Vardhman

VARDHMAN TEXTILES LIMITED

35th Annual Report
2007-2008

The Indian Textile Industry: Sustaining the Growth Momentum

Dear Shareholders,

It gives me immense pleasure to share with you my perception of the textile business and some of our initiatives. The global textile trade is chugging along as envisaged in my earlier communications. A few years ago, when the world trade was less than $400 bn, we had projected the trade to grow to $600-$700 bn by 2010. According to WTO data, the world trade in textiles and clothing touched $530 bn in 2006. We expect the trade to keep growing at 5-6 per cent in the coming years to reach $700 bn by 2011. My optimism flows from the fact that there has been steady build up of capacities in the major textile producing countries including India. However, the recent global economic developments, escalating cotton prices and galloping oil prices pose a formidable challenge for the textile producers.

The Indian Textile Industry has witnessed growing flow of investments during the last three years. According to statistics compiled by the Ministry of Textiles, projects worth Rs.124627 crore have been sanctioned under Technology Upgradation Fund up to 31st March 2008. As a consequence, the fiber consumption in the country has increased from 5.8 mn tons in 2005 to 6.5 mn tons in 2007. Although, the industry is facing the excess supply at this juncture, I am hopeful the new capacity will lead to greater economies of scale, product diversity and consolidation in the industry, which will strengthen the competitiveness of the industry in the future.

At Vardhman Textiles Limited, the new yarn unit- Vardhman Yarns at Satlapur (M.P.) has expanded capacity to 1.23 lac spindles. The expansion to ultimate capacity of 2.30 lacs spindles is undergoing steady implementation. The integrated fabric project at Budhni (M.P.) has recently been commissioned. On achieving its full capacity, the unit will have 60,000 spindles for yarn spinning, 400 air jet looms for weaving and fabric processing capacity of 60 mn meters per annum. This will put Vardhman among the select group of companies having fabric production capacity of above 100 million meters per annum. The new capacities will enable us to serve our customers better. Both these plants are new and would face teething problems. However, with the long experience, knowledge and expertise of the Group, I am sure these plants will achieve stability and benchmark performance parameters in the near future.

I look forward to the continued support of all stakeholders in taking Vardhman Textiles Limited towards new milestones.

With best wishes,

(SHRI PAUL OSWAL)

Chairman & Managing Director

BOARD OF DIRECTORS

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

CHIEF FINANCIAL OFFICER

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
STANDARD CHARTERED BANK,
BANQUE NATIONALE DE PARIS

REGISTRAR & TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED, NEW DELHI

CONTENTS

REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.
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Fax : (0161) 2601048 & 2602710.
E-mail: secretarial.lud@vardhman.com
Web site: www.vardhman.com

WORKS

ANANT SPINNING MILLS,
MANDIDEEP

ARIHANT SPINNING MILLS,
MALERKOTLA

ARISHT SPINNING MILLS,
BADDI

AURO DYEING,
BADDI

AURO SPINNING MILLS,
BADDI

AURO TEXTILES,
BADDI

AURO WEAVING MILLS,
BADDI

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

MAHAVIR SPINNING MILLS
(TEXTILE DIVISION) BADDI

VARDHMAN SPECIAL STEELS,
LUDHIANA

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

VARDHMAN SPINNING MILLS,
BADDI

VARDHMAN FABRICS,
BUDHNI

VARDHMAN YARNS, SATLAPUR

BRANCHES

- P-22, 3rd Floor, Flat No.6,
  C.I.T. Road, Scheme IV,
  KOLKATA-700 014.
- Chandigarh Road,
  LUDHIANA-141 010.
- 314, Solaris II, Opp.L&T Gate
  No.6, Saki Vihar Road,
  Andheri (East), MUMBAI-400 072.
- 504, Dalamal House,
  Nariman Point, MUMBAI-400 021.
- 309-310, Surya Kiran Building,
  19, Kasturba Gandhi Marg,
  NEW DELHI- 110 001.
- 212, Urdu Ghar, Ist Floor,
  Deen Dayal Upadhyaya Marg,
  NEW DELHI-110 002.
- 377-B, Muthuswami Industrial
  Complex, Palladam Road, TIRUPUR.

NOTICE

NOTICE is hereby given that the THIRTY FIFTH ANNUAL GENERAL MEETING of Vardhman Textiles Limited will be held on Saturday, the 30th day of August, 2008 at 3.30 p.m. at the Registered Office of the Company situated 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, 2008, 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 Mr. 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 Mr. 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 2008-2009 and to fix their remuneration.

BY ORDER OF THE BOARD

PLACE : LUDHIANA **(VIPIN GUPTA)**
DATED : 15th May, 2008 **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. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking re-appointment in the Annual General Meeting as proposed in Item No.3 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 13th August, 2008 to 30th August, 2008.**
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 before 13.08.2008. 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 12th day of August, 2008 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 along with 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 and Transfer Agent.

BY ORDER OF THE BOARD

PLACE : LUDHIANA **(VIPIN GUPTA)**
DATED : 15th May, 2008 **COMPANY SECRETARY**

Information Pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the Directors seeking re-appointment in the Annual General Meeting

Name of the Director	**Sh. Sachit Jain**	**Sh. Prafull Anubhai**
Date of Birth	08.07.1966	20.01.1938
Date of Appointment	30.03.2005	26.07.1980
Expertise in specific functional area	Business Executive having rich experience of more than 18 years in Textile Industry	Industrialist and Business Consultant having experience of more than 35 years
Qualification	B.Tech., M.B.A.	B.Com, B.S.C. (Eco.)- London
Directorships of Other Companies as on 31st March, 2008	1. Vardhman Holdings Limited 2. Vardhman Acrylics Limited 3. VMT Spinning Company Limited 4. Vardhman Apparels Limited 5. Vardhman Linen Limited 6. Adinath Investment and Trading Company 7. Devakar Investment and Trading Company (P) Limited 8. Vardhman Textile Processors (P) Limited 9. Plaza Trading Company (P) Limited 10. Pradeep Mercantile Company (P) Limited 11. Anklesh Investments (P) Limited 12. Marshall Investment and Trading Company (P) Limited 13. Santon Finance and Investment Company Limited 14. Flamingo Finance and Investment Company Limited 15. Ramaniya Finance and Investment Company Limited. 16. Srestha Holdings Limited 17. Syracuse Investment and Trading Company (P) Limited 18. Vardhman Yarns & Threads Limited 19. Punjab Tractors Limited	1. Gruh Finance Limited 2. Soma Textiles & Industries Limited 3. The EMSAF -Mauritius 4. The H.K. Finechem Limited 5. Torrent Cables Limited 6. Unichem Laboratories Limited 7. Management Structure & Systems Private Ltd. 8. BOTIL Oil Tools India Pvt. Ltd. 9. Birla Sun Life Trustee Co.Pvt. Ltd. 10. CENTRE FOR SCIENCE, TECHNOLOGY AND POLICY (CSTEP)
Chairman/Member of Committees of other Companies as on 31st March, 2008	**Audit Committee** 1. VMT Spinning Company Limited (Member)	**Audit Committee** 1. Gruh Finance Limited (Member) 2. Torrent Cables Limited (Member) 3. The H.K. Finechem Ltd. (Chairman) 4. Unichem Laboratories Ltd. (Chairman) 5. Soma Textiles & Industries Ltd. (Chairman) **Shareholders/Investors Grievance Committee** 1. Gruh Finance ltd. (Member) 2. Torrent Cables Limited (Member)
No. of shares held	40005	**NIL**
Relationship with other Director(s)	Related to Mr. S. P. Oswal.	Not related to any other Director.

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 35th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended, 31st March, 2008.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

(Rs. in Crores)

PARTICULARS		**2007-2008**		2006-2007
Turnover		**2,346.36**		2,159.24
Profit before Depreciation, Interest & Tax (PBDIT)		**387.43**		382.91
Interest and Financial expenses		**63.89**		37.70
Profit before Depreciation and Tax (PBDT)		**323.54**		345.21
Depreciation		**154.56**		119.44
Profit before Tax (PBT)		**168.98**		225.77
Provision for Tax - Current		**0.19**		50.17
- Fringe Benefit Tax		**1.35**		1.00
- Deferred (Net of Adjustment)		**44.89**		2.95
- Income Tax Adjustment for earlier years		**0.00**		(0.05)
Profit after Tax (PAT)		**122.54**		171.70
Add: Debenture Redemption Reserve		**10.00**		6.25
Balance brought forward		**51.84**		50.24
Balance available for appropriation		**184.38**		228.19
Appropriations:				
Interim Dividend on:				
- Equity shares	-		23.11	
Corporate Dividend Tax	-	-	3.24	
				26.35
Proposed Dividend on:				
- Equity shares	**23.11**			
Corporate Dividend Tax	**3.93**			
		27.04		
Transfer to General Reserve		**100.00**		150.00
Surplus carried to Balance Sheet		**57.34**		51.84
		184.38		228.19
Earnings per share (Rs.)				
- Basic		**21.21**		29.72
- Diluted		**13.58**		16.56
Dividend per share (Rs.)		**4.00**		4.00

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A) Textile Business:

The global Textile Industry witnessed increased restructuring, relocation and mergers and acquisition activities in the last couple of years. The global trade in textiles and clothing has increased from $479 bn in 2005 to more than $530 bn in 2006. Out of the total increase of $51 bn in textiles and clothing exports in 2006, 70% belongs to increase in clothing whereas 30% belongs to textiles clearly showing higher growth in clothing trade than textiles. Most of the textile exporting countries, except China and few other countries, witnessed deceleration in the exports of textiles and clothing. There has been a steady build up of capacities in all the textile producing countries, which has resulted in an imbalance between demand and supply. Consequentially, the volume and the margins are facing pressure.

The Indian Textile Industry witnessed growing investments during the last three years. According to the data of the Textile Commissioner on Technology Upgradation Fund (TUF), projects worth Rs. 63177 crore have been sanctioned during FY 2005-06 and FY 2006-07. The fresh investment will enable the Textile Industry to expand capacities and achieve economies of scale. The textile exports from the country have increased from $14.5 bn in 2004-05 to estimated exports of over $19 bn in 2007-08. The Industry is striving hard to augment its capabilities, diversify its product mix, manage growing cost pressures and strengthen its global competitiveness. The Textile Summit 2007 organized by the Ministry of Textiles has made several recommendations for addressing the various constraints being faced by the industry, including pending fiscal policy reforms, market development initiatives and HR challenges. We hope these recommendations will be reflected in the new policies for the textile industry and will strengthen the competitiveness of the industry.

The Company has been proactively moving towards more liberalized domestic and international trade regime. The company chalked out fresh investments amounting to about Rs.2000 crore by way of capacity expansion and modernization. The company commissioned a new yarn unit-Vardhman Yarns at Satlapur (M.P.) in 2007 with initial capacity of 30,000 spindles. The capacity has since been expanded to present level of 1,23,552 spindles. Vardhman Yarns is well on its way of achieving the ultimate capacity of approx. 2,30,000 spindles. The unit is also establishing its own captive power plant of 24 MW which is likely to be operational during the current year.

The integrated textile unit of the Company- "Vardhman Fabrics" at Budni (M.P.) has also started commercial production in 2007-2008. Vardhman Fabrics will have 60,000 spindles for yarn spinning, 2,830 rotors and 400 airjet looms, besides having yarn dyeing capacity of 10 TPD and fabric processing capacity of 60 million meters per annum. Out of the above, 40,800 spindles, 2,160 rotors, 310 looms and fabric processing capacity of 40 million meters per annum have already become operational during 2007-2008 and the remaining capacity is likely to be operational during the current financial year. Further, the unit also has its own captive power plant of 24 MW, which has become operational during 2007-2008. However, the optimum level of utilization of the increased capacities could also not be achieved in 2007-08 because of initial hiccups which are expected to normalise over a period of time.

With these projects, Vardhman Group will emerge as a strong integrated textile house, catering to the diverse requirements of the customers. The planned increase in capacity will generate economies of scale and adoption of technology will boost the productivity and quality to customers' delight.

B) Steel Business

The global steel market has been on the rise since September last year. The market moved up in steps till December, 2007 but has gone wild since the advent of 2008 across all regions of the globe. The combined scarcity of coal, coke and steel has had a telling impact on the world steel markets.

The Indian market that was too heating up along-with the global market since last 2-3 months, has been interrupted as the government has lifted custom duty on steel imports and levied 10-15% duty on steel exports. This move shall help in cooling down the domestic market to some extent, if there is no further increase in the price in the global market.

However the high prices of steel and the increased interest rates in India is likely to hit the automobile demand this year. Year 2007-08 saw only 1% growth in alloys steel demand and this fiscal is going to be even tougher. Any early respite in the steel prices seems to be unlikely and this does not augur well for the steel demand worldwide and in the domestic markets.

C) Financial Analysis and Review of Operations:

Your Directors are pleased to report performance of the business as follows: -

- **PRODUCTION & SALES REVIEW:**

During the year under review, your company has registered a turnover of Rs. 2,346.36 crore as compared to Rs. 2,159.24 crore, showing an increase of 7.97% over the previous year turnover. The exports of the Company increased from Rs. 434.02 crore to Rs. 450.51 crore, showing an increase of 3.8% over the previous year owing to enhanced production and better product/market penetration. The business wise performance is as under:-

i) **Yarn:** The production of Yarn increased from 87,476 MT to 98,736 MT during 2007- 2008. The sales revenue of yarn increased from Rs.1,028.73 crore to Rs. 1,115.32 crore during the year under review.

ii) **Sewing Thread:** During the year, the production of Sewing Thread was 9,467 MT as against 8,783 MT in the previous year. The sales revenue of Sewing Thread Division increased from Rs. 296.35 crore to Rs. 305.24 crore.

iii) **Steel:** During the year, the production of steel ingots/billets has been 87,976 MT compared to 88,378 MT of the previous year and that of Rolled products has been 80,901 MT compared to 81,537MT of the previous year. The sales revenue of the division has been Rs. 368.40 crore (Previous year Rs. 347.02 crore).

iv) **Fabric:** During the year, the production of processed fabric increased from 36.53 million meter to 40.67 million meter, showing an increase of 11.33 % over the previous year. The sales revenue of the processed fabric also increased from Rs. 332.40 crore to Rs. 367.80 crore showing an increase of 10.65% over the previous year.

- **PROFITABILITY:**

The Company earned profit before depreciation, interest and tax of Rs. 387.43 crore as against Rs. 382.91 crore in the previous year. After providing for depreciation of Rs. 154.56 crore, (Previous year Rs.119.44 crore), interest of Rs. 63.89 crore (Previous year 37.70 crore), provision for current tax Rs. 0.19 crore (Previous year Rs. 50.17 crore), provision for deferred tax (net of adjustments), Rs. 44.89 crore (previous year Rs. 2.95 crore), income tax adjustments for earlier years Rs. NIL (Previous year Rs. (0.05) crore) and provision for Fringe Benefit Tax of Rs. 1.35 crore (Previous Year 1.00 crore) the net profit worked out to Rs. 122.54 crore as compared to Rs. 171.70 crore in the previous year.

- **RESOURCES UTILISATION:**

i) **Fixed Assets:** The gross fixed assets (including work-in-progress) as at 31st March, 2008 were Rs. 3,424.09 crore as compared to Rs. 2,649.38 crore in the previous year.

ii) **Current Assets:** Debtors outstanding for more than six months were Rs. 13.88 crore as compared to Rs.10.58 crore in the previous year. The net current assets as on 31st March, 2008 were Rs. 1,274.24 crore as against Rs. 1,124.02 crore in the previous year. Inventory level was at Rs. 870.36 crore which was more than the previous year level of Rs. 695.85 crore.

- **FINANCIAL CONDITIONS & LIQUIDITY:**

The Company enjoys a rating of "AA-" and "P1+" from Credit Rating Information Services of India Limited (CRISIL) for long term and short term borrowings respectively. Management believes that the Company's liquidity and capital resources should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:-

(Rs. in Crore)

	2007-2008	2006-2007
Cash & Cash equivalents:		
Beginning of the year	**216.73**	271.55
End of the Year	**62.70**	216.73
Net cash provided (used) by:		
Operating Activities	**4.96**	194.81
Investing Activities	**(780.21)**	(783.56)
Financial Activities	**621.22**	533.93

D) Internal Control System:

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organisation. All significant issues are brought to the attention of the Audit Committee of the Board.

E) Management perception of Risk & concern:

The major challenge to the industry in the last year was the almost 14% appreciation in the Indian rupee against US dollar, which has serious implication for the Indian Textile Industry. Being highly competitive industry especially in international trade, increase in the external value of rupee has virtually crippled the competitiveness of the industry. Though Government announced some relief for the industry, however, more attention is required for addressing the issues of competitiveness of the Textile Industry on long term basis. Another important issue is availability, quality and the price of power. The availability of good quality power at reasonable prices is critical for sustainability of the industry. However, the cost of power has been continuously increasing adding to the input cost pressure in the industry. We hope that power situation will improve in the coming year.

Our major raw material-Cotton is an agriculture produce, which suffers from climatic volatility in the major cotton producing countries. In addition, growing demand as well as overall increase in prices of commodities in the world have pushed up the prices of domestic cotton as well leading to pressure on the Textile Industry. We are making all efforts to cope up with the challenges through continuous cost reduction, process improvements and improved customer services to mitigate the growing cost pressure.

Because of slow down in the US and increase in the prices of Raw Material i.e. Cotton and Synthetic Fibre, we do believe that margins in Textile Industry will remain under pressure in the current year. Moreover, appreciation of Rupee which affected last two quarters of 2007-08 far more has reduced competitiveness of Textile Industry. In view of the fact that India has large Export Oriented Textile Industry any perceptible slow down in world market may have an adverse impact on the prices in domestic market.

Notwithstanding these pressures, country and the Government will be increasingly concerned about potential of employment, the Textile Industry does offer and therefore, in the long run we think that the capacities created now will be fruitful for the group in order to serve the customers better and to have confidence of large buying houses. This may happen in 2–3 years.

F) Human Resources/Industrial Relations:

The Company continues to lay emphasis on building and sustaining an excellent organizational climate based on human performance. Performance management is the key word for the company. During the year the Company employed over 23,350 employees.

Pursuit of proactive policies for industrial relations has resulted in a peaceful and harmonious situation on the shopfloors of the various plants.

3. SUBSIDIARIES:

The Company has following subsidiary companies the details of profitability of which are given below:-

VMT Spinning Company Limited (VMT):

Business of this subsidiary of the Company which is a Joint Venture with Marubeni Corporation and Toho Rayon Company Limited of Japan remained steady. The sales revenue of the Company increased to Rs. 88.96 crore from Rs. 67.87 crore. The net profits of the Company decreased from Rs. 11.39 crore to Rs. 8.55 crore.

Out of the total present paid-up capital of Rs. 20.70 crore, your Company holds 73.33%. The Board of Directors of VMT has recommended a dividend of 9% for the year 2007-2008.

Vardhman Threads Limited (VTL):

The thread undertaking of this 100% subsidiary of your Company has demerged and vested in Vardhman Yarns and Threads Limited with effect from 1.04.2007 pursuant to the Scheme of Arrangement, Reorganisation and Demerger among Vardhman Textiles Limited, Vardhman Threads Limited and Vardhman Yarns and Threads Limited sanctioned by the Hon'ble High Court for the States of Punjab & Haryana vide its Order dated 24.01.2008 (effective from 1.04.08). Now the Company has been left mainly with the business of investments in the shares, etc.

Vardhman Acrylics Limited

Vardhman Acrylics Limited (VAL) in which the company had setup the Acrylic Fibre Project in collaboration with Marubeni Corporation and Japan Exlan Company Limited of Japan, had ceased to be a subsidiary of the company in 2003. This Company has again become the subsidiary of the company in February, 2008, pursuant to the purchase by the Company of the equity stake of the Joint Venture partners namely Marubeni Corporation and Japan Exlan Company Limited. As a result, VAL has ceased to be a Joint Venture Company. Presently the Company holds 54.52% shares in this subsidiary. During the Financial Year 2007-08, VAL recorded a sales volume of Rs. 228.09 crore as against Rs. 213.75 crore, an increase of 6.71% over the previous year. The net profit for the year has been Rs. 5.44 crore as against Rs. 12.03 crore in the previous year.

Vardhman Yarns and Threads Limited (VYTL):

Pursuant to the Scheme of Arrangement, Re-organisation and Demerger among Vardhman Textiles Limited (VTXL), Vardhman Threads Limited (VTL) and Vardhman Yarns & Threads Limited (VYTL) sanctioned by the Hon'ble High Court for the States of Punjab & Haryana vide its Order dated 24.01.2008 (effective from 1.04.08), the Threads Undertaking of Vardhman Threads Limited has been demerged and vested in VYTL with effect from 1.04.2007 and Threads Undertaking of VTXL has vested in VYTL with effect from 1.04.2008.

4. BUSINESS RE-ORGANISATION AND STRATEGIC ALLIANCE:

The Board of Directors of the Company had approved the Scheme of Arrangement, Re-organisation and Demerger among Vardhman Textiles Limited, Vardhman Threads Limited and Vardhman Yarns and Threads Limited and their respective Shareholders & Creditors with the end intent of consolidating the Thread Business of the Company and that of Vardhman Threads Limited, a 100% subsidiary of the Company. The Petition under Section 391-394 of the Companies Act, 1956 had been filed in the High Court for the States of Punjab & Haryana at Chandigarh for approval of the above said Scheme which was finally sanctioned by the Hon'ble High Court vide its order dated 24.01.2008 after complying with the procedure and process of law. The said scheme has become effective from 1.04.08.

In order to strengthen the thread business, the Company has entered into a Joint Venture with American & Efird INC. (A&E) which is the second largest global player in Threads Manufacturing and Distribution with initial partnership of 65:35 with an option with A&E to purchase another 14% of Joint Venture Company i.e. VYTL from the Company within first 5 years.

5. PUBLIC DEPOSITS:

At the end of the year, fixed deposits from the Public were outstanding to the tune of Rs. 1,82,71,000. Out of these deposits, 25 deposits amounting to Rs. 6, 07,000 were due for payment on or before 31st March, 2008 but were not claimed by the depositors. Since then, 2 deposits amounting to Rs. 40, 000 have either been repaid or renewed and for the balance 23 deposits amounting to Rs. 5, 67,000 instructions of the depositors are awaited.

6. DIVIDEND:

The Board of Directors of your Company has recommended dividend @ 40% on the Paid-up Equity Share Capital of the Company.