



ANNUAL REPORT - 2002

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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) 2220 1680 or (033) 2248 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) 2414 6292, 2414 6363, Fax: (033) 2413 7900, E-mail: abccomp.cal@vsnl.com

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 Kuria Complex, Bandra (E), Mumbai 400 051

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: sales@bvxl.com

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
ICICI Bank Ltd.
Punjab National Bank
Punjab & Sind Bank
State Bank of India
State Bank of Saurashtra
Union Bank of India

BOARD OF DIRECTORS

S.K. BIRLA - Chairman
A.N. LALBHAI
SIDHARTH BIRLA - Vice-Chairman
R.K. CHOUDHURY
DR. S. GANGULY
DR. G. GOSWAMI
SANJOY GUPTA
N.L. HAMIRWASIA
V.R. MEHTA
G. MOMEN
A.C. MUKHERJI
C.L. RATHI

EXECUTIVES**C.L. RATHI**

Deputy Managing Director &
Chief Operating Officer

M.K. GOENKA

President - Jamnagar Unit

J.P. AGRAWAL

President (Group Finance)

D.P. GOENKA

President - Amritsar Unit

R.P. JAIN

Joint President

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 Fifty-third Annual General Meeting of the Members of the Company will be held on Wednesday, the 25th June, 2003 at 10 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 2002.
2. To appoint Directors in place of Sri S.K. Birla, Sri R.K. Choudhury and Sri N.L. Haimrwasia, 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 resolutions:

4. AS AN ORDINARY RESOLUTION

"RESOLVED THAT pursuant to the Articles 163A, 163B, 163C and 163D of the Articles of Association of the Company and provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the Company hereby approves the appointment of Sri C.L. Rathi as the Managing Director of the Company, whose office shall not be liable to retirement by rotation under the Companies Act, for a period of three years with effect from 1st June, 2003 without any remuneration from the Company, with liberty to either party to terminate the appointment on three months' notice in writing to the other.

FURTHER RESOLVED THAT Sri C.L. Rathi shall subject to superintendence, control and direction of the Board of Directors, have the management of the whole or substantially the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred upon him by the Board."

5. AS A SPECIAL RESOLUTION

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 (including any statutory amendments) and the Rules framed thereunder, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Listing Agreements and all other applicable laws and rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any such authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred as the "Board" which term shall include any committee thereof for the time being exercising the powers conferred by the Board), consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from all or any of the Stock Exchanges at Rajkot, Delhi, and Kolkata.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting and take all necessary actions in this regard and to do all such acts, deeds, matters and things as may be necessary for the purpose of giving effect to the above resolution."

The Register of Members of the Company will remain closed as already notified from 16.6.2003 to 25.6.2003 (both days inclusive).

Registered Office:
Aerodrome Road,
Jamnagar 361 006
(Gujarat)
Dated, 8th May, 2003

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 361 006 (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 Pvt. 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 who continue to hold Shares in physical form 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. Members holding Shares in dematerialized form are required to get their change of address recorded with the Depository Participant (DP).
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 for the Financial Year 1995-96, 1996-97 and 1997-98 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 the financial years 1995-96, 1996-97 and 1997-98 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 w.e.f. 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 S.K. Birla, Chairman of the Board of Directors, aged 69 years, is an entrepreneur and Director of various companies. He has vast experience spread over 45 years in the fields of Finance, Marketing, General Management, Board level Corporate Governance, Strategic issues, Corporate and Finance Structuring, Resource Mobilisation and Planning and Budgeting.

He is Past President of various leading Chambers of Commerce like the Federation of Indian Chambers of Commerce & Industry, New Delhi, Indian National Committee of International Chamber of Commerce, New Delhi and Indian Chamber of Commerce, Kolkata. He has represented the country as a member of the Official Indian delegation to several international bodies like UNCTAD in 1972, CAFEA in 1967 and was a member of the Prime Minister's National Integration Council, Delhi, between 1991-96. He is also associated with several educational and philanthropic Institutions.

Sri S.K. Birla is Director of Birla Brothers Pvt. Ltd., Century Textiles & Industries Ltd., Mysore Cements Ltd., Sidharth Soya Products Ltd., Navin Investments Ltd., Dornieul Birla VXL Ltd., Birla Eastern Ltd. and Pilani Investment & Industries Corporation Ltd.

Sri S.K. Birla is Chairman of the Committee of Directors of our Company as well as of the Committee of Directors of Mysore Cements Ltd.

Except for Sri S.K. Birla and Sri Sidharth Birla, no other Director is interested in the aforesaid Resolution.

Sri R.K. Choudhury, aged 67 years, is a leading Advocate practicing mainly in Kolkata. He has wide experience in the matter of Taxation, Corporate Planning and International Arbitration. He is a member of International Bar Association, Supreme Court Bar Association, Bar Council of India and Indian Council of Arbitration. Sri R.K. Choudhury is connected with several social and philanthropic organizations.

Sri R.K. Choudhury is Chairman of Board of Directors of Puja Corporation Ltd., RKDK International Ltd., Khaitan Consultants Ltd. and Surya Kiran Apartment Services Pvt. Ltd. He is a Director of Upper Ganges Sugar & Industries Ltd., Balrampur Chini Mills Ltd., Reliance Bengal Industries Ltd., Keventer Agro Ltd., Lynx Machinery & Commercials Ltd., India Steamship Co. Ltd., The Pratappur Sugar & Industries Ltd. and Warden Synplast Pvt. Ltd.

Sri R.K. Choudhury is a member of Share Transfer Committee of Balrampur Chini Mills Ltd. He is a member of Audit Committee of Upper Ganges Sugar & Industries Ltd. He is also member of Committee of Directors and Share Transfer and Shareholders/Investors Grievance Committee of our Company. He was also the Chairman of Audit Committee of our Company till 22.1.2003.

Except for Sri R.K. Choudhury, no other Director is interested in the aforesaid Resolution.

Sri N.L. Hamirwasia aged 67 years is a professional manager and is presently Managing Director of Mysore Cements Ltd. He has held senior position in management of various companies, particularly for the last 35 years in Cement industry.

Sri N.L. Hamirwasia is a member of Managing Committee of Cement Manufacturers' Association since 1967. He was the President of Greater Mysore Chamber of Industry for the year 1992-93.

Sri N.L. Hamirwasia is a Director of Nandi Boxes Pvt. Ltd., Platinum Elastofil Ltd., Birla Metals Ltd. and Cimco Pfeiffer Ltd.

Sri N.L. Hamirwasia is a member of Committee of Directors and Share Transfer and Shareholders/Investors Grievance Committee of Mysore Cements Ltd.

Except Sri Hamirwasia, no other Director is interested in the aforesaid Resolution.

Item No. 4. Sri C L Rathi aged about 57 years is B.Com. (Hons.), LL.B, Fellow Member of The Institute of Company Secretaries of India and The Institute of Chartered Accountants of India. He is having expertise in managing the affairs of large industrial undertakings and is having experience of more than 34 years in various industries including at top management levels.

Sri C L Rathi is a Director in Birla Metals Ltd., two subsidiaries of the Company viz.

Sidharth Soya Products Ltd. and VXL Technologies Ltd. and other companies. He is also a Member of the Audit Committee, Share Transfer and Shareholders/Investors Grievance Committee, Committee of Directors, and Committee of Directors/Officers (Investment/ Assets).

He was initially appointed as a whole-time Director of the Company designated as Executive Director for a period of five years with effect from 1st June, 1998 and subsequently he was elevated to the position of Dy. Managing Director (DMD) & Chief Operating Officer (COO) of the Company with effect from 31st. January, 2000. The tenure of appointment as DMD and COO would be expiring on 31st. May, 2003.

Sri C.L. Rathi has informed that the Board of Directors of Sidharth Soya Products Ltd. (SSPL), a Subsidiary of the Company, at its meeting held on 26.4.2003 has appointed him as the Managing Director of the said Company w.e.f 1st June, 2003 and he will be drawing the remuneration from that Company. SSPL has informed that it will have no objection in Sri Rathi being appointed as Managing Director of Birla VXL Ltd. for a term of three years w.e.f. 1.6.2003 after expiry of his current tenure of appointment on 31.5.2003.

The Board of Directors of the Company at their meeting held on 30th April, 2003 has appointed Sri C L Rathi as Managing Director for a period of three years with effect from 1st June, 2003, without any remuneration with liberty to either party to terminate the appointment on three months' notice in writing to the other, subject to approval by the Members in General Meeting in due course and such other approvals including of the Central Government, as may be necessary. Sri C L Rathi has agreed not to draw any remuneration from the Company for the time being. The appointment of Sri C L Rathi as the Managing Director requires approval of the Members of the Company in General Meeting in terms of Part III of Schedule XIII and under Section 309 of the Companies Act, 1956.

The resolution with the Explanatory Statement may be treated as an abstract of terms of appointment of Sri C L Rathi as Managing Director and memorandum of interest as required under Section 302 of the Companies Act, 1956.

Except Sri C L Rathi none of the other Directors is concerned or interested in the resolution.

The Board recommends the proposed resolution for your approval.

Item No.5 At present, the Equity Shares of the Company are listed on five Stock Exchanges namely, National Stock Exchange of India Limited (NSE), The Stock Exchange, Mumbai (BSE), The Calcutta Stock Exchange Association Limited (CSE), The Delhi Stock Exchange Association Limited (DSE), and Saurashtra Kutch Stock Exchange Limited (SKSE). SKSE is the Regional Stock Exchange of the Company. With the introduction of electronic trading system, investors have access to online trading nationwide. Further trading in the shares of the company is largely carried only at NSE and BSE which have nationwide trading terminals. Thus no particular benefit is available to the investors by continuing the listing of the shares of the company on CSE, DSE and SKSE.

As per the new SEBI (Delisting of Securities) Guidelines - 2003 (Guidelines) which have been notified recently, the Company can delist its shares from CSE, DSE and SKSE without providing an exit opportunity, provided that the shares will continue to be listed on a stock exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai (BSE) or National Stock Exchange (NSE). The Company's Equity Shares are listed on BSE and NSE which have nationwide trading terminals and it will be continued to be listed on NSE and BSE. As per the Guidelines, delisting from CSE, DSE and SKSE is possible with the approval of Members by passing a Special Resolution.

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

The Board recommends the proposed resolution for your approval.

Registered Office:
Aerodrome Road,
Jamnagar 361 006
(Gujarat)
Dated, 8th May, 2003

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, 2002.

GENERAL REVIEW AND KEY OPERATIONAL MATTERS

The economic environment in 2002 saw several multi-decade, worst-case scenarios unfold - a close brush with war after 30 years and the worst monsoon in 2 decades, besides the global after effects of the terrorist attacks in the USA in 2001. Nevertheless, the process of revival in the manufacturing sector is evident now. The Indian consumer has exhibited core stability and forex reserves are at a record high. The textile sector has shown improvements in some sectors, though these have till now been in areas other than the Company's core business area viz. Woollen Worsteds Textiles.

The Union Budget for FY 2003/04 has given a positive boost for the Textile sector; the underlying philosophy has been to have a moderate rate structure, to complete the CENVAT chain to promote compliance and eliminate evasion. The Budget also envisages a mechanism for restructuring the debt portfolios of viable and potentially viable textile units, to proactively strengthen them; details of this scheme are awaited. India is also at the threshold of undertaking the most radical change in indirect tax structure. It is expected that in 2003 VAT will replace Sales Tax in most, if not all, States. Most States have VAT bills in the final stages of legislative processes. VAT will require businesses to appropriately structure procurement, manufacturing and distribution practices and at the same time it will generate an industry interest in ensuring that payments are made at each levy point and makes tax evasion unprofitable. Given that the most significant proportion of suiting and similar fabrics produced in the country are in the unorganised sector, if the spirit of the Budget is implemented, the various initiatives are expected to bring about a more level playing field.

Overall, looking to the revival of industrial growth, the measures being taken to boost consumer spending and the many reform initiatives, it may be quite reasonable to expect that FY 2003/04 will be economically a better year than FY 2002/03.

The Management Discussion & Analysis Report, as required by the corporate governance code, is annexed hereto and repetition has been avoided here. However, we wish to report that the managements' efforts to rationalise and streamline operations by effecting cost and manpower rationalisation, overall improvement in quality & service levels and a strong export marketing thrust have all borne good fruit and the Company has now reached a position where it is capable of establishing higher levels of profitable working. Garment exports based on our own fabric and manufacturing and outsourcing saw significant gains during the year and this trend is likely to be maintained in the future.

It needs to be noted however that following a severe depletion in cash resources over the past few years, and at a time of galloping raw material prices, a severe resource crunch was obvious during the peak seasons in the year under review, amplified by the very slow movement of funds from the domestic markets. A major challenge for the Company has been to try and see how fresh working capital could be infused/organised to better consolidate the existing working levels as also to provide for increased volumes. Efforts have been under way for the same continuously.

Unfortunately the overall external environment served to depress the financial results, despite the operational improvements, in the year under review. However, it is felt that many of these phenomena would not be recurring in nature and putting these behind us will allow the full potential of the reorganized textile business to be achieved. We must report nevertheless that supported by its many initiatives the Company was able to make profits from operations in the high season towards the year end, despite the high input costs as mentioned above and a regulated capacity utilisation.

In summary, numerous steps have been taken to improve the financial health of the Company, including but not limited to restructuring of debts, reduction in costs and improvement in performance parameters and efficiencies; these to a large extent justify our confidence in sustained viability of the operations. The task before management is to maintain the pace of improvements and achieve sound performance over longer periods, which will ultimately lead to a comprehensive turnaround.

FINANCE & ACCOUNTS

Sales for the year amounted to Rs.241 Cr. (Rs.248 Cr. in last year), a marginal reduction of under 3%. Exports amounted to Rs.90 Cr. (including deemed exports) against Rs.94 Cr. in the previous year. The export markets were unfavourably affected during the first half of 2002, owing primarily to the fallout of the 9/11 terrorist strikes

which caused orders to be deferred/delayed and reduced in the later part of 2001, and which revived to an extent only in the second half of 2002. Also, as reported earlier, the scheme for rationalisation of liabilities of the Company was largely put into effect last year, but some further sanctions and their implementation are still pending which we expect would be received shortly.

	(Rs. Lacs)
Working for the year yielded a	December 31, 2002
Gross Profit / (Loss) of	(3203.74)
From which are deducted provisions for :	
- Depreciation	2815.22
- Provision for diminution in value of assets	471.62
- Provision for premium on redemption of loans	217.84
	(6708.42)
And added:	
- Gain due to Foreign Exchange fluctuations	33.93
- Deferred Tax credit	1927.14
Making a total of	(4747.35)
To which are added :	
- Debenture Redemption Reserve written back	7.30
- Deferred Tax credit on initial adoption	224.99
- Balance brought forward	(15620.71)
Leaving a Balance of	(20135.77)
Which is carried forward	

The Directors regret their inability to recommend any Dividend, in the circumstances.

Mention was made in our last report of the recall of the External Commercial Borrowings ("ECB") by the lenders, despite the facility having been serviced regularly and punctually by the Company; the Company is advised that the notice of the lenders is incorrect. However the lenders have been dealing with the guarantors directly, instead of with the Company. The Reserve Bank of India, in line with the then policy, turned down the request of the guarantors for prepayment. But subsequently and after close of the year under review, in line with change in the policy of allowing prepayment of an ECB, ICICI Bank Limited opted to prepay their portion of the guaranteed amount to the lenders, and in turn extended a foreign exchange loan to the Company. IFCI Limited is the guarantor for the balance amount and is pursuing the matter with the lender/Reserve Bank of India as on the date of this Report.

SUBSIDIARY COMPANIES

As required a statement on consolidated Accounts of the Company and its subsidiaries is appended.

The overall performance of Sidharth Soya Products Limited ("SSPL") was satisfactory despite the Soya based industry passing through a difficult year due to drought resulting in low productivity of Soya-bean cultivation. The Company achieved its highest ever crushing and turnover during the year ended March 31, 2002 at respectively 1,01,217 T (previous year 80,775 T) and Rs.119.40 Cr. (previous year Rs.92.47 Cr.). Net profit was Rs.1.38 Cr. (previous year Rs.1.87 Cr.).

VXL Technologies Limited ("VTL") recorded its highest ever turnover of Rs.44.10 Cr. (previous year Rs.34.14 Cr.) during the year ended March 31, 2002 amounting to an increase of 29% over the previous year. Net profit for the year was Rs.3.41 Cr. (previous year Rs.2.74 Cr.).

Masuzawa Punjab Silk Limited ("MPSL"), a joint venture EOU, continued to face dumping of Silk Yarn from China, resulting in lack of adequate business at viable prices. Despite many efforts made by the Company, the JV Partner failed in honouring its commitments for marketing and buy-back for Silk Yarn. The sales of the Company for the year ended March 31, 2002 amounted to Rs. 156 Lacs (previous year Rs. 178 Lacs). The accumulated losses of the Company upto March 31, 2002 amounted to Rs. 733.28 Lacs and the Company has become a 'Sick Company' in terms of Section 3(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). Necessary reference had to be made to the Board for Industrial and Financial Reconstruction (BIFR) as per provisions of SICA, even as the Company continues to try and work with lenders and stakeholders to find an appropriate and practical solution.

DIRECTORS

During the year, Government of Gujarat withdrew the nominations of Sri D.F. Patel and Sri V.J. Pabari from the Board of Directors of the Company and accordingly they ceased to be the Directors of the Company. Also during the year, Sri Sanjoy Gupta was nominated by ICICI Bank Limited in place of Sri K.V. Unni, and Dr. G. Goswami was nominated by IDBI in place of Dr. V.K. Bhalla. We place on record our sincere appreciation and gratitude for the valuable services rendered by Sri Patel, Sri Pabari, Sri Unni and Dr. Bhalla during their respective tenures. Sri S.K. Birla, Chairman and Sri R.K. Choudhury and Sri N.L. Hamiwasia, Directors, retire by rotation and being eligible offer themselves for re-election.

AUDITORS' OBSERVATIONS

Observations of the Auditors when read together with the relevant notes to the accounts and accounting policies are self-explanatory.

STATUTORY INFORMATION AND OTHER MATTERS

Statutory information and our report on corporate governance, forming part of this report as per requirements of the Companies Act, are annexed hereto. Statutory statements in respect of Subsidiary Companies and their Annual Reports & Accounts are also given in separate Annexures and form part of this Report. Relations with employees were on the whole cordial and we appreciate the contribution made by all dedicated employees during the year. Fixed Deposits as on December 31, 2002 stood at Rs.17.31 Lacs; deposits amounting to Rs.0.19 Lacs due for repayment on or before that date remained unclaimed by depositors of which Rs.0.10 Lacs have since been paid to the Investor Education and Protection Fund under Section 205 (c) of the Companies Act, 1956.

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

AUDITORS

M/s. Lodha & Co., retire as Auditors and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

We place on record our sincere appreciation for valuable co-operation and support received by the Company from all its Financial Institutions, Banks, all concerned Government departments and other authorities. We are grateful to all Shareholders, Depositors, Agents, Stockists and Dealers of the Company for their continued support.

FOR AND ON BEHALF OF THE BOARD

New Delhi
March 15, 2003

S.K. BIRLA
Chairman

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We submit herewith the Management Discussions and Analysis Report on the business of the Company for the year ended December 31, 2002. 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 the global and Indian economies. While the major economies of the world have been passing through varying stages of slow down, the Indian economy is registering a positive growth rate, despite natural and other disturbances and generally depressed consumer spending.

COMPANY & INDUSTRY STRUCTURE

The Company operates in the woollen worsted textile segment and has two modern composite mills (both ISO 9002 certified) for manufacturing high quality suiting fabrics at Jamnagar and Amritsar, and Universal Clothing, the garment manufacturing unit located at Faridabad. These operating divisions are kept self sufficient managerially to perform their own duties and functions, with support being provided at a Corporate level as required. The Company is the second largest in this industry in India and has been in this business for more than 50 years. Its commitment to quality and customer orientation reflects in its well established valuable national brands "Digjam" and "OCM", which are both supported by national distribution channels, while the Company's international marketing is supported by representative offices and network abroad.

The Indian Industry in general and Textile Industry in particular which has been passing through difficult phase during the last few years, continued to suffer this year also due to demand supply imbalance, slow down in consumer spending, rising input costs and cheap imports, after effect of disturbance in the State of Gujarat as also the aftermath of 9/11 incident. On account of these factors both domestic and export business was affected adversely.

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.

		2002	2001
Production :	Units		
Fabric	Lac Mtrs.	76.61	96.97
Finished Garments	Lac Pcs.	7.17	4.78
Sales:			
Fabric	Lac Mtrs.	92.32	97.31
Garments	Lac Pcs.	7.09	4.75
Exports (including deemed)	Rs. Cr.	90.40	93.90
Total Sales	Rs. Cr.	240.74	247.89

As mentioned in earlier reports also, the Company had adopted a time-limited policy in the short term, to balance production to a level which would avoid build up of inventory and take special measures to bring down stocks from successive seasons. As will be deduced from the above figures, a large quantity of stocks was disposed of during the year. Although this has resulted in obvious hardship in the market and to the bottom line in the short term, the step is expected to yield larger dividends in the long run.

We are happy to report that Garment sales registered an increase of about 49% over the last year. A significant move in the past few years has been made towards expansion of exports. With the efforts put in, we have now achieved certain stability in our export volume and clientele which includes some of the leading international brands. The growth in garment business will be the way of the future. The garment manufacturing unit at Faridabad is proving to be of immense value as this helps us capture a larger part of the value chain until the end customer. At the same time in order to expand domestic business the company continues to build on its strength in supply to institutional & defence sectors. Simultaneously the Company has also planned to undertake initiatives to improve, and widen the scope of, its service level to the retail end, which will definitely support the Company during cyclical upturn in our segment.

Despite many operating gains, the financial results have not been satisfactory during the year; the reasons for the losses may be classified into three broad categories:

Very sharp and unprecedented increase in raw material prices, particularly wool (imported from Australia). The reason for this is peculiar and can be attributed to the severe drought experienced in Australia which led to many forest fires and forced the slaughtering of large numbers of sheep to be sold as meat. This affected the production of wool and prices shot up from the level of A\$ 7-8/kg in end 2001 to over A\$ 13/kg by mid 2002, viz. an increase of very nearly 85%. Simultaneously, prices of polyester fibre have also been on the upswing.

The combination of stock disposal and a slightly weakened US\$ over much

BIRLA VXL LIMITED

of the year, contributed in good measure to lower average unit realisation, which directly impacted value addition;
Production at a lower level than was projected, in view of the various factors including the economic environment referred to herein.

Initiatives for rationalisation of operations at Amritsar & Jamnagar Divisions started last year have led to broad-based savings in utilities, spare parts & consumables, development costs, overheads as well as reduction in waste, defectives and surplus generation. A project has now been undertaken, under the supervision of a leading consulting firm, to enhance operational efficiencies at the Garment unit; its efficiency is expected to increase significantly at the end of this exercise, next year.

The initiatives in workforce rationalisation and right sizing have been peaceful and largely a success. During the year about 1,250 employees (1,800 since the year 2000) have separated mainly under Voluntary Retirement Scheme(s). There has been no impediment in operations despite the reduction and it is heartening to report that as a consequence there has been visible improvement in productivity.

The scheme of rationalisation of loan liabilities which was implemented by ICICI and other Financial Institutions has also been approved by Bank of India, UCO Bank and State Bank of Saurashtra. Other bankers have also taken up the same and the company is appropriately pursuing their sanctions.

OUTLOOK

A woollen worsted fabric manufacturer with strong brands like the Company possesses, which in turn enables high value addition levels, is definitely a viable business where the profitability rises sharply with volume growth. The outlook for the industry, as it stands today, appears to be challenging due to strong price competition in domestic as well as International markets and the large rise in input costs. Initiatives taken by the Company last year towards cost reduction have shown results in steps this year and the full effect will be felt in future. There are signs of modest improvement in domestic demand which may go up depending on the resurgence of economy, besides cyclical improvement. The Union Budget for 2003/04 has recognised the need to provide impetus to, and to strengthen, the textile industry and has announced reduction in Excise Duty on fabrics as well as Customs Duty on wool. All these measures are likely to have a positive impact.

ENVIRONMENT & SAFETY

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

HUMAN RESOURCES

The 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 the Company endeavours to take care for the 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 and are continuously reviewed for further improvement. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence including compliances of all relevant laws and regulations. Our appreciation is due to all employees; gratefulness to our Board, Shareholders, Financial Institutions/Banks and other stakeholders, concerned Government and other authorities and 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 expressed 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

C.L. RATHI

Deputy Managing Director &
Chief Operating Officer

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has adopted the principles of good corporate governance and emphasises transparency, integrity and accountability. We believe that good governance is voluntary and self-disciplined 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

Composition

The Board presently consists of 12 Directors, of which 11 are non-Executive. The Chairman's position is basically non-Executive & 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. Rathi, Deputy Managing Director & Chief Operating Officer ("DMD & COO"), subject to the general supervision, control and direction of the Board. Sri Rathi 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 12, our Board has 8 Independent Directors including 2 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 Arvind N. Laibhai (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. G. Goswami is the nominee of IDBI, Sri Sanjoy Gupta (official at ICICI Bank) is the nominee of ICICI Bank; 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. Sri C.L. Rathi is the only executive Director. None of the Directors (except Sri S.K. Birla and Sri Sidharth Birla) are related to each other or to promoters.

The 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 contribute significantly to Board Committees. Their independent role vis-à-vis the Company means that they add a broader perspective, help ensure that interests of all shareholders are kept in acceptable balance and can also provide an objective view in a potential conflict of interest between stakeholders.

As required by law the appointment(s) and remuneration(s) of any Executive Director require 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 do not usually retire by rotation. Specific details are provided in the notice for appointment or re-appointment of a Director.

Details for the Directors are given below by category, attendance, total Directorships, Memberships and Chairmanships of Board Committees and sitting fees paid during the year.

Director	Category*	Board atten**	B/C/Ch**	Sitting Fees Paid Rs.
Sri S.K. Birla	P	3/4	9/-/-	24,000
Sri A.N. Laibhai	I	2/4	6/2/-	8,000
Sri Sidharth Birla	P	4/4	7/1/-	32,000
Dr. V.K. Bhalla	I/N	3/3	5/2/-	12,000
(ceased July 31, 2002)				
Sri R.K. Choudhury	I	2/4	13/3/-	84,000
Dr. S. Ganguly	I	1/4	1/-/-	4,000
Dr. G. Goswami	I/N	1/1	5/2/1	4,000
(appointed July 31, 2002)				
Sri Sanjoy Gupta	I/N	0/1	4/3/-	-
(appointed October 24, 2002)				
Sri N.L. Hamirwasia	P	3/4	6/1/-	12,000
Sri V.R. Mehta	I	4/4	8/4/3	16,000
Sri G. Momen	I	3/4	18/5/1	16,000
Sri A.C. Mukherji	I	4/4	10/5/5	96,000
Sri V.J. Pabari	I/N	2/2	3/-/-	8,000
(ceased July 8, 2002)				
Sri D.F. Patel	I/N	2/2	1/-/-	8,000
(ceased July 8, 2002)				
Sri K.V. Unni	I/N	3/3	3/1/-	28,000
(ceased October 24, 2002)				
Sri C.L. Rathi	E	4/4	7/3/1	-

* 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

March 15, 2003
New Delhi

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 four times on March 26, April 29, July 30 and October 31, 2002. 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 majority of 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 A.C. Mukherji (as its Chairman), Sri G. Momen, Sri Sanjoy Gupta and Sri C.L. Rathi 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 January 28, March 26, April 29, July 30 and October 31, 2002 attended by Sri A.C. Mukherji (5/5), Sri R.K. Choudhury (3/5), Sri K.V. Unni (4/4), Sri G. Momen (0/1), Sri Sanjoy Gupta (0/1) and Sri C.L. Rathi (1/1). Sri R.K. Choudhury, who was the Chairman, resigned from the Audit Committee w.e.f. 22.1.2003. During the year Sri G. Momen and Sri C.L. Rathi were included as the member of the Audit Committee. Sri K.V. Unni ceased to be member of the Audit Committee following withdrawal of his nomination by ICICI. Sri Sanjoy Gupta, who was nominated by ICICI as its Nominee in place of Sri K.V. Unni as its Nominee Director, was appointed as the member of the Audit Committee.

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. Rathi 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), City Compensatory Allowance 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.

Share Transfer and Shareholders / Investors Grievance Committee

The committee reviews, records and helps expedite transfer of shares. The Company has about 93,300 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. 123 Complaints/queries were received and have all been resolved; none are pending. 9 cases of physical share transfers and 197 requests for dematerialisation were pending as on December 31, 2002 which were completed by January 22, 2003 and there were no pending rematerialisation cases as on December 31, 2002.

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 28, May 7, September 21 and December 5, 2002 attended by Sri S.K. Birla (3/4) Sri Sidharth Birla (2/4), Sri A.C. Mukherji (3/4), Sri R.K. Choudhury (3/4) and Sri C.L. Rathi (2/4).

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 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 30, 1999, March 29, 2001 and June 26, 2002. 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 K.V. Unni, Member of the Audit Committee, Sri D.F. Patel, Sri V.J. Pabari, Sri V.R. Mehta and Sri C.L. Rathi. Dividend not having been declared or paid over the last three financial years, 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. M/s. AXC Computers Pvt. Ltd. (Formerly ABC Computers Pvt. 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 present financial year of the Company is January 1 to December 31. 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 financial year 2002/03 has already been paid and for the year 2003/04 will be paid on due date. Equity Shares of the Company are compulsorily traded in dematerialised form since May 8, 2000 and the Company has entered into agreements with NSDL & CDSL. The ISIN is INE 471A01015. As on December 31, 2002, 4,81,94,189 of the Company's Equity Shares, representing 74% of the total Equity, were held in dematerialised form and balance 1,68,77,276 shares

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representing 26% were held in physical form. Distribution of shareholding pattern of Equity Shares, high/low market price data and other information is given below.

Distribution of Equity Shareholding as on December 31, 2002

Shareholding range (Nos.)	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1-500	86,509	92.76	1,15,08,486	17.69
501-1000	4,448	4.77	32,51,148	5.00
1,001-2,000	1,375	1.47	19,72,194	3.03
2,001-5,000	646	0.69	20,43,228	3.14
5,001-10,000	149	0.16	10,69,693	1.64
10,001 and above	136	0.15	4,52,26,716	69.50
Total	93,263	100.00	6,50,71,465	100.00

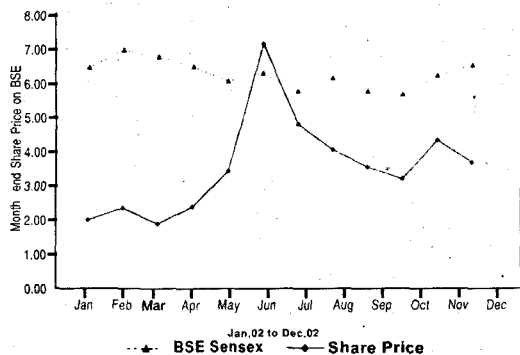
Pattern of Equity Shareholding as on December 31, 2002

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% Shareholding
Resident Individuals	89,713	96.20	2,37,27,819	36.47
Financial Institutions	14	0.01	89,79,563	13.80
Nationalised Banks	40	0.04	61,156	0.09
Mutual Funds	12	0.01	9,704	0.02
FII/S/GDRs	4	0.01	20,01,325	3.07
Non-residents/OCBs	2,699	2.89	32,70,169	5.03
Domestic companies	781	0.84	2,70,21,729	41.52
Shares in transit (NSDL)	-	-	-	-
Total	93,263	100.00	6,50,71,465	100.00

Aggregate of non-promoter shareholding : 56.07%

Monthly High and Low Market Price Data of Equity Shares (January, 2002 to December, 2002)

Year 2002	BSE		NSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
January	2.80	2.00	2.85	2.10
February	3.00	1.90	2.95	2.10
March	2.60	2.05	2.60	2.00
April	3.45	1.85	3.45	2.00
May	4.50	2.35	4.45	2.50
June	7.55	3.50	7.85	3.10
July	9.85	4.50	10.00	4.50
August	5.70	4.00	5.45	4.00
September	4.50	3.55	4.95	3.65
October	4.00	3.25	4.00	3.30
November	4.60	3.25	5.00	3.40
December	5.00	3.05	5.35	3.60
During the year	9.85	1.85	10.00	2.00

Equity performance in comparison to BSE during 1.1.2002 to 31.12.2002**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

New Delhi

March 15, 2003

S.K. BIRLA

Chairman

AUDITORS' CERTIFICATE**To The Members of Birla VXL Limited**

We have reviewed the compliance of conditions of Corporate Governance by Birla VXL Limited, for the year ended on December 31, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges in India. We have conducted our review on the basis of the relevant records and documents maintained by the Company for the year ended December 31, 2002 and furnished to us for the purpose of the review and the information and explanations given to us by the company during the course of such review.

The compliance of conditions of corporate governance is the responsibility of the management. Our review was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements. 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 LODHA & CO.
Chartered Accountants

New Delhi

March 15, 2003

N. K. Lodha

Partner

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT CONTAINING INFORMATION AS PER SECTION 217 (2A) READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER, 2002.

(a) Age (b) Qualification (c) Designation & Nature of Duties (d) Commencement of Employment (e) Experience (years) (f) Remuneration Rs. (g) Particulars of Last Employment, Last Post, Employer (No. of years):

A. Employed throughout the Financial Year under review and were in receipt of remuneration for the year which in aggregate was not less than Rs.24,00,000/-

1. *Rathi C.L. (a) 57 (b) B.Com (Hons) LL.B, FCS, FCA (c) Dy. Managing Director and Chief Operating Officer (d) 1.6.1998 (e) 34 (f) 24,10,183 (g) President, Sidhanti Soya Products Ltd. (6)
2. Robert J. Ryan (USA) (a) 46 (b) Post College Graduate (c) Representative, New York Office, (d) 8.3.1999 (e) 24 (f) 79,95,156 (g) Vice-President Mktg. & Sales, Textil Industries Inc. (5)
3. Vora B.R. (UK) (a) 49 (b) B.A. (c) Vice-President and Chief Resident Executive - UK Office (d) 1.9.1993 (e) 27 (f) 45,29,848 (g) Chief Resident Executive - Tech Trade (Singapore) Pte Ltd. (3)