and Chairmanships of Board Committees.

| Director | Category* | Board att.** | B/C/ Ch** | Sitting Fees Paid Rs. |
|---------------------|-----------|--------------|-----------|-----------------------|
| Sri S.K. Birla | P | 3/5 | 9/-/- | 14,000 |
| Sri A.N. Lalbhai | I | 1/5 | 8/3/- | 2,000 |
| Sri Sidharth Birla | P | 5/5 | 8/-/1 | 12,000 |
| Dr. V.K. Bhatta | I/N | 5/5 | 5/2/- | 10,000 |
| Sri R.K. Choudhury | I | 2/5 | 18/3/1 | 48,000 |
| Dr. S. Ganguly | I | 2/5 | 1/-/- | 4,000 |
| Sri N.L. Hamirwasia | P | 4/5 | 7/1/- | 8,000 |
| Sri V.R. Mehta | I | 3/5 | 9/6/3 | 6,000 |
| Sri G. Momen | I | 2/5 | 17/3/- | 4,000 |
| Sri A.C. Mukherji | I | 2/5 | 9/7/3 | 42,000 |
| Sri V.J. Pabari | I/N | 4/5 | 3/-/- | 8,000 |
| Sri D.F. Patel | I/N | 4/5 | 1/-/- | 8,000 |
| Sri K.V. Unni | I/N | 3/5 | 3/1/- | 10,000 |
| Sri C.L. Rath | E | 5/5 | 8/1/- | - |
| Sri Hamir | I | 0/4 | - | - |

(resigned w.e.f. July 31, 2001)

* P = Promoter, I = Independent, N = Nominee, E = Executive

** For the year under review (attendance date relates to relevant Meetings while a Director)

*** B = Board Memberships, C/Ch = membership/Chairmanship of SEBI specified Board Committees

RESPONSIBILITIES

The Board's principal focus is on strategic issues and approval, policy and control and delegation of powers and it has specified a schedule of major matters (covering those required under law or SEBI Code) that are reserved for its consideration and decision, besides review of performance and reporting to shareholders. The respective roles of the Board and the Management are clearly demarcated. The management is required to (a) provide necessary inputs and basis to support the Board in its decision making process in respect of the Company's strategy, policies, performance targets and code of conduct (b) manage day-to-day affairs of the Company to best achieve targets and goals approved by the Board (c) implement all policies and the code of conduct, as approved by the Board (d) provide timely, accurate, substantive and material information, including on all financial matters and exceptions, if any, to its Board and/or its Committees (e) be responsible for ensuring faithful compliance with all applicable laws and regulations and (f) implement sound, effective internal control systems. The Board requires that the organisation conducts business and develops relationships in an honest and responsible manner. To establish a policy framework to promote and adhere to the spirit, a Code of Conduct for all employees of the Company has been instituted.

BOARD MEETINGS AND COMMITTEES

Board Meetings are held at varying locations and are usually scheduled reasonably in advance. The Board generally meets at least once a quarter to, inter-alia, review quarterly financial results. The Agenda for meetings is prepared by the Secretary, in consultation with the Chairman and papers are circulated to all Directors in advance. Directors have access to the Secretary's support and all information of the Company and are free to suggest inclusion of any matter in the Agenda. Senior Officers are called to provide clarifications and make presentations whenever required. During the year the Board met five times on February 14, April 20, April 25, July 31 and October 31, 2001. To enable fuller attention to the affairs of the Company, the Board delegates specified matters to its committees, which also prepare the groundwork for decision-making and report to the Board. However, no matter is left to the final decision of any committee, which under law or the Articles may not be delegated by the Board or may require its explicit approval.

AUDIT COMMITTEE

The terms of reference of the Audit Committee, as specified by the Board in writing, include the whole specified in the SEBI Code and the Companies (Amendment) Act, 2000, including a review of audit procedures and techniques, financial reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The committee members are all Independent Directors collectively having requisite knowledge of finance, accounts and company law. The committee recommends the appointment of external Auditors and their fees/ payments and also takes an overview of the financial reporting process to ensure that financial statements are correct, sufficient and credible. The reports of the statutory and internal auditors are reviewed along with management's comments and action-taken reports. The committee has explicit authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice which it needs to do so. The committee comprises Sri R.K. Choudhury (as its Chairman), Sri A.C. Mukherji and Sri K.V. Unni and is mandated to meet at least thrice in a year, once to assess the audited accounts before they are put up to the Board, besides meeting at least once in six months in the usual course. The committee met on February 14, April 20 and July 31 (adjourned to August 17), 2001 attended by Sri R.K. Choudhury (3/3), Sri A.C. Mukherji (2/3) and Sri K.V. Unni (2/3).

REMUNERATION COMMITTEE

The Company has not yet constituted Remuneration Committee as it has appointed, for the time being, only one executive director whose remuneration is reviewed and determined by the Board (only with due approval where required). Directors, other than executive director(s) are paid sitting fees of Rs.4000/- for each meeting of the Board or its committee attended by them. No commission is paid to any Director. Sri C. L. Rath was appointed Executive Director for a period of 5 years w.e.f. June 1, 1998 and was elevated as Deputy Managing Director and Chief Operating Officer w.e.f. January 31, 2000; shareholders have approved a remuneration by way of salary, housing facility/allowance and perquisites amounting respectively to Rs.1.25 lacs per month (with annual increments to be decided by the Board), Rs. 0.25 lacs per month and perquisites (in the aggregate this falls within minimum remuneration allowed in Schedule XIII of the Companies Act). There is no severance fees, other benefits, bonuses or stock options. Payment under this sanction has been given appropriately in this Annual Report.

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SHARE TRANSFER & SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The committee reviews, records and helps expedite transfer of shares. The Company has about 96,000 shareholders and the committee meets quite frequently throughout the year to minimise any delays in the transfer process. Any shareholders grievance is referred to this committee in the first instance, for earliest resolution of any problem. The Secretary, Sri Girish Bhatia is appointed as Compliance Officer under relevant regulations. This committee comprises of Sri R.K. Choudhury, Sri A.C. Mukherji and Sri C.L. Rathi. 204 Complaints/queries were received and have all been resolved; none are pending. 11 cases of physical share transfers and 118 requests for dematerialisation were pending as on December 31, 2001 which were completed by January 18, 2002. There was no pending case for rematerialisation as on December 31, 2001.

COMMITTEE OF DIRECTORS

In addition to the above, a Committee of Directors comprising of Sri S.K. Birla, Chairman, Sri Sidharth Birla, Vice-Chairman, Sri R.K. Choudhury, Sri A.C. Mukherji and Sri C.L. Rathi attends to matters specified and/or delegated appropriately by the Board from time to time.

During the year the committee met on January 22, March 22, May 17, June 28 and August 17 attended by Sri S.K Birla (4/5) Sri Sidharth Birla (1/5), Sri A.C.Mukherji (2/5), Sri R.K.Choudhury (4/5) and Sri C.L.Rathi (2/5).

SHAREHOLDER INFORMATION & RELATIONS

The main source of information for Shareholders is the Annual Report, which includes, inter-alia, the reports of the Directors and the Auditors Audited Accounts, besides the report and the Management's Discussion and Analysis Report on operations and outlook. Management's statement on the integrity and fair presentation of financial statements is provided to the Board as part of the process of accounts approval. Shareholders are intimated through print media of quarterly financial results and performance besides significant matters, within time periods stipulated from time to time by Stock Exchanges. The quarterly results are published in Financial Express, all editions and a prominent Gujarati Newspaper. General Meetings of the Company are held at its Registered Office at Aerodrome Road, Jamnagar 361 006, Gujarat. The last three Annual General Meetings were held on December 19, 1998, December 30, 1999 and March 29, 2001. The next AGM shall be held at the Registered Office as per the notice in this Annual Report and the Book Closure will be as per the notice. The last Annual General Meeting was attended by Sri R.K.Choudhury, Chairman of the Audit Committee, Sri D.F.Patel and Sri C.L.Rathi. Dividend not having been declared or paid over the last three financial years and thus there was no date of mailing or delay. The Company keeps all shareholders informed via advertisements in appropriate newspapers of relevant dates and items requiring notice. Mrs. AXC Computers Private Ltd.(formerly ABC Computers Private Ltd.) National Council of Education Bengal Jadavpur University Campus Kolkata 700 032, are the Registrars and Share Transfer Agents both for physical as well as dematerialised form. The address for Shareholders' general correspondence is (to the Secretary), Birla Building, 9-1, R.N. Mukherjee Road, Kolkata 700 001; Shareholders may also write to the Registrars directly in matters relating to transfers etc. The Company had published and shall continue to publish quarterly results etc. in English and relevant vernacular print media and hold Annual General Meetings, and pay dividends (if any) within the time limits prescribed by law or regulations. The Company does not yet have an active website. No presentation has been made to Institutional Investors etc. The financial year under review was for 12 months ending December 31 and beginning January 1, 2002 will be of January 1, 2002 to March 31,2003. There are no GDR/ADR, warrants or other secured convertible instruments issued or outstanding. However, the Company has issued Cumulative Redeemable Optionally Convertible Preference Shares of the aggregate value of Rs. 2425 lacs with an option to the Preference Shareholders to convert these shares at par into Equity Shares at any time after April 1, 2010, subject to necessary regulations and approvals. The Company's Equity Shares are listed at National Stock Exchange (Stock Code 'VXL'), Mumbai, The Stock Exchange, Mumbai (Stock Code 503796), The Calcutta Stock Exchange Association Ltd., Kolkata (Stock Code 12058), Delhi Stock Exchange Association Ltd., New Delhi (Stock Code 3796) and Saurashtra Kutch Stock Exchange, Rajkot (no Stock Code). The listing fee for the year ended December 31, 2001 (upto March 31, 2002) has been paid to the above Stock Exchanges. Equity Shares of the Company are compulsorily traded in dematerialised form from May 3, 2000. The Company has entered into agreements with NSDL and CDSL. The ISIN is INE 471A 01015. As on December 31, 2001, 3598147 Company's Equity Shares representing 55.3% of the Company's total Equity Shares were held in dematerialised form and the balance 29090318 shares representing 44.7% were held in physical form. Distribution of shareholding pattern of Equity Shareholding, high/low market price data and other information is given below :

Distribution of Equity Shareholding as on December 31, 2001

| Shareholding range | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|--------------------|---------------------|-------------------|--------------------|-------------------|
| 1 - 500 | 88,737 | 92.98 | 1,18,53,848 | 18.22 |
| 501 - 1000 | 4,439 | 4.65 | 32,26,092 | 4.96 |
| 1,001 - 2,000 | 1,349 | 1.41 | 19,23,407 | 2.95 |
| 2,001 - 5,000 | 631 | 0.67 | 19,62,199 | 3.02 |
| 5,001 - 10,000 | 149 | 0.15 | 10,62,100 | 1.63 |
| 10,001 and above | 133 | 0.14 | 4,50,43,819 | 69.22 |
| Total | 95,438 | 100.00 | 6,50,71,465 | 100.00 |

Pattern of Equity Shareholding as on 31st December, 2001

| Category | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|--------------------------|---------------------|-------------------|--------------------|-------------------|
| Resident Individuals | 91,875 | 96.27 | 2,36,83,062 | 36.40 |
| Financial Institutions | 15 | 0.01 | 90,01,603 | 13.83 |
| Nationalised Banks | 40 | 0.04 | 1,08,174 | 0.17 |
| Mutual Funds | 13 | 0.01 | 10,004 | 0.02 |
| FII/S/GDRs | 4 | 0.01 | 20,01,325 | 3.07 |
| Non-residents/OCBs | 2,754 | 2.89 | 35,55,973 | 5.46 |
| Domestic companies | 737 | 0.77 | 2,67,03,834 | 41.04 |
| Shares in transit (NSDL) | - | - | 7,490 | 0.01 |
| Total | 95,438 | 100.00 | 6,50,71,465 | 100.00 |

Aggregate of non-promoter shareholding : 56.27%

Monthly High and Low Market Price Data of Equity Shares (January, 2001 to December, 2001)

| Year 2001 | B S E | | N S E | |
|-----------------|----------|---------|----------|---------|
| | High Rs. | Low Rs. | High Rs. | Low Rs. |
| January | 5.75 | 3.80 | 6.25 | 4.00 |
| February | 6.65 | 3.75 | 6.50 | 4.05 |
| March | 5.15 | 3.25 | 5.05 | 3.10 |
| April | 4.00 | 2.50 | 4.40 | 2.60 |
| May | 3.30 | 2.10 | 4.50 | 2.00 |
| June | 3.15 | 2.35 | 4.25 | 2.00 |
| July | 3.65 | 2.05 | 7.85 | 2.00 |
| August | 2.60 | 2.00 | 2.50 | 2.05 |
| September | 2.40 | 1.95 | 3.75 | 2.00 |
| October | 2.45 | 1.85 | 4.50 | 1.85 |
| November | 3.50 | 2.05 | 3.70 | 1.35 |
| December | 3.50 | 2.20 | 3.50 | 2.55 |
| During the year | 6.65 | 1.85 | 7.85 | 1.35 |

MANDATORY/NON-MANDATORY PROVISIONS

We have adopted all the mandatory requirements (except where not relevant or applicable) of the non-mandatory suggestions, we have adopted those relating to a Chairman's Office. There have been no transactions of a material nature of the Company with its promoters, Directors or the management, their subsidiaries or relatives etc. and accordingly no potential conflict with the interests of the Company. There has been no case of non-compliance by the Company nor any strictures or penalties imposed by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets. The above report represents the Company's philosophy on, and implementation of, its corporate governance. Auditor's certification as required forms a part of this Annual Report.

FOR AND ON BEHALF OF THE BOARD

Kolkata
March 26, 2002

S.K. BIRLA
Chairman

AUDITORS' CERTIFICATE

We have reviewed the Report of the Directors of Birla VXL Limited on Corporate Governance for the year ended December 31, 2001 and as per information and explanation given to us and on the basis of examination of relevant documents, we certify that the report of the Directors on Corporate Governance, read along with the Management Discussion and Analysis Report, appropriately reflects Company's compliance with mandatory and other conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange.

For LODHA & CO.
Chartered Accountants
N.K.LODHA
Partner

Kolkata
March 26, 2002