



ANNUAL REPORT - 2005



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 Mr. B.B. Nayak (Extn. 1017) or write to Secretarial Department at Birla VXL Limited, Birla Building, Kolkata 700001, E-mail: birlacal@cal.vsnl.net.in

Registrars & Share Transfer Agents (Physical & Demat)

MCS Limited, 77-2A, Hazra Road, 3rd & 5th Floor, Kolkata 700 029, Tel, (033) 2476 7350 to 54, 2454 1892-3, Fax – (033) 2454 1961, 2474 7674 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

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 dematerialized form for all investors wef **8.5.2000**. Shareholders are therefore advised to dematerialize 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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REGISTERED OFFICE

Aerodrome Road,
Jamnagar 361 006
(Gujarat)

CORPORATE OFFICE

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

REPRESENTATIVE OFFICE

509, Madison Avenue,
Suite 1110, New-York
New-York 10022. U.S.A.

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

BOARD COMMITTEES**Audit Committee**

A.C. Mukherji - Chairman
Dr. G. Goswami
G. Momen

**Share Transfer and Shareholders/
Investors Grievance Committee**

A.C. Mukherji - Chairman
R.K. Choudhury
C.L. Rath

Directors Committee

S.K. Birla - Chairman
Sidharth Birla
R.K. Choudhury
A.C. Mukherji
C.L. Rath

Remuneration Committee

A.C. Mukherji - Chairman
R.K. Choudhury
Dr. G. Goswami
G. Momen

**REGISTRARS & SHARE
TRANSFER AGENTS**

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

BOARD OF DIRECTORS

S.K. Birla - Chairman
A.N. Lalbhai
Sidharth Birla - Vice Chairman
Arvind Agarwal
R.K. Choudhury
Dr. G. Goswami
N.L. Hamirwasia
G. Momen
A.C. Mukherji
P.K. Pujari
C.L. Rath - Managing Director
Rajeev Surana - Executive Director
& Chief Operating
Officer

Secretary

Girish Bhatia

BANKERS

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

Auditors

Khimji Kunverji & Co.
Chartered Accountants
Suite No. 53.
Bombay Mutual Building,
Sir P.M. Road, Fort,
Mumbai 400 001

BIRLA VXL LIMITED

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Fifty-fifth Annual General Meeting of the Members of the Company will be held on Tuesday the 28th March, 2006 at 10.30 a.m at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006 (Gujarat), to transact the following business:

1. To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the period ended 31st December, 2005.
2. To appoint Directors in place of Sri S.K. Birla, Sri R. K. Choudhury and Sri A.C. Mukherji, 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 resolutions, which will be proposed as Special Resolutions :
 - A. "RESOLVED that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, be and are hereby 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 authorized to fix their remuneration."
 - B. "RESOLVED that pursuant to the provisions of Sections 224A and 228 of the Companies Act, 1956, M/s. Jain Pramod Jain & Co., Chartered Accountants, New Delhi, be and are hereby appointed as the Branch Auditors of the Company, to audit the accounts in respect of Company's Division at G.T. Road, Chheharta, 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 authorized to fix their remuneration."

Special Business

To consider and if thought fit, to pass with or without modification the following resolutions :

4. AS AN ORDINARY RESOLUTION

"RESOLVED that Dr. G. Goswami be and is hereby appointed a Director of the Company."

5. AS AN ORDINARY RESOLUTION

"RESOLVED that Shri Rajeev Surana be and is hereby appointed a Director of the Company."

6. AS AN ORDINARY RESOLUTION

"RESOLVED that pursuant to Articles 163A, 163B, 163C and 163D of the Articles of Association of the Company and provisions of Sections 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and such other approvals including of the Central Government as may be necessary, the Company hereby approves the appointment of Sri Rajeev Surana as a Whole-time Director designated as "Executive Director & Chief Operating Officer" (ED and COO), whose office shall not be liable to retirement by rotation, for a period of five years w.e.f. November 1, 2005, subject generally to the Rules as laid down by the Board and with liberty to the Board to determine the nature and scope of his duties and responsibilities and with liberty to either party to terminate the appointment with three months' notice in writing to the other, at a remuneration by way of salary, perquisites and other allowances as detailed below :

- i. **Salary** : Rs. 1,00,000/- per month (with annual increments w.e.f. 1.4.07 as may be recommended by the Remuneration Committee and approved by the Board/ Committee of Board, upto a maximum salary of Rs. 1,35,000/- per month).
- ii. **Commission** : Not exceeding 2% of the net profits of the Company, computed in the manner laid down under Section 309(5) read with Section 198(1) and Sections 349 and 350 of the Companies Act, 1956; however, the actual amount of commission to be paid will be determined at the absolute discretion of the Remuneration Committee and the Board/Committee of the Board in respect of each year or part thereof.
- iii. **Housing/House Rent Allowance** : Upto Rs. 35,000/- per month. No expenditure shall be incurred by the Company on gas, electricity and water charges which will be borne/recompensed by Shri Rajeev Surana.

- iv. **Special Allowance** : Rs. 25,000/- per month (no retirement or terminal benefits are payable on special allowance).
- v. **Perquisites/Benefits** (in each case subject to the Rules of the Company) :
 - a. Reimbursement of medical/hospitalisation expenses for self and family;
 - b. Personal Accident Insurance;
 - c. Use of Car(s) and Telephone(s) at Residence;
 - d. Leave & Leave Travel concession.

Perquisites/Benefits shall be valued as per Income Tax Rules, 1962 wherever applicable, and in absence of any such Rules perquisites shall be valued at actual cost.
- vi. **Other Perquisites** (not to be included in the computation of the ceiling on remuneration specified above in paragraphs i, ii, iii, iv and v.) :
 - a. Contribution to Provident, Superannuation or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
 - b. Gratuity at the rate of 15 days' salary for each completed year of service, at the end of the tenure; and
 - c. Encashment of un-availed leave at the end of the tenure.
- vii. **Minimum Remuneration** : Notwithstanding anything contained herein, in the event of inadequacy or absence of profits in any year as computed under Sections 349 and 350 of the Companies Act, 1956 as amended, it is proposed to pay the above remuneration, by way of minimum remuneration, wherever necessary with the approval of the Central Government.

"RESOLVED FURTHER that in the event that the remuneration exceeds the permissible limits under Schedule XIII of the Companies Act, 1956 as existing at the time, the excess remuneration shall not be paid until necessary approval of the Central Government is received."

7. AS AN ORDINARY RESOLUTION

"RESOLVED THAT pursuant to the provisions of Articles 163A, 163B, 163C and 163D of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals including of the Central Government, as may be necessary, the Company hereby approves the reappointment of Sri C.L. Rathi as Managing Director of the Company, whose office shall not be liable to retirement by rotation under the Companies Act, 1956, for a period of three years with effect from 1.6.2006, with liberty to either party to terminate the appointment on three months' notice in writing to the other at a remuneration and on the terms set out below :

- i. **Salary** : Rs. 1,75,000/- per month, subject to such periodic increments upto a total of Rs. 1,85,000/- per month, as may be recommended by the Remuneration Committee and approved by the Board, provided that all emoluments paid shall in any case be within the overall limits laid down by Schedule XIII to the Companies Act, 1956 and any amendments/re-enactment thereof.
- ii. **Commission** : Not exceeding 2% of the net profits of the Company computed in the manner laid down under Section 309(5) read with Section 198(1) and Sections 349 and 350 of the Companies Act, 1956; however, the actual amount of commission to be paid will be determined at the absolute discretion of the Remuneration Committee and the Board/Committee of the Board in respect of each year or part thereof.
- iii. **Perquisites** :

Category : A

 - i. **Housing** : The expenditure by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary, over and above 10% payable by him as may be determined by the Board or Remuneration Committee from time to time. No expenditure shall be incurred by the Company on gas, electricity and water charges which will be borne/recompensed by Sri C.L. Rathi.
 - ii. **Medical Reimbursement** : Reimbursement of actual medical expenses incurred in India or abroad and including hospitalization, nursing home and surgical charges for Sri C.L. Rathi and family.
 - iii. **Leave and Leave Travel Concession** : As per Rules of the Company.
 - iv. **Club Fees** : Subject to a maximum of two Clubs. This will not include Admission and Life Membership Fee.
 - v. **Personal Accident Insurance** : Premium not to exceed Rs. 4,000/- per annum.

Category : B

In the computation of the ceiling on remuneration specified in Para I, II and III above, the following perquisites shall not be included :

- i. contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;
- ii. gratuity payable at a rate not exceeding half a month's salary for each completed year of service ; and
- iii. leave with full pay or encashment thereof as per rules of the Company.

Category : C

Provision of one car with driver for use on Company's business and telephone at residence not to be considered as perquisites. Personal long distance telephone calls and use of car for private purpose shall be billed by the Company as far as practicable on actual basis, failing which on an estimated basis.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, 1962 wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.

IV. Overall Remuneration

Provided that all emoluments paid and value of perquisites granted shall in any case be within the overall limits laid down by Schedule XIII to the Companies Act, 1956 and any amendment/re-enactment thereof.

V. Minimum remuneration

Notwithstanding, where in any corporate financial year, during the currency of tenure of service of the Managing Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration but within the limits specified in Para 1(A) of Section II of Part II of Schedule XIII to the Companies Act, 1956.

The Register of Members of the Company will remain closed as already notified from 21.3.2006 to 28.3.2006 (both days inclusive).

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

Dated, 16th February, 2006

BY ORDER OF THE BOARD

GIRISH BHATIA
Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. The instrument appointing a proxy has to be deposited at the Company's Registered Office at Aerodrome Road, Jamnagar 361006 (Gujarat), not less than 48 hours before the time for holding the aforesaid meeting.
3. The instruments of Share transfer complete in all respects should be sent to the Company's Registrars and Transfer Agents - M/s. 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.
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 terms of the provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends for the Financial Year 1995-96 and 1996-97 have been 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. The dividend for the year 1997-98 will be transferred in due course. 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 71 years, is an entrepreneur and Director of various companies. He has vast experience spread over 53 years in the fields of Finance, Marketing, General Management, Board level Corporate Governance, Strategic Issues, Corporate and Finance Structuring, Resource Mobilization and Planning and Budgeting. Sri S.K. Birla is Chairman of Birla Eastern Ltd. and Mysore Cements Ltd. and Director of Birla Brothers Pvt. Ltd., Century Textiles & Industries Ltd., Navin Investments Ltd., Dornieul Birla VXL Ltd. and Pilani Investment & Industries Corporation Ltd. He is past President of various leading Chambers of Commerce like The Federation of Indian Chambers of Commerce, 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 Indian delegation to several international bodies like Chamber of Commerce of G-77 Countries of United Nations, New York, UNCTAD and CAFEA and was a Member of the Prime Minister's National Integration Council, Delhi, between 1991-95. He is also associated with several education and philanthropic institutions.

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.

Sri S.K. Birla holds 1,19,600 Equity Shares of Rs.10/- each in the Company.

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

Sri R.K. Choudhury, aged 69 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 organisations.

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., Lynx Machinery & Commercials Ltd., The Pratappur Sugar & Industries Ltd. and Elpro International Ltd.

Sri R.K. Choudhury is a member of Share Transfer Committee of Balrampur Chini Mills

BIRLA VXL LIMITED

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 and Remuneration Committee of our Company.

Sri R.K. Choudhury does not hold any Equity Shares in the Company.

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

Sri A.C. Mukherji, aged 80 years, is the past Chairman of New India Assurance Co. Ltd. having vast knowledge and experience. Sri Mukherji is a Director on the Board of Asiatic Oxygen Ltd., Titan Industries Ltd., Kirloskar Pneumatic Co. Ltd., U.T. Ltd., Aekta Ltd., NPR Finance Ltd., Sahara India Life Insurance Co. Ltd., VXL Technologies Ltd. and Trans Africa Assurance Co. Ltd.

He is the Chairman of Audit Committee of Directors and a member of the Shareholders/ Investors Grievance Committee, Remuneration Committee and Committee of Directors. He is Chairman of Audit Committee of Titan Industries Ltd. and U.T. Ltd. and a member of Audit Committee of Asiatic Oxygen Ltd., Kirloskar Pneumatic Co. Ltd., Aekta Ltd., NPR Finance Ltd. He is also a member of Shareholders/ Investors Grievance Committee of Asiatic Oxygen Ltd. He is also a member of Remuneration Committee of Sahara India Life Insurance Co. Ltd.

Sri A.C. Mukherji jointly with his wife holds 560 Equity Shares of Rs.10/- each in the Company.

Except for Sri A.C. Mukherji, no other Director is interested in the aforesaid Resolution.

Item No. 4

Dr. G. Goswami, aged 72 years, is an ex Banker, having wide knowledge and experience, especially in the area of Finance and Banking and past Chairman of Industrial Investment Bank of India. Dr. Goswami was appointed as Nominee Director by Industrial Development Bank of India (IDBI) on 31.7.2002. However, his nomination was withdrawn by IDBI during the year. Dr. Goswami was immediately thereafter appointed as Additional Director in the capacity of Non-Executive Independent Director.

Dr. G. Goswami is a Director of Essar Oil Ltd. (IDBI Nominee), Essar Steel Ltd. (ICICI Bank Nominee), FCL Technologies & Products Ltd. (IFCI Nominee), Ganapati Sugar Industries Ltd., EITA India Ltd., Naffar Chandra Jute Mill Ltd., Amar Investments Ltd., Rishra Investment Ltd. and AI Champdany Industries Ltd.

Dr. Goswami is a member of Audit Committee of Essar Oil Ltd., FCL Technologies & Products Ltd., Rishra Investment Ltd. and AI Champdany Industries Ltd. He is also a member of Remuneration Committee of Essar Oil Ltd. and Essar Steel Ltd. and also member of Audit Committee and Remuneration Committee of our Company.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member along with deposit of Rs.500/- signifying his intention to propose at the ensuing Annual General Meeting, the appointment of Dr. G. Goswami as a Director of the Company and for that purpose, to move a resolution as mentioned in the said notice.

It is considered that it would be in the interests of the Company to appoint Dr. Goswami as a Director of the Company in view of his vast knowledge and experience. Dr. Goswami is interested or concerned in the resolution

Dr. G. Goswami does not hold any shares in the Company.

No other Director is concerned or interested in the resolution.

The Board recommends the proposed resolution for your approval.

Item No. 5 & 6

In view of the continued growth of the Company's activities and ensuring that the operations of the Company are run professionally, in a sound, progressive and accountable manner, it was considered to be in the interests of the Company to appoint Sri Rajeev Surana as Wholtime Director of the Company, designated as Executive Director and Chief Operating Officer. Accordingly, pursuant to the provisions of Articles 163A, 163B, 163C and 163D of the Articles of Association of the Company and Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Shareholders in general meeting in due course and by the Central Government, the Board of Directors at meeting held on 26th October, 2005 has co-opted Sri Rajeev Surana as Wholtime Director with effect from 1st November, 2005, designated as Executive Director and Chief Operating Officer for a period of five years in the first instance. The Committee of Directors who has been authorized in this behalf, at their meeting held on 27th October, 2005 have approved payment of remuneration to Sri Rajeev Surana with effect from 1st November, 2005. The remuneration payable to Sri Rajeev Surana has also been approved by the Remuneration Committee. The salient terms and conditions are set out in Resolution No. 6 of the convening notice.

The Company has received notice in writing along with deposit of Rs.500/- in terms of

Section 257 of the Act from a member of the Company, signifying his intention to propose the name of Sri Rajeev Surana for appointment as Director of the Company. The Board of Directors of the Company (the Board) considers that the appointment of Sri Rajeev Surana as Director of the Company will prove beneficial to the Company and accordingly, recommends the resolution set out in the Item Nos. 5 and 6 of the convening notice. The appointment and remuneration payable to Sri Rajeev Surana as Executive Director requires the approval of the shareholders in general meeting in terms of Part III of Schedule XIII and under Section 309 of the Act. As advised, the Company has already applied to the Central Government for payment of remuneration to Sri Surana.

Sri Rajeev Surana, aged about 43 years, is a fellow member of the Institute of Chartered Accountants of India. He is having expertise in managing affairs of the Company and is having experience or more than 20 years in manufacturing industries at middle and top level in India.

Sri Rajeev Surana is a Director of OCM India Ltd., Oriental Vinyls Ltd., Digjam Apparel Ltd. and Masuzawa Punjab Silk Ltd. He is also a member of the Audit Committee of Masuzawa Punjab Silk Ltd.

Abstract of the terms of appointment of Sri Rajeev Surana, Wholtime Director designated as Executive Director and Chief Operating Officer, has been circulated to the members under Section 302 of the Companies Act, 1956.

Sri Rajeev Surana does not hold any shares in the Company.

No other Director is interested in the resolution.

The Board recommends the proposed resolution for your approval.

Item No. 7

Sri C.L. Rathi was appointed as Managing Director for a period of three years with effect from 1.6.2003. Sri Rathi's term as Managing Director will be expiring on 31.5.2006. The Remuneration Committee and the Board of Directors at the respective meetings held on 16.2.2006 have unanimously approved the reappointment of Sri C.L. Rathi as Managing Director for a period of three years with effect from 1.6.2006 and the payment of remuneration as proposed in the resolution, subject to the approval of the members of the Company in general meeting in due course and by the Central Government.

Sri C.L. Rathi, B.Com, LL.B, FCS, FCA, as Managing Director of the Company continues to be actively involved in operations of the Company as also in the functions relating to restructuring and corporate level activities, viz. board and committee meetings, corporate accounts (consolidation) and corporate governance and other compliances. The Company has been advised that the appointment and payment of remuneration to Sri C.L. Rathi will have to be approved by the Central Government. Details of remuneration payable to Sri C.L. Rathi are set out in Resolution No. 7. Accordingly, the Board recommends the same to the members for the approval.

Sri C.L. Rathi aged 60 years, is a Fellow Member of The Institute of Chartered Accountants of India and The Institute of Company Secretaries of India. He is having expertise in managing the affairs of large industrial undertakings and is having experience of more than 37 years in manufacturing industries at top management levels in India and abroad.

Sri C.L. Rathi is a Director on the Board of Drap Leasing & Finance Pvt. Ltd. and Drap Plastics Pvt. Ltd. He is also a member of the Share Transfer and Shareholders/ Investors Grievance Committee, Committee of Directors/Officers (Investments/Assets) and Committee of Directors of the Company.

The resolution along with explanatory statement may also be treated as an abstract of the terms of payment of remuneration to Sri C.L. Rathi as Managing Director as required under Section 302 of the Act.

Sri C.L. Rathi does not hold any shares in the Company.

None of the Directors, except Sri C.L. Rathi, is concerned or interested in the resolution concerning his reappointment and remuneration payable to him as Managing Director.

The Board recommends the proposed resolution for your approval.

Registered Office :
Aerodrome Road,
Jamnagar 361 006
(Gujarat)
Dated: 16th February, 2006

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 December 31, 2005.

GENERAL REVIEW AND KEY OPERATIONAL MATTERS

The Indian economy, during the period, continued its growth momentum witnessed during the last period, after a significant period of stagnation and slowdown. The period saw stabilisation of domestic and global sentiments and India recorded a GDP growth of 7.5 % in 2004-05, which is ahead of many economies. The economy managed to maintain the growth momentum in spite of a deficient south-west monsoon in 2004, sharp increase in crude oil and steel prices and the devastation caused by the Tsunami. The buoyant capital market is a clear indicator of the better perception of the Indian economy.

The Union Budget for 2004-05 was also favourable for the Textile industry, including our segment, as it sought to give much needed thrust to the growth in textile business with reduction in excise and custom duties. Phasing out of the Multi Fibre Agreement (quota regime), post January 2005, has opened up great opportunities for India. The Company is well poised to exploit the opportunities presented by freer trade regime. It is expanding its customer base across the countries, particularly in USA, Europe and Southeast Asia.

Overall, the improved sentiments and favourable policies provided a positive impetus to the revival of the Company after a gap of some years. The Company sees good opportunities to offer improved and enriched product-mix as well as products with innovation to the consumer; which will improve its sales realizations and profitability. Sales for the period amounted to Rs. 29,258 lacs (Rs. 26,940 lacs during last period) including exports of Rs. 10,273 lacs (Rs. 9,877 lacs during last period), and the Company recorded a positive operating cash profit of Rs. 2,990 lacs (Rs. 691 lacs during last period).

During the period, IDBI, IFCI and Bank of India assigned to Asset Reconstruction Company (India) Ltd. ("Arcil") the financial assistances provided by them to the Company along with all security interest and all their rights in respect thereof. 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 is to be made to the Board for Industrial and Financial Reconstruction and accordingly, also as per legal advice received, the Company is not required to be referred to the BIFR.

SCHEME OF ARRANGEMENT

As the members are aware, the Company initiated the Scheme of Arrangement between the Company and its Existing lenders, Creditors and Shareholders and OCM India Ltd ("OIL") and its Shareholders, under Sections 391 to 394 of the Companies Act, 1956 ("Scheme"). The Scheme provides for, *inter alia*, restructuring of debt and capital structure (including through writedowns, conversion etc.), transfer of OCM Division of the Company to OIL, a wholly owned subsidiary of the Company, with effect from July 1, 2004 and carving out of Investment Division comprising of investments/non-core assets and liabilities for settlement of specified loans. The Scheme was approved unanimously by Equity and Preference Shareholders and Unsecured Creditors, and by requisite majority of existing lenders at their respective court convened meetings. Thereafter petitions were filed with Hon'ble High Courts of Gujarat and Punjab & Haryana for sanction of the Scheme. The Scheme (for which the Appointed Date is July 1, 2004) shall become effective upon sanction of the same by the Hon'ble courts and subsequent formalities. With effect from the Appointed Date and upto and including Effective Date, the Company shall be deemed to have been carrying on all business and activities relating to OCM Division for and on account of, and in trust for, OIL.

Pending sanction of the Scheme by the Hon'ble High Courts of Gujarat and Punjab & Haryana, the effect of the Scheme has not been given in these Accounts and, accordingly, these Accounts include figures of the OCM Division also. Upon the Scheme becoming effective, the Accounts shall be appropriately dealt with to reflect the transfer of OCM Division to OIL, various writedowns of loans and other liabilities, and other provisions of the Scheme, to take effect from the Appointed Date.

As regards arrangement of infusion of fresh funds of Rs. 20 Crs., as required under the

terms of restructuring, the Company has arranged firm and irrevocable standby underwriting for the said amount and has received full advance against the same.

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

FINANCE & ACCOUNTS

	(Lac Rs.)
	December 31, 2005
Working for the period yielded a Gross Profit/(Loss) Of	1,156.44
From which deducted provisions for:	
– Depreciation and Amortisation (Net)	3,718.26
– Exceptional items (net)	1,704.72
– Taxation	(15.86)
Making a total of	(4,250.68)
To which are added:	
– Balance brought forward	(32,359.57)
Leaving a Balance of	(36,610.25)
Which is carried forward	

The Directors are, therefore, unable to recommend any dividend.

During the period, the Company divested its investment in equity shares in Sidharth Soya Products Ltd (SSPL). Further, preference shares of Saurashtra Chemicals Ltd. (SCL) were disposed of pursuant to the process of settlement of dues of secured lenders and preference shareholders of SCL undertaken by Arcil, against upfront buy-out consideration settled by them. The resultant gain/loss on these divestments have been included under exceptional items in the Accounts. But for the loss on disposal of preference shares of SCL, the Net Loss for the period would have been Rs. 140.68 lacs.

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 No. 47/279/2005-CL-III dated February 7, 2006, audited statement of accounts, reports of the Board of Directors and Auditors of the Subsidiary Companies are not annexed hereto. However, on request, a copy of the same will be provided to the shareholders without cost. The Annual Accounts of subsidiary companies are also kept for inspection by any shareholder at the Company's Registered Office and that of the subsidiary companies concerned.

VXL Technologies Limited recorded a gross turnover of Rs. 27.90 Cr. (previous year Rs. 29.51 Cr.) during the year ended March 31, 2005. Profit before tax for the year was Rs. 1.23 Cr. (previous year Rs. 2.30 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 was made to the BIFR as per provisions of SICA. The liabilities towards lender, for which the Company had furnished corporate guarantee, has been resolved through One-time Settlement (OTS) and the impact of the settlement has been considered in the Accounts. Pursuant to the settlement, the lender has taken possession of the assets of MPSL.

Sidharth Soya Products Limited (SSPL) has ceased to be a subsidiary of the Company on and with effect from October 14, 2004, on divestment of entire investment in its equity share capital by the Company.

DIRECTORS

Dr. S. Ganguly resigned from the Board during the period. We place on record our sincere appreciation and gratitude for the valuable services and guidance rendered by Dr. Ganguly during his tenure.

During the period, Dr. G. Goswami's nomination was withdrawn by Industrial Development Bank of India Ltd. Dr. Goswami was then appointed as an Additional Director in the capacity of Non-Executive Independent Director. Pursuant to the Articles of Association, he holds office upto the date of the forthcoming Annual General Meeting of the Company.

BIRLA VXL LIMITED

The Company has received notice under Section 257 of the Companies Act, 1956 proposing his name for appointment as Director.

Sri Rajeev Surana was appointed as Additional Director and a Wholetime Director with effect from November 1, 2005, subject to relevant approvals by the Members and Central Government. He has been designated as Executive Director and Chief Operating Officer. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his name for appointment as a Director. Separate resolution is also being proposed for his appointment and approval of the relevant terms and conditions as a Wholetime Director.

Separate resolution is also being proposed for the re-appointment and approval of relevant terms and conditions in respect of Sri C.L. Rathi as Managing Director with effect from June 1, 2006.

Sarvaswari S.K. Birla, R.K. Choudhury and A.C. Mukherji retire from the Board by rotation and being eligible, offer themselves for re-election.

AUDITORS' OBSERVATIONS

Observations to 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 and Clause 49 of the Listing Agreement, are annexed hereto. Statutory statements in respect of Subsidiary Companies are also given in separate Annexures and form part of this Report. The Company has not accepted any Fixed Deposits during the period and there are no Fixed Deposits outstanding as on 31.12.2005. Relations with employees were cordial and we appreciate the contribution made by all dedicated employees during the year.

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 period and of the 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. Khimji Kunverji & Co., Chartered Accountants, retire as Auditors and being eligible, offer themselves for re-election.

M/s. Jain Pramod Jain & Co., Chartered Accountants, Branch Auditors for the Company's Division at Amritsar, retire and being eligible, offer themselves for re-election.

ACKNOWLEDGEMENT

We place on record our sincere appreciation to Arcil, Banks, other stakeholders, concerned Government Departments and other authorities, channel partners and employees and are grateful to our shareholders for the continued support and guidance and to our customers for their posing faith and confidence in us.

FOR AND ON BEHALF OF THE BOARD

New Delhi.
February 16, 2006

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 December 31, 2005. 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 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 at Faridabad. The worsted industry in the country comprises of few mills in organized sector and a large number of mills in unorganized sector. 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 strong customer orientation reflects in its strong national brands – Digjam and OCM, supported by national distribution channels, while the company's international marketing is supported by representative offices and network abroad. Operating Divisions are kept self sufficient managerially to perform their own duties and functions with support provided at a Corporate level as required.

The period under review began on a promising note with improving industrial climate and Indian Economy recorded a GDP growth of 7.5% in 2004-05. The economy managed to maintain the growth momentum in spite of a deficient south-west monsoon in 2004, sharp increase in crude oil and steel prices and the devastation caused by the Tsunami. The Union Budget for 2004-05 was also favourable for the Textile industry, including our segment, as it sought to give much-needed thrust to the growth in Textile business with reduction in excise and custom duties. Though prices of wool were stable during the period, there has been an upward trend in the polyester and fuel costs mainly due to spiraling prices of oil.

REVIEW OF OPERATIONS

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

	Units	2004-05 (18 months)	2003-04 (18 months)
Production :			
Cloth	Lac Mtrs.	98.49	100.52
Garments	Lac Pcs.	6.49	8.34
Sales:**			
Cloth	Lac Mtrs.	97.92	92.58
Garments	Lac Pcs.	5.71	8.20
Sales value	Rs. Cr.	292.58	269.40

** excluding inter-unit sales

The Company improved significantly in fabric sales volume and realization on account of better product-mix. The production was limited on accounts of working capital constraints as well as a part of strategy to restrict the production of low-margin varieties. Garments production and sales were hit mainly by working capital constraints, which are now improving. Consistent efforts towards cost reduction and improvement in realisation, both from domestic and international markets, aided by reduction in duties, helped in improving the margins. The Company recorded a positive operating cash profit of Rs. 29.90 Crs. (Rs. 6.91 Crs during last period).

During the period, IDBI, IFCI and Bank of India assigned to Asset Reconstruction Company (India) Ltd. ("Arcil") the financial assistances provided by them to the Company along with all security interest and all their rights in respect thereof. 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 is to be made to the Board for Industrial and Financial Reconstruction and accordingly, also as per legal advice received, the Company is not required to be referred to the BIFR.

SCHEME OF ARRANGEMENT

As the members are aware, the Company initiated the Scheme of Arrangement between the Company and its Existing lenders, Creditors and Shareholders and OCM India Ltd ("OIL") and its Shareholders, under Sections 391 to 394 of the Companies Act, 1956 ("Scheme"). The Scheme provides for, *inter alia*, restructuring of debt and capital structure (including through writedowns, conversion etc.), transfer of OCM Division of the Company

to OIL, a wholly owned subsidiary of the Company, with effect from July 1, 2004 and carving out of Investment Division comprising of investments/non-core assets and liabilities for settlement of specified loans. The Scheme was approved unanimously by *Equity and Preference Shareholders and Unsecured Creditors*, and by requisite majority of existing lenders at their respective court convened meetings. Thereafter petitions were filed with Hon'ble High Courts of Gujarat and Punjab & Haryana for sanction of the Scheme. The Scheme (for which the Appointed Date is July 1, 2004) shall become effective upon sanction of the same by the Hon'ble courts and subsequent formalities.

With effect from the Appointed Date and upto and including Effective Date, the Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to OCM Division and stand possessed of all the assets, properties, liabilities, obligations, rights, title and interest of OCM Division for and on account of, and in trust for, OIL; and all profits accruing to the Company, or losses arising or incurred by it (including the effect of taxes, if any, thereon) or all expenses, relating to OCM Division including common allocated expenses, shall for all practical purposes, be treated as the profits, taxes, expenditures or losses, as the case may be, of OIL.

Pending sanction of the Scheme by the Hon'ble High Courts of Gujarat and Punjab & Haryana, the effect of the Scheme has not been given in these Accounts and, accordingly, these Accounts include figures of the OCM Division also. Upon the Scheme becoming effective, the Accounts shall be appropriately dealt with to reflect the transfer of OCM Division to OIL, various writedowns of loans and other liabilities and other provisions of the Scheme, to take effect from the Appointed Date.

During the period, the Company divested its investment in equity shares in Sidharth Soya Products Ltd (SSPL). Further, preference shares of Saurashtra Chemicals Ltd. (SCL) were disposed of pursuant to the process of settlement of dues of secured lenders and preference shareholders of SCL undertaken by Arcil, against upfront buy-out consideration settled by them. The resultant loss gain/loss on these divestments have been included under exceptional items in the Accounts. As regards arrangement of infusion of fresh funds of Rs. 20 Crs., as required under the terms of restructuring, the Company has arranged firm and irrevocable standby underwriting for the said amount and has received full advance against the same.

The dues of Masuzawa Punjab Silk Ltd (MPSL) to Exim Bank, for which the Company had furnished corporate guarantee, has been resolved through One-time Settlement (OTS) and the impact of the settlement has been considered in the Accounts. Pursuant to the settlement possession of the assets of MPSL has been taken over by the lender.

OUTLOOK

Aided by liberal government policies and phasing out of Multi Fibre Agreement (quota regime), post January 2005, the Textile sector has opened up great opportunities for India. There has been an upward global trend towards formals and after a long gap there has been an upward swing in the domestic market too, particularly among the younger consumer that dominates the Indian market. We are seeing good opportunities to offer improved/enriched product-mix as well as products with innovation to the consumer; which will improve realisations and profitability. Several major groups and brands are sourcing fabrics as well as garments from India very aggressively. With vertically integrated operations for fabrics as well as garments, quick response for design interaction, very competitive lead times, consistency in reproduction will help us to a very great extent in the export market.

The domestic market has undergone lot of shift during the period. The presence of Polynosics, which had taken away a lot of worsted share in the past years, reduced greatly from the retail counters. They however, continued to show their presence in the RMG sector. Increased volume of imports from China and elsewhere has forced Indian worsted players to improve their product range, quality and finish. Another shift in domestic purchase pattern noticed was increasing demand for bolder designs instead of plains and subdued. Organised retailing, which has caught up speed in various other product categories, has also impacted direct sale of fabrics through traditional channels. Growth of formal womens' wear is also expected to rise. Overall forecast for the domestic market is very encouraging.

The Company achieved a noticeable improvement in exports, specially in Europe and Middle East and some premium customers have also placed orders on us. Broad basing of the customer network is a priority for exports, keeping an eye on premium markets. The Company is gearing up for expanding its customer base, particularly in Europe and Southeast Asia and tapping tender business. With the recent initiatives, the Company expects to continue its growth momentum in the export markets.

ENVIRONMENT & SAFETY

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

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.

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 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. However, actual results could or may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations also 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

February 16, 2006
New Delhi

Rajeev Surana
Executive Director &
Chief Operating Officer

C.L. Rathie
Managing Director

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board has always followed best principles of good governance and emphasises transparency, integrity and accountability. We believe 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, 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 10 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. Rathie is the Managing Director of the Company and as Corporate Head contributes to the Company's overall management, particularly in the policy sphere and in addressing correlated priority issues, including mobilisation of resources & resolution of debts and is responsible for corporate level activities including Board and Committee Meetings, corporate accounts, statutory audit, corporate governance and related compliances, subject to the overall general supervision, control and direction of the Board. Sri Rajeev Surana is the Executive Director and Chief Operating Officer (ED & COO), for the core (textile) business and as Business Head is accountable to the Board through the Managing Director 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 ED and COO reports to the Board through the Managing Director and discharges his functions subject to the overall superintendence, control and direction of the

BIRLA VXL LIMITED

Board. Each unit of the Company is headed by senior and experienced officers, who report to the ED and COO 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 4 Independent Directors, viz. 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.) and Dr. G. Goswami (ex-Banker). Sri P.K. Pujari, Secretary (EA) and Sri Arvind Agarwal, Industries Commissioner, are the nominees of Government of Gujarat. Sri R.K. Choudhury (senior Advocate) is seniormost partner of Khaitan & Co., a reputed firm of Advocates and Notaries. 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 and Sri Rajeev Surana are two Executive Directors. 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 rotational Directors retire every year and, when eligible, qualify for re-appointment. Nominees of 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. Details of shares held by Directors is also given.

Director	Category*	Board attendance**	Attendance at last AGM	B/C/Ch***	Sitting Fees Paid Rs.	No. of Equity Shares (of Rs.10/- each) held
Sri S.K. Birla	P	6/8	No	8/-	60,000	1,19,600
Sri A.N. Lalbhai	I	0/8	No	9/-	Nil	20,588
Sri Sidharth Birla	P	7/8	No	6/-	52,000	6,000
Sri R.K. Choudhury	NI@	7/8	No	11/2/-	1,28,000	—
Dr. S. Ganguly (Ceased w.e.f. 30.7.05)	I	2/6	No	NA	8,000	—
Dr.G.Goswami	I	7/8	No	10/5/-	56,000	—
Sri N.L. Hamirwasia	P	7/8	No	2/-	28,000	1,000
Sri G. Momen	I	7/8	No	15/7/1	80,000	—
Sri A.C. Mukherji	I	6/8	Yes	10/6/3	1,56,000	560
Sri Arvind Agarwal	NI/N	2/8	No	8/-	8,000	—
Sri P.K. Pujari	NI/N	5/8	No	13/1/-	20,000	—
Sri C.L. Rathi	E	8/8	Yes	3/1/-	—	—
Sri Rajeev Surana (Since 1.11.05)	E	0/0	NA	5/1/-	—	—

* P = Promoter, I = Independent, N = Nominee, E = Executive, NI = Non-Independent, @ Considered independent till December 31, 2005

** 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. The Board has also adopted Code of Conduct for Directors and Senior Executives of the Company and a declaration has been obtained from the Managing Director about its compliance.

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 eight times on August 17, September 29, October 28, 2004 and January 22, January 31, April 27, July 30 and October 26, 2005. To enable fuller attention to the affairs of the Company, the Board delegates specified matters to its committees, which also prepare the groundwork for decision-making and report to the Board. However, no matter is left to the final decision of any committee, which under law or the Articles may not be delegated by the Board or may require its explicit approval.

AUDIT COMMITTEE

The terms of reference of the Audit Committee, as specified by the Board in writing, include the whole specified in the SEBI Code and the Companies (Amendment) Act, 2000, including a review of audit procedures and techniques, financial reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The committee members are all independent Directors collectively having requisite knowledge of finance, accounts and company law. The committee recommends the appointment of external Auditors and their fees/payments and also takes an overview of the financial reporting process to ensure that financial statements are correct, sufficient and credible. The reports of the statutory and internal auditors are reviewed along with management's comments and action-taken reports. The committee has explicit authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice which it needs to do so. The committee comprises Sri A.C. Mukherji (as its Chairman), Sri G. Momen and Dr. G. Goswami 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 review report before they are put up to the Board. The committee met eight times on August 17, September 23, October 26, 2004 and January 22, January 31, April 27, July 30 and October 26, 2005 attended by Sri A.C. Mukherji (7/8), Sri G. Momen (8/8), Sri C.L. Rathi (2/2) until he ceased to be a member of the Audit Committee and Dr. G. Goswami (6/7). During the period Sri C.L. Rathi ceased to be member of the Audit Committee following re-constitution of the Audit Committee in view of stipulation in Clause 49 of the Listing Agreement that the Audit Committee should comprise of only non-executive Directors. During the year, Dr. G. Goswami has been appointed a member of the Audit Committee. The Secretary of the Company Acts, as the Secretary to the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of non-executive Directors, majority of whom are independent. Presently the committee comprises of Sri A.C. Mukherji, Sri G. Momen and Dr. G. Goswami all independent directors and Shri R.K. Choudhury (as its Chairman) (considered independent till 31.12.2005). 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 is 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 committees attended by them. No commission is paid to any Director.

The Committee met on August 17, 2004 and October 27, 2005 attended by Sri R.K. Choudhury (1/1), Sri A.C. Mukherji (2/2), Dr. G. Goswami (1/1) and Sri G. Momen (2/2). Dr. S. Ganguly ceased to be member of the Committee following his resignation as Director of the Company. Following this, Sri R.K. Choudhury and Dr. G. Goswami were appointed members of the Remuneration Committee with Sri R.K. Choudhury being made Chairman.

As approved by the Shareholders and the Central Government, Sri C.L. Rathi, Managing Director, is presently, paid by way of salary Rs.1.75 lac per month, housing facility/allowance upto 60% of salary and perquisites (which in aggregate fall within the overall limit laid down in Schedule XIII to the Companies Act, 1956) from September 1, 2004. The term of Sri C.L. Rathi as Managing Director will be expiring on 31.5.2006. After close of the year, the Remuneration Committee and the Board of Directors at their respective meetings held on February 16, 2006 have reappointed Sri C.L. Rathi as Managing Director with effect from June 1, 2006 for a period of three years, subject to approval of members in general meeting and also approval by the Central Government. For the purpose, necessary resolution for approval of the members has been included in the notice for the ensuing Annual General