



ANNUAL REPORT - 2004



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) 2213 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)

MCS Limited, 77-2 A, Hazra Road, 3rd & 5th Floor, Kolkata - 700 029.
Tel. (033) 2476-7350 to 54, 2454 - 1892-3, Fax - (033) 24541961, 24747674.
E-mail: mcscal@cal2.vsnl.net.in
E-mail: mcscal@rediffmail.com

Stock Exchange Listings

The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023

National Stock Exchange of India Ltd.,
Exchange Plaza" Bandra Kurla Complex, Bandra (E), Mumbai 400 051
Company's application for delisting is pending with The Calcutta Stock Exchange Association Ltd.

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, Middlesex 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: birlavxl@verzone.net

REGISTERED OFFICE

Aerodrome Road
Jamnagar 361 006
(Gujarat)

CORPORATE OFFICE

801, Bhikaji Cama Bhawan
11-Bhikaji Cama Place
New Delhi - 110 066

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**

MCS Ltd.
77 / 2A, Hazra Road
3rd & 5th Floor
Kolkata - 700 029

BANKERS

UCO Bank
Bank of India
Bank of Baroda
Punjab & Sind Bank
State Bank of Saurashtra
Union Bank of India

BOARD OF DIRECTORS

S.K. BIRLA - Chairman
A.N. LALBHAI
SIDHARTH BIRLA - Vice-Chairman
ARVIND AGARWAL
R.K. CHOUDHURY
DR. S. GANGULY
DR. G. GOSWAMI
N.L. HAMIRWASIA
G. MOMEN
A.C. MUKHERJI
P. K. PUJARI
C.L. RATHI

EXECUTIVES

C.L. RATHI
Managing Director

A. M. PAREKH

Sr. President & CEO

D. P. GOENKA

President - Amritsar Unit

J.P. AGRAWAL

President (Group Finance)

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-fourth Annual General Meeting of the Members of the Company will be held on Thursday, the 16th December, 2004 at 10.30 a.m. at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006 (Gujarat), to transact the following business:

- To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the period ended 30th June, 2004.
- To appoint Directors in place of Sri Sidharth Birla, Sri A.N. Lalbhai and Sri G. Momen, who retire from Office by rotation and being eligible, offer themselves for re-election.
- 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 resolutions, which will be proposed as Special Resolutions.
Two "Special Notices" within the meaning of Section 190 and under Section 225(1) of the Companies Act, 1956 have been received from two members of the Company of their intention to move the under-mentioned resolutions respectively as Special Resolutions :
A. "RESOLVED THAT M/s Lodha & Co., Chartered Accountants of 14, Government Place East, Kolkata – 700 069 ceasing to hold office at the conclusion of this Annual General Meeting be and are hereby not re-appointed as the Auditors of the Company and that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s Khimji Kunverji & Co., Chartered Accountants of Suite No. 52, Bombay Mutual Building, Sir P M Road, Fort, Mumbai - 400 001, be and are hereby appointed as the Statutory 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."
B. "RESOLVED THAT M/s Lodha & Co., Chartered Accountants of 14, Government Place East, Kolkata – 700 069 ceasing to hold office at the conclusion of this Annual General Meeting be and are hereby not re-appointed as the Auditors of the Company and that pursuant to the provisions of Sections 224A and 228 of the Companies Act, 1956, M/s. Jain Pramod Jain & Co., Chartered Accountants of J-26, Sarita Vihar, New Delhi – 110 044, be and are hereby appointed as the Branch Auditors of the Company to audit the Accounts in respect of the Company's Division at G T Road, Chhachhata, Amritsar –143 001 and 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."

The Register of Members of the Company will remain closed as already notified from 6.12.2004 to 16.12.2004 (both days inclusive).

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

Dated, 27 September, 2004

NOTES:

- 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.
- 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.
- The instruments of Share transfer complete in all respects should be sent to the Company's Registrars and Transfer Agents - M/s. MCS Ltd., 77/2A, Hazra Road, Kolkata 700 029, 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.
- 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 dematerialised form are required to get their change of address recorded with the Depository Participant (DP).
- 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 terms of the 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.

- 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.
- Members attending the meeting are requested to complete the enclosed slip and deliver the same at the entrance of the Meeting Hall.
- 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.
- SHAREHOLDERS OF THE COMPANY ARE AGAIN REMINDED TO SURRENDER ALLOTMENT LETTER FOR 12.5% FULLY CONVERTIBLE DEBENTURES DULY DISCHARGED ALONG WITH RECEIPTED ALLOTMENT ADVISE-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 LIE THEREOF.**
- 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.
- 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.
- 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 Sidharth Birla, Vice Chairman,, aged 47 years, is a Science Honours Graduate and holds a Master's degree in Business Administration from IMD, Lausanne, Switzerland. He has extensive experience of over 25 years in the fields of Finance, Marketing, General Management, Board level Corporate Governance, Company Law, Strategic Issues, Corporate and Financial Structuring, Resource Mobilisation, Planning and Budgeting. Sri Sidharth Birla is Chairman of Xpro India Ltd. and Vice Chairman of Mysore Cements Ltd. He is also on the Board of Directors of GCC Investment & Trading Co. Ltd., Suttlej Cotton Mills Supply Agency Ltd. and Xpro Global Ltd. Sri Sidharth Birla is a member of the Committee of Directors and Chairman of the Committee of Directors/Officers (Investments/Assets) of our Company and besides being member of the Committee of Directors of Mysore Cements Ltd., he is Chairman of the Committee of Directors and member of Remuneration and Nomination Committee of Xpro India Ltd. Except for Sri S.K. Birla and Sri Sidharth Birla, no other Director is interested in the aforesaid Resolution.

Sri A.N. Lalbhai, aged 86 years, is a Science Graduate. He has been associated with business and industry for the last 61 years and is the Chairman of reputed Lalbhai group – well known in textile industry. He is former President of the Federation of Indian Chamber of Commerce and Industry.

Sri Lalbhai is on the Board of Directors of J.K. Industries Ltd., Arvind Products Ltd., Atul Ltd. and Lok Prakashan Ltd.

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

Sri G. Momen, aged 71 years is a businessman of repute and is well known in Tea Trade Industry. He holds expertise in marketing of Teas for over two decades and holds general expertise in marketing of products, besides expertise in packaging of teas for purposes of marketing. He is Chairman of White Cliff Holdings Pvt. Ltd., White Cliff Tea Pvt. Ltd., White Cliff Properties Pvt. Ltd. and Dover Tea Pvt. Ltd. He is Director on the Board of AFT Industries Ltd., Baghmari Tea Co. Ltd., Bengal Tea & Fabrics Ltd., Assam Brook Ltd., ABL International Ltd., Empire & Singlo Tea Ltd., Jullibari Tea Co. Ltd., Kanco Enterprises Ltd., Rydak Syndicate Ltd., Scottish Assam (India) Ltd. and Harrison's Malayalam Ltd.

Sri Momen is member of Audit Committee, Committee of Directors/Officers (Investments/Assets) and Remuneration Committee of the Company. He is also member of Share Sub-division and Audit Committee of AFT Industries Ltd. He is also a member of Remuneration Committee of Empire & Singlo Tea Ltd., a member of Audit Committee of Assam Brook Ltd., member of Audit Committee and Remuneration Committee of Bengal Tea & Fabrics Ltd., Member of Audit Committee of Scottish Assam (India) Ltd. and Chairman of Shareholders/Investors Grievance Committee of Bengal Tea & Fabrics Ltd.

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

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

Dated, 27 September, 2004

BY ORDER OF THE BOARD

GIRISH BHATIA
Secretary

**REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS**

We present herewith our Report together with the Audited Accounts of the Company for the 18 month period ended June 30, 2004.

GENERAL REVIEW AND KEY OPERATIONAL MATTERS

The overall economic environment was influenced by a number of global factors in 2003-2004. The SARS outbreak in Asia followed by war in Iraq and ongoing tensions in the Middle East, all contributed towards a softer tone in the international markets, particularly during the second half of 2003. The period also witnessed volatile currency movements. At the same time however, following the excellent monsoon of 2003, the Indian economy started moving up after a long period of stagnation. The demand for textile products, which had softened significantly from 1996 onwards, also started looking up. Further, the long-standing Multi Fibre Agreement (MFA) is scheduled to be phased out globally from January 2005 and export quotas removed. Cost competitive manufacturing countries, like India, are expected to benefit in the changed scenario. Since we have a substantial standing in the export market, we look forward to an opportunity to strengthen our position.

The Government has also started taking active steps to support the domestic Textile Industry - which is the largest single employer in the organized sector - and has made significant changes in the various imposts on Textiles, which will help the Industry to sustain itself.

With a view to bring about structural reforms to the Indian credit system, the Government and Reserve Bank of India have permitted creation of non-government asset reconstruction companies (ARC's). Inter-alia the ARC's are intended to proactively implement debt resolution strategies for issues related to stressed financial assets, and attempt to maximise value and recoveries with fair treatment to all stakeholders. The Asset Reconstruction Company (India) Limited ("ARCIL"), promoted inter-alia by ICICI Bank, IDBI and State Bank of India, is the first ARC to be granted license by the Reserve Bank of India sometime in late 2003.

In December 2003 ICICI Bank Limited assigned to ARCIL the financial assistances provided by them to the Company along with all security interest and all their rights in respect thereof. Soon thereafter, the respective financial assistances of State Bank of India and Punjab National Bank were also acquired by ARCIL, which thus became effectively the most significant lender to the Company. Discussions between ARCIL and other secured lenders (including IDBI & IFCI) have also progressed with a view to consolidate the secured debt.

Mention was made in our earlier reports that implementation of the rationalisation of liabilities under the scheme effective April 2000 was still pending by some lenders; it is disappointing that, despite the collective meeting of minds on the said scheme, some individual approvals are even yet to come forth, and this delay obviously prejudiced the results intended from this scheme. Mention was also made by us of the incorrect recall of External Commercial Borrowings, which have since been liquidated. We are happy to state that through its own efforts the Company made one-time settlements for some of the working capital facilities aggregating to Rs.13 crores for Rs.2.75 crores, thereby reducing liabilities and adding to the net worth.

In September 2003 the Company also appointed M/s Ernst & Young as advisers to assist it in appropriately structuring the Company's operations and financials, inter-alia to provide a lasting solution for its debt burden and adverse net-worth situation. ARCIL is a securitisation and reconstruction company registered with the Reserve Bank of India and its acquisition of financial assistances have been made under relevant provisions of legislation; therefore as per provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 no reference can be made to the Board for Industrial and Financial Reconstruction. Accordingly, also as per legal advice received, the Company is not required to be referred to the BIFR.

Over the past months the Company, working closely with its advisers, formulated a comprehensive proposal for restructuring its business and financial structure. In essence the proposed plan seeks to evolve a customised and contemporary business model, and a revised capital and debt structure (including through write downs and conversions) so that these are resized in line with assessed business viability and cash flows. As a part of the business restructuring, one of the operating divisions is intended to be spun off into a wholly owned subsidiary of the Company to focus marketing efforts, demarcate loans in a more scientific fashion and segregate the cash flows. The Company (which would be the "parent company") also intends to expand its output of readymade garments more particularly for export markets. The proposal was vetted by ARCIL and was fine tuned exhaustively via discussions and study, to enable preservation and enhancement of the business value. The proposal includes taking steps to raise capital resources, mainly for supplementing working

capital to increase operations, investment in brand promotion, etc.

We are happy to report that the sanction of ARCIL for the comprehensive proposal has been received just before the meeting of the Board held to consider these Accounts. The Company shall take steps to implement the same, including obtaining in due course approval of shareholders where necessary. ARCIL will - to all intents and purposes - become a key stakeholder and strategic partner in effecting a turnaround and creating value for stakeholders, and in enabling the Company to recast its weakened net worth to positive levels through the restructuring process.

During the recent seasons (including since close of the accounting period) the Company has received positive responses to its product ranges, brand promotion initiatives and streamlined service levels to channel partners, and has also continued to make inroads into export markets. The various steps taken towards organisational improvement, and cost savings including through significant reduction of manpower etc., place the Company in the position to enhance its performance in line with the expectations of the proposal.

However, in the interim, while awaiting the restructuring the Company continued to face the major impediment - related to resources - to smooth working which led to a significant loss in the period. The accumulated losses are covered in the proposal and are expected to be attended to in the scheme.

The Management Discussions & Analysis Report, as required by the corporate governance code, is annexed hereto and repetition has been avoided here.

FINANCE & ACCOUNTS

Sales for the period amounted to Rs.29286 Lacs (Rs.24074 Lacs during the last year) including Exports Rs.9877 lacs (Rs.7930 lacs during the last year)

(Lac Rs.)
June 30, 2004

Working for the year yielded a	
Gross Profit / (Loss) of	(5,215.76)
From which are deducted provisions for:	
- Depreciation and Amortisation	4,604.81
- Provision for premium on redemption of loans	1,45.71
- Exceptional items (net)	666.37
- Deferred Tax Asset Written off	2,152.13
	(12,784.78)

And added:

- Gain due to Foreign Exchange fluctuations	418.44
- Income Tax relating to earlier year	9.04

Making a total of **(12,357.30)**

To which are added:

- Debenture Redemption Reserve written back	133.50
- Balance brought forward	(20,135.77)

Leaving a Balance of **(32,359.57)**

Which is carried forward

In the light of the above, no dividend can be recommended.

SUBSIDIARY COMPANIES

The statement of consolidated accounts of the Company and its subsidiaries is appended as required; In view of exemption received from the Central Government vide letter dated July 29, 2004, audited statement of Accounts, reports of the Board of Directors and Auditors of the subsidiary Companies are not annexed. However, on request, a copy of the same will be furnished to shareholders without cost.

The Company's investment in the equity share capital of Sidharth Soya Products Limited (SSPL) is intended to be disposed of, in order to reduce loan liabilities. Accordingly, the Company has entered - through its efforts - into an Agreement to sell its entire investment and the consideration would be received on transfer of the shares to the buyer after obtaining necessary approvals (already progressing).

VXL Technologies Limited recorded a gross turnover of Rs.29.03 Cr. (previous year Rs.27.60 Cr.) during the year ended March 31, 2004. Profit before tax for the year was Rs.2.30 Cr. (previous year Rs.2.25 Cr.).

Masuzawa Punjab Silk Limited (MPSL) had earlier become a 'sick company' in terms of Section 3(i)(o) of SICA, because of continued default by the collaborator to whom notice has been served for due performance. Necessary reference has

BIRLA VXL LIMITED

already been made to the BIFR as per provisions of SICA. Efforts are under way by the Company and the lender to find an appropriate and practical solution.

DIRECTORS

During the period, Government of Gujarat nominated Sri Arvind Agarwal, Industries Commissioner and Sri P.K. Pujari, Secretary (EA), Government of Gujarat, as their Nominee Directors on the Board of Directors of the Company. During the period Sri Satish Gupta was nominated by ICICI Bank Limited in place of Sri Sanjoy Gupta; Sri Satish Gupta's nomination was withdrawn subsequently, also during the period. Sri V.R. Mehta resigned from the Board during the period due to personal reasons. We place on record our sincere appreciation and gratitude for the valuable services rendered by Sri Sanjoy Gupta, Sri Satish Gupta and Sri V.R. Mehta during their respective tenures.

Sri Sidharth Birla, Sri A.N. Laibhai and Sri G. Momen, 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 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 period. Fixed Deposits as on June 30, 2004 stood at Rs.0.30 lacs; deposits amounting to Rs.0.09 lacs due for repayment on or before that date remained unclaimed by depositor(s), therefore this amount has 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 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 period and of the profit and 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 annual accounts have been prepared on a Going Concern basis.

AUDITORS

M/s. Lodha & Co., Chartered Accountants of 14, Government Place East, Kolkata-700 069, were appointed as Auditors of the Company in the last Annual General Meeting and will cease to hold office at the conclusion of the ensuing Annual General Meeting.

The Company has received "Special Notices" within the meaning of Section 190 and under Section 225(1) of the Companies Act, 1956 from some members of their intention to move **Special Resolutions** at the ensuing Annual general Meeting of the Company proposing not to re-appoint M/s. Lodha & Co., Chartered Accountants of 14, Government Place East, Kolkata-700 069 as the Auditors of the company and also proposing that M/s. Khimji Kunverji & Co. Chartered Accountants of Suite No. 52, Bombay, Mutual Building, Sir P. M. Road, Fort, Mumbai-400 001, be appointed as the Statutory Auditors of the Company and M/s. Jain Pramod Jain & Co., Chartered Accountants of J-26, Santa Vihar New Delhi-110 044 as Branch Auditors of the Company to audit the Accounts in respect of the Company's Division at G. T. Road Chheharta, Amritsar-143 001.

The said M/s. Khimji Kunverji & Co. Chartered accountants and M/s. Jain pramod Jain & Co., Chartered Accountants have submitted a Certificate in accordance with the proviso to Sub-Section (1) of Section 224 of the Companies Act, 1956, to the effect that their appointment as Statutory Auditors, and Branch Auditors of the Company respectively, if made, will be in accordance with the limits specified in Section 224(1B).

Copies of the "Special Notice" as received from Members are being sent to the said M/s. Lodha & Co., Chartered Accountants and included in the Agenda of the ensuing Annual General Meeting of the Company.

ACKNOWLEDGEMENTS

We place on record our sincere appreciation for valuable co-operation and support received by the Company from all its Financial Institutions, Banks, ARCIL, 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
September 27, 2004

S.K. BIRLA
Chairman

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

We submit herewith the Management Discussions and Analysis Report on the business of the Company for the period ended June 30, 2004. 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.

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 (UC), the garment manufacturing unit located at Faridabad. Operating Divisions are kept self sufficient managerially to perform their own duties and functions with support 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 reflects in its strong brand image of Digjam and OCM.

The Indian Industry in general and Textile Industry in particular which has been passing through difficult phase, continued to suffer during the period due to demand supply imbalance, slow down in consumer spending, rising input costs and cheap imports.

REVIEW OF OPERATIONS

A summary of key 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	2003-04 (18 months)	2002 (12 months)
Production :			
Cloth	Lac Mtrs.	100.52	76.61
Garments	Lac Pcs.	8.34	7.17
Sales:			
Cloth	Lac Mtrs.	102.23	92.32
Garments	Lac Pcs.	8.21	7.09
Exports	Lac Rs.	9,877	7,930
Total Sales	Lac Rs.	29,286	24,074

As mentioned in earlier reports also, the operations of the Company were severely restricted due to extreme liquidity crunch being faced by the Company for the past few years. The situation got further aggravated as many banks did not implement the restructuring scheme approved by the Financial Institutions/Banks which was to be effective April 2000. The Company made one-time settlements for some working capital facilities aggregating to Rs.13 crores for Rs.2.75 crores, thereby reducing liabilities and adding to the net worth.

Production during the period and consequently, the sales volumes were lower, on an annualized basis as compared to the previous year. This was primarily due to the acute shortage of working capital. However, consistent efforts towards cost reduction and improvement in price realization helped in improving margins. Brand support activities, to the extent possible, were maintained.

On export front, we have been able to achieve deeper penetration in many parts of Europe and USA. Response to our garment exports was also very satisfying. A productivity enhancement project was undertaken at UC under the guidance of renowned consultant KSA Technopak (India) Pvt. Ltd.

The unprecedented rise in wool prices during the previous year, was partially corrected during the period. The Government's initiative in lowering the import duty on raw wool also helped. However, owing to continuing drought conditions and lower sheep numbers in Australia, the forecast for the next year's wool production indicates hardening of the wool prices in 2005.

During the period, ICICI Bank Limited, State Bank of India and Punjab National Bank assigned to The Asset Reconstruction Company (India) Limited ("ARCIL"), the financial assistances provided by them to the Company along with all security interest and all their rights in respect thereof. Discussions between ARCIL and other secured lenders (including IDBI & IFCI) have also been progressing with a view to consolidate the debt.

OUTLOOK

A good monsoon, announcement of several measures by the Union Govt to reaffirm continuance of the reforms process, has had plenty of positive effects on the domestic textiles markets and formal wear markets equally. Although the complexion seems to be changing, as pulled by the contemporary lifestyle and the younger consumer that dominates Indian market, there looks like a revival of the suiting /formal-wear market. We are seeing good opportunities of being able to offer improved/enriched product-mix as well as products with innovation in functional pluses to the consumer; which will improve our realisations ,market share and profitability .

Continuing the Reforms Process as well as entering the WTO regime, post January 2005, looks like providing good environment to the export efforts. Developed nations, in the pursuit of building up viable sourcing alternatives, are approaching India very keenly. Several major groups and brands from these nations are sourcing fabrics as well as apparel from India very aggressively. We believe, that as a vertical supplier providing a 'one-stop-shop' for fabrics and garments —should be a major advantage to our company and the same will be exploited by us in years to come

As Indian industry gears to face the challenges, the textiles segment will receive increasing attention thanks to its unique employment generation capabilities. A variety of measures announced in the last Union Budget such as creation of Garment Parks by several states, besides the ambitious sourcing plans announced by international giants are some positive indicators. We hold the view that India, alongwith China, should be a major beneficiary of the post 2005 scenario.

ENVIRONMENT & SAFETY

The Company and the management 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

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 takes full care for the welfare and betterment of employees. To cope with the needs of globalisation as well as fight out tough domestic competition, we continued to evaluate the organisational structure and the needs to motivate our human resources. This exercise will continue to manifest changes in the organisation structure in the forthcoming months/years.

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 compliance of all relevant laws and regulations. Our appreciation is due to all employees; gratefulness to our Shareholders, Financial Institutions/Banks, ARCIL and other stakeholders, concerned Government and other authorities and our channel partners for their continued support and guidance and to customers for their repaying 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

New Delhi
September 27, 2004

A.M. PAREKH
Sr. President & CEO

C.L. RATHI
Managing Director

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has adopted the principles of good governance and emphasises transparency, integrity and accountability. The Company has adopted best relevant practices for governance. The Company believes that good governance is voluntary and self-disciplining with the strongest impetus coming from Directors and the management itself. The management and 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 12 Directors, of which 11 are non-Executive. The Chairman's position is basically non-Executive and non-managerial in character and the Vice-Chairman officiates in his absence. Sri C.L. Rathi is the Managing Director of the Company and as Corporate Head contributes significantly to the Company's overall management, particularly in the policy sphere and in addressing correlated priority issues, such as, mobilisation of resources and resolution of debt situation and is responsible for corporate level, activities viz. Board and Committee Meetings, corporate accounts, statutory audit, corporate governance and related compliances, subject to the general supervision, control and direction of the Board.

To enhance the coordination and control of the core business supported by clear lines of accountability and authority, the Board has strengthened the senior organisation structure by appointing Sri A.M. Parekh as Chief Executive Officer (CEO) and Senior President, for the core (textile) business and as Business Head is accountable to the Board for profitable, day-to-day and overall operations of the textile business, holding prime responsibility to achieve strategic, financial and operational goals and objectives of the textile business. He is also responsible for ensuring timely compliance with all relevant rules, laws and regulations including inter alia various Industrial and Labour Laws, as may be applicable, industrial relations, appropriate liaison with local administration(s), utilities, State and Central Governments pertaining to the textile business and its divisions. The CEO and Senior President as the 'Business Head' reports to the Board and discharges his functions subject to the overall superintendence, control and direction of the Board. Each unit of the Company is headed by senior and experienced officers, who report to the CEO and attend to the day-to-day working of the units.

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 3 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. Lalbhai (noted Industrialist), 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 P.K. Pujari, Secretary (EA) and Sri Arvind Agarwal, Industries Commissioner, are the nominees of Government 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. 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(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 the Govt. of Gujarat do not usually retire by rotation. Specified details are provided in the notice for appointment or re-appointment of a Director. Details are given below by category, attendance and total Directorships besides Memberships and Chairmanships of Board Committees.

BIRLA VXL LIMITED

Director	Category*	Board attendance**	B/C/ Ch***	Sitting fees Paid Rs.
Sri S. K. Birla	P	5/7	8/-/-	36,000
Sri A.N. Lalbhai	I	1/7	7/-/1	4,000
Sri Sidharth Birla	P	7/7	6/1/-	32,000
Sri R.K. Choudhury	I	4/7	14/4/-	1,04,000
Dr. S. Ganguly	I	3/7	1/-/-	12,000
Dr. G. Goswami	I/N	4/7	7/3/1	16,000
Sri Sanjoy Gupta (ceased w.e.f. 29.8.2003)	I/N	3/4	N.A.	24,000
Sri N.L. Hamirwasia	P	6/7	3/1/-	24,000
Sri V.R. Mehta (ceased w.e.f. 28.1.2004)	I	3/5	N.A.	12,000
Sri G. Momen	I	7/7	16/7/1	56,000
Sri A. C. Mukherji	I	7/7	8/7/3	1,60,000
Sri Arvind Agarwal (appointed w.e.f. 24.4.2004)	I/N	0/1	6/-/-	-
Sri P. K. Pujari (appointed w.e.f. 24.4.2004)	I/N	0/1	15/-/-	-
Sri Satish Gupta (appointed on 29.8.2003 and ceased w.e.f. 23.1.2004)	I/N	1/1	N.A.	4,000
Sri C. L. Rathi	E	7/7	6/3/1	-

* 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, including private companies.

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 period the Board met seven times on January 22, March 15, April 30, July 31 and October 30, 2003 and January 28 and April 24, 2004. 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 C.L. Rathi and Dr. G. Goswami (appointed since the close of the year) and is mandated to meet at least four times in a year; to assess the final audited accounts and to review each quarter, the limited audit report before they are put up to the Board. The committee met on January 22, March 15, April 30, July 31 and October 30, 2003 and January 28 and April 24, 2004 attended by Sri A.C. Mukherji (7/7), Sri G. Momen (7/7), Sri Sanjoy Gupta (3/4) until he ceased to be a Director, Sri Satish Gupta (0/0) (appointed and ceased to be a Director during the year) and Sri C.L. Rathi (7/7). During the period Sri Sanjoy Gupta ceased to be member of the Audit Committee following withdrawal of his nomination by ICICI Bank Ltd. (ICICI) as its nominee. Sri Satish Gupta, who was nominated by ICICI as its nominee in place of Sri Sanjoy Gupta as its Nominee Director was appointed as member of the Audit Committee. Sri Satish Gupta also subsequently ceased to be member of the Audit Committee following his withdrawal of nomination by ICICI during the period. Since the close of the year, Dr. G. Goswami has been appointed a member of the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee was constituted after close of the year and comprises of non-executive Directors, all of whom are independent. Presently the committee comprises of the independent directors, namely, Dr. S. Ganguly (as its Chairman), Sri A.C. Mukherji and Sri G. Momen. The committee would make recommendation to the Board for induction of any new Director in the Board and also helps ensure that non-executive Directors make decisions on appointment, remuneration, assessment and progression of Executive Directors; any compensation of non-executive directors are a subject only for the whole Board. The Directors other than executive directors are paid sitting fees of Rs. 4,000/- 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 Managing Director of the Company w.e.f. June 1, 2003 for a period of three years by the Board of Directors of the Company at their meeting held on April 30, 2003 without remuneration. After the close of the year, the Committee of Board, which has been authorised in this behalf by the Board of Directors upon recommendation of the Remuneration Committee, which met on 17th August, 2004 for the purpose, has approved payment of remuneration to Sri C.L. Rathi as Managing Director w.e.f. September 1, 2004 for the remaining period of his tenure upto May 31, 2006, subject to approval of members in the general meeting and also subject to approval by the Central Govt. For this purpose, an Extra-Ordinary General Meeting of the Members of the Company is being convened. It is proposed to pay remuneration to the Managing Director by way of salary of Rs. 1.75 lacs per month, housing facility/allowances upto 60% of salary and perquisites (which in the aggregate fall within the overall limits laid down in Schedule XIII of the Companies Act) payable as minimum remuneration. There is no severance fees, other benefits, bonus or stock options. The payment of remuneration to Sri C.L. Rathi upto May 31, 2003 as DMD and COO under the earlier term, has been given appropriately in this Annual Report.

SHARE TRANSFER & SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The committee reviews, records and helps expedite transfer of shares. The Company has about 88,000 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 A.C. Mukherji (Chairman), Sri R.K. Choudhury and Sri C.L. Rathi. 94 Complaints/queries were received and have all been resolved; none are pending. No cases of physical share transfers and for dematerialisation were pending as on June 30, 2004. There was no pending case for rematerialisation as on June 30, 2004.

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 March 17, May 8, August 1 and November 17, 2003 and February 2, 2004. attended by Sri S.K. Birla (4/5) Sri Sidharth Birla (1/5), Sri A.C. Mukherji (4/5), Sri R.K. Choudhury (4/5) and Sri C.L. Rathi (0/5).

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 March 29, 2001, June 26, 2002 and

BIRLA VXL LIMITED

June 25, 2003. 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. No Special Resolution was put through the postal ballot in the previous period and there is no item(s) in the notice of forthcoming EGM/AGM proposed to be passed through postal ballot. The last Annual General Meeting was attended by Sri A.C. Mukherji, Chairman of the Audit Committee and Sri C.L. Rath, 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. M/s. AXC Computers Pvt. Ltd. (Formerly ABC Computers Pvt. Ltd.), National Council of Education Bengal Jadavpur University Campus Kolkata 700 032, who were the Registrars and Share Transfer Agents (RTA) both for physical as well as dematerialised form, ceased to be the Registrar and Transfer Agents (RTA) both for physical and demat form, w.e.f. 23rd August, 2003 and M/s. MCS Ltd., 77/2A, Hazra Road, 3rd & 5th Floor, Kolkata 700 029, were appointed as the RTA both for physical and demat form in their place. 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. The Company has submitted the necessary application to NSE and BSE for EDIFAR Registration as is required under the Listing Agreement and the same is awaited. Presentations have been made to Asset Reconstruction Co. (India) Ltd. (ARCIL) and other lenders in connection with business restructuring scheme. The financial year under review was for 18 month period ended 30th June, 2004. 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). Company has paid up to date listing fees for each of these Stock Exchanges. Pursuant to the approval of the members vide special resolution dated June 25, 2003, the Company had applied for voluntary delisting of Equity Shares from 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) and pursuant thereto, Delhi Stock Exchange Association Ltd., and Saurashtra Kutch Stock Exchange Ltd., have confirmed the delisting from February 11, 2004 and July 19, 2004 respectively. The delisting application is under process by The Calcutta Stock Exchange Association Ltd.. Equity Shares of the Company are compulsorily traded in dematerialised form from May 8, 2000. The Company has entered into agreements with NSDL and CDSL. The ISIN is INE 471A01015. As on June 30, 2004, 5,04,15,021 Company's Equity Shares representing 77% of the Company's total Equity Shares were held in dematerialised form and the balance 1,46,56,444 shares representing 23% 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 June 30, 2004

Shareholding (Nos.)	No. of shareholders	% of shareholding	No. of Share held	% of range shareholding
1 - 500	81,298	92.06	1,06,19,130	16.32
501 - 1000	4,389	4.97	32,86,542	5.05
1,001 - 2,000	1,472	1.67	21,86,496	3.36
2,001 - 5,000	771	0.88	24,73,889	3.80
5,001 - 10,000	199	0.22	14,40,578	2.21
10,001 and above	179	0.20	4,50,64,830	69.26
Total	88,308	100.00	6,50,71,465	100.00

Pattern of Equity Shareholding as on June 30, 2004

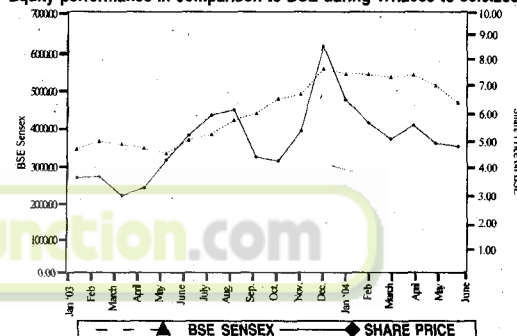
Shareholding (Nos.)	No. of shareholders	% of shareholding	No. of Share held	% of range shareholding
Resident Individuals	84,956	96.20	2,37,70,650	36.53
Financial Institutions	12	0.01	83,99,981	12.91
Nationalised Banks	40	0.05	60,891	0.09
Mutual Funds	13	0.01	9,304	0.01
FII/GDRs	4	0.01	20,01,125	3.08
Non-residents /OCBs	2,508	2.84	31,46,847	4.84
Domestic companies	775	0.88	2,76,82,667	42.54
Shares in transit				
Total	88,308	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, 2003 to June, 2004)

Year 2003	BSE		NSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
January	4.15	2.90	4.25	3.35
February	3.90	2.80	3.95	3.00
March	3.30	2.40	3.75	2.65
April	3.20	2.55	3.30	2.65
May	4.75	2.75	5.20	2.85
June	6.30	4.20	6.50	3.80
July	8.60	5.10	8.65	5.20
August	9.39	6.02	9.80	6.00
September	7.75	3.85	7.45	4.20
October	5.00	3.21	4.95	3.25
November	5.70	3.40	5.75	3.45
December	13.00	5.50	13.50	5.70
Year 2004				
January	11.70	6.21	10.95	6.70
February	7.68	5.43	7.90	5.45
March	6.95	4.26	6.30	4.40
April	7.25	5.25	6.95	5.25
May	6.80	4.62	6.80	4.60
June	5.40	4.40	5.75	4.10
During the year	13.00	2.40	13.50	2.65

Equity performance in comparison to BSE during 1.1.2003 to 30.6.2004



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,
September 27, 2004

S.K. BIRLA
Chairman

AUDITORS' CERTIFICATE

To the Members of Birla VXL Limited

We have examined the compliance of conditions of Corporate Governance procedures implemented by Birla VXL Ltd for the period ended June 30, 2004 as stipulated in Clause 49 of Listing Agreement of said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to review of procedures 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 on the financial statements of the Company.

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with Stock Exchanges have been complied with in all material

BIRLA VXL LIMITED

respect except that the audit committee comprises of executive and non-executive directors and the requirement of all members to be non-executive directors has not been complied with and that no investor(s) grievances is/ or pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer and Shareholders/Investors Grievance Committee.

For LODHA & CO.
Chartered accountants

New Delhi.
September 27, 2004

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 PERIOD ENDED 30th JUNE, 2004.

(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) 58 (b) B.Com (Hons) LLB, FCS, FCA (c) Managing Director (d) 1.6.1998 (e) 34 (f) **23.29.852 (g) President, Sidharth Soya Products Ltd. (6)
2. Vora B.R. (UK) (a) 51 (b) B.A. (c) Vice - President and Chief Resident Executive U.K. Office (d) 1.9.1993 (e) 29 (f) 75,00,735 (g) Chief Resident Executive - Tech Trade (Singapore) Pte Ltd. (3)

B. Employed for part of the Financial Year and were in receipt of remuneration for any part of that year at a rate which in the aggregate was not less than Rs. 2,00,000/- per month.

1. Parekh A.M. (a) 54 (b) B. Tech (Chemical) (c) Sr. President & Chief Executive Officer (d) 2.2.2004 (e) 31 (f) 20,30,202 (g) President - Garment Packages, The Arvind Mills Ltd. (23)
2. Robert J. Ryan (USA) (a) 46 (b) Post College Graduate (c) Representative - New York Office (d) 8.3.1999 (e) 25 (f) 49,81,601 (g) Vice-President Mktg. & Sales, Texfi Industries Ltd.

Notes: 1 Nature of Employment : All appointments are non contractual, except marked.*

2. Other terms & conditions: As per Company's Rules
3. None of the above employees is relative of any Director of the Company.
4. Remuneration received includes salary, commission, bonus, Company's contribution to Provident Fund and Superannuation Fund and perquisites but excluding gratuity paid by the approved Gratuity Funds.

** 5. Shri C.L. Rathi received remuneration upto 31.5.2003 as Deputy Managing Director and Chief Operating Officer as per terms of his appointment. He was appointed Managing Director of the Company for a period of three years from 1.6.2003 without remuneration.

FOR AND ON BEHALF OF THE BOARD

Place: New Delhi
September 27, 2004

S.K. Birla
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 30th JUNE, 2004.

A. Conservation of Energy

a. Energy Conservation measures taken:

At Jamnagar, 5' conventional Tube lights have been replaced by 4' energy efficient tube lights in Grey Combing, Recombing and Carding Section. Energy conservation, water and waste reduction continue to remain the thrust areas at Amritsar. Conventional lights have been replaced by energy efficient luminaries. At Faridabad use of LDO (cheaper fuel) has been started instead of Diesel for boiler.

b. Additional Investments and proposals being implemented for reduction of consumption of energy:

It is planned to replace 5' conventional tube lights by 4' energy efficient tube lights in several other departments not covered so far. In addition a number of

other proposals are under study.

c. Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

These measures are expected to lead to reduction in energy consumption per unit of production. Reduction in consumption of power is also expected to be achieved.

d. Total energy consumption and energy consumption per unit of production :
As per Form - A annexed.

B. Technology absorption

e. Efforts made in technology absorption :
As per Form - B annexed.

C. Foreign Exchange Earnings and Outgo

f. Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plan:

The woollen worsted market worldwide continued to pass through a bad phase, mainly due to further slowdown worldwide and shift in consumer preference. Prices of fabrics continued to slide downwards. This has resulted in exports (annualized) declining compared to last year. With continuous efforts made by the Company and WTO restriction in textile quotas being proposed to be lifted from 1st January, 2005, it is expected that exports would grow.

g. Total Foreign Exchange used and earned :

	(Crore Rs.)	
	2004*	2002
- Used	40.79	29.06
- Earned	98.77	79.76
*18 month period		

ANNEXURE
FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:**A. POWER & FUEL CONSUMPTION**

	2004*	2002
1. Electricity		
a. Purchased Units (in thousand)	42,304	34,766
Total amount (Rs. in thousand)	1,97,153	1,54,910
Avg. rate/Unit (Rs.)	4.66	4.45
b. Own Generation		
Through Diesel Generator		
Units (in thousand)	5,220	1,971
Units per Ltr. of Diesel Oil	3.54	3.35
Avg. Cost/Unit (Rs.)	4.11	5.57

2. Coal (Steam Coal and Lignite used in Boiler for steam)

a. Qty. (M. Tonnes)	14,082	8,788
Total cost (Rs. in thousand)	18,149	10,627
Avg. rate/Unit (Rs.)	1,289	1,209

3. Furnace Oil

Qty. (Ltr.)	29,58,393	25,81,945
Total Amount (Rs. in thousand)	37,314	29,037
Avg. rate/Unit (Rs.)	12.61	11.25

4. Diesel (used in Boiler for Steam)

Qty. (Ltr.)	28,300	2,52,000
Total Cost (Rs. in thousand)	5,642	4,135
Avg. rate/Unit (Rs.)	19.97	16.41

B. CONSUMPTION PER UNIT OF PRODUCTION

	2004*	2002
Products	Woollen, Worsted, Cloth, Suiting, Blanket (per mtr.)	
Electricity (KWH)	4.47	5.37
Furnace Oil (Ltrs)	0.66	0.68
Coal (Steam & Lignite Kg/Mtr)	2.52	2.26
Diesel (Steam Ltr.)	0.49	0.47
*18 month period		