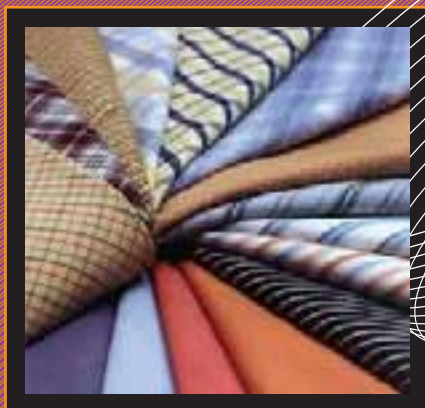




Vardhman Textiles Limited



Outlook of global textile industry: An Indian perspective



Dear Shareholders,

World economy is transitioning into a phase of less volatility and growth revival though sustained world economic growth is still not in sight. Overall financial market conditions have improved but still the monetary easing policy is the key driver of financial market. The easy money policy of Japan and USA signal of withdrawal of quantitative easing measures has seen shift of focus toward these economies away from emerging markets including India. It has created pressure on exchange rates of emerging economies having high current account deficit and fiscal deficit.

The real economy in Asia is also on slower growth path due to China's increased attention for development of domestic market and slower export growth. It is expected that it would translate into lower growth in the export demand for commodity exporting economies in rest of the world. From this, it can be inferred safely that next couple of years are of consolidation and to avoid fallback in recession before the world economy can enter into faster economic growth phase in future.

Indian economy is also expected to grow at a slower rate at 5-6% for next couple of years. It largely depends upon the policy actions of the contemporary government to augment public and private sector investment in infrastructure building, power generation alongside addressing policy bottlenecks hindering capital formation in the country.

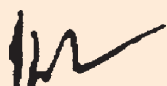
The first 5 months trends of textile and clothing imports of USA indicates a revival after a marginal decline in imports in 2012. USA textile and clothing imports grew by 5% during Jan-May 2013. Bangladesh textile and clothing exports reached \$21.5 bn (June-July 2012) and recorded impressive growth of 12% over last year. India has also posted 12% growth in cotton textile exports but overall exports declined marginally. The rise in India's cotton textile exports can be attributed to declining competitiveness of China in producing cotton yarn, growing exports of cotton fabric from the country and improved performance of home textiles exports.

Looking forward, India's textile material exports including yarns and fabric may continue to grow subject to no significant change in China's cotton reserve policy, difference in domestic cotton price in India and international cotton prices. However, the growing wage cost and power cost are offsetting the contemporary advantage of devalued rupee and is a cause of concern.

The Government of India has formulated an expert group to formulate National Textile Policy, which is expected to look into the issues of global competitiveness of the Indian textile industry including growth in exports. We hope the Group will give some actionable policy inputs to put the textile industry on sustained growth path.

At Vardhman, we continue to watch the global economic developments and policy initiatives being taken by the Government of India to dovetail our strategy to meet the emerging business situation by continuous modernization, de-bottleneck our existing facilities and focusing on more value addition. I think these are times to pause and consolidate before entering in the next phase of growth.

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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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.

NOTICE

Notice is hereby given that the 40th ANNUAL GENERAL MEETING of Vardhman Textiles Limited will be held on Saturday, the 31st day of August, 2013 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, 2013, Statement of Profit and Loss for the year ended on that date, together with Reports of Board of Directors and Auditors 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 2013-2014 and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT in supersession of the earlier resolution passed by the Members in their General Meeting of the Company held on 25th August, 2005 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and all other applicable provisions, if any, consent of the Members be and is hereby accorded to the Board of Directors of the Company to borrow monies together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) upto ₹ 2,200.00 crore (Rupees Twenty Two Hundred crore only) outstanding at any time in excess of the aggregate of its paid-up capital and free reserves."

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. Neeraj Jain, be and is hereby re-appointed as an Executive Director of the Company for a period of three years with effect from 1st April, 2013 to 31st March, 2016 on a remuneration as detailed below:-

S.NO.	REMUNERATION	DETAILS
I.	Basic Salary	Basic Salary will be in the scale of ₹ 1,35,000 – ₹ 12,500 – ₹ 1,60,000 per month.
II.	Commission	Commission equal to 1% of the Net Profit of the Company subject to maximum of 75% of the Annual Basic Salary.

III.	Special Allowance	Special allowance @ ₹40,000 per month.
IV.	Other Allowances	Other allowances @ ₹10,500 per month.
V.	Perquisites	The perquisites shall be allowed in addition to basic salary, special allowance and commission. However, such perquisites shall be restricted to an amount equal to one year's basic salary during each year as per details given below:-
	a) Housing	House Rent Allowance equal to 40% of basic salary.
	b) Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to ceiling of one month's basic salary in a year or three month's basic salary over a period of three 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 subject to a maximum of ₹ 40,000 per annum.
	d) Personal Accident Insurance	Premium not to exceed ₹ 5,000 per annum.
	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.
	g) Car	Free use of Company's car for official work as well as for personal purposes along with Driver.

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

RESOLVED FURTHER THAT the Board of Directors be and are 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."

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

"RESOLVED THAT pursuant to 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 fees payable to the Directors of the Company from ₹ 15000/- and ₹ 10,000/- per Meeting to ₹ 20,000/- and ₹ 15,000/- per Meeting for attending the Board Meeting and Committee Meeting respectively."

BY ORDER OF THE BOARD

PLACE : GURGAON
DATED : 28th May, 2013

(KARAN KAMAL WALIA)
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 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 19th August, 2013 to 31st August, 2013 (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. The Securities and Exchange Board of India has made it mandatory for all Companies to use the bank account details furnished by the Depositories and the bank account details maintained by the Registrar and Transfer Agents for payment of dividend through Electronic Mode to investors wherever bank details are available. In the absence of Electronic Clearing Services (ECS) facilities, the Company will print the bank account details, if available, on the payment instruments for distribution of dividend. The Company will not entertain any direct request from Members holding shares in electronic mode for deletion of/change in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such bank account details are, therefore, requested to advise their Depository Participants about such change, with complete details of bank account.
6. Members desiring any information, as regards Accounts of the Company, 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.
10. The Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars allowing Companies to send official documents to their Members electronically.

In support of the Green Initiative, Your Company proposes to send the documents like Notice calling the Annual General Meeting and Annual Report containing Balance Sheet, Statement of Profit & Loss and Director's Report, etc. and other communications in electronic form.

The Members are requested to support this Green Initiative by registering/updating their e-mail addresses with the Depository Participant (in case of shares held in dematerialised form) or with Registrar & Transfer Agent-Alankit Assignments Limited, New Delhi (in case of shares held in physical form).

BY ORDER OF THE BOARD

PLACE : GURGAON
DATED : 28th May, 2013

(KARAN KAMAL WALIA)
Company Secretary

ANNEXURE TO THE NOTICE

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

ITEM NO. 5 OF THE SPECIAL BUSINESS

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the members in their General Meeting held on 27th August, 2005 had authorised the Board of Directors of the Company to borrow funds upto a limit of ₹ 1,200.00 crore over and above the paid-up capital and free reserves of the Company. Keeping in view of the on-going expansions of the Company and to provide for future requirements, it is proposed to increase the said limit of borrowings of the Company. The Board of Directors in its meeting held on 28th May, 2013, has approved the enhancement of the abovesaid borrowing limits from ₹ 1,200.00 crore to ₹ 2,200.00 crore. This enhancement in borrowing limit is subject to approval of Members of the Company. Accordingly, your approval is solicited for the same.

MEMORANDUM OF INTEREST:

None of the Directors of the Company is interested or concerned in the resolution.

ITEM NO. 6 OF THE SPECIAL BUSINESS

The Board of Directors in its meeting held on 31st March, 2010 had appointed Mr. Neeraj Jain as the Executive Director of the Company w.e.f. 1st April, 2010 for a period of three years. The said term of three years ended on 31st March, 2013. Therefore, the Board of Directors in its meeting held on 7th February, 2013 re-appointed Mr. Neeraj Jain as the Executive Director of the Company for a further period of three years w.e.f. 1st April, 2013. The terms and conditions of the remuneration

are detailed in the resolution. His appointment is subject to the approval of the Members. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST:

None of the Directors of the Company, except Mr. Neeraj Jain, the appointee himself, is interested or concerned in the resolution.

ITEM NO. 7 OF THE SPECIAL BUSINESS

Article 96 of the Articles of Association of your company provides for payment of sitting fee to every director for attending a meeting of the Board or its Committee subject to such maximum fee as may be prescribed by the Central Government from time to time. In terms of Circular No. G. S. R. 580 (E) dated 24.07.2003 issued by the Central Government, your Company can pay a maximum amount of ₹ 20,000/- as sitting fee for each meeting of the Board or its Committee thereof.

Keeping in view, the contribution, participation and valuable guidance of the Directors in the affairs of the Company, the Board of Directors of the Company in its meeting held on 28th May, 2013 had enhanced the sitting fee from ₹ 15,000/- to ₹ 20,000/- per meeting for attending Board meeting and from ₹ 10,000/- to ₹ 15,000/- per meeting for attending the Committee Meeting. This increase in sitting fee of Directors is subject to the consent of the Members in General Meeting. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST:

Except Mr. S.P. Oswal, Chairman & Managing Director, Mr. D.L. Sharma, Director, Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Neeraj Jain, Executive Directors, all other Directors of the Company are concerned or interested in this resolution.

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	Mr. A.K. Purwar	Mr. D.L. Sharma
Date of Birth	14.05.1946	10.11.1948
Date of Appointment	01.06.2007	08.05.1985
Expertise in specific functional area	Eminent Banker having experience of more than 39 years in Banking.	Business Executive having experience of more than 38 years in Textile and Sewing Thread Business.
Qualification	M.Com, PGDCA	B.Sc. (Engg.), M.B.A.
Directorships of Other Companies as on 31st March, 2013	<ol style="list-style-type: none"> 1. Reliance Communications Limited 2. Jindal Steel & Power Limited 3. Apollo Tyres Limited 4. India Infoline Limited 5. Jindal Power Limited 6. C&C Constructions Limited 7. IL&FS Renewable Energy Limited (IREL) 8. Sri Kavery Medical Care (Trichy) Limited 9. PHL Capital Private Limited 10. PHL Finance Private Limited 11. Vardhman Chemtech Limited 12. India Venture Advisors Private Limited 13. Energy Infratech Private Limited 14. ONGC-Tripura Power Co. Private Limited 15. Mizuho Securities India Private Limited 	<ol style="list-style-type: none"> 1. Vardhman Acrylics Limited 2. VTL Investments Limited 3. VMT Spinning Company Limited 4. Vardhman Yarns & Threads Limited 5. Vardhman Nisshinbo Garments Company Limited
Memberships of Committees of Other Companies as on 31st March, 2013	<p>Investor's Grievance Committee:</p> <ol style="list-style-type: none"> 1. Reliance Communications Limited <p>Audit Committee:</p> <ol style="list-style-type: none"> 1. Reliance Communications Limited 2. Jindal Power Limited 3. Sri Kavery Medical Care (Trichy) Limited 4. ONGC Tripura Power Company Private Limited 5. PHL Finance Private Limited 6. PHL Capital Private Limited <p>Remuneration Committee:</p> <ol style="list-style-type: none"> 1. Reliance Communications Limited 2. IL&FS Renewable Energy Limited (IREL) 	<p>Audit Committee:</p> <ol style="list-style-type: none"> 1. Vardhman Acrylics Limited 2. VMT Spinning Company Limited 3. Vardhman Yarns & Threads Limited 4. Vardhman Nisshinbo Garments Company Limited <p>Investor's Grievance Committee:</p> <ol style="list-style-type: none"> 1. Vardhman Acrylics Limited
No. of shares held in Company	NIL	3,319
Relationship with other Director(s)	Not related to any Director	Not related to any Director

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 40th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2013.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under :-

PARTICULARS

	2012-2013	(₹ in Crore) 2011-2012
Revenue from operations (Net)	4,159.71	3,918.00
Profit before Depreciation, Interest & Tax (PBDIT)	883.05	553.35
Interest and Financial expenses	174.35	173.22
Profit before Depreciation and Tax (PBDT)	708.70	380.13
Depreciation	253.86	234.67
Profit before Tax (PBT)	454.84	145.46
Provision for Tax - Current (Including tax adjustment of previous year)	106.82	29.75
- Deferred Tax (Net of Adjustment)	24.29	6.04
Tax adjustment of previous years	-	(0.002)
Profit for the period after tax (PAT)	323.73	109.67
Add: Corporate Dividend Tax written back	1.21	1.38
Balance brought forward	306.64	243.88
Balance available for appropriation	631.58	354.93
Appropriations:		
Proposed dividend on:		
-Equity shares	38.19	28.64
-Corporate Dividend Tax	6.49	4.65
Transfer to General Reserve	35.00	15.00
Closing Balance of surplus i.e. Balance in Statement of Profit & Loss	551.90	306.64
Earnings per share (₹)		
- Basic	50.86	17.23
- Diluted	50.86	17.23
Dividend per share (₹)	6.00	4.50

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A) BUSINESS REVIEW:

Economic Outlook

Global economic outlook has been improving and expected to grow above 3% in 2013 and 4% in 2014, though the growth is not uniform even among the developed countries. For instance, private demand in USA has been growing giving strength to the recovery there but similar indications are missing in EU. USA is estimated to grow by 1.9% in 2013 followed by 3% in 2014 whereas EU may record 0.3% growth in 2013 followed by 1.1% growth in 2014. Growth in Japan is expected to marginally reduce in 2013 and 2014. The driver of the developed countries' growth is mainly monetary easing which needs to be substituted with more fundamental forces to make it sustainable. Success in avoiding euro area breakup and deferment of fiscal contraction helped the world economy to recover some ground in economic growth.

The emerging economies especially in Asia are likely to grow by 7% for next couple of years, which is less than the growth rate achieved in the past. It is mainly due to some slowdown in export sector of the leading economies like China and partially due to the China's efforts to rebalance economy towards domestic and consumption side from exports and investments. It is expected that such a move would strengthen the growth in emerging economies in coming years.

In world trade, the projected higher export growth rates of (6-7%) of emerging economies than developed economies in 2013 and 2014, especially in non fuel categories indicate good scope of manufacturing exports from developing countries. Exports may grow within emerging economies in years to come.

The mean value of different GDP growth estimates of Indian economy shows that Indian economy may grow in the range of 5-6% in financial year 2013-14. The stubborn current account deficit, fiscal deficit and a lacklustre performance of manufacturing sector

especially catering to exports are some factors affecting the business climate and investor confidence in the country adversely. It is expected to take a couple of years before Indian economy can again reach 8 plus GDP growth path though reduction in international oil and commodities prices may lend some respite to manufacturing competitiveness of Indian economy.

Cotton

During 2012-13, the International cotton prices benefited radically from the policies of the Chinese Government. Although the global stock-to-use ratio is forecast at 72% for financial year 2012-13, the highest in over 60 years, it must be borne in mind that a large part of world cotton stocks are in the hands of the Chinese government. Though the future Chinese policies remain unclear, but it does not seem that the reserve cotton will be released in quantities large enough to significantly undermine domestic Chinese prices or international cotton prices.

In 2012-13, global cotton production is estimated at 26.4 million tons, down by 5%, while cotton mill use is expected to rise by 6%. With consumption anticipated at 23.5 million tons, the global stocks at the end of July 2013 are forecast at a record 17.9 million tons, up 19% from the previous year.

In 2013-14, world area under cotton cultivation is likely to drop by 5-6% due to better prices available to farmers against alternative crop. Globally, the cotton production is estimated at around 25.5 million tons against consumption of about 24.5 million tons. The major increase in stock will happen in China whereas the world stock minus China is likely to be reduced.

Cotton Balance sheet – India

The cotton production in India in the current season (October- September) is estimated to be around 34 million bales. The exports of cotton are estimated at 10 million bales as compared to 12.9 million bales in 2011-12. Domestic consumption of cotton increased by 13% as compared to last year. Consequently, the closing stock of cotton is expected to get substantially reduced.

In 2013-14, it is anticipated that the area under cotton cultivation in the country will reduce by around 5% again due to better margins in alternative crops. However, with the forecast of normal and on time monsoons the yield is likely to be better than the year 2012-13.

Yarn

Cotton yarn production in India increased by about

14% during the year 2012-13. Most Indian yarn manufacturers experienced high demand from domestic as well as export market, mainly from China during the financial year 2012-13. Favourable policy environment, improved demand supply position and favourable input costs were some of the other driving factors that led to improvements in margins.

With lower cotton prices, depreciating rupee, slow but steady pick up in domestic demand and continued likely demand of cotton yarn from China, yarn manufacturers expect to maintain their margins in the coming quarters. Also, Foreign Direct Investment in retail is an opportunity that would unleash demand in the long run and offset any slowdown in the spinning sector.

Company's Future Outlook:

In order to cater to its ever increasing customer base, your Company is expanding its existing spinning capacities with installation of additional spindles at Budhni and Satlapur. The projects are expected to commence commercial production during the coming year. An additional 220 looms shall also be commissioned by December 2013. Apart from these expansions, the Company continues to modernize its capacities and go in for line balancing as and when required.

Your Company also continues to lay emphasis on process improvements, diversification of products, rationalization of costs, improving efficiencies and building a strong customer base.

B) FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

• Production & Sales Review:

During the year under review, your Company has registered Revenue from operations (turnover) of ₹ 4,159.71 crore as compared to ₹ 3,918.00 crore showing an increase of 6.17% over previous year. The exports of the Company decreased from ₹ 1,603.08 crore to ₹ 1,599.59 crore showing a decline of 0.22% over the previous year. The business wise performance is as under:-

a). Yarn:

The production of Yarn increased from 138,046 MT to 148,003 MT during the year 2012-13. The sales revenue of yarn increased from ₹ 2,421.77 crore to ₹ 2,523.46 crore during the year under review showing an increase of 4.20%.

b) Fabric:

During the year, the production of fabric (grey and