

32nd Annual Report 2004-2005

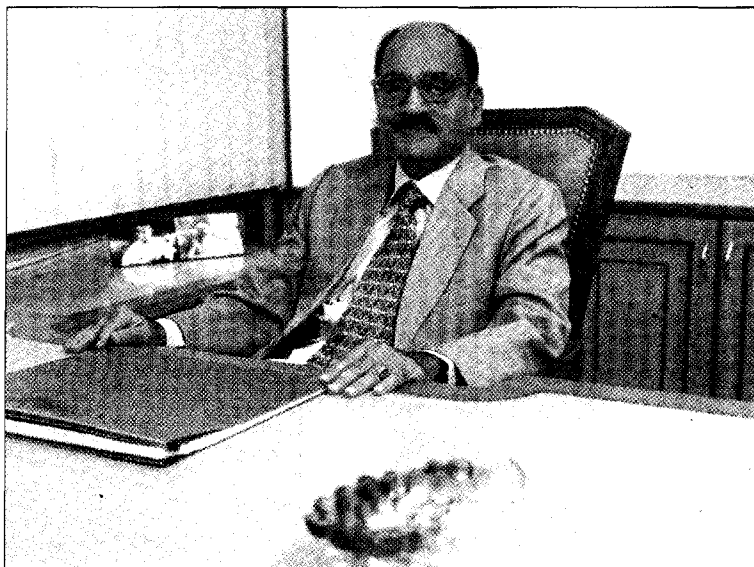


Vardhmān

MAHAVIR SPINNING MILLS LIMITED



Indian Textile Industry- shaping the future



The removal of quotas from January 2005 will be a watershed event for the global textile industry. The global trade in textile and clothing has been constrained in the past through an intricate system of quota restrictions and trade preferences. The quota system essentially restricted the volume of exports from countries like India. With the integration of Agreement on Textiles and Clothing in the WTO, a truly multilateral framework for the textile business is set to emerge.

The global trade in textile and clothing is expected to increase by about 60 per cent over the coming five years. The trade will also have qualitative gains as the highest value added products have been left to the final stage of integration.

Unfortunately, India's textile sector is not fully prepared to take advantage of the dismantling of quotas as is evident from the miniscule gains in trade compared to even small countries like Sri Lanka and Bangladesh. At the same time China has emerged as a formidable giant in the global textile business with its intention of taking 50 per cent of the global textile and clothing trade by 2010. The early indications show increases in exports from China, while the Indian textile exports have more or less stagnated.

The Mahavir Spinning Mills Limited has been preparing for post-ATC scenario during the last ten years. The manufacturing capacities have been augmented. The operations have become more vertically integrated. More value added products have been launched. The Group operations are backed by strong IT backbone giving us advantage of better customer service and better control. The Group has identified fabric business as the key driver of growth. With the proposed investments in the spinning and fabric business, the group is all set for the next phase of growth.

I look forward to the support of all stakeholders in building Mahavir Spinning Mills Limited as a truly global Textile Company.

With best wishes,

(SHRI PAUL OSWAL)
Chairman & Managing Director

Mahavir Spinning Mills Limited

BOARD OF DIRECTORS

SH. SHRI PAUL OSWAL — Chairman & Managing Director
 SH. AJAY KUMAR CHAKRABORTY — (Nominee of ICICI Bank Ltd.)
 SH. VINOD KUMAR SAXENA — (Nominee of IDBI)
 DR. JAGDISH CHANDER BAKSHI
 DR. TRILOKI NATH KAPOOR
 SH. PRAFULL ANUBHAI
 SH. SURINDER KUMAR BANSAL
 SH. SUBASH KHANCHAND BIJLANI
 SH. SACHIT JAIN — Executive Director
 SMT. SUCHITA JAIN — Executive Director
 SH. DARSHAN LAL SHARMA — President & Executive Director

CORPORATE GENERAL MANAGER

(FINANCE, ACCOUNTS & MIS)
 SH. NEERAJ JAIN

COMPANY SECRETARY

SH. VIPIN GUPTA

AUDITORS

M/s S.C. VASUDEVA & CO.,
 CHARTERED ACCOUNTANTS,
 NEW DELHI

BANKERS

STATE BANK OF PATIALA, ALLAHABAD BANK
 ICICI BANK LTD., PUNJAB NATIONAL BANK
 STATE BANK OF INDIA, BANK OF BARODA
 CORPORATION BANK, BANK OF AMERICA
 UNION BANK OF INDIA, CANARA BANK
 STANDERED CHARTERED BANK,
 BANQUE NATIONALE DE PARIS

REGISTRAR & TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED, NEW DELHI

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Mahavir Spinning Mills Limited

REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.

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Fax : (0161) 2601040, 2601048 & 2602710.

E-mail: secretarial.lud@vardhman.com

Web site: www.vardhman.com

WORKS

ARIHANT SPINNING MILLS,
MALERKOTLA

ANANT SPINNING MILLS,
MANDIDEEP

ARISHT SPINNING MILLS,
(DTA-I, II & 100% EOU),
BADDI

AURO SPINNING MILLS, BADDI

AURO DYEING , BADDI

AURO WEAVING MILLS, BADDI

AURO TEXTILES, BADDI

MAHAVIR SPINNING MILLS LIMITED,
(Gassed Mercerised Yarn Unit),
HOSHIARPUR

MAHAVIR SPINNING MILLS LIMITED,
HOSHIARPUR

MAHAVIR SPINNING MILLS LIMITED,
(Dyeing & Finishing-Perundurai Unit),
PERUNDURAI

MAHAVIR SPINNING MILLS LIMITED,
(Sewing Thread, Unit-II),
LUDHIANA

VARDHMAN SPINNING AND GENERAL MILLS,
(UNIT-I & II), LUDHIANA

VARDHMAN SPINNING AND GENERAL MILLS,
(100% EOU), BADDI

VARDHMAN SPECIAL STEELS,
LUDHIANA

BRANCHES

- 30 & 33, Shri Krishna Centre,
1st Floor, Near Mithakhali Six Road,
Navrang Pura, Ahmedabad-380 009
- No. 15, H. Siddiah Road,
Bangalore-560 027
- S.C.O.1,2 & 3, Sector-17B,
Chandigarh-160 017
- 36/2303, D & K, Ammankovil Road,
Ernakulam (Cochin)-682 035
- 832, Phase-V, Udyog Vihar,
Gurgaon-122 016
- 3-6-270/2, Himayat Nagar,
Opp. Telugu Academy, Hyderabad-580 029
- Plot No.141, Pipila Road,
A.B. Road, Indore-452 001
- B-34, Sangam Bhawan,
Vijay Path, Tilak Nagar, Jaipur-302 004
- 84/55, G.T. Road, Near Zarib Chowki, Next to Bankey
Bihari Dham Banquet Hall, Kanpur-208 003
- P-22, 3rd Floor, Flat No. 6,
C.I.T. Road, Scheme-IV, Kolkata-700 014
- 55, Canal East Road,
Belighatta, Kolkata-700 085
- Chandigarh Road, Ludhiana-141 010

- 314, Solaris-II, Opp. L&T Gate No. 6,
Saki Vihar Road, Andheri (East),
Mumbai-400 072
- Solaris-II, Universal Industrial Estate,
Gala Number G-7 To G-14 & B-12 to B-14,
Saki Vihar Road, Andheri (East), Mumbai-400 072
- C-40 & 42, Okhla Industrial Area, Phase-II,
New Delhi-110 020
- 212, Deen Dayal Upadhyaya Marg,
Urdu Ghar, 1st Floor, New Delhi-110 002
- 5th Floor, Plot No. 19,
Sagar Plaza Building, Laxmi Nagar,
District Centre, New Delhi-110 092
- 310, Surya Kiran Building,
19, Kasturba Gandhi Marg, New Delhi-110 001
- B-47, Sector-6,
Noida-201 301
- Mezzanine Floor, Abhishek Plaza,
Exhibition Road, Patna-800 001
- Realty Warehousing,
Gat No. 2323/1, Wagholi, Pune-411 014
- Jyoti Sangam Lane, Upper Bazar,
Ranchi-834 001
- No-40-LRG Layout, Narayan Knitting Mills Compound,
Kongu Nagar Extension, Tirupur-638 607
- 377-B, Muthuswami Industrial Complex,
Palladam Road, Tirupur



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NOTICE

NOTICE is hereby given that the THIRTY-SECOND ANNUAL GENERAL MEETING of the Members of MAHAVIR SPINNING MILLS LIMITED will be held on Saturday, the 27th day of August, 2005 at 3.30 p.m. at the Registered Office of the Company at Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005, Profit and Loss Account for the year ended on that date, together with Report of Auditors and Directors thereon.
2. To declare Dividend.
3. a) To appoint a Director in place of Sh. Sachit Jain, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
- b) To appoint a Director in place of Sh. Prafull Anubhai, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2005-2006 and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolutions as Ordinary Resolutions :-
 - a) "RESOLVED THAT Sh. Subash Khanchand Bijlani, who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and hold office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
 - b) "RESOLVED THAT Sh. Surinder Kumar Bansal, who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and hold office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
 - c) "RESOLVED THAT Smt. Suchita Jain, who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and hold office upto the date of

this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Financial Institutions, if required, Sh. Shri Paul Oswal, be and is hereby appointed as the Chairman & Managing Director of the Company for a period of five years w.e.f. 1st June, 2005, to 31st May, 2010 on a remuneration as detailed below :-

S.NO.	REMUNERATION	DETAILS
I.	Salary	In the scale of Rs.3,00,000-7,500-3,30,000 per month.
II.	Commission	Equal to 2% of net profit calculated as per Section 349 of the Companies Act, 1956.
III.	Perquisites	The perquisites are allowed in addition to salary and commission, as per details given below, however, such perks are restricted to an amount equal to one year's salary during each year:-
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary. Free furnishing is provided by the Company alongwith other amenities.
b)	Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years.
c)	Leave Travel Concession	The expenses incurred on leave travel by the appointee on self and his family are reimbursed once in a year in accordance with the rules specified by the Company.
d)	Club Fees	Fees of clubs subject to a maximum of two clubs. This does not include admission and life membership fees.
e)	Personal Accident Insurance	Premium not to exceed Rs. 5,000/- per annum.
f)	Provident Fund & other Funds	Contribution to provident fund, superannuation fund or annuity



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- g) Gratuity fund subject to the rules framed by the Company in this respect. Gratuity payable not exceeding half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time.
- h) Car and Telephone Free use of Company's car for official work as well as for personal purposes along with Driver and telephone at Company's cost.

Explanation : "Family" means the spouse, the dependent children and dependent parents of the appointee.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and are acceptable to Sh. Shri Paul Oswal.

RESOLVED FURTHER THAT Sh. Darshan Lal Sharma, President & Executive Director, be and is hereby authorised to execute an agreement on behalf of the Company with Sh. Shri Paul Oswal."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Financial Institutions, if required, Smt. Suchita Jain, be and is hereby appointed as an Executive Director of the Company for a period of five years with effect from 30th March, 2005 to 29th March, 2010 on the remuneration and other perquisites as detailed below :-

S.NO. REMUNERATION

DETAILS

- | | |
|------------------|---|
| I. Salary | Salary will be in the scale of Rs. 1,00,000 – 7,500 – 1,30,000 per month. |
| II. Commission | Commission equal to 75 % of Annual Salary subject to total remuneration being within the limits as prescribed in Part-II of Schedule-XIII to the Companies Act, 1956. |
| III. Perquisites | The perquisites shall be allowed in addition to salary and commission. However, such perquisites shall be restricted to an amount equal to one year's salary during each year as per details given below :- |

- | | |
|---------------------------------|---|
| a) Housing | House Rent Allowance equal to 40% of basic salary. |
| b) Medical Reimbursement | Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and her family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years. |
| c) Leave Travel Concession | The expenses incurred on leave travel by the appointee on self and her family shall be reimbursed once in a year in accordance with the rules specified by the Company. |
| d) Club Fees | Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees. |
| e) Personal Accident Insurance | Premium not to exceed Rs. 5,000/- per annum. |
| f) Provident Fund & other Funds | Contribution to provident fund, superannuation fund or annuity fund and this will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961 .The said contribution will also be subject to the rules framed by the Company in this respect. |
| g) Gratuity | Gratuity payable shall not exceed half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time. |
| h) Car and Telephone | Free use of Company's car for official work as well as for personal purposes along with Driver and telephone at Company's cost. |

Explanation : "Family" means the spouse, the dependent children and dependent parents of the appointee.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and acceptable to Smt. Suchita Jain.

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RESOLVED FURTHER THAT Sh. Darshan Lal Sharma, President & Executive Director, be and is hereby authorised to execute an agreement on behalf of the Company with Smt. Suchita Jain."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 269, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Financial Institutions, if required, Sh. Sachit Jain, be and is hereby appointed as an Executive Director of the Company for a period of five years with effect from 30th March, 2005 to 29th March, 2010 on the remuneration and other perquisites as detailed below :-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,32,500 – 7,500 – 1,62,500 per month.
II.	Commission	Commission equal to 75 % of Annual Salary subject to total remuneration being within the limits as prescribed in Part-II of Schedule-XIII to the Companies Act, 1956.
III.	Perquisites	The perquisites shall be allowed in addition to salary and commission. However, such perquisites shall be restricted to an amount equal to one year's salary during each year as per details given below :-
a)	Housing	Free residential accommodation and free furnishing shall be provided by the Company alongwith other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
b)	Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years.
c)	Leave Travel Concession	The expenses incurred on leave travel by the appointee on self and his family shall be reimbursed once in a year in accordance with the rules specified by the Company.

d)	Club Fees	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
e)	Personal Accident Insurance	Premium not to exceed Rs. 5,000/- per annum.
f)	Provident Fund & other funds	Contribution to provident fund, superannuation fund or annuity fund and this will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961. The said contribution will also be subject to the rules framed by the Company in this respect.
g)	Gratuity	Gratuity payable shall not exceed half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time.
h)	Car and Telephone	Free use of Company's car for official work as well as for personal purposes along with Driver and telephone at Company's cost.

Explanation : "Family" means the spouse, the dependent children and dependent parents of the appointee.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and acceptable to Sh. Sachit Jain.

RESOLVED FURTHER THAT Sh. Darshan Lal Sharma, President & Executive Director, be and is hereby authorised to execute an agreement on behalf of the Company with Sh. Sachit Jain."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to Article-135 and other enabling provisions of the Articles of Association of the Company and of the Companies Act, 1956 and subject to the necessary approvals from various Government Authorities, if required, the approval of the Members, be and is hereby accorded to the Board of Directors to capitalise a sum of Rs.192,565,090/- representing part of the amount standing to the credit of Reserves & Surplus



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Account by transferring it from Reserves to the Share Capital Account by issuing 19,256,509 fully paid-up equity shares of Rs.10/- each as Bonus Shares in the ratio of one share for every two shares held to the existing shareholders of the Company whose names shall appear in the Register of Members of the Company as on the Record Date as may be fixed for this purpose by the Company.

RESOLVED FURTHER THAT the said 19,256,509 new equity shares of Rs.10/- each allotted as fully paid-up bonus shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the existing equity shares save and except that these new shares shall be entitled to pro-rata dividend for the financial year in which these bonus shares are allotted, after which, however, these new shares would be entitled to the same dividend as will be paid on the existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors be and is hereby authorised to give such directions as to the fractional entitlement, if any, and as may be necessary or desirable and to settle any questions or difficulties whatsoever that may arise with regard to the issue, allotment and distribution of the Bonus Shares."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT Authorised Share Capital of the Company be increased from Rs. 50.00 crore (Rs. Fifty crore) divided into 40,000,000 Equity Shares of Rs.10/- each aggregating to Rs.40.00 crore (Rs. Forty crore) and 10,000,000 Redeemable Cumulative Preference Shares of Rs.10/- each aggregating to Rs.10.00 crore (Rs. Ten crore) to Rs.100.00 crore (Rs. One hundred crore) divided into 90,000,000 Equity Shares of Rs.10/- each aggregating to Rs.90.00 crore (Rs. Ninty crore) and 10,000,000 Redeemable Cumulative Preference Shares of Rs.10/- each aggregating to Rs.10.00 crore (Rs. Ten crore)."

11. To consider and if thought fit, to pass with or without modification(s), the following Resolutions as Special Resolutions :-

a) "RESOLVED THAT Clause-V of Memorandum of Association of the Company be substituted as follows :-

V) The Share Capital of the Company is Rs. 1,000,000,000/- (Rupees One Hundred crore) divided into 90,000,000 Equity Shares of Rs.10/- each and 10,000,000 Redeemable Cumulative Preference shares of Rs. 10/- each with power to increase and reduce the capital, to divide the shares in the capital for the time being, into several classes and to attach thereto respectively such preferential or special rights, privileges or conditions including power to create preference shares either subject to or in accordance with regulations of the Company to vary, modify or abrogate any such right, privilege or condition in such manner as may for the time being be provided by the

regulations of the Company."

b) "RESOLVED THAT Article-4 of the Articles of Association of the Company be substituted as follows :-

4) The Authorised Share Capital of the Company is Rs.1,000,000,000/- (Rupees One hundred crore only) divided into 90,000,000 Equity Shares of Rs.10/- each and 10,000,000 Redeemable Cumulative Preference shares of Rs. 10/- each."

12. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT in supersession of the Resolution passed at the Annual General Meeting of the Company held on 9th August, 1993 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and all other applicable provisions, if any, consent of the Members be and is hereby accorded to the Board of Directors of the Company to borrow monies together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) upto Rs. 1,200.00 crore (Rs. Twelve hundred crore only) as outstanding at any time and from time to time in excess of the aggregate of its paid-up capital and free reserves."

13. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT approval of the Members be and is hereby accorded for deferment of the implementation of decision regarding change in the name of the Company to "Vardhman Textiles Limited", accorded by the Members in their Extra Ordinary General Meeting held on 5th March, 2005.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to implement the decision regarding the said change in the name of the Company as and when thought fit."

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 23rd July, 2005

(VIPIN GUPTA)
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 5 to 13 are annexed hereto and forms part of the Notice and the

Mahavir Spinning Mills Limited

information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting as proposed in Item Nos. 3, 5, 6, 7 and 8 of the Notice is also being annexed hereto separately and forms part of the Notice.

3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 6th August, 2005 to 9th August, 2005 (both days inclusive).

4. The Dividend declared, if any, will be paid to those Shareholders whose names appear in the Register of Members after effecting the valid transfer requests lodged with the Company upto the Book closure i.e. before 06.08.2005. However, in respect of the shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as at the end of the 5th day of August, 2005, as per details to be furnished by Depositories for this purpose.

5. The Members holding shares in physical mode are

requested to notify the change in their address, if any, at the earliest to the Registrar & Transfer Agent/Company. However, Members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.

6. Members desiring any information as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.

7. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.

8. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.

9. Members holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant share certificates to the Company/Registrar & Transfer Agent.

ANNEXURE TO THE NOTICE :

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 5 (a), (b) & (c) OF THE SPECIAL BUSINESS :

Pursuant to the Scheme of Arrangement and Demerger between Vardhman Spinning and General Mills Limited (VSGM), the Transferor Company, and Mahavir Spinning Mills Limited (MSML), the Transferee Company, as sanctioned by the Hon'ble High Court for the States of Punjab & Haryana vide Order dated 04.03.2005, the textile business of VSGM stands vested with your Company w.e.f. 01.04.2004. Accordingly, to share the enhanced responsibilities of the merged entity, the Board of Directors of the Company in its meeting held on 30.03.2005 has appointed Sh. Subash Khanchand Bijlani, Sh. Surinder Kumar Bansal and Smt. Suchita Jain as Additional Directors of the Company pursuant to Article 105 of the Articles of Association of the Company. In terms of Section 260 of the Companies Act, 1956, read with Article 105 of the Articles of Association of the Company, Sh. Subash Khanchand Bijlani, Sh. Surinder Kumar Bansal and Smt. Suchita Jain will hold office as Additional Directors upto the ensuing Annual General Meeting. The Company has received notices from Members under Section 257 of the Companies Act, 1956, signifying their intention to propose Sh. Subash Khanchand Bijlani, Sh. Surinder Kumar Bansal and Smt. Suchita Jain as Directors of the Company.

MEMORANDUM OF INTEREST :

None of the Directors except Sh. Subash Khanchand Bijlani, Sh. Surinder Kumar Bansal and Smt. Suchita Jain, the appointees themselves and Sh. S.P. Oswal and Sh. Sachit Jain, being relative of Smt. Suchita Jain, is concerned or interested in these resolutions.

ITEM NO. 6 OF THE SPECIAL BUSINESS :

Pursuant to the said Scheme of Arrangement and Demerger, the textile business of VSGM vests in your Company with effect

from 1st April, 2004. Sh. S.P. Oswal was the Chairman and Managing Director of VSGM and was looking after all the textile business of VSGM. The Board of Directors of the Company in its meeting held on 17.06.2005 has appointed Sh. S.P. Oswal as the Chairman and Managing Director of the Company for a period of five years w.e.f. 01.06.2005 on remuneration and other terms and conditions as mentioned in the resolution. His appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST :

Except the appointee i.e. Sh. S.P. Oswal, Sh. Sachit Jain and Smt. Suchita Jain, Executive Directors, being appointee's relatives, none of the other Directors is interested or concerned in the appointment.

ITEM NO. 7 OF THE SPECIAL BUSINESS :

Pursuant to the said Scheme of Arrangement and Demerger, the textile business of VSGM vests in your Company with effect from 1st April, 2004. Smt. Suchita Jain actively looks after the fabric business, which, as a part of the textile business of VSGM now vests in your Company.

The Board of Directors of the Company in its meeting held on 30.03.2005 has appointed Smt. Suchita Jain as an Additional Director on the Board of the Company. Further, keeping in view her active involvement in fabric business, the Board of the Company in the said meeting has appointed her as an Executive Director of the Company for a period of five years w.e.f. 30.03.2005 on remuneration and other terms and conditions as mentioned in the resolution. Her appointment is subject to the approval of the Members. Accordingly, your approval is solicited.



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MEMORANDUM OF INTEREST :

Except the appointee i.e. Smt. Suchita Jain, Sh. S.P. Oswal and Sh. Sachit Jain, Directors, being appointee's relatives, none of the other Directors is interested or concerned in the appointment.

ITEM NO. 8 OF THE SPECIAL BUSINESS :

Pursuant to the said Scheme of Arrangement and Demerger, the textile business of VSGM vests in your Company with effect from 1st April, 2004. Sh. Sachit Jain looks after the textile business, particularly the textile units in Baddi, which, as a part of the textile business of VSGM now vest in your Company.

Sh. Sachit Jain is already a Director of the Company. To enable him to continue to look after the overall affairs of the textile units of the Company, the Board of Directors of the Company in its meeting held on 30.03.2005 has appointed Sh. Sachit Jain as an Executive Director of the Company for a period of five years w.e.f. 30.03.2005 on remuneration and other terms and conditions as mentioned in the resolution. His appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST :

Except the appointee i.e. Sh. Sachit Jain, Sh. S.P. Oswal and Smt. Suchita Jain, Directors, being appointee's relatives, none of the other Directors is interested or concerned in the appointment.

ITEM NO. 9 OF THE SPECIAL BUSINESS :

The Board of Directors of the Company in its meeting held on 17.06.2005 has recommended issue of Bonus shares in the ratio of one share for every two shares held to the existing shareholders of the Company. As per the provisions of the Article 135 of the Articles of Association of the Company, capitalisation of profits require approval of the Members of the Company. Accordingly, your approval is solicited for the same.

MEMORANDUM OF INTEREST :

None of the Directors of the Company is concerned or interested in this Resolution.

ITEM NO. 10 & 11 OF THE SPECIAL BUSINESS :

As informed in the previous item, the Board of Directors of the Company in its meeting held on 17.06.2005 have recommended issue of Bonus Shares in the ratio of one share for every two shares held to the existing shareholders of the Company i.e. on the existing equity capital of Rs. 385,130,180/-, 19,256,509 equity shares of Rs. 10/- each will be issued as Bonus Shares. On allotment of these Bonus shares the paid-up equity capital of the Company will stand enhanced to Rs. 57.77 crore whereas the existing authorised capital of the Company is Rs 50.00 crore (Rs. Fifty crore) divided into 40,000,000 Equity Shares of Rs.10/- each aggregating to Rs. 40.00 crore (Rs. Forty crore) and 10,000,000 Redeemable Cumulative Preference Shares of Rs.10/- each aggregating to Rs.10.00 crore (Rs. Ten crore). Therefore, the Board of Directors of the Company in its meeting held on 17.06.2005 have recommended enhancement of the authorised capital of the Company to Rs. 100.00 crore (Rs. One hundred crore) divided into 90,000,000 Equity Shares of Rs.10/- each

aggregating to Rs. 90.00 crore (Rs. Ninty crore) and 10,000,000 Redeemable Cumulative Preference Shares of Rs.10/- each aggregating to Rs.10.00 crore (Rs. Ten crore).

Further, change in the authorised capital of the Company involves amendment in the Memorandum and Articles of Association of the Company and as per the provisions of the Companies Act, 1956 the amendment in the same requires prior approval of the Members of the Company. Accordingly, your approval is solicited for the same.

MEMORANDUM OF INTEREST :

None of the Directors of the Company is concerned or interested in these Resolutions.

ITEM NO. 12 OF THE SPECIAL BUSINESS :

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the Members in their General Meeting held on 6th April, 1994 had authorised the Board of Directors of the Company to borrow funds upto a limit of Rs.650 crore, over and above the paid-up capital and free reserves of the Company. Now, pursuant to the Scheme of Arrangement and Demerger, the textile business of VSGM vests in your Company with effect from 1st April, 2004 and resultantly, need for the long term borrowings in your Company have also increased. The Board of Directors in its meeting held on 17.06.2005 has approved the enhancement in the abovesaid borrowing limits from Rs. 650 crore to Rs. 1,200 crore subject to the approval of Members in General Meeting. Accordingly, your approval is solicited for the same.

MEMORANDUM OF INTEREST :

None of the Directors of the Company is concerned or interested in this Resolution.

ITEM NO. 13 OF THE SPECIAL BUSINESS :

The Members in their Extra-Ordinary General Meeting held on 5th March, 2005 had given their approval for change in the name of the Company from Mahavir Spinning Mills Limited to Vardhman Textiles Limited. Further, Hon'ble Punjab & Haryana High Court vide its Orders dated 4th March, 2005 had approved the Scheme of Arrangement and Demerger between Vardhman Spinning and General Mills Limited and the Company. Now, keeping in view the complexities involved in the implementation of the Scheme simultaneously with the change in the name of the Company, the Board of Directors of the Company in its meeting held on 30th March, 2005, had decided to keep in abeyance the implementation of decision regarding change in the name of the Company for the time being.

Accordingly, the Board of Directors of the Company thought it fit to intimate this decision to the Members and to seek their approval in the matter.

MEMORANDUM OF INTEREST:

None of the Directors of the Company is concerned or interested in this Resolution.

BY ORDER OF THE BOARD

**PLACE : LUDHIANA
DATED : 23rd July, 2005**

**(VIPIN GUPTA)
COMPANY SECRETARY**