



ANNUAL REPORT – 2007

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BIRLA VXL LIMITED

DIGJAM

Board of Directors

Sri S.K. Birla
Chairman

Sri Sidharth Birla
Vice Chairman

Sri R.K. Choudhury
Dr. G. Goswami
Smt. Gauri Kumar
Sri G. Momen
Sri A.C. Mukherji
Sri P.K. Pujari
Sri C.L. Rathi
Managing Director

Company Secretary

Sri G.K. Sureka
Company Secretary & Executive Vice President (Legal)

Senior Executives

Digjam Division

Sri R.K. Kedia
President

Sri Virender Gupta
Vice President (Exports)

Sri Ravinder Sharma
Vice President (Sales & Marketing)

Universal Clothing

Sri P.K. Das
Vice President (Exports) & Business Head

Registered Office & Digjam Division

Aerodrome Road,
Jamnagar 361 006, Gujarat

Universal Clothing

14/5, Mathura Road,
Faridabad 121 003, Haryana

Corporate Office

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

Registrars & Share Transfer Agents

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

Auditors

Until conclusion of the Annual General Meeting:

M/s Khimji Kunverji & Co.

Proposed herein, for Approval:

M/s Deloitte Haskins & Sells

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Fifty-seventh Annual General Meeting of the Members of the Company will be held on Tuesday, the 11th September, 2007 at 10.30 A.M. at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006 (Gujarat), to transact the following business:

1. To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the year ended 31st March, 2007.
2. To appoint Directors in place of Sri Sidharth Birla, Sri R. K. Choudhury and Dr. G. Goswami, 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 Ordinary Resolution:

"RESOLVED that M/s Deloitte Haskins & Sells, Chartered Accountants, be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, M/s Khimji Kunverji & Co., Chartered Accountants, 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".

The Register of Members of the Company will remain closed from 1st September, 2007 to 11th September, 2007 (both days inclusive).

Registered Office:
Aerodrome Road
Jamnagar 361 006
(Gujarat)
Dated, 18th June, 2007

BY ORDER OF THE BOARD

G. K. SUREKA
Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member.
2. The instrument appointing a proxy has to be deposited at the Company's Registered Office at Aerodrome Road, Jamnagar 361 006 (Gujarat) not less than 48 hours before the time for holding the aforesaid meeting.
3. Members attending the meeting are requested to complete the enclosed slip and deliver the same at the entrance of the Meeting Hall.
4. Persons attending the Annual General Meeting are requested to bring their copies of the Annual Report as the practice of distribution of copies of the Annual Report at the meeting has been discontinued.
5. For any further information regarding the above Accounts, advance intimation be given and the Members should ensure that it reaches the Company's Registered Office at Aerodrome Road, Jamnagar 361 006 (Gujarat) at least 10 days before the date of the ensuing meeting.
6. 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 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. 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.

7. 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. 8th May, 2000. The new ISIN No. is INE471A01023.
8. The Committee of the Board of Directors of the Company, pursuant to the Scheme of Arrangement, which became effective from 30th March, 2006 have on 22nd May, 2006 allotted 2 new Equity Shares of Rs. 10/- each for every 10 Shares of Rs. 10/- each held as on 5th May, 2006, the Record Date, and the old Share Certificates held in physical form were deemed to be cancelled and non-est and not tradeable on any Stock Exchange or otherwise from and after the said Record Date. Accordingly, the Company's Registrars and Transfer Agents have dispatched the new Share Certificates to the Members who continued to hold their shares in physical form. Such Members may consider dematerialising their shareholding in view of compulsory trading of the shares of the Company in dematerialised form.
9. Shareholders who continue to hold Shares in physical form are requested to intimate the Company's Registrars and Transfer Agents - M/s. MCS Ltd., 77/2A Hazra Road, 3rd & 5th Floor, Kolkata 700 029 changes, if any, in their registered address including PIN CODE Number. Members holding Shares in dematerialized form are required to get their change of address recorded with the Depository Participant (DP).
10. 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 50 years, is a Science Honours Graduate and holds a Master's degree in Business Administration from IMD, Lausanne, Switzerland and has completed OPM (Owner-President Management) programme at Harvard Business School. He has extensive experience of over 27 years in the fields of Finance, Marketing, General Management, Corporate Governance, Company Law, Strategic Issues, Corporate and Financial Structuring, Resource Mobilisation, Acquisition and Disinvestments.

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Sri Sidharth Birla is Chairman of Xpro India Ltd. He is also on the Board of Directors of Mysore Cements Ltd., Central India General Agents Ltd., Madho Properties Ltd., The Rameshwara Jute Mills Ltd., Suttel Cotton Mills Supply Agency Ltd., Xpro Global Ltd. and Terxpro Films Pvt. Ltd. Sri Sidharth Birla is a member of the Committee of Directors of our Company besides being Chairman of the Committee of Directors and member of Remuneration and Nomination Committee of Xpro India Ltd.

Sri Sidharth Birla holds 2000 Equity Shares 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 71 years, is a leading Advocate practising mainly in Kolkata. He has wide experience in matters 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 Choudhury is connected with several social and philanthropic organisations.

Sri R.K. Choudhury is Chairman of the Board of Directors of Puja Corporation Ltd., Khaitan Consultants Ltd. and Travel Hub Pvt. Ltd. He is a Director of Upper Ganges Sugar & Industries Ltd., Balrampur Chini Mills Ltd., Reliance Bengal Industries Ltd., Lynx Machinery & Commercials Ltd., Elpro International Ltd., Super Diamond Nirman Ltd., Suryakiran Apartment Services Pvt. Ltd. and Rajratan Impex Pvt. Ltd.

Sri R.K. Choudhury is a member of Share Transfer Committee and Remuneration Committee of Balrampur Chini Mills Ltd. as well as 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 Share in the Company.

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

Dr. G. Goswami, aged 73 years, is an ex Banker, having wide knowledge and experience especially in the areas of Finance and Banking and Past Chairman of Industrial Investment Bank of India.

Dr. G. Goswami is an Institutional Nominee on the Boards of Essar Oil Ltd. and Essar Steel Ltd. Besides, he is also Director of Ganpati Sugar Industries Ltd., Naffar Chandra Jute Mills Ltd., Amar Investments Ltd., Rishra Investments Ltd., AI Champdany Industries Ltd. and Shibir India Ltd. Dr. Goswami is a member of the Remuneration Committee and Project Committee of Essar Oil Ltd. as well as of the Audit Committee of Essar Steel Ltd. He is also member of Audit Committees of AI Champdany Industries Ltd., Rishra Investments Ltd. and Shibir India Ltd. besides the Investors Grievance Committee of AI Champdany Industries Ltd. He is also member of the Audit Committee, the Share Transfer and Shareholders/Investors Grievance Committee and the Remuneration Committee of our Company.

Dr. G. Goswami does not hold any Equity Share in the Company.

Except Dr. G. Goswami, no other Director is interested in the aforesaid Resolution.

Registered Office:

Aerodrome Road
Jamnagar 361 006
(Gujarat)

Dated, 18th June, 2007

BY ORDER OF THE BOARD

G. K. SUREKA

Company Secretary

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We present herewith our Annual Report along with Audited Accounts of the Company for the year ended March 31, 2007.

GENERAL REVIEW AND KEY OPERATIONAL MATTERS

The fundamentals of the Indian economy continue to be strong, with a strong GDP growth, increasing Exports and robust Foreign Exchange reserves. Concerns have emerged on inflation, triggering a tighter monetary policy and other anti-inflationary measures by the Government. Nevertheless we expect that overall prospects remain excellent and will be the driving force in the coming days for the Company.

Operations of the Company were generally smooth during the year and, with the Scheme and associated issues (including external pressures during the divestment process) now behind us, the Company was able to take a number of positive steps to enhance its market share and strengthen its organization. Comprehensive actions initiated aim at bringing about sustained improvements in a number of areas including operations, brand building, product enhancements and improved servicing of both domestic and export markets. Exports are a strategic choice for the Company and a significant part of the output is dedicated to its established foreign markets. However in the past few months, and perhaps going forward for some time, the strength of the Indian Rupee is a cause of concern. This sharply affects the bottom line, as markets are extremely competitive and final Rupee realizations from Exports fall to unremunerative levels. Some financial analysts are also reported to have moderated expectations from the textile industry in general; but based on present management plans, and hopeful of competitive exchange rates, we look towards stabilizing soon at good profitability norms.

Sales during the year amounted to Rs.108.02 Crores against Rs.29.94 Crores for the 3 month period ended March 31, 2006; Exports comprised Rs.55.51 Crores. The Rupee is presently about 11% and 7% stronger against the US\$ and Euro respectively compared to the same period a year ago; it is a positive reflection on management's strategy that average unit price realizations on total volume still showed a marginal improvement over the last period. This however could not translate into a bottom line improvement as the price of wool, the principal raw material, ruled firm; incidence of material inputs went up to about 35% from 28% in the last period. The financial year ended with a loss at the pre-depreciation level. Current plans however have taken circumstances into account and numerous steps have been planned/initiated to address this situation in the coming seasons. The Management Discussion & Analysis Report, as required by corporate governance, is annexed hereto.

OPERATING RESULTS

	March 31, 2007 (12 months)	March 31, 2006 (3 months)
Working for the year yielded a Profit/(Loss) before Depreciation and Tax of	(393.66)	276.62
less: Depreciation	722.29	191.37
	(11,15.95)	85.25
Less : Exceptional Items (net)	(11,37.76)	(61.56)
Profit before Tax	(22,53.71)	23.69
less : Fringe Benefit Tax	15.39	6.07
Profit after Tax	(22,69.10)	17.62
add: Balance brought forward	(95,16.90)	(95,34.52)
Leaving a Balance of Which is carried forward	(117,86.00)	(95,16.90)

In view of the above, the Directors are unable to recommend any dividend.

KEY ISSUES RELATING TO COMPLETION OF THE SCHEME OF ARRANGEMENT

Shareholders will recall the comprehensive restructuring under the aegis of Asset Reconstruction Company (India) Limited ("Arcil"). We had stated in earlier reports that Arcil - to all intents and purposes - became a key stakeholder and strategic partner in effecting the turnaround and creating value. The process and proactive approach of Arcil has, we believe, helped scientifically and transparently unlock greater value than may have been possible via restructuring or rescheduling in the usual manner and we also feel the resulting position has the potential to create greater shareholder value in the long term.

● Reorganisation of Share Capital

As also covered in our last report, reorganisation of the Share Capital, pursuant to sanction of the Scheme of Arrangement under sections 391 to 394 of the Companies Act, 1956 ("the Scheme") by Hon'ble High Courts of Gujarat and of Punjab & Haryana, was completed during the year. Accordingly (i) 6,50,71,465 Equity Shares of Rs.10/- each stood reorganised to 1,30,14,293 Equity Shares of Rs.10/- each; (ii) the Preference Shares and certain loans stood reorganized and accordingly the Preference Shareholders and Arcil lenders were respectively allotted 61,60,394 & 2,45,70,000 Equity Shares of Rs.10/- each as fully paid-up, on April 12, 2006, at a price of Rs.16.74 per share (including a premium of Rs.6.74 per share) in accordance with the SEBI Guidelines for Preferential Issues; and (iii) the resulting effects were dealt with in accordance with the Scheme in the last accounts.

● Rights Issue

In December 2006-January 2007, the Company offered 2,49,96,964 new Equity Shares at par on rights basis in the ratio of 4:7, aggregating to Rs. 2499.69 lacs; the issue was oversubscribed and allotment was made on February 2, 2007 as per approval of the Bombay Stock Exchange. Proceeds of the issue have been utilised as per objects stated in the Letter of Offer i.e. towards general business requirements (Rs. 2197 lacs) and issue expenses (Rs.128 lacs), leaving a balance of Rs.175 lacs which was held in bank deposits on March 31, 2007 pending deployment towards business requirements.

● Divestments

The Company has completed disposal of all its investments and non-core assets allocated to Investment Division ("ICo") as per the Scheme. The Net proceeds therefrom were used to liquidate loans allocated to ICo. Significant disposals during the year included the holdings in Mysore Cements Limited ("MCL"), VXL Technologies Limited ("VTL"), Masuzawa Punjab Silk Limited ("MPSL") and Dormeuil Birla VXL Limited ("DBVXL"). Consequently VTL and MPSL ceased to be subsidiaries and DBVXL ceased to be a joint venture of the Company with effect from September 29, 2006. Further, pursuant to the divestment process run by Arcil with the Company's support as per its obligations under the Scheme, the Company entered into an Agreement for sale of, *inter-alia*, its entire shareholding in OCM India Limited ("OIL") on September 29, 2006. However closing could be effected by the Purchaser only on February 22, 2007; thus OIL formally ceased to be a subsidiary with effect from this date. In terms of the said Agreement the proceeds from this sale of shares of OIL (Rupee equivalent of US\$ 1.0 million i.e. Rs.441.20 lacs) was reinvested in OIL as subscription for 44,12,000 Equity Shares of Rs.10/- each.

While the ICo divestments generated both cash flow and profit surpluses, these went to the benefit of the lenders as per the Scheme. It may be noted that due to onus on Arcil to effect early recoveries in cash, the Company had earlier been compelled to write off Rs.41 Crores on the upfront cash settlement against future

BIRLA VXL LIMITED

redemptions of Preference Shares of Saurashtra Chemicals Limited (sold to Nirma Group). The transaction for OIL has resulted in a charge of Rs.8.83 Crores during the year, due to structuring as finally agreed to between the Purchaser and Arcil. These losses could not be set off against IGo surpluses as above. The write-offs have in effect impacted the rebuilding of net worth, as this situation was neither foreseeable nor integral to the core Scheme when originally formulated. We continue to explore other alternatives which may help strengthen the net worth position.

DIRECTORS

Sri A.N. Lalbhai, Director, resigned owing to personal reasons and advancing age after having served on the Board for about 54 years. The Directors place on record their deepest and sincere appreciation of the valuable services rendered by Sri Lalbhai during his tenure, during which he was also Chairman of the Company for several years. Sri R.R. Surana resigned from the Board and his position as Executive Director w.e.f. October 27, 2006 and was subsequently relieved from the services of the Company. Since close of the year, the Government of Gujarat nominated Smt. Gauri Kumar, Industries Commissioner, as their nominee in place of Sri Arvind Agarwal. We place on record our sincere appreciation for the valuable services rendered by Sri Agarwal during his tenure, Sri Sidharth Birla, Sri R.K. Choudhury and Dr. G. Goswami 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.

AUDITORS

M/s Khimji, Kharveji & Co., Mumbai, Chartered Accountants retire as Auditors at the conclusion of the ensuing Annual General Meeting and have expressed their inability to act as Auditors. The Board, on the recommendation of the Audit Committee, proposes for your consideration appointment of M/s Deloitte Haskins & Sells who have confirmed their willingness and ability to be appointed as Auditors.

STATUTORY INFORMATION AND OTHER MATTERS

Statutory information, and our report on corporate governance, form part of this report as per requirements of the Companies Act and Clause 49 of the Listing Agreement and are annexed hereto. The Company has not accepted any Fixed Deposits during the year and there are none outstanding on March 31, 2007. Relations with employees were on the whole cordial and we appreciate the contribution made by all dedicated employees during the year. As the entire investment in all the subsidiary companies has been divested during the year, provisions of the Companies Act, 1956 relating to annexation of audited financial statements, the reports of the Directors and Auditors of subsidiaries hitherto and requirements relating to Accounting Standard (AS) 21 "Consolidated Financial Statements" are no longer applicable. As per our governance practices, management's statement on integrity and fair presentation of financial statements is provided to the Board as an integral part of the account approval process. However, as per Section 217(2AA) of the Companies Act the Directors indicate that they have taken reasonable and bona fide 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 & 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 year and of the losses of the Company for the year; (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.

ACKNOWLEDGEMENTS

We place on record our sincere appreciation of the valuable cooperation and support received at all times by the Company from Arcil, its Bankers, other stakeholders, concerned Government Departments and other authorities, channel partners, employees and to Shareholders.

FOR AND ON BEHALF OF THE BOARD

New Delhi
June 18, 2007

S. K. BIRLA
Chairman

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We submit herewith our Management Discussion & Analysis Report on the Company's business for the year ended March 31, 2007. We have attempted to include discussions on all specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's competitive position.

COMPANY & INDUSTRY STRUCTURE

The Company presently operates principally in the Worsteds textile segment and by way of manufacturing facilities is presently operating (i) a fully equipped composite mill (ISO 9001 certified) manufacturing high quality worsteds fabrics at Jamnagar, Gujarat and (ii) Universal Clothing (UC), a garment manufacturing unit at Faridabad, Haryana.

The worsted industry in the country comprises of a few mills in the organized sector and a number of mills in the unorganized sector. The Company has been a notable player in this industry in India and is in this business for more than 50 years. Its commitment to quality and strong customer orientation reflects in its strong nationally recognized brand DIGJAM, supported by established players in the national distribution channels. The Company's international marketing team is supported by a well organised network abroad. The operating units are kept self sufficient managerially to perform their own duties and functions with support provided from the Corporate level as required.

The Company has a proven track record of design and manufacture of high quality fabrics and garments, and has won several awards for its export performance, including in demanding markets abroad.

REVIEW OF OPERATIONS

A summary of key 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	March 31, 2007 (12 months)	March 31, 2006 (3 months)
Production:			
Cloth	Lac Mtrs.	39.24	11.70
Garments*	Lac Pcs.	2.64	1.45
Sales:			
Cloth	Lac Mtrs.	38.81	9.54
Garments	Lac Pcs.	2.66	1.52
Total Sales value	Lac Rs.	108.02	29.94

* including job work

Production of fabric and garments are not directly comparable for the 2 relevant periods in light of inherent seasonality in the markets; nevertheless they were lower in volume and value terms compared to annualized figures of the previous period. However, average sales realization showed improvement, largely a result of management's drive to improve value addition in the product mix by promoting more premium varieties. This effort is expected to result in continued improvement in operating margins.

The fabric manufacturing capacity of the present facilities is estimated at around 5.5 million meters per annum, under normal product mix considerations, thereby giving a reasonable level of available capacity for increasing output. To increase market reach we plan to enhance media presence, reinforce the organization, and make larger product offerings in line with contemporary trends.

The Company maintains focus on international markets and has been exploring new areas. Its exports to Europe have grown by 10% in volume. The Company has received Oekotex Certification, which certifies that fabric is free from hazardous chemicals. The Company expects to see a strong export growth in Far East markets. In USA, the focus has now shifted to high end markets for better prices and a few US companies have already started working with us in that direction. Exports to the Middle East are satisfactory with a growth of about 10% over the last period.

ENVIRONMENT & SAFETY

We are 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 recognizes 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 attempts to take 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 with all relevant regulations and laws. We record our appreciation of all our sincere employees, gratefulness to our Shareholders, lenders and banks, Arcil and other stakeholders, concerned Government and other authorities and our channel partners for their continued support 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

New Delhi
June 18, 2007

C. L. RATHI
Managing Director

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board follows the principles of good governance and emphasises transparency, integrity and accountability. We believe that good governance is voluntary, self-disciplining with the strongest impetus coming from Directors and the management itself. The management and organisation at Birla VXL Limited 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 10 Directors, of which 9 are non-executive. The position of the Chairman is essentially non-executive and non-managerial in character, and the Vice-Chairman officiates in his absence. The overall management of the Company is vested in the Managing Director, subject to the general supervision, control and direction of the Board. Sri C. L. Rathi, Managing Director is fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has about 38 years of commercial and industrial experience. Each unit of the Company is headed by senior and experienced officers, who attend to the day-to-day working of the units and report to the Managing Director. 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. At the present time out of 10 our Board has 3 Independent Directors, viz. Sri G. Momen (Businessman of repute), Sri A.C. Mukherji (ex-CMD of New India Assurance Co.) and Dr. G. Goswami (ex-Banker). The Board intends to induct further independent Director(s) after Sri A.N. Lalbhai (Industrialist, Independent Director) resigned w.e.f. May 9, 2007 due to personal reasons and advancing age. Sri P.K. Pujari, Secretary (EA) and Smt. Gauri Kumar, Industries Commissioner, are nominees of the Government of Gujarat. Smt. Kumar was nominated upon withdrawal of nomination of Sri Arvind Agarwal. Sri R.K. Choudhury (Senior Advocate) is Senior Consultant to Khaitan & Co., a reputed firm of Advocates. 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. 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, administration and law and contribute significantly to the various Board Committees. Their independent role vis-à-vis the Company means that they add a broader perspective, helps ensure that interests of all stakeholders are kept in acceptable balance and can also provide an objective view in a potential conflict of interest between stakeholders. Details are given below by category, attendance, shareholding, fees and total Directorships besides Memberships and Chairmanships of Board Committees.

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Director	Category*	Board atten- dance **	Atten- dance at last AGM	B/C/Ch*	Sitting Fees Paid Rs.	No. of Shares held
Sri S.K. Birla	P	4/5	No	10/-	28,000	37,589
Sri A. N. Laibhai (upto May 9, 2007)	I	-/5	No	11/-/1	Nil	—
Sri Sidharth Birla	P	3/5	No	9/-	12,000	2,000
Sri Arvind Agarwal (upto June 18, 2007)	N/N	-/5	No	8/-	Nil	—
Sri R. K. Choudhury	NI	5/5	No	12/3/-	96,000	—
Dr. G. Goswami	I	4/5	No	9/8/-	36,000	—
Sri N. L. Hamirwasia	P	4/5	No	1/-	16,000	400
Smt. Gauri Kumar (w.e.f. June 18, 2007)	N/N	-/-	N.A.	Details awaited	Nil	—
Sri G. Momen	I	4/5	No	13/8/1	36,000	—
Sri A.C. Mukherji	I	4/5	Yes	8/5/5	92,000	116
Sri P. K. Pujari	N/N	3/5	No	9/-	12,000	—
Sri C. L. Rath	E	5/5	Yes	3/1/-	—	—
Sri Rajeev Surana (upto Oct 27, 2006)	E	2/4	Yes	5/1/-	—	—

* : P = Promoter, I = Independent, N = Nominee, E = Executive, NI = Non-Independent

** : 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

Appointment and remuneration of any Executive Director require approval of shareholders and such appointments are made for not more than five years. One-third of the rotational Directors retire every year and, when eligible, qualify for re-appointment. Nominee Directors do not usually retire by rotation. All specified details are provided in the notice for appointment or re-appointment of a Director.

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. The Board met 5 times on April 4, June 3, July 14, October 27, 2006 and January 31, 2007. 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 Act, 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 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 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 four times on June 2, July 14, October 27, 2006 and January 31, 2007 during the year attended by Sri A.C. Mukherji (3/4), Sri G. Momen (3/4) and Dr. G. Goswami (4/4). Sri G.K. Sureka, Company Secretary, acts as the Secretary to the Committee.

● Remuneration Committee

The Remuneration Committee comprises of non-executive Directors with majority being independent. Presently it comprises of Sri A.C. Mukherji, Sri G. Momen and Dr. G. Goswami as independent directors and Sri R.K. Choudhury as non-executive director. The committee helps ensure that non-executive Directors make decisions on the appointment, remuneration, assessment and progression of Executive Directors; any compensation of non-executive directors is a subject only for the whole Board. 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 October 27, 2006 attended by Sri R.K. Choudhury (1/1), Sri A.C. Mukherji (1/1), Dr. G. Goswami (1/1) and Sri G. Momen (1/1). As approved by the Shareholders and the Central Government, Sri C.L. Rath, 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 June 1, 2006. The term of Sri C.L. Rathi as Managing Director will be expiring on May 31, 2009. In accordance with the approval of Shareholders and Central Government the Company paid to Sri Rajeev Surana as a Whole time Director by way of salary Rs. 1 lac per month, housing facility/allowance upto Rs. 35,000 per month, Special Allowance of Rs. 25,000 per month and other perquisites and terminal benefits (which in aggregate fall within the overall limit laid down in Schedule XIII to the Companies Act, 1956). There is no severance fees, other benefits, bonus or stock options. Details of remuneration paid to Sri C.L. Rathi and Sri Rajeev Surana are given elsewhere in this Annual Report. The Company does not have any pecuniary relationship or transactions with any non-executive Director other than Sri R.K. Choudhury who was earlier a partner of Khaitan & Co., a reputed firm of Advocates, to whom the Company paid Rs. 8,40,325 during the year towards retainership, fee and reimbursement of expenses on different matters.

● **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 frequently throughout the year to minimise delays in the transfer process. Any shareholders grievance is referred to this committee in the first instance for earliest resolution of a problem. The Company Secretary, Sri G.K. Sureka is appointed as Compliance Officer under relevant regulations. This committee comprised of Sri A.C. Mukherji (Chairman), Sri R.K. Choudhury and Sri C.L. Rathi. The Board on May 9, 2007 further nominated to the Committee Dr. G. Goswami, Sri U.C. Jain and Sri G.K. Sureka. 210 Complaints/queries were received in the year and have all been resolved; therefore none are pending. No cases of physical share transfers and for dematerialisation or re-materialisation were pending on March 31, 2007.

● **Committee of Directors**

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.

SHAREHOLDER INFORMATION & RELATIONS

The primary source of information for Shareholders is the Annual Report, which includes, inter-alia, the reports of the Directors and the Auditors, audited Accounts, 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 (including the Ahmedabad edition in Gujarati). General Meetings of the Company are held at its Registered Office at Aerodrome Road, Jamnagar 361 006, Gujarat. The last three Annual General Meetings were held on December 16, 2004, March 28, 2006 and July 10, 2006. 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 for the forthcoming 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, Sri Rajeev Surana and Sri C.L. Rathi. Dividends have not been declared over the last 3 financial years and thus there was no date of mailing nor delay.

The Company keeps all shareholders informed via advertisements in appropriate newspapers of relevant dates and items requiring notice. **MCS Limited, 77/2A Hazra Road, 3rd & 5th Floor, Kolkata 700 029 are Registrars and Share Transfer Agents (RTA)** both for physical and demat form. The address for Shareholders' general correspondence is Company Secretary, Birla VXL Limited, Aerodrome Road, Jamnagar 361 006 (Gujarat). 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 has recently activated website www.birla-vxl.com.

The Company continues to upload from time to time necessary financial data on its website as well as EDIFAR. There are no GDR/ADR, warrants or other secured convertible instruments issued or outstanding. The Company's Equity Shares are listed at National Stock Exchange of India Ltd. Mumbai, (Stock Code 'BVXL'), and Bombay Stock Exchange Ltd., Mumbai (Stock Code 503796). Company has paid the up-to-date listing fees for each of these Stock Exchanges. Equity Shares of the Company are compulsorily traded in dematerialised form since May 8, 2000. The Company has entered into agreements with NSDL and CDSL. The new ISIN is INE 471A01023. As on March 31, 2007, 6,71,40,688 Equity Shares representing 97.67% of the total Equity Shares were held in dematerialised form and the balance 16,00,963 shares representing 2.33% 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 March 31, 2007

Shareholding range (Nos.)	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	83,236	95.04	57,70,323	8.39
501 - 1,000	2,408	2.75	18,07,919	2.63
1,001 - 2,000	1,080	1.24	16,33,100	2.38
2,001 - 5,000	528	0.60	16,72,666	2.43
5,001 - 10,000	177	0.20	12,86,612	1.87
10,001 and above	151	0.17	5,65,71,031	82.30
Total	87,580	100.00	6,87,41,651	100.00

This Statement is on the basis of the shareholding pattern as on March 31, 2007 submitted to the stock exchanges.

Pattern of Equity Shareholding as on March 31, 2007

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Resident Individuals	84,177	96.12	1,68,26,259	24.48
Financial Institutions	7	0.01	12,96,858	1.89
Nationalised Banks	54	0.06	30,70,960	4.47
Mutual Funds	5	0.00	1,660	0.00
FIs	2	0.00	189	0.00
Non-residents	2,144	2.45	1,93,358	0.28
Domestic companies	1,191	1.36	4,73,52,367	68.88
Shares in transit	NIL	NIL	NIL	NIL
Total	87,580	100.00	6,87,41,651	100.00