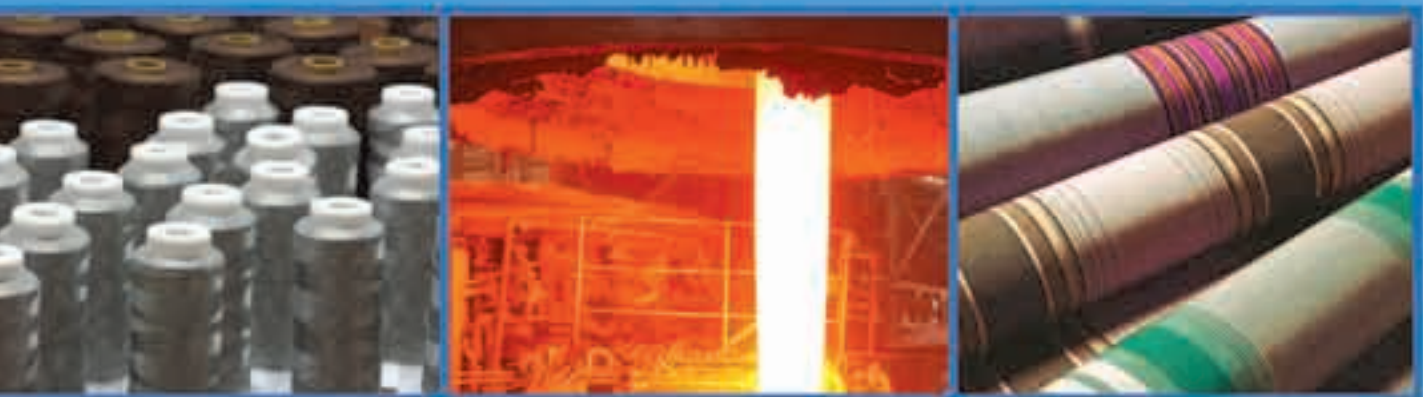




# **VARDHMAN TEXTILES LIMITED**

## **37<sup>th</sup> Annual Report 2009-2010**



# The Indian Textile Industry: Facing the New Challenges



Dear Shareholders,

The year 2009-10 undoubtedly was a tough year but there was respite compared to the preceding year. After the gloom of 2008-09, when the world economy slumped into an abyss, then came hope and optimism as the current year rolled out. The inventory levels which had gone very low as a result of reduced buying by the retailers faced with economic uncertainties needed to be replenished as soon as they could find the off take at the retail improving and the confidence was returning.

The world trade in textile and clothing in the year also witnessed a decline over 2007- 08. But in the later part of the year, the exports looked up and capacity utilization in the Industry improved considerably. The stimulus package of Govt. of India in the form of subventions in the interest rates of the order of 2% on exports and extension of DEPB benefit on yarn definitely helped the Industry to tide over the difficult year. The depreciation of Indian Rupee also supported the export of Textiles including yarn. Offcourse towards the end of 2009-10 rupee tended to appreciate against dollar to some extent.

Overall the year 2009-10 has shown a considerable improvement in the Indian Textiles because of robust domestic demand and better export orders. Indian economy definitely was more insulated from the effects of world recession partly due to domestic demand and partly the timely policy changes brought in by the Government in the year 2008-09 like reduction in excise duty and lowering of interest rates.

Fortunately, India has achieved a good break through in cotton production. In both the years 2008 and 2009, the production was more than the consumption in the country. Though the prices in the year 2009 tended to increase due to uncontrolled exports causing imbalance in the demand and supply, yet the situation improved as soon as the new crop started picking up towards October-November, 2009. However, it is important that Govt. may regulate the export of cotton in a way that lends stability in domestic prices of cotton because the surplus that we have is just about 15% of the production-while we have around us, countries like China, Pakistan, Bangladesh who depend upon imports to a considerable extent.

The year 2010-11 started with a great degree of optimism. The demand for yarn is strong leading to rise in prices. Though the international cotton prices have also firmed up considerably due to lower estimate of production in the year 2010-11, causing therefore a reduction in carryover stock by more than 1.5 million tons of cotton, there has been commensurate increase in the yarn prices because of good demand. It is expected that Industry should pass through the year with restored margins which were impaired in the year 2008-09.

Steel Division has also picked up its production after reduced activity in the year 2008- 09. Automobile Industry is facing boom like condition in the country and demand of alloy steels has picked up. We expect the conditions to continue throughout the year.

With best wishes,



(SHRI PAUL OSWAL)  
Chairman & Managing Director



*The Chairman & Managing Director, Mr. S. P. Oswal receiving the Prestigious 'Padma Bhushan' Award, from Hon'ble Mrs. Pratibha Patil, the President of India, conferred on him by the Government for his incredible contribution to the Trade and Industry, at a ceremony held at Rashtrapati Bhavan on 31st March, 2010.*

## 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*

*SH. ASHOK KUMAR KUNDRA*

*SH. DARSHAN LAL SHARMA*

*SH. SHRAVAN TALWAR*

*SH. SACHIT JAIN — Executive Director*

*SMT. SUCHITA JAIN — Executive Director*

*SH. NEERAJ 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*

## REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.

Phones : (0161) 2228943-48

Fax : (0161) 2601048 & 2602710.

E-mail: [secretarial.lud@vardhman.com](mailto:secretarial.lud@vardhman.com)

Web site: [www.vardhman.com](http://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.

## CONTENTS

<i>Notice .....</i>	<i>5-11</i>
<i>Directors' Report .....</i>	<i>12-19</i>
<i>Corporate Governance Report .....</i>	<i>20-26</i>
<i>Auditors' Report .....</i>	<i>27-29</i>
<i>Balance Sheet .....</i>	<i>30</i>
<i>Profit &amp; Loss Account .....</i>	<i>31</i>
<i>Cash Flow Statement .....</i>	<i>32</i>
<i>Schedules to Accounts .....</i>	<i>33-56</i>
<i>Auditors' Report on Consolidated Financial Statements .....</i>	<i>57</i>
<i>Consolidated Balance Sheet .....</i>	<i>58</i>
<i>Consolidated Profit &amp; Loss Account .....</i>	<i>59</i>
<i>Consolidated Cash Flow Statement .....</i>	<i>60</i>
<i>Consolidated Schedules to Accounts .....</i>	<i>61-75</i>
<i>Statement under Section 212 of the Companies Act, 1956 .....</i>	<i>76-77</i>
<i>SUBSIDIARY</i>	
<i>VARDHMAN TEXTGARMENTS LIMITED</i>	
<i>Directors' Report .....</i>	<i>78</i>
<i>Auditors' Report .....</i>	<i>79-81</i>
<i>Balance Sheet .....</i>	<i>82</i>
<i>Profit &amp; Loss Account .....</i>	<i>83</i>
<i>Cash Flow Statement .....</i>	<i>84</i>
<i>Schedules to Accounts .....</i>	<i>85-90</i>

## NOTICE

NOTICE is hereby given that the THIRTY SEVENTH ANNUAL GENERAL MEETING of Vardhman Textiles Limited will be held on Saturday, the 17<sup>th</sup> day of July, 2010 at 10.00 a.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 31<sup>st</sup> March, 2010, 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. A. K. Purwar, 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. D. L. Sharma, 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 2010-2011 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 Mrs. Suchita Jain, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to 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 Mr. Shravan Talwar, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to 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 Mr. Neeraj Jain, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to 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, Mr. S.P. Oswal, be and is hereby re-appointed as the Chairman & Managing Director of the Company for a period of five years w.e.f. 1st June, 2010 to 31<sup>st</sup> May, 2015 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	In the scale of Rs. 3,37,500 - 7,500 - 3,67,500 per month.
II.	Commission	Equal to 2% of net profit calculated as per Section 349 of the Companies Act, 1956 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 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 Re-imbursement	Re-imbursement 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)	Car & 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.
g)	Provident Fund & other funds	Contribution to provident fund, superannuation fund or annuity

- h) 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.

**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 Mr. S.P. Oswal.

RESOLVED FURTHER THAT Mr. D.L. Sharma, Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. S.P. 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, Mrs. Suchita Jain, be and is hereby appointed as an Executive Director of the Company for a period of five years w.e.f. 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2015 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,25,000 - 7,500 - 1,55,000 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.	Special Allowance	Special allowance @ 30,000 per month.
IV.	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	House Rent Allowance equal to 40% of basic salary.
b)	Medical Re-imbursement	Re-imbursement 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) Car & 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.
- g) 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.
- h) 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.

**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 Mrs. Suchita Jain.

RESOLVED FURTHER THAT Mr. D.L. Sharma, Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mrs. 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, Mr. Sachit Jain, be and is hereby re-appointed as an Executive Director of the Company for a period of five years w.e.f. 30<sup>th</sup> March,

# Vardhman Textiles Limited

(Formerly known as Mahavir Spinning Mills Limited)



2010 to 29<sup>th</sup> March, 2015 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,75,000 – 12,500 – 2,25,000 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	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary 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 Re-imbursement	Re-imbursement 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)	Car & 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.
g)	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.

h)	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.
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**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 Mr. Sachit Jain.

RESOLVED FURTHER THAT Mr. D.L. Sharma, Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. Sachit Jain."

9. 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, Mr. Neeraj Jain, be and is hereby appointed as an Executive Director of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2013 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of Rs. 1,03,000 – Rs. 7500 – Rs. 1,18,000 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.	Special Allowance	Special allowance @ Rs. 27,150 per month.
IV.	Other Allowances	Other allowances @ Rs. 7500 per month
V.	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                      | House Rent Allowance equal to 40% of basic salary.  |
| b) | Medical Re-imbursement       | Re-imbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a maximum of Rs. 30,000 p.a.   |
| 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 subject to a maximum of Rs. 40,000 p.a.  |
| d) | Car                          | Free use of Company's car for official work as well as for personal purposes along with Driver.   |
| e) | 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. |
| f) | 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.   |

**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 Mr. Neeraj Jain.

RESOLVED FURTHER THAT Mr. Sachit Jain, Executive Director, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. Neeraj Jain".

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

"RESOLVED THAT pursuant to the provisions of Section 309, 310, and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members of the Company be and is hereby given to the enhancement of

the sitting fee payable to the Directors from Rs.10,000/- and Rs. 6,000/- per Meeting to Rs. 15,000/- and Rs. 10,000/- per Meeting for attending the Board Meeting and Committee Meeting respectively."

**BY ORDER OF THE BOARD**

**PLACE : NEW DELHI**

**(VIPIN GUPTA)**

**DATED : 7th May, 2010**

**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 appointment/re-appointment in the Annual General Meeting as proposed in Item No. 3, 5 (a),(b),(c), 6, 7, 8 and 9 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 July, 2010 to 17th July, 2010.**
4. 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.
5. 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.
6. 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.
7. Members are requested to bring their copy of Annual report along with them to the Annual General Meeting.
8. 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 : NEW DELHI**

**(VIPIN GUPTA)**

**DATED : 7th May, 2010**

**COMPANY SECRETARY**