



39th Annual Report 2011-12



VARDHMAN TEXTILES LIMITED

Emerging Trends in Indian Textile Industry



Dear Shareholders,

I am pleased to share with you my views on the changing trends witnessed in the global textile business and the approach and efforts being made in Vardhman to re-orient and adapt to the emerging trends and opportunities.

The Indian economy has shown more sluggishness, of late, than was expected earlier. But we are hopeful that new initiatives likely to be taken by the Government of India to bolster growth and attract investment will again have encouraging results. However, hope of global recovery after 2008 recession has faded somewhat due to the Euro zone debt crisis. It seems as if it will take some more time before the developed economies will show a stronger growth.

Due to the lower than average growth in these years, the consumption of fibre in the world has not increased. The cotton consumption expected to come down in the years 2011-12 compared to 2010-11. This is attributable to poor offtake in large consumption economies like US and Europe. US import data clearly discloses the decline in imports in the year 2011 and trend remains continued even for the few months of 2012. Europe also has shown decline in the imports, hit by crisis in many countries like Spain, Greece, Portugal, Ireland etc. All together I can only predict there will be unrelenting pressure on the margins in the Industry.

But at the same time there are some developments which presage for Indian Textile Industry a ray of hope for improvement in the time to come. Intra Asia trade in textiles (excluding clothing) has shown a good growth in the year 2010. This demonstrates that few Asian economies are dependent upon imports of textiles for their exports of clothing and for their domestic consumption. Bangladesh and Vietnam have increased their imports of textiles during the last 7 years manifold. It seems as if China is also looking for larger imports of textiles which may be cheaper to what they can produce while it is planning to move its own textile industry towards high value chain.

Vardhman group keeps reviewing its strategy in the light of the changes. We also adapt to changing requirements of customers by realigning our product mix and skill set. India exports 40% of its textile, so we have to be alive to what happens in the rest of world and keep making efforts to learn, adapt and improve with a spirit to create a cutting edge in competitiveness.

With best wishes,



(SHRI PAUL OSWAL)
Chairman & Managing Director

BOARD OF DIRECTORS

MR. SHRI PAUL OSWAL — Chairman & Managing Director
 MR. S. PADMANABHAN — (Nominee of IDBI)
 MR. ARUN KUMAR PURWAR
 MR. PRAFULL ANUBHAI
 DR. SUBASH KHANCHAND BIJLANI
 MR. ASHOK KUMAR KUNDRA
 MR. DARSHAN LAL SHARMA
 MR. SHRAVAN TALWAR
 MRS. SUCHITA JAIN — Executive Director
 MR. SACHIT JAIN — Executive Director
 MR. NEERAJ JAIN — Executive Director

CGM (FINANCE, ACCOUNTS & TAXATION)

MR. RAJEEV THAPAR

COMPANY SECRETARY

MS. KARAN KAMAL WALIA

AUDITORS

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

BANKERS

STATE BANK OF PATIALA, ALLAHABAD BANK
 ICICI BANK LIMITED, PUNJAB NATIONAL BANK
 STATE BANK OF INDIA, BANK OF INDIA
 CORPORATION BANK, IDBI BANK LIMITED
 CANARA BANK, STANDARD CHARTERED BANK
 STATE BANK OF HYDERABAD, STATE BANK OF MYSORE
 AXIS BANK LIMITED, EXIM BANK
 ORIENTAL BANK OF COMMERCE

REGISTRAR & TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED, NEW DELHI

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NOTICE

Notice is hereby given that the THIRTY NINTH ANNUAL GENERAL MEETING of Vardhman Textiles Limited will be held on Saturday, the 1st day of September, 2012 at 5.00 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, 2012, Statement of Profit and Loss 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 Mrs. Suchita Jain, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers herself for re-appointment.
 - b) To appoint a Director in place of Dr. 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.
 - c) To appoint a Director in place of Mr. Shravan Talwar, 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 2012-2013 and to fix their remuneration.

BY ORDER OF THE BOARD

PLACE : GURGAON
DATED : 9th May, 2012

(SACHIT JAIN)
EXECUTIVE DIRECTOR

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 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 20th August, 2012 to 1st September, 2012 (Both days inclusive).**
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 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.
8. The Ministry of Corporate Affairs ("MCA") has vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011, respectively, taken a 'Green Initiative in Corporate Governance', by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other notice/documents, henceforth in electronic form in lieu of the paper form.

In case you wish to support your Company's concern to prevent global environment degradation, you are requested to register your E-mail ID with your DP, if you hold the Company's shares in electronic form, under intimation to the Registrar & Transfer Agent through your registered E-mail ID. However, if you hold the shares in physical form, then you may register your E-mail ID with Registrar & Transfer Agent of the Company by sending a letter under your Registered signature at the below mentioned address.

M/s Alankit Assignments Limited,
2E/21, Alankit House, Jhandewalan Extension,
New Delhi-110 055
Phone: (011) 41540060-63,
Fax: (011) 41540064,
E-mail: rta@alankit.com

BY ORDER OF THE BOARD

PLACE : GURGAON
DATED : 9th May, 2012

(SACHIT JAIN)
EXECUTIVE DIRECTOR

REGISTERED & CORPORATE OFFICE

CHANDIGARH ROAD, LUDHIANA-141 010.

Phones : (0161) 2228943-48

Fax : (0161) 2601048, 6701435 & 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 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.
- 377-B, Muthuswami Industrial
Complex, Palladam Road, TIRUPUR- 638 604.
- 1st Floor, Palm Court,
Opp. Management Development Institute,
MG Road, Sector - 16,
GURGAON - 122 001.

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	Mrs. Suchita Jain	Dr. S.K. Bijlani	Mr. Shravan Talwar
Date of Birth	20.03.1968	06.09.1942	17.04.1970
Date of Appointment	29.01.2010	30.03.2005	29.01.2010
Expertise in specific functional area	Rich experience of more than 19 years in Textile Industry.	Industrial & Business experience of more than 33 years.	Business Executive having rich experience of more than 12 years in the field of Strategic Planning, marketing and Restructuring of Business Operations.
Qualification	M.Com	B.Tech, PGDC in Mgt & Finance.	B.A. (Computational and Applied Maths and Economics), M.B.A.
Directorships of Other Companies as on 31 st March, 2012	<ol style="list-style-type: none"> 1. Syracuse Investment & Trading Company (P) Limited 2. Srestha Holdings Limited 3. Anklesh Investments (P) Limited 4. Pradeep Mercantile Company (P) Limited 5. Plaza Trading Company (P) Limited 6. Marshall Investment & Trading Company (P) Limited 7. Santon Finance & Investment Company Limited 8. Flamingo Finance & Investment Company Limited 9. Ramaniya Finance & Investment Company Limited 10. Vardhman Spinning and General Mills Limited 11. Vardhman Holding Limited 12. Vardhman Special Steels Limited 	<ol style="list-style-type: none"> 1. Magnus Consulting (P) Limited 2. Punjab Information and Communication Technology Corporation Limited 3. Max India Limited 	<ol style="list-style-type: none"> 1. Moolchand Healthcare (P) Limited 2. Destiny Health (P) Limited 3. Moolchand Healthcare Foundation
Chairman/ Member of Committees of Other Companies as on 31 st March, 2012	Investor's Grievance Committee: <ol style="list-style-type: none"> 1. Vardhman Special Steels Limited (Member) 		
No. of shares held	2,61,334	NIL	NIL
Relationship with other Director(s)	Mr. S.P. Oswal is the Father and Mr. Sachit Jain is the husband of Mrs. Suchita Jain.	Not related to any Director	Not related to any Director

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 39th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended, 31st March, 2012.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

PARTICULARS	2011-2012	(₹ in Crore) 2010-2011
Revenue from operations	3,918.00	3,606.81
Profit before Depreciation, Interest & Tax (PBDIT)	553.36	944.45
Interest and Financial expenses	173.22	109.81
Profit before Depreciation and Tax (PBDT)	380.13	834.64
Depreciation	234.67	226.02
Profit before Tax (PBT)	145.46	608.61
Provision for Tax - Current (Including tax adjustment of previous year)	29.75	112.21
- Deferred Tax (Net of Adjustment)	6.04	5.07
Tax effect (Premium on redemption of FCCBs)	-	10.09
Tax expense of discontinuing operations	-	11.54
Profit after Tax (PAT)	109.67	469.70
Corporate Dividend Tax written back	1.38	1.23
Balance brought forward	243.88	131.36
Adjustment of preceding years tax effect in respect of premium paid on redemption of FCCB	-	(25.12)
Balance available for appropriation	354.94	577.17
Appropriations:		
Proposed dividend on:		
-Equity shares	28.64	28.64
-Corporate Dividend Tax	4.65	4.65
Transfer to General Reserve	150.00	300.00
Closing Balance of Surplus i.e. Balance in Statement of Profit & Loss	306.64	243.89
Earning per share (₹)		
- Basic	17.23	78.06
- Diluted	17.23	78.06
Dividend per share (₹)	4.50	4.50

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A) BUSINESS REVIEW:

Economic Outlook

The global economy is struggling for revival of growth after experiencing weak performance in the second half of 2011 and first quarter of 2012. However, there are serious downsides risks emanating from the uncertainties in economic policies prescribed by EU and restrained fiscal expansionary policies by USA. The short fall in global demand attributed by tough economic conditions in developed countries has not been compensated by surge in domestic demand in emerging economies.

In such situation, the global economy is projected to grow at 3.5% in 2012 and 4.1% in 2013. In developed

countries block, USA is projected to record 2% economic growth followed by 2.4% in 2013 whereas, EU may experience a mild recession in 2012 and output may shrink by 0.3% before growing by less than 1% in the following year. The emerging and developing economies are also expected to experience lower growth of 5.7% in 2012 against 6.2% in 2011 and may grow by 6% in 2013. China is projected to grow by 8.2% in 2012, which is lower as compared to years 2010 and 2011. India is also projected to grow by 6% and about 7% in 2012 and 2013 respectively. However, this growth projection is not unconditional. It is subject to major disruptions in world financial markets especially in EU, which can spill over to developing countries banking system also because of high leveraged banks and greater cross border exposure of banking system.

In addition to global pressures on Indian economic performance, structural problems related to infrastructure, lower productivity levels and lack of policy reforms are other major concern areas. Moreover, higher inflationary pressures are also resulting in tighter monetary policies thereby restricting the industrial growth in India.

Cotton

The global cotton price which is largely a function of global demand and supply of cotton has been influenced by factors other than actual user demand and overall supply of cotton in 2011-12. The Chinese policy of accumulating cotton for strategic reserves and occasional policy decisions of Indian Government in relation to export of cotton has caused much volatility in cotton prices. The Cotlook Index -A for the year 2011-12 was 102 US cents /lbs in comparison to 164 US cents/lbs in 2010-11.

The global cotton production is estimated at 27.16 million tons in 2011-12, which is expected to decline to 24.9 million tons in 2012-13 due to lower area under cotton cultivation in sync with moderation in global cotton prices to an extent. The global mill consumption of cotton is estimated at 22.7 million tons in 2011-12 and is projected to grow moderately in 2012-13.

Yarn

Financial year 2011-12 was a year rampant with nervousness and unpredictability, which was not a conducive environment for business. The ban on the exports of cotton yarn in January, 2011 seriously impacted the industry and there was accumulation of inventory till end of March, 2011. The Government announced its new policy on export of Cotton Yarn in first week of April, 2011 and yarn export was brought under Open General Licence. As a result, the yarn prices moved in a wide range for the first half of the year. Most of the textile mills, particularly which are predominantly spinning, suffered losses including losses incurred by the writing down of the stock of cotton and yarn held by the end of June, 2011. However, it was only in the second half that things showed some signs of stabilization.

All India yarn production was lower by an estimated 15% due to (i) Power crisis in the South (ii) Huge inventory losses as referred above resulting in severe shortage of working capital availability to some companies (iii) Acute labour shortage across India (iv) Sharp fall in yarn prices as compared to last year propelling voluntary cut in production.

However, this year production is expected to increase even though margins are expected to be on the lower side only. There is also a noticeable trend of increasing value addition in products. The removal of trade barriers with Bangladesh is yet to show any impact on the Indian Industry.

Overall the year is expected to be more stable due to expectation that cotton will be much less volatile than last year. Growth of the industry will hinge on recovery in the global economy although Indian demand is expected to increase at a relatively moderate rate.

Company's Future Outlook

The expansion project of 2nd line of fabric processing in Budhni plant is expected to be completed by July end and ramp up of the capacity will continue for every subsequent month. It is expected that during 4th quarter, the Company will get full benefit of the expansion. Also, the weaving project of 200 looms shall see partial commissioning starting from August, 2012.

The depreciation of the rupee should help in absorbing the rising cost of power and labour to keep the industry competitive.

B) FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

• Production & Sales Review:

During the year under review, your Company has registered Revenue from Operations of ₹ 3,918.00 crore as compared to ₹ 3,606.81 crore showing an increase of 8.63% over previous year. The exports of the Company increased from ₹1,218.26 crore to ₹1,603.08 crore, showing an increase of 31.59% over the previous year owing to enhanced production and better product/market penetration. The business wise performance is as under:-

a). Yarn:

The production of Yarn increased from 130,858 MT to 138,046 MT during the year 2011-12. The sales revenue of yarn increased from ₹ 2,036.27 crore to ₹ 2,421.77 crore during the year under review.

b). Fabric:

During the year, the production of fabric (grey and processed) was 187.12 million meter as compared to 189.52 million meter in the previous year. The sales revenue of the fabric (grey and processed) increased from ₹1,071.27 crore to ₹1,199.81 crore showing an increase of 11.25% over the previous year.

• Profitability:

The Company earned profit before depreciation, interest and tax of ₹ 553.36 crore as against ₹ 944.45 in the previous year. After providing for depreciation of ₹ 234.67 crore (Previous year ₹ 226.02 crore), interest & finance cost of ₹ 173.22 Crores (Previous Year ₹ 109.81 Crore), provision for tax ₹ 29.75 crore (Previous year ₹ 111.54 crore), provision for deferred tax (net of adjustments) ₹ 6.04 crore (previous year ₹ 5.07 crore), the net profit from operations worked out to ₹ 109.67 crore as compared to ₹ 469.70 crore in the previous year.

• Resources Utilisation:

a). Fixed Assets:

The fixed assets (including work-in-progress) as at 31st March, 2012 were ₹ 2,377.06 crore as compared to ₹ 2,239.75 crore in the previous year.

b). Current Assets:

The current assets as on 31st March, 2012 were ₹ 2,391.28 crore as against ₹ 2,725.08 crore in the previous year. Inventory level was at ₹ 1,315.23 crore as compared to the previous year level of ₹ 1,598.39 crore.

• Financial Conditions & Liquidity:

The Company enjoys a rating of "AA/stable" from Credit Rating Information Services of India (CRISIL) for long term borrowings and "A1+" for 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:-

(₹ in crore)

2011-2012 2010-2011

Cash and Cash equivalents:

Beginning of the year	48.74	222.07
End of the year	58.42	48.74

Net cash provided (used) by:

Operating Activities	930.16	(24.12)
Investing Activities	(503.46)	(327.45)
Financial Activities	(417.02)	182.62
Transfer to VSSL on Demerger	-	(4.38)

C) 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.

D) MANAGEMENT PERCEPTION OF RISK AND CONCERN:

One of the key challenges to the textile industry is related to raw material prices mainly cotton prices which has seen very steep fall in 2011-12 after rising very sharply in the buying season and the same is still volatile creating uncertainties for textile manufacturers.

The second important challenge is rising energy prices which could adversely impact the profitability of textile mills. The third main issue for the textile industry is the non -availability of manpower coupled with high labour cost prevailing in the country.

We are making all efforts to cope up with the challenges through continuous cost reduction, process improvements, imparting training to the workforce on a continued basis, process improvements and improved customer services to mitigate the growing cost pressure.

E) 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 around 26,000 employees.

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

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, Marubeni HongKong and South China Limited and Toho Tenax Limited of Japan slumped due to steep fall in cotton prices during the year. The Revenue from operations of the Company has increased to ₹ 144.51 crore from ₹ 129.17 crore in the last year. The Company incurred a net loss of ₹ 1.87 crores as against a net profit of ₹ 14.66 crore in the previous year. Out of the total present paid-up capital of ₹ 20.70 crore, your Company holds 73.33%. The Board of Directors of VMT has recommended a dividend @ 5% i.e. ₹ 0.50 per equity share for the year 2011-12.

VTL Investments Limited (VTL)

This 100% subsidiary of your Company is engaged with the business of investments in the shares etc. The earnings of the Company mainly comes from the dividend/interest earned on its investments and profits made on sale of investments. During the year, the Company has earned a net profit of ₹1.51 crores.

Vardhman Acrylics Limited (VAL)

Vardhman Acrylics Limited (VAL) is another subsidiary of the Company which is engaged in the business of manufacturing of Acrylic Fibre. Presently the Company holds 58.74% shares in this subsidiary. During the Financial Year 2011-12, VAL recorded Revenue from operations of ₹ 390.14 crore as against ₹ 398.87 crore, a fall of 2.19% over the previous year. The net profit for the year has decreased to ₹ 24.49 crore from ₹ 37.64 crore in the previous year.

Vardhman Yarns & Threads Limited (VYTL)

This subsidiary of the Company, a Joint Venture with American & Efird, Global LLC (A&E), is engaged in the business of manufacturing and distribution of Threads. The Company has a joint venture partnership of 51:49 with A&E, which is the second largest global player in Threads manufacturing and distribution. During the year under review, the Revenue from Operations were ₹ 464.69 crore as against ₹ 427.65 crore in the previous year registering an increase of 8.66%. The Net Profit for the year was ₹39.70 crore as compared to ₹ 49.31 crore during last year. The Board of Directors of this Company has recommended a dividend @ 23% i.e. ₹ 2.30 per equity share for the year 2011-12.

Vardhman Nisshinbo Garments Company Limited (VNGL)

This subsidiary of the Company is a Joint Venture partnership in ratio of 51:49 with Nisshinbo Textiles Inc., Japan for manufacturing world class men's shirts. During the year, the Revenue from Operations of the Company was ₹ 7.43 crore as compared to ₹ 0.01 crore in the previous year. The Company incurred a net loss of ₹ 4.24 crore as against ₹1.99 crore in the previous year as its operations are still stabilizing.

4. DIVIDEND:

The Board of Directors of your Company has recommended dividend of ₹ 4.50 /- per share on the Fully Paid-up Equity Shares of the Company.

5. DIRECTORS:

Mrs. Suchita Jain, Dr. S.K. Bijlani and Mr. Shravan Talwar, Directors of the Company, retire 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, offer themselves for re-appointment. The Board recommended their appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

6. 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 annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement is annexed to the report on Corporate Governance.

7. AUDITORS:

M/s. S.C. Vasudeva & Company, Chartered Accountants, New Delhi, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

8. AUDITORS' REPORT:

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended March 31, 2012. In their report, they have made an observation that loss, if any, on valuation of open derivative options could not be determined by the Company due to certain reasons as specified in Note 36 of the Notes to Financial Statements. The ultimate outcome of these transactions and their effect on these accounts cannot be ascertained at this stage.

As you are aware that a part of revenue of your Company comes from export sales and the Company is also having exposure towards imports and as such Company has foreign currency fluctuation exposure. The Company also hedges its foreign currency fluctuation exposure by way of foreign currency derivative options. The Company has taken various USD/INR options from banks. As at March 31, 2012, there are 10 options (Previous Year 15) against exports and 1 option (Previous Year 5) against Imports having a maturity period up to February, 2016 (Previous Year January 2016). These derivative options are proprietary products of banks which do not have a ready market and are not tradeable in the open market. These options are marked to a model, which is bank specific instead of being marked to market. In view of the significant uncertainty associated with the above derivative options, the ultimate outcome of which depends on future events which are not under the direct control of the Company, the resultant gain/loss if any, on such open derivative options cannot be determined at this