VARDHMAN TEXTILES LIMITED

ANNUAL REPORT 2014-15





THE JOURNEY AHEAD_

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THE WORLD HATES CHANGE, YET IT IS THE ONLY THING THAT HAS BROUGHT PROGRESS. CHARLES KETTERING

Vardhman Group

emerged as one of the largest integrated textile manufacturing groups in India.

The Group invested in an operating capacity of more than a million spindles (including 7,188 rotors)

The Group emerged as India's second largest producer of sewing threads, leading manufacturer of hand-knitting yarn, one of the leading manufacturerexporters of cotton yarn; leading manufacturer of piece-dyed fabric.

The Group enjoys alliances with global textile giants - American & Efird Global LLC (USA), Marubeni Corporation and Nisshinbo Textile, Inc. (Japan).



65 Global marketing footprint (nations)

The last 50 years have been the most challenging for global business and industry.

The last 50 years have also been consistently enriching for Vardhman Group.



OF ADDITIONAL SPINDLAGE CAPACITY AT VSGM LUDHIANA BY LATE LALA RATTAN CHANE OSWAL, FOUNDER OF

Vardhman Group

Market capitalisation (March 31, 2015) (₹ crore)

Enterprise value (March 31, 2015) (₹ crore)

50

02 OVERVIEW 24 REPORTS 70 FINANCIAL STATEMENTS

02 CHANGE. THE ONLY CONSTANT.

Market capitalisation (March

31, 2015) (₹ crore)

Standalone

3,446.43 5,776.77 5,787.75 5,742.03 Enterprise value (March 31, 2015) (₹ crore)

Capital employed in business (March 31, 2015) (₹ crore)

Net sales from operations (2014-15) (₹ crore)









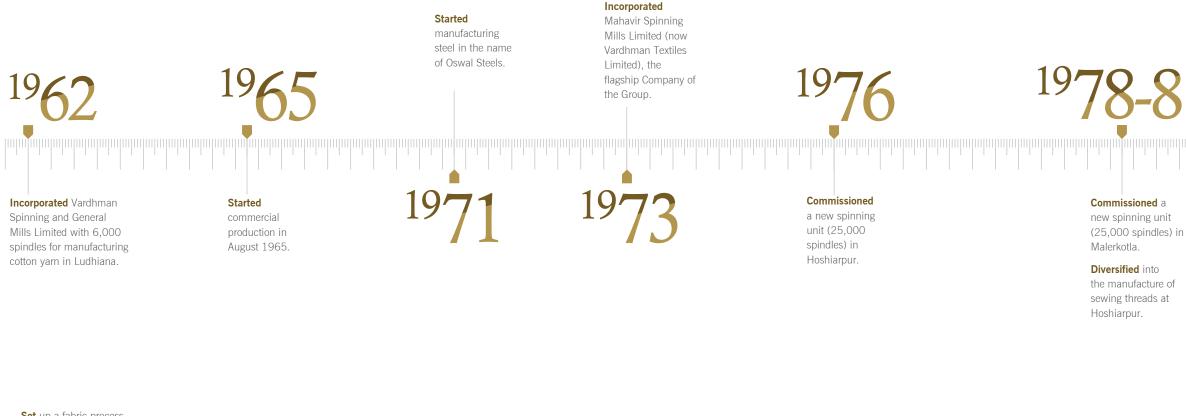


03 CHANGE. THE ONLY CONSTANT

Gaining momentum







Set up a fabric process house, Auro Textiles, at Baddi with technology from Tokai Senko, Japan. Started an acrylics fibre production plant at Bharuch, Gujarat.

All the businesses of Vardhman Spinning and General Mills Limited (VSGM) were demerged into MSML (presently Vardhman Textiles Limited).

Demerger of the threads business from Vardhman Textiles Limited into a separate company called Vardhman Yarns & Threads Ltd (VYTL).

Started Vardhman Yarns, Satlapur (present capacity considerably larger).

Entered into a joint venture with A&E Global LLC to manufacture all types of threads through its subsidiary VYTL.

Commissioned Vardhman Fabrics (integrated textile plant) at Budhni with 60,000 spindles, 400 looms and 50 million metres of processed fabric capacity (present capacity doubled).

Started 24MW captive power plants at Satlapur and Budhni.

Acquired and merged Mohta Industries Limited resulting in increased steel manufacturing capacity.

1000

Ventured

19**C**

outside Punjab. Commissioned of 25,000 spindles in Baddi.

Established a weaving unit in Baddi (72 looms).

Established a cotton yarn EOU with 25,000 spindles in Baddi.

Started Anant Spinning Mills, Mandideep in M.P.

Started Arisht Spinning Mills, Baddi.

Set up a dyeing house at Baddi, Himachal Pradesh, in technical collaboration with Nihan Sanmo Dyeing Company Limited, Japan, for fibre and yarn dyeing.

Entered into a JV with Marubeni Corporation and Toho Rayon Company Limited of Japan for setting up a new spinning Company – VMT Spinning Company Limited in Baddi, Himachal Pradesh, for manufacturing customised yarns for the Japanese market.

Entered into a joint venture with Barbour Campbell Group Limited (Ireland) for thread manufacture.

Set up a gas mercerised unit at Hoshiarpur, Punjab, in technical collaboration with Kyungbang Limited, South Korea.

Entered a joint

venture with Nisshinbo Textile Inc. to manufacture high-end men's



shirting.

Demerged the steel business from Vardhman Textiles Limited; assimilated into Vardhman Special Steels Limited.

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Recorded highest net profit in the history of the group at ₹651.87 crore.



TRÜTZSCHLER GMBH + CO.KG · TEXTILMASCHINENFABRIK · MÖNCHENGLADBACH

GESCHAFTSLEITUNG

To Vardhman Group India

Mönchengladbach/Germany, July 2015

On behalf of the Truetzschler Group and the owner families, we extend our best wishes and heartfelt congratulations to Mr S.P. Oswal and the Vardhman Group for completion of 50 years in business!

We feel immense pleasure and are proud to be part of this remarkable journey of Vardhman. This success story is an outcome of Mr. Oswal's vision complimented with dedication and hard work of his team. With more than 1 million spindles and growing, we wish all the best to the Vardhman Group and extend our greetings on crossing this special milestone.

J. L. Ll thinih

Heinrich Trützschler

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Dr. Michael Schürenkrämer

Kommanditgesellschaft - Mönchengladbach HRA 8800 Persönlich haftende Gassilachafterin: Trötzschlar Maschiner-Gassellschaft mbH - Mönchengladbach HRB 2015 Geschäftsführer: Dr.-ing, Michael Schürenkrämer, Heinrich Trützschler, Dr. rer. pol. Dirk Burger, Dipl.-ing, Andreas Ebenhöh

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The textiles business is one of the most challenging. Marked by capital intensity, global competition and cyclicality.

In 50 years, Vardhman Group reported profits in 47 years; grew its profits in 29 years and increased its topline in 44 years.



Profit bef	Profit before tax (₹ crore)				
Decade 1(for the year ended 31.03.1975)	1.16				
Decade 2 (for the year ended 31.03.1985)	4.01				
Decade 3 (for the year ended 31.03.1995)	75.27				
Decade 4 (for the year ended 31.03.2005)	195.61				
Decade 5 (for the year ended 31.03.2015)	663.11				

EBIDTA (₹ crore)
Decade 1(for the year ended 31.03.1975)	1.62
Decade 2 (for the year ended 31.03.1985)	13.38
Decade 3 (for the year ended 31.03.1995)	152.51
Decade 4 (for the year ended 31.03.2005)	378.28
Decade 5 (for the year ended 31.03.2015)	0 1,362.70

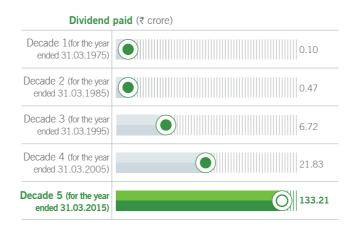
Net profit (₹ crore)				
Decade 1(for the year ended 31.03.1975)	0.63			
Decade 2 (for the year ended 31.03.1985)	3.08			
Decade 3 (for the year ended 31.03.1995)	58.81			
Decade 4 (for the year ended 31.03.2005)	152.07			
Decade 5 (for the year ended 31.03.2015)	485.73			

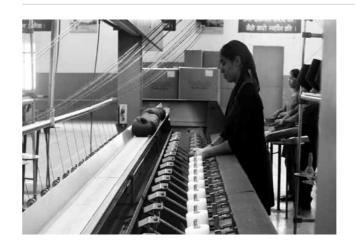


In the last 50 years, Vardhman Group has emerged as more than just another textile player.

It has enriched society at various levels and in diverse ways.



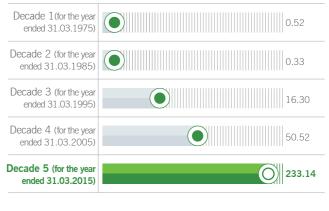








Income tax paid (₹ crore)



Foreign exchange earned (₹ crore)

Decade 5 (for the year ended 31.03.2015)	0 2,570.05
Decade 4 (for the year ended 31.03.2005)	445.81
Decade 3 (for the year ended 31.03.1995)	146.10
Decade 2 (for the year ended 31.03.1985)	N.A.
Decade 1(for the year ended 31.03.1975)	N.A.



When unproductive and violent unionism manifested in Vardhman's shop-floor in 1982, the management enforced a six-month lockout.

The result was that Vardhman missed promised deliveries, output declined and customers sought alternative supply options. The Company responded with change - in its mindset.

The change

Vardhman moved with speed to examine room for improvement. An analysis indicated a growing disconnect between the Company's top floor and shop-floor teams. The management responded with corrective initiatives.

It intensified

communication with workers through multiple forums.

It commissioned

Manavikas Kendra, a workforce training centre in technical and behavioural competencies, for the first time in the country's textile industry.

It introduced employee engagement - suggestions and improvement programmes.

It introduced a Quality Circle programme, another first in India's textile

industry.

The constant:

Vardhman has witnessed significantly more harmonious operations since.

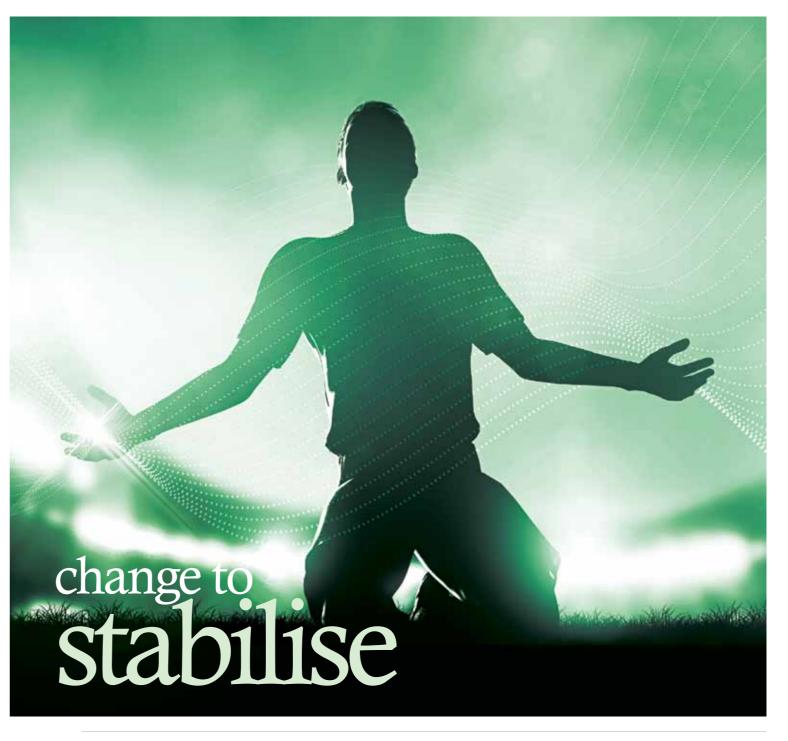
TESTIMONIAL: From Arvind Mills

really cheerful. They are consistent with the overall policies as well as pricing & servicing policy & proved market leader in terms of product new and new products with highly service oriented team" - S Fozdar

TESTIMONIAL: From Richa Global

"Business experience with Vardhman "We would like to congratulate the Group for over more than 15 years is Vardhman team for reaching this mile stone.

They have been a pioneer and them as a quality suppliers. Always development, innovation, sourcing ready to accept challenges to supply and most important consistent quality over all these years. We wish you best of luck for many years to come". - Richa global family



65+

Number of awards won by Vardhman's Quality Circle initiative at National and International forums in the decade leading to 2014-15.



5







Bhoomi poojan at one of the units in Baddi in 1990

TESTIMONIAL: From Arvind Mills

"Business experience with Vardhman" "We would like to congratulate the really cheerful. They are consistent stone. with the overall policies as well as pricing & servicing policy & proved market leader in terms of product them as a quality suppliers. Always development, innovation, sourcing new and new products with highly service oriented team" - S Fozdar

TESTIMONIAL: From Richa Global

Group for over more than 15 years is Vardhman team for reaching this mile

They have been a pioneer and ready to accept challenges to supply and most important consistent quality over all these years. We wish you best of luck for many years to come". - Richa global family





Foundation laying ceremony of Vardhman Nisshinbo Garments Company Limited in 2009. The foundation stone was laid by the Hon'ble Chief Minister of Punjab, Sardar Prakash Singh Badal

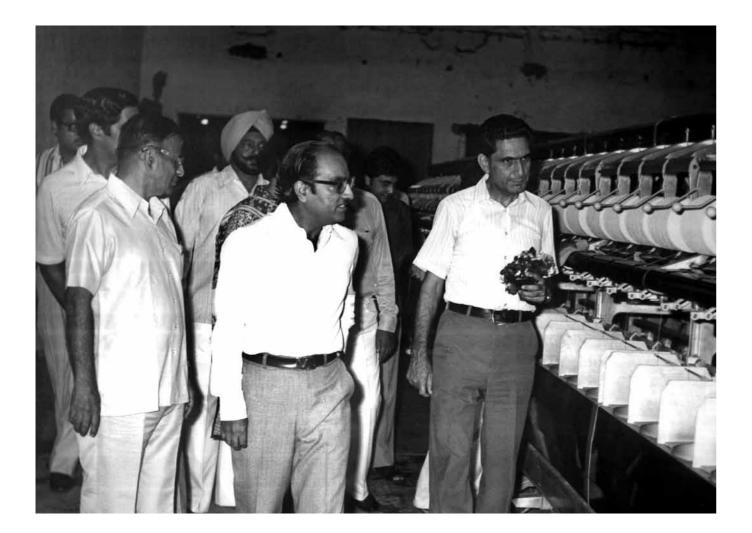
65+

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Mr. S.P. Oswal's interaction with workers



Mr. S.P. Oswal, Chairman & Managing Director of Vardhman Group, during his visit to the factory site at VSGM in the early days of Vardhman Group

TESTIMONIAL: From Arvind Mills

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 65^{+}

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When decade-long militancy affected Punjab, the state where the textile operations of Vardhman Group were majorly located, there was always a threat of a loss of production, stakeholder confidence, customers and revenues for most players.

Except Vardhman.

The Company ring-fenced its intellectual capital through proactive initiatives, keeping to delivery schedules and enhancing customer confidence. Besides, it reinforced viability through a business-defining change.

The change

Vardhman de-risked by extending its manufacturing presence beyond Punjab – to Baddi (Himachal Pradesh) in 1990 and Mandideep (Madhya Pradesh) in 1991.

The constant

Vardhman volumes increased each year thereafter through ongoing benchmarking and a cross-pollination of its best practices across units. Today, 100% of the Company's fabrics and acrylic fibre production is sourced from outside Punjab. In the area of yarns and sewing threads, 75% and 20% of the production is sourced from

outside Punjab respectively, broadening the Company's operating base and derisking the business from an excessive dependence on any one centre.

	Decade 1 (for the year ended 31.03.1975)	Decade 2 (for the year ended 31.03.1985)	Decade 3 (for the year ended 31.03.1995)	Decade 4 (for the year ended 31.03.2005)	Decade 5 (for the year ended 31.03.2015)
Yarn production (MT)	4,428	21,680	41,447	81,090	1,96,065
Grey fabric production (Mn mtrs)	NA	NA	7.50	31.51	170.00
Processed fabric production (Mn mtrs)	NA	NA	NA	28.47	110.00
Sewing thread production (MT)	NA	2,179	3,495	6,542	14,087
Acrylic fibre production (MT)	NA	NA	NA	13,368	20,595
Shirt production (Pcs)	NA	NA	NA	NA	9,70,207

NA – Not applicable/available

TESTIMONIAL:

Rieter congratulates the Vardhman Group on their celebration of 50 glorious years. Our partnership with such a company as a textile machinery supplier challenges us to provide innovations and technical advances in order to make them even more competitive and successful also in future. We are proud to be associated with the Vardhman Group and look forward to working with them closely for our mutual success in the industry. - Dr. Norbert Klapper Chief Executive Officer Rieter Machine Works Ltd. change to rise

23.62%

Proportion of the Company's assets housed at its Budhni unit









