



VARDHMAN TEXTILES LIMITED



36th Annual Report
2008-2009



The Indian Textile Industry: Facing the New Challenges



Dear Shareholders,

It gives me immense pleasure to share with you, once again, my perception of the global textile business and the Vardhman Group's initiatives on growth and operational excellence. I must confess that this year is unusual for the economy and textile business. The global economy has been facing severe recession, what Alan Greenspan, Former Chairman, Federal Reserve Bank of America says is, "once in a century type of phenomenon". The current economic crisis, which started as financial crisis in the US, developed into global economic crisis. The economic crisis has put the global economy under tremendous strain. For the first time in decades, the global economy is expected to shrink in the current year. As a consequence, the entire economic activity is in disarray. The global merchandise trade and the global textile trade are projected to record a decline ranging between 5-10 percent for various products. For instance, the US import of textiles and clothing is already down by about 10% during January-March 09.

The textile industry was on a steady growth path during the last 5 years with record investments in production capacity especially in the emerging economies like India, China, Bangladesh, Vietnam etc. As a result, the textile industry is today facing substantial excess supply situation with volume and prices under pressure. Under such circumstances, it is natural that profit margins have come under severe squeeze.

The Indian textile industry too is facing unprecedented period of difficulty. The decline in the world trade in the face of scaled up capacities has led to a crisis situation. Besides, the move of the Government of India to increase the Minimum Support Price (MSP) by 40% over previous year has exacerbated the worsening situation of cotton textiles which was further aggravated by the export incentive on raw cotton. The financial stress caused due to these developments is likely to be reflected in the declining health of the textile industry in the country.

Vardhman Group is responding to the growing challenge to textile business with strong resolve to maintain volume and growth. The current industry scenario is a tough learning period to be nimble and responsive to the changing market dynamics. The company has undertaken strong initiatives to review systems and processes with the objective of improving productivity and strategic cost management to mitigate the impact of the worst ever crisis in the Indian Textile Business. I am pleased to mention here that the new Vardhman Yarns plant at Satlapur has achieved full capacity utilization and the final phase of expanding capacity by additional 60,000 spindles is going on. The Vardhman Fabric plant at Budhni has started production and is progressively moving towards better capacity utilization. I believe that with strong determination and whole hearted support of our employees and the timely management initiatives towards cost optimization, the Group will emerge triumphant through the current turbulent times. As the economic situation improves, we should be prepared to take full advantage of the good fortunes.

With best wishes,

A handwritten signature in black ink, appearing to be 'PO' or similar initials.

(SHRI PAUL OSWAL)
Chairman & Managing Director

Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)



BOARD OF DIRECTORS

SH. SHRI PAUL OSWAL — Chairman & Managing Director
 SMT. AMITA NARAIN — (Nominee of IDBI)
 SH. ARUN KUMAR PURWAR
 SH. PRAFULL ANUBHAI
 SH. SUBASH KHANCHAND BIJLANI
 DR. TRILOKI NATH KAPOOR
 SH. ASHOK KUMAR KUNDRA
 SH. DARSHAN LAL SHARMA
 SH. SACHIT JAIN — Executive Director

CGM (FINANCE, ACCOUNTS & TAXATION)

SH. RAJEEV THAPAR

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, UNION BANK OF INDIA
 CANARA BANK, STANDARD CHARTERED BANK
 BANQUE NATIONALE DE PARIS

REGISTRAR & TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED, NEW DELHI

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Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)

REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.

Phones : (0161) 2228943-48

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

VARDHMAN FABRICS
(POWER DIVISION),
BUDHNI

VARDHMAN YARNS
(POWER DIVISION),
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- 638 604.

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NOTICE

NOTICE is hereby given that the THIRTY SIXTH ANNUAL GENERAL MEETING of Vardhman Textiles Limited will be held on Saturday, the 25th day of July, 2009 at 12.00 noon 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, 2009, 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 Mr. A. K. Kundra in place of Dr. T.N. Kapoor, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company but has expressed his un-willingness for re-appointment.
b). To appoint a Director in place of Mr. S.K. Bijlani, 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 2009-2010 and to fix their remuneration.

BY ORDER OF THE BOARD

(VIPIN GUPTA)

COMPANY SECRETARY

PLACE : NEW DELHI

DATED : 7th May, 2009

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 appointment/re-appointment in the Annual General Meeting as proposed in Item No.3 (a) and Item No. 3 (b) 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 11th July, 2009 to 25th July, 2009 (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 before 11th July, 2009. 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 10th day of July, 2009 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. 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 Registrar and Transfer Agent.



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

Name of the Director	Mr. S. K. Bijlani	Mr. A. K. Kundra
Date of Birth	06.09.1942	15.04.1943
Date of Appointment	30.03.2005	28.01.2009
Expertise in specific functional area	Industrial & Business experience of more than 30 years in Finance.	Retired from Indian Administrative Services and having expertise in Industrial Policy/Industrial Administration and Planning.
Qualification	B. Tech., PGDC In Mgt & Finance.	M.A. Eco., Ph.D
Directorships of Other Companies as on 31st March, 2009	<ol style="list-style-type: none"> 1. Magnus Consulting Private Limited. 2. Punjab Information and Communication Technology Corporation Limited. 3. Max India Limited 	<ol style="list-style-type: none"> 1. GAIL India Limited 2. Punjab Alkalies & Chemicals Limited 3. Geojit Credits Private Limited 4. Central Mine Planning & Design Institute Limited
Chairman/Member of Committees of other Companies as on 31st March, 2009		<p>Audit Committee</p> <ol style="list-style-type: none"> 1. GAIL India Limited (Chairman) 2. Geojit Credits Private Limited (Member) <p>Shareholders'/Investors' Grievance Committee</p> <ol style="list-style-type: none"> 1. GAIL India Limited (Member)
No. of shares held	NIL	NIL
Relationship with other Director(s)	Not related to any other Director	Not related to any other Director

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DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 36th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended, 31st March, 2009.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

PARTICULARS	(Rs. in Crore)	
	2008-2009	2007-2008
Turnover	2,495.38	2,346.36
Profit before Depreciation, Interest & Tax (PBDIT)	371.37	377.54
Interest and Financial expenses	102.34	54.00
Profit before Depreciation and Tax (PBDT)	269.03	323.54
Depreciation	207.32	154.56
Profit before Tax (PBT)	61.71	168.98
Provision for Tax		
- Current	0.17	0.19
- Fringe Benefit Tax	0.91	1.35
- Deferred Tax (Net of Adjustment)	33.28	44.90
Profit after Tax (PAT) from continuing operations	27.35	122.54
Profit on sale of discontinued operations (Net of taxes)	113.42	—
Add: Debenture Redemption Reserve	—	10.00
Corporate Dividend Tax written back	1.25	—
Balance brought forward	57.34	51.84
Balance available for appropriation	199.36	184.38
Appropriations:		
Proposed Dividend on:		
- Equity shares	11.55	23.11
Corporate Dividend Tax	1.96	3.93
	13.51	27.04
Transfer to General Reserve	125.00	100.00
Surplus carried to Balance Sheet	60.85	57.34
	199.36	184.38
Earnings per share (Rs.)		
- Basic	24.37	21.21
- Diluted	18.48	13.58
Dividend per share (Rs.)	2.00	4.00

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A) Textile Business:

The global economy is passing through severe economic recession. The recession started from the USA in the last quarter of 2007 from the financial crisis in the US housing sector, which developed into global economic crisis. As a consequence, the global textile industry has been passing through turbulent times - not seen in the past in terms of the magnitude and the spread of the crisis as well as the duration of crisis with no ending foreseen in the immediate future. The international trade in textiles and clothing reached to \$583 bn in 2007, which is expected to decline by \$20-25bn in 2008. The decline may accelerate during the year 2009 with recovery projected far away.

Obviously, this does not augur well for the textile industry.

Being export oriented, Indian textile industry, which derives growth from the export markets in USA and EU, has suffered a lot during the current economic slowdown. The Indian textile industry exports about 40% of its output. Of this, about 60% is destined to USA and EU markets. A steep reduction in the demand of textile and clothing products in major importing economies has resulted into decreased imports, which in turn has depressed textile exports from India. It is estimated that the textile and clothing exports from India may decline, first time in many years, in the current financial year after growing by more than 15% during last 5 years. The decline in the US textile and clothing imports indicates that recovery is still far away.



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and may take a longer time to recover than anticipated.

As per the industry estimates, the textile exports from India may decline by 10-15% from \$22 bn in 2007-08 to about \$20 bn in financial year 2008-09, although countries like China, Bangladesh and Vietnam are expected to record growth in their textile exports. It is evident that the Indian textile exports can only grow with further strengthening of our competitiveness in the global market. The next level of competitiveness in the textile market hinges more on Government policies than on operations of the textile industry. For instance, steep rise in MSP of cotton and incentives on export of raw cotton have seriously impacted the working of the textile industry. However, piecemeal efforts like increase in drawback rates, which are still lower than pre-Sept. 2008 level, and easy export finance have been initiated by the Government. We feel that the textile industry needs an integrated development approach for growth in the coming years.

During the last four years, the Indian textile industry has attracted huge investments. As a result, the capacity in the entire textile chain has expanded beyond the requirements of the current demand. In the context of declining economic activities, even the domestic market is not able to absorb the surplus generated from reduced exports. It is tough time for the industry with leading firms reporting financial strains. The crisis has clearly shown the weaknesses in the Indian textile industry compared to competing textile economies. The industry, therefore, has to strengthen its competitiveness to realize the Vision of \$50bn textile exports set out in the National Textile Policy 2000.

The Vardhman Group is fully sensitive to the growing challenges of textile business and we have strong resolve to grow through present difficult period. We are using the present difficult time as a learning period to identify areas of improvement by fine tuning systems, strengthening processes and building on areas of strength i.e. superior quality, reliable delivery and economies of scales. The final phase of expansion of Vardhman Yarns at Satlapur, Madhya Pradesh is underway. The plant is operating with 1.71 lac spindles, which will grow to 2.33 lac spindles with the current expansion. Vardhman Fabrics plant at Budhni, Madhya Pradesh has achieved full installation and is progressively moving towards better capacity utilization. With 8 million spindles and large and distributed yarn dyeing capacity, 900 shuttleless looms and fabric processing capacity of 90 mn meter to serve the international and domestic market, the Group is fully poised to capture the emerging opportunities in the global textile markets.

B) Steel Business

Our steel business is dependant on demand for auto and other related users. Unfortunately, the demand in these sectors in the last two quarters came down sharply following the global economic meltdown. Though, there have been

sharp reduction in the cost of raw material like scrap and ferro alloys etc., yet the cost of the finished product did not come down in consonance, because of unutilised capacity. Of course, we expect that the stimulus package given by Government of India and expected recovery in International Market from third quarter (as foreseen by several experts) may lead to revival.

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. 2,495.38 crore as compared to Rs. 2,346.36 crore showing an increase of 6.35% over the previous year turnover. The exports of the Company increased from Rs. 450.51 crore to Rs. 627.04 crore, showing an increase of 39.18% 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 98,736 MT to 115,888 MT during 2008-2009. The sales revenue of yarn increased from Rs. 1,115.32 crore to Rs. 1,324.72 crore during the year under review.
- b). **Steel:** During the year, the production of steel ingots/billets has been 53,078 MT as compared to 87,976 MT of the previous year and that of Rolled products has been 51,471 MT compared to 80,901 MT of the previous year. The sales revenue of the division has been Rs. 321.74 crore (Previous Year Rs. 368.40 crore).
- c). **Fabric:** During the year, the production of processed fabric increased from 40.67 million meter to 51.35 million meter, showing an increase of 26.26% over the previous year. The sales revenue of the processed fabric also increased from Rs. 367.80 crore to Rs. 482.17 crore showing an increase of 31.10% over the previous year.

• PROFITABILITY:

The Company earned profit before depreciation, interest and tax of Rs. 371.37 crore as against Rs. 377.54 crore in the previous year. After providing for depreciation of Rs. 207.32 crore, (Previous year Rs.154.56 crore) interest of Rs. 102.34 (Previous year Rs. 54.00 crore), provision for current tax Rs. 0.17 crore (Previous year Rs. 0.19 crore), provision for deferred tax (net of adjustments), Rs. 33.28 crore (Previous year Rs. 44.90 crore), and provision for Fringe Benefit Tax of Rs. 0.91 crore (Previous year Rs. 1.35 crore), the net profit from operations worked out to Rs. 27.35 crore as compared to Rs. 122.54 crore in the previous year. However, after considering the profit on sale of discontinued operations, the net profit after tax of the Company comes to Rs. 140.77 crore.

• RESOURCES UTILISATION:

- a). **Fixed Assets:** The gross fixed assets (including work-in-progress) as at 31st March, 2009 were Rs. 3,414.27 crore as compared to Rs. 3,424.10 crore in the previous year.

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b). Current Assets: Debtors outstanding for more than six months were Rs. 22.87 crore as compared to Rs. 13.88 crore in the previous year. The net current assets as on 31st March, 2009 were Rs. 1,370.30 crore as against Rs. 1,274.24 crore in the previous year. Inventory level was at Rs. 620.10 crore which was less than the previous year level of Rs. 870.36 crore.

• FINANCIAL CONDITIONS & LIQUIDITY:

The Company enjoys a rating of "AA-" and "P1+" from Credit Rating Information Services of India (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)	
	2008-2009	2007-2008
Cash & Cash equivalents:		
Beginning of the year	62.70	216.73
End of the Year	357.21	62.70
Net cash provided (used) by:		
Operating Activities	447.04	4.96
Investing Activities	(125.53)	(780.21)
Financial Activities	(26.99)	621.22

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 organization. All significant issues are brought to the attention of the Audit Committee of the Board.

E) Management perception of Risk & Concern:

1. Management believes that major concern arises from intense competitiveness in the Industry in the International Market due to shrinkage in demand in developed economies attributable to predicted contraction in those economies by 4%-6%.
2. Since export dependence of Textile Industry in India is to the extent of 40% of production, any major drop in exports is likely to adversely affect the prices in domestic market. Besides, it is difficult to foresee any major expansion in textile consumption in domestic economy in view of the expected lower economic growth in the current year.
3. The Govt. policies have a major bearing on the competitiveness. Abnormal increase of 40% in MSP of cotton, given in the year 2008-09 has shocked the industry and unless the domestic prices of cotton are brought in line with international prices with certain advantage to domestic consumers of cotton, the textile industry having advantage of economical cotton will get impaired hence affecting the competitiveness.

Similarly, other policies like indirect fiscal levies by State government or Local Government not being rebated to the exporters is likely to have a negative impact in the current year particularly because country like China has increased tax rebate from 11% to 17% on all textile products.

4. The volatility in Foreign Exchange in the last 6-8 months is a matter of concern. Company's expected export value is Rs. 700 crore in the year 2009-10 and any major fluctuations in this could influence the results. Besides, FCCBs issued by the Company in 2006 have already been marked to market at Rs. 50.75 and we do not expect any major fluctuation which will affect in either way.
5. Since, the Company has expanded the capacities both in Yarn & Fabrics significantly by implementing two projects at new locations in M.P. with a total capital outlay of Rs. 1800 crore, stabilization of operations and full utilization of capacity will be attempted by the management and it is hoped that towards the end of current year both capacities may be fully utilized.
6. Management is striving to cope up with the present crisis with several new initiatives which may include diversification of products, rationalisation of costs and improved efficiencies and a strong customer orientation.

F) Human Resources/Industrial Relations:

The Company continues to lay emphasis on building and sustaining an excellent organization climate based on human performance. Performance management is the key word for the company. During the year the Company employed over 23,000 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 Tenax Company Limited of Japan remained steady. The sales revenue of the Company increased to Rs. 100.98 crore from Rs. 88.96 crore. The net profits of the Company increased from Rs. 8.55 crore to Rs. 15.45 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 45% for the year 2008-2009.

VTL Investments Limited (VTL)

The threads undertaking of this 100% subsidiary of your Company had 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, VTL Investments Limited (Formerly known as Vardhman Threads



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Limited) and Vardhman Yarns and Threads Limited as sanctioned by the Hon'ble High Court for the States of Punjab & Haryana vide its Order dated 24.01.2008. Now the Company is left with the business of financial and investment activities.

Vardhman Acrylics Limited (VAL)

Vardhman Acrylics Limited (VAL) in which the company had ventured the Acrylic Fibre Project in collaboration with Marubeni Corporation and Japan Exlan Company Limited of Japan which had ceased to be a subsidiary of the company in 2003 again became the subsidiary of the company in February, 2008 pursuant to the purchase of the equity stake of the Joint Venture partners namely Marubeni Corporation and Japan Exlan Company Limited by the Company. As a result, VAL had ceased to be a Joint Venture Company. Presently the company holds 54.60% shares in this subsidiary. During the Financial Year 2008-2009, VAL recorded a sales volume of Rs. 253.90 crore as against Rs. 228.09 crore, an increase of 11.32% over the previous year. The net profit for the year has been Rs. 4.23 crore as against Rs. 5.44 crore in the previous year.

Vardhman Yarns & Threads Limited (VYTL)

Pursuant to the Scheme of Arrangement, Reorganisation and Demerger among Vardhman Textiles Limited (VTXL), VTL Investments Limited (Formerly known as Vardhman Threads Limited) (VTL) and Vardhman Yarns and Threads Limited (VYTL) as sanctioned by the Hon'ble High Court for the States of Punjab & Haryana vide its Order dated 24.01.2008 (effective from 01.04.08), the threads undertaking of Vardhman Threads Limited had been demerged and vested in VYTL with effect from 01.04.2007 and threads undertaking of VTXL had vested in VYTL with effect from 01.04.2008. The Profit after tax of this Company has been Rs. 33.69 crores and its Board of Directors has recommended a dividend @ 16% on the paid up equity share capital of the Company.

4. BUSINESS RE-ORGANISATION AND STRATEGIC ALLIANCE:

Pursuant to the Scheme of Arrangement, Re-organization and Demerger among Vardhman Textiles Limited, VTL Investments Limited (Formerly known as Vardhman Threads Limited) and Vardhman Yarns & Threads Limited and their respective Shareholders & Creditors which was duly approved by the Board of Directors and Shareholders of respective Companies and sanctioned by Hon'ble High Court for the States of Punjab and Haryana at Chandigarh under section 393 and 394 vide its order dated 24.01.08 which was duly filed with the Registrar of Companies, the thread business of the Company including Spinning Unit at Hoshiarpur stood vested in Vardhman Yarns & Threads Ltd w.e.f. 01.04.2008. The thread business of VTL Investments Limited (Formerly known as Vardhman Threads Limited), a 100% Subsidiary of the Company also stood vested in Vardhman Yarns & Threads Ltd pursuant to the said scheme.

In order to strengthen the Thread Business, the Company has executed a Joint Venture Agreement with American &

Effird, 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% stake of Joint Venture Company i.e. VYTL from the Company within first 5 years. During the year, A&E has exercised the option also and has acquired additional 14% stake of VYTL from the Company and thus A&E and the Company having stake of 49:51 in VYTL.

5. PUBLIC DEPOSITS:

At the end of the year, fixed deposits from the Public were outstanding to the tune of Rs. 1,02,79,000. Out of these deposits, 16 deposits amounting to Rs. 3,45,000 were due for payment on or before 31st March, 2009 but were not claimed by the depositors. Since then, 3 deposits amounting to Rs. 76,000 have either been repaid or renewed and for the balance 13 deposits amounting to Rs. 2,69,000 instructions of the depositors are awaited.

6. DIVIDEND:

The Board of Directors of your Company has recommended dividend of Rs. 2 per share on the Fully Paid-up Equity Shares of the Company.

7. DIRECTORS:

The nomination of Mr. V.K. Saxena, the nominee of IDBI Ltd. on the Board of the Company, was withdrawn by IDBI Ltd. w.e.f. 08.09.2008 and Ms. Amita Narain was nominated in his place. Mr. S.K. Bansal has resigned from the Board of the Company w.e.f. 28.01.2009. The Board appointed Mr. A.K. Kundra, a retired IAS Officer, on the Board as an Additional Director w.e.f. 28.01.2009 to hold office till the date of forthcoming Annual General Meeting.

Dr. T.N. Kapoor is retiring by rotation at the conclusion of the forthcoming Annual General Meeting, pursuant to the provisions of Article 108 of the Articles of Association of the Company. However, he has expressed his unwillingness to be re-appointed at the forthcoming Annual General Meeting. The Board placed on record its appreciation for the services rendered by Dr. T.N. Kapoor during his long tenure of about 34 years on the Board of the Company. The Company has received a notice from one of the members of the Company under Section 257 of the Companies Act, 1956 together with the requisite deposit, proposing the candidature of Mr. A. K. Kundra for appointment as director of the Company in place of Dr. T.N. Kapoor.

Mr. S.K. Bijlani, Director of the Company, also retires by rotation at the conclusion of the forthcoming Annual General Meeting, pursuant to the provisions of Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment. The Board recommends his appointment for the consideration of the members of the Company at the forthcoming Annual General Meeting.

8. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is