



VARDHMAN ACRYLICS LIMITED



18th Annual Report 2007-2008

BOARD OF DIRECTORS

Mr. Shri Paul Oswal	Chairman
Mr. Sachit Jain	
Mr. Munish Chandra Gupta	
Mr. Sanjit Paul Singh	
Dr. Arvind Kumar Bakhshi	
Mr. Darshan Lal Sharma	
Mr. Sudeshkumar Ganpatrai Gulati	Nominee of IDBI
Mr. Bal Krishan Choudhary	Managing Director

VICE-PRESIDENT (COMMERCIAL)

Mr. K.C. Bansal

COMPANY SECRETARY

Mr. Sanjay Gupta

REGISTERED & CORPORATE OFFICE

Vardhman Premises, Chandigarh Road

Ludhiana - 141 010

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E-mail: secretarial.lud@vardhman.com

Web site: www.vardhman.com

AUDITORS

M/s. S.S. Kothari Mehta & Co.

Chartered Accountants

New Delhi

BUSINESS OFFICE

5th Floor, Sagar Plaza Building

19, Laxmi Nagar District Centre

Vikas Marg, New Delhi - 110 092

BANKERS

State Bank of Patiala

ICICI Bank Limited

WORKS

755, GIDC, Jhagadia Mega Estate

Jhagadia - 393 110

Distt. Bharuch (Gujarat)

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NOTICE

NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 30th day of August, 2008 at 12.00 noon at Registered Office of the Company situated at Vardhman Premises, Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit & Loss Account for the year ended on that date together with the Report of Auditors and Directors thereon.
2. a) To appoint a Director in place of Mr. S.P. Oswal, who retires by rotation in accordance with Article 126 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. S.P. Singh, who retires by rotation in accordance with Article 126 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2008-2009 and to fix their remuneration.

SPECIAL BUSINESS:

4. 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 257 and all other applicable provisions, if any, of the Companies Act, 1956, Dr. Arvind Kumar Bakhshi, who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956, to hold office upto the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of the Director, be and is hereby appointed as a Director, liable to retire by rotation under the Articles of Association of the Company".
5. 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 read with Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Bal Krishan Choudhary, be and is hereby

appointed as a Managing Director of the Company for a period of five years w.e.f. 12.05.2008, at a remuneration as detailed below :-

- | | |
|-----------------------|--|
| i) BASIC SALARY | : Rs. 75,000/- p.m. |
| ii) SPECIAL ALLOWANCE | : Rs. 5,000/- p.m. |
| iii) COMMISSION | : 1% of the net profits of the Company, however, the same shall not exceed 50% of the basic salary. |
| iv) PROVIDENT FUND | : The Contribution to the Provident Fund shall be subject to the Rules framed by the Company in this regard. |

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 acceptable to Mr. Bal Krishan Choudhary.

RESOLVED FURTHER THAT Mr. S. P. Oswal, Chairman, be and is hereby authorised to execute an agreement on behalf of the Company with Mr. Bal Krishan Choudhary".

6. 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 31 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members be and is hereby accorded to amend the Articles of Association of the Company as under:-

- i. To delete the definitions of "Affiliate", "Joint Venture Agreement", "EXLAN", "MC", "MAHAVIR", "Parties" and "Party" in Article 2.
- ii. To delete Articles 3, 38, 79, 80, 98 and 112.
- iii. To substitute Article 7 with the following words:-
 "The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase/acquire any of its own fully paid-up shares".
- iv. To substitute Article 74 (l) with the following words:-
 "Subject to the provisions of Section 171 and 176 (2) of the Act, notice of every meeting of the Company shall be given to such persons and in such

manner as provided by Section 172 of the Act. Where any business consists of Special Business, as hereinafter defined in Article 73, there shall be annexed to the notice a statement complying with Section 173 (2) and (3) of the Act".

v. To substitute Article 110 with the following words:-

"Subject to Section 259 of the Act, the number of Directors of the Company shall not be less than three and not more than twelve.

The Company in general meeting may from time to time increase or reduce the number of Directors within the limits fixed by Article 110".

vi. In Articles 121 and 122, the words "Subject to the provisions of Clause 112 hereof" shall be deleted.

vii. To substitute Article 123 with the following words:-

"Subject to the Provision of Section 269, 314, 316 & 317 of the Act, the Board of Directors may from time to time, appoint one or more of them as Managing Director or Directors on such remuneration and on such other terms and conditions as the Board may deem fit. The Board may, subject to any contract between such Director and the Company, remove or dismiss him and appoint another in his place".

viii. To substitute Article 134 with the following words:-

"Notice of every meeting of the Board shall be given to the Directors in accordance with the provisions of Section 286 of the Act".

ix. In Article 136, the words "three Directors" shall be substituted with the word "two Directors".

x. In Article 137, the words "three (3) Directors" shall be substituted with the word "two Directors".

xi. To substitute Article 138 with the following words:-

"The Board may appoint a Chairman of its meetings and determine the period for which he is to hold office. If no Chairman is appointed, or if at any meeting of the Board, the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose some one of their number to be chairman of such meeting".

xii. To substitute Article 142 with the following words:-

"The Board may, subject to the provisions of the Act, from time to time and at any time, delegate any of its power to a Committee consisting of such Director or Directors as it thinks fit, and may from time to

time, revoke such delegation. Any Committee so formed shall, in the exercise of powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Board.

The meetings and proceedings of any such Committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board, so far as the same are applicable hereto and are not superseded by any regulations made by the Board".

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps, as may be deemed necessary, to give effect to the abovesaid resolution".

By Order of the Board

**Place : Ludhiana
Dated : 12th May, 2008**

**(Sanjay Gupta)
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. A BLANK PROXY FORM IS ENCLOSED.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of items no. 4 to 6 of the Notice is annexed hereto and 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 items no. 2,4 and 5 of the Notice, is also being annexed hereto separately and both form part of the Notice.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 13th August, 2008 to 30th August, 2008.
4. 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.
5. 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.
6. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.

ANNEXURE TO THE NOTICE**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****ITEM NO. 4 OF THE SPECIAL BUSINESS:**

The Board of Directors of the Company in its meeting held on 12.05.2008 appointed Dr. Arvind Kumar Bakhshi as an Additional Director of the Company pursuant to Article 121 of the Articles of Association of the Company. In terms of Section 260 of the Companies Act, 1956, read with Article 121 of the Articles of Association of the Company, Dr. Arvind Kumar Bakhshi will hold office of Additional Director upto the ensuing Annual General Meeting. The Company has received a notice from a Member under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Dr. Arvind Kumar Bakhshi as a Director of the Company. Accordingly, your approval is solicited for his appointment as a director liable to retire by rotation.

Memorandum of Interest:

None of the Directors except Dr. Arvind Kumar Bakhshi, the appointee himself, is concerned or interested in this resolution.

ITEM NO. 5 OF THE SPECIAL BUSINESS:

Mr. B.K. Choudhary is looking after all the present day to day affairs of the Company. Keeping in view his dedication and active participation in the business of the Company, the Board of Directors of the Company in its meeting held on 12.05.2008 has approved the appointment of Mr. B.K. Choudhary, as Managing Director of the Company, for a term of 5 years w.e.f. 12.05.2008, at a remuneration as is 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 except Mr. B.K. Choudhary, the

appointee himself, is concerned or interested in this resolution.

ITEM NO. 6 OF THE SPECIAL BUSINESS:

The present Articles of Association of the Company have been drafted in line with the provisions of the Joint Venture Agreement (JVA) entered into among Vardhman Textiles Limited (VTXL) and its Foreign Collaborators viz. Marubeni Corporation, Japan (MARUBENI) and Japan Exlan Company Limited, Japan (EXLAN).

Consequent to the purchase of entire shareholding of the Company by VTXL from MARUBENI and EXLAN, the said JVA stands terminated. Therefore, the Articles of Association of the Company needs to be amended.

Further, it is proposed to amend the Articles of Association of the Company so as to incorporate therein the enabling provisions for buy-back of equity shares by the Company.

As per the provisions of Section 31 of the Companies Act, 1956, for amending the Articles of Association of the Company approval of the Members by way of special resolution is required.

Accordingly, your approval is solicited for amending the Articles of the Association of the Company.

Memorandum of interest:

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

By Order of the Board

Place : Ludhiana

Dated : 12th May, 2008

**(Sanjay Gupta)
Company Secretary**

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

Name of the Director	Mr. S.P. Oswal	Mr. S.P. Singh	Mr. B.K. Choudhary	Dr. A. K. Bakhshi
Date of Birth	08.07.1942	16.09.1959	27.06.1951	06.10.1947
Date of Appointment	24.12.1990	17.04.2003	12.05.2008	12.05.2008
Expertise in specific functional area	Rich business experience of more than 40 years in textile industry	Corporate strategy, Finance & Accounts and Human Resources	About 35 years experience in Project Management & Business operations.	About 35 years experience in teaching, research & educational Programmes at Universities
Qualification	M.Com. (Gold Medalist)	B.Com; M.B.A.	B.Sc., M.Com., M.B.A. (Gold Medalist)	M.Sc. Ph.D.
Directorships of other companies	<ol style="list-style-type: none"> Vardhman Textiles Limited VMT Spinning Company Limited Vardhman Holdings Limited Vardhman Threads Limited Vardhman Yarns & Threads Limited Vardhman Linen Limited Syracuse Investment & Trading Company (P) Limited Adinath Investment and Trading Company Devakar Investment & Trading Company (P) Limited Vardhman Textile Processors (P) Limited Srestha Holdings Limited Anklesh Investments (P) Limited Pradeep Mercantile Company (P) Limited Plaza Trading Company (P) Limited Marshall Investment & Trading Company (P) Limited Santon Finance and Investment Company Limited Flamingo Finance and Investment Company Limited Ramaniya Finance and Investment Company Limited UTI Trustee Company Limited Nimbua Greenfield (Punjab) Limited Export Import Bank of India 	<ol style="list-style-type: none"> Brahaspati Iron and Steel Company (P) Limited Capital Sponge Iron and Power (P) Limited Starlight Mineral and Mining (P) Limited 	<ol style="list-style-type: none"> Vardhman Holdings Limited Bharuch Eco-aqua Infrastructure Limited 	Nil
Chairmanships/ Memberships of Committees of other companies	Chairman-Audit Committee Vardhman Threads Limited	Nil	Member-Audit Committee Bharuch Eco-aqua Infrastructure Limited Member-Sharesholders/ Investors Grievance Committee Vardhman Holdings Limited	Nil
Number of shares held	10	Nil	Nil	Nil
Relationship with other Directors	Related to Mr. Sachit Jain	Not related to any other Director	Not related to any other Director	Not related to any other Director

Notes : 1. The particulars of Directors are as on 31.03.2008.

2. Mr. B.K. Choudhary has been appointed as a Managing Director w.e.f. 12.05.2008. Earlier, he was President & Executive Director of the Company.

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their Eighteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2008.

1. FINANCIAL RESULTS :

The Financial Results for the year under review vis-à-vis the financial results for the previous year are as under: -

	(Rs. in lacs)	
Particulars	2007-08	2006-07
Sales (Gross)	22,808.57	21,374.59
Profit before Depreciation, Interest & Tax (PBDIT)	3,155.01	3,866.80
Interest & Financial charges	269.22	509.52
Profit before depreciation & Tax (PBDT)	2,885.79	3,357.28
Depreciation	1,116.77	1,118.82
Profit before Tax	1,769.02	2,238.46
Provision for Tax		
- Current Tax (including wealth tax)	200.73	252.30
- Deferred Tax	1,024.19	776.54
- Deferred Tax Adjustment	—	2.64
- Fringe Benefit Tax	4.48	4.00
- IT adjustments for earlier years	(4.39)	—
Profit after Tax	544.01	1,202.98
Prior period adjustments (Net)	—	0.36
Net Profit	544.01	1,202.62
Balance brought forward from last year	1,697.22	494.61
Total	2,241.23	1,697.23
Appropriations:		
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	2,241.23	1,697.23
Total	2,241.23	1,697.23
Earnings per share (Rs.)	0.50	1.11

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

a) ACRYLIC FIBRE INDUSTRY – GLOBAL AND INDIAN PERSPECTIVE:

The unprecedented increase in crude oil prices has driven the prices of the entire petro-products chain to record high levels. The prices of major raw material of your Company, acrylonitrile also witnessed similar increase. The global demand of acrylic fibre has stagnated or marginally declined over last couple of years. The inter-fibre substitution between cotton, polyester, acrylic fibre and other fibres continued world over.

The demand and sales realizations of acrylic fibre in our country were healthy in the later part of the year on account of comparatively prolonged winter and lower temperature. The export of acrylic fibre and acrylic yarn remained at healthy levels albeit lower than the previous years.

The Government of India reduced customs duty on import of acrylic fibre to 5% *ad valorem* in November 2007

without corresponding reduction in the customs duty on import of acrylonitrile, the industry's major raw material. The acrylic fibre industry has been hit very hard as it has now no effective protection. The performance of acrylic fibre industry could have been better had this change in customs duty not taken place or had the Government maintained the protection.

b) FINANCIAL ANALYSIS & REVIEW OF OPERATIONS:

• PRODUCTION & SALES REVIEW:

The total production during the year under consideration was 18434 MT as against 18596 MT in the previous year. Your Company has achieved a turnover of Rs. 22,808.57 lacs against a turnover of Rs. 21,374.59 lacs in the previous year. After providing for depreciation of Rs. 1,116.77 lacs (previous year Rs. 1,118.82 lacs) and provision for current tax (including wealth tax) of Rs. 200.73 lacs (previous year Rs. 252.30 lacs), deferred tax (net of adjustments) of Rs. 1,024.19 lacs (previous year Rs. 779.18 lacs), fringe benefit tax of Rs. 4.48 lacs (previous year Rs. 4.00 lacs) and income tax adjustments for earlier years of Rs. (4.39) lacs (previous year Rs. nil), net profit of the Company is Rs. 544.01 lacs as against a net profit of Rs. 1,202.62 lacs in the previous year.

• RESOURCE UTILISATION:

i) Fixed Assets:

The gross fixed assets as at 31st March, 2008 were Rs. 23,666.93 lacs as compared to Rs. 23,550.11 lacs in the previous year.

ii) Current Assets:

The net current assets as on 31st March, 2008 were Rs. 3,749.92 lacs as against Rs. 3,671.72 lacs in the previous year. Inventory level was at Rs. 3,147.65 lacs as against Rs. 3,411.72 lacs in the previous year.

• FINANCIAL CONDITIONS & LIQUIDITY:

Liquidity & Capital Resources:

	(Rs. in Lacs)	
	2007-2008	2006-2007
Cash & cash equivalents		
Beginning of the year	36.71	11.39
End of the year	68.54	36.71
Net cash provided/(used) by		
Operating Activities	2,895.16	3,078.70
Investing Activities	(120.43)	327.98
Financial Activities	(2,742.90)	(3,381.36)

c) BUSINESS OUTLOOK:

The Government of India has been promoting the Textile industry through several policy measures and also making funds available under TUFS at lower interest rates. Though the global economic outlook seems to be turning cautious, there is an increasing optimism on the growing

opportunities for textile export from India over the next few years. The economic growth outlook within the country remains positive inspite of inflationary pressures, which means higher disposable incomes and increased consumption by middle class, a major market segment for acrylic fibre industry. These indicators augur well for acrylic fibre industry. The surging crude oil prices and consequent higher acrylonitrile prices shall continue to cause pressures on the industry margins. The weather conditions specially the winter season and inter- fibre substitutions between various fibres shall remain important influencing factors. In overall analysis, the period of uncertainties is likely to continue. Your Management shall continue making all efforts for achieving higher operating efficiencies and better performance.

d) INTERNAL CONTROL SYSTEM:

The Company has developed and installed a comprehensive budgetary control system. The operational efficiency and performance are continuously reviewed in comparison to budgets. The internal audit is well designed and adequate to measure and examine adequacy, relevance and effectiveness of control systems, compliance with policies and statutory requirements. The findings and recommendations of the internal audit team are reviewed by the Audit Committee of the Board. The Company adopts a dynamic approach and continuously reviews the entire gamut of business processes, systems and MIS so as to keep them relevant to the ever changing needs of the business conditions and environment.

e) MANAGEMENT PERCEPTION OF RISK & CONCERNS:

The global economic outlook, specially, the reported slow down in some of the major economies in the world, food shortages and surging prices, unprecedented high commodity prices, inflationary pressures world over including in the countries like ours and China, high crude oil prices in face of ever increasing energy demand against restricted supply are some of the major factors which will impact the consumption and margins of various fibres including acrylic fibre. The availability constraints against rising demand of propylene and higher ammonia prices shall influence acrylonitrile prices impacting the margins of acrylic fibre industry. The inter-fibre substitution and also climatic conditions and weather pattern shall also influence the demand of acrylic fibre. Besides these factors, within India, general economic growth, agriculture incomes, agreements with various trade blocks, early and effective measures against dumping of commodities like acrylic fibre shall be of importance and relevance for acrylic fibre consumption. All these factors individually and their interplay shall impact the consumption and margins of acrylic fibre industry.

f) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS:

The Company continued with its efforts to strengthen

positive work culture and an environment for innovation and excellence. The emphasis on training for continuous skill and knowledge enhancement as also personal development of the personnel at all levels was further renewed. The industrial relations remained harmonious and peaceful during the year.

During the year, the Company employed over 300 persons.

3. TERMINATION OF JOINT VENTURE AGREEMENT:

During the year, Vardhman Textiles Limited (VTXL) entered into a 'Disengagement Agreement' with its foreign collaborators viz. Marubeni Corporation, Japan (MARUBENI) and Japan Exlan Company Limited, Japan (EXLAN). Consequently, all the shares of the Company held by MARUBENI and EXLAN stood transferred to VTXL.

As a result, the Joint Venture Agreement entered into among VTXL, MARUBENI AND EXLAN stood terminated and your Company has become a subsidiary of VTXL.

4. DIRECTORS:

Mr. S.P. Oswal and Mr. S.P. Singh, Directors of your Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year, Marubeni Corporation, Japan and Japan Exlan Company Limited, Japan withdrew the nomination of Mr. Kenichi Yamaguchi and Mr. Hirotaka Shiota, respectively, from the Board of Directors of the Company. The Board places on record its appreciation for the services rendered by Mr. Yamaguchi and Mr. Shiota during their tenure as Directors of the Company.

Further, the Board of the Company in this meeting held on 12th May, 2008, has appointed Dr. Arvind Kumar Bakhshi as an Additional Director of the Company to hold office upto the date of next Annual General Meeting.

5. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the year ended on 31st March, 2008;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

and

iv) the annual accounts have been prepared on a going concern basis.

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.S. Kothari Mehta & Company, Chartered Accountants, New Delhi, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

8. AUDITORS' REPORT:

The Auditors' Report on the Accounts is self-explanatory and requires no comments.

9. PERSONNEL:

None of the employees has received a salary of Rs. 24.00 lac per annum or Rs. 2.00 lac per month or more during the financial year 2007-2008. Accordingly, no particulars of employees are to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

10. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

The optimal utilisation of energy remained a major focus area and a number of steps were taken in this direction. The information required under Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to these matters is appended hereto and forms part of this report.

11. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government Authorities, Financial Institutions & Bankers for their continued and valuable co-operation and support to the Company.

Your Directors express their deep appreciation for the devoted and sincere efforts put in by the members of the team at all levels of operations in the Company during the year. The Company feels confident of continued co-operation and efforts from them in future also.

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA
DATED: 12th MAY, 2008

(S.P. OSWAL)
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

I. CONSERVATION OF ENERGY:

Variable Frequency Drives were installed at various equipments as a measure to conserve electrical energy, during the period under report.

FORM-A:**A) POWER AND FUEL CONSUMPTION:**

PARTICULARS	UNIT	2007-2008	2006-2007
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1. Electricity:

a) Purchased:			
Units	(KWH in lacs)	Nil	Nil
Total amount	(Rs. in lacs)	Nil	Nil
Rate per unit	(Rs./KWH)	Nil	Nil

b) Own Generation:

i) Through Diesel Generator	(KWH in lacs)	6.12	5.64
Unit per Litre of Diesel Oil	(KWH)	3.70	3.84
Cost/Unit	(Rs./KWH)	8.98	7.83

ii) Through Turbines	(KWH in lacs)	263.09	269.90
Unit per Kg. of Coal/Lignite	(KWH/Kg.)	1.32	1.39
Total Cost	(Rs. in lacs)	548.46	515.95
Cost/Unit	(Rs./KWH)	2.08	1.91

2. Coal (used in Boiler for generation of Process Steam):

Quantity	(MT)	29890	29101
Total Cost	(Rs. in lacs)	822.68	773.93
Average Rate	(Rs. per MT)	2,752	2,660

3. Furnace oil (used in Boiler for generation of Steam):

Quantity	(K. Ltrs)	96.67	192.59
Total Cost	(Rs. in lacs)	13.00	21.25
Average Rate	(Rs. per Ltr)	13.44	11.04

B) CONSUMPTION PER UNIT OF PRODUCTION:**Acrylic Fibre/Acrylic Tow**

Electricity	(KWH/KG)	1.46	1.48
Coal (used in Boiler for generation of Steam)	(MT/MT)	1.62	1.56
Furnace Oil (used in Boiler for generation of steam)	(K.Ltrs./MT)	0.005	0.010

II. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption are furnished as per Form-B of Annexure to the Rules as under :-

FORM-B:**A) RESEARCH AND DEVELOPMENT (R&D)****(i) Specific areas in which R&D is carried out by the Company :**

- (i) Development of special quality staple fibre and tow for applications in blankets and hosiery segments

(ii) Development of finer denier tow

(iii) Development efforts continuing on anti-bacterial and water absorbent fibre

(ii) Benefits derived as a result of the above R&D :

(i) Becoming preferred source for high quality staple fibre and tow for specific applications

(ii) Development of specialty fibre to lead to market expansion

(iii) Future plan of action:

(i) Continued efforts to develop anti-bacterial and water absorbent acrylic fibre

(ii) Specialty product development for hand-knitting sector and fancy yarn

(iv) Expenditure on R&D:

	2007-08	2006-07
(Rs. In lacs)		
Non- Recurring	—	—
Percentage of turnover	—	—

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**(i) Efforts made towards technology absorption, adaption and innovation**

Efforts for optimization of processes, efficient utilization of inputs, development of newer applications being continued on on-going basis.

(ii) Benefits derived as a result of the above efforts:

(a) Higher operating rates consistently

(b) Higher plant availability

(c) Increased customers' satisfaction through supply of consistent quality products

(iii) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

a) Technology imported	NIL
b) Year of Import	NA
c) Has technology been fully absorbed?	NA
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	NA

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	2007-08	2006-07
(Rs. in lacs)		
Foreign Exchange earned (FOB)	Nil	Nil
Foreign Exchange used (on accrual basis)	2,128.89	3,083.62