

Annual Report 2010-11



Vardhmān

VARDHMAN ACRYLICS LIMITED

BOARD OF DIRECTORS

Mr. Shri Paul Oswal	<i>Chairman</i>
Mr. Sachit Jain	
Mr. Munish Chandra Gupta	
Mr. Sanjit Paul Singh	
Dr. Arvind Kumar Bakhshi	
Mr. Darshan Lal Sharma	
Mr. Surinder Kumar Bansal	
Mr. Bal Krishan Choudhary	<i>Managing Director</i>

VICE-PRESIDENT (COMMERCIAL)

Mr. Gopal Kakhani

COMPANY SECRETARY

Mr. Sanjay Gupta

AUDITORS

M/s. S.S. Kothari Mehta & Co.
Chartered Accountants
New Delhi

BANKERS

State Bank of Patiala
ICICI Bank Limited

REGISTERED & CORPORATE OFFICE

Vardhman Premises, Chandigarh Road
Ludhiana - 141 010
Phones : (0161) 2228943 - 48
Fax : (0161) 2601048, 2602710 & 2222616
E-mail: secretarial.lud@vardhman.com
Web site: www.vardhman.com

BUSINESS OFFICE

5th Floor, Sagar Plaza Building
19, Laxmi Nagar District Centre
Vikas Marg, New Delhi - 110 092

WORKS

755, GIDC, Jhagadia Mega Estate
Jhagadia - 393 110
Distt. Bharuch (Gujarat)

CONTENTS

Notice	2
Directors' Report	5
Corporate Governance Report.....	9
Auditors' Report.....	14
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Schedules to Accounts	19

NOTICE

NOTICE is hereby given that the TWENTY FIRST ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 23rd day of July, 2011 at 3.00 p.m. 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, 2011 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 2011-2012 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 in partial modification of earlier resolutions passed by the Members of the Company in their Annual General Meetings held on 30.08.2008 and 19.07.2010 and pursuant to the provisions of Section 269 read with Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956, other terms and conditions remaining the same, the remuneration payable to Mr. B.K Choudhary, Managing Director, be and is hereby enhanced w.e.f. 01.04.2011, as follows :-

- I) **BASIC SALARY** : Rs. 95,000/- p.m.
- II) **SPECIAL ALLOWANCE** : Rs. 25,000/- p.m.
- III) **COMMISSION** :
1% of the net profits of the Company, however, the same shall not exceed 50% of the Basic Salary.

IV) PERQUISITES :

The perquisites shall be allowed in addition to basic salary and special allowance, subject to a maximum of one year's basic salary.

a) House Rent Allowance :

Free residential accommodation or House Rent Allowance equal to 40% of salary. Free furnishing is to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962.

b) Medical Re-imbursement :

Re-imbursement of medical expenses incurred by the Managing Director (including medi-claim insurance premium) on self and his family, subject to a ceiling of Rs. 50,000/- in a year.

c) Leave Travel Allowance :

The expenses incurred on leave travel by the Managing Director on self and his family shall be reimbursed once in a year subject to a maximum of Rs. 40,000/- per annum.

d) Car & Telephone :

Free use of Company's car for official work as well as for personal purposes along with driver and telephone at Company's cost.

e) Club Fee :

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

V) PROVIDENT FUND :

The Contribution to the Provident Fund shall be subject to the Rules framed by the Company in this regard.

Explanation : "Family" means the spouse and the dependant children.

RESOLVED FURTHER THAT Mr. S.P. Oswal, Chairman, be and is hereby authorized, on behalf of the Company, to incorporate the above said change in terms of appointment of Mr. B.K Choudhary in the Agreement entered into with him by the Company."

By Order of the Board

Place : New Delhi
Dated : 9th May, 2011

(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 item no. 4 of the Notice is annexed hereto and the information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking re-appointment in the Annual General Meeting, as proposed in item no. 2 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 12th July, 2011 to 23rd July, 2011.
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.
7. 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 please 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 the Registrar & Transfer Agent of the Company by sending a letter under your Registered signature at the below mentioned address:-

M/s MCS LIMITED
Office No. 21/22, Ground Floor, Jamnadas Building,
5, P.D. Mello Road (Ghadioli Gudi),
Masjid, Mumbai – 400 009
Phone: 022-23726253-6255, Fax: 022-23726252
E-mail: mcspanvel@yahoo.co.in

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO. 4 OF THE SPECIAL BUSINESS:

The Members of the Company in their Annual General Meeting held on 30.08.2008 had approved the appointment of Mr. B.K. Choudhary as Managing Director of the Company for a period of five years w.e.f. 12.05.2008, at a remuneration as detailed in the resolution. The remuneration of Mr. Choudhary was revised by the Members in their Annual General Meeting held on 19.07.2010. Now, the Board of Directors of the Company in its meeting held on 09.05.2011 has approved to enhance the remuneration payable to Mr. Choudhary, as detailed in the resolution. The said change in the

remuneration of Mr. Choudhary 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, is concerned or interested in the resolution.

By Order of the Board

Place : New Delhi
Dated : 9th May, 2011

(Sanjay Gupta)
Company Secretary

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. S.P. Oswal	Mr. S.P. Singh
Date of Birth	08.04.1942	16.09.1959
Date of Appointment	24.12.1990	17.04.2003
Expertise in specific functional area	Rich business experience of more than 40 years in textile industry	Corporate Strategy, Finance & Accounts and Human Resources
Qualification	M Com. (Gold Medalist)	B.Com.; M.B.A.
Directorships of Other Companies	<ul style="list-style-type: none"> • Vardhman Textiles Limited • Vardhman Holdings Limited • VMT Spinning Company Limited • Vardhman Apparels Limited • Vardhman Yarns & Threads Limited • Vardhman Spinning and General Mills Limited • VTL Investments Limited • Syracuse Investment & Trading Company (P) Limited • Adinath Investment & Trading Company • Devakar Investment & Trading Company (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 & Investment Company Limited • Flamingo Finance & Investment Company Limited • Ramaniya Finance & Investment Company Limited • Mahavir Spinning Mills (P) Limited • UTI Trustee Company (P) Limited • Nimbua Greenfield (Punjab) Limited • Confederation of Indian Textile Industry • New Delhi Institute of Management 	Brahaspatri Iron and Steel Company (P) Limited
Chairman/Member of Committees of other Companies	Nil	Nil
No. of shares held	10	Nil
Relationship with other Director(s)	Related to Mr. Sachit Jain	Not related to any Director

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their Twenty First Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2011.

1. Financial Results :

The Financial Results for the year are as under: -

	(Rs. in lacs)	
Particulars	2010-11	2009-10
Sales (Gross)	43,033.51	28,673.88
Profit before Depreciation, Interest & Tax (PBDIT)	6,796.40	6,864.45
Interest & Financial Charges	40.62	33.14
Profit before Depreciation & Tax (PBDT)	6,755.78	6,831.31
Depreciation	1,116.90	1,124.28
Profit before Tax	5,638.88	5,707.03
Provision for Tax		
- Current Tax (including Wealth Tax)	2,163.00	1,150.00
- Deferred Tax	(297.84)	212.88
- IT adjustment for earlier years	-	0.01
Profit after Tax	3,773.72	4,344.14
Prior period adjustments (Net)	9.58	0.04
Net Profit	3,764.14	4,344.10
Balance brought from last year	7,008.80	2,664.70
Total carried to Balance Sheet	10,772.94	7,008.80
Earnings per share (Rs.)	3.47	4.00

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

a) ACRYLIC FIBRE INDUSTRY – GLOBAL AND INDIAN PERSPECTIVE:

In the year 2010, global total fibre consumption has been estimated to grow by 2.4% over the previous year, though at 84.64 mio MT still remaining below the consumption seen in the year 2007 at 85.55 mio MT. In India, total fibre consumption is estimated to have grown by about 6% in the year 2010. The Chinese total fibre consumption is estimated to have grown by 9.3% in the year 2010. Against this backdrop of growth in total fibre consumption, the growth in acrylic fibre consumption has been estimated to be relatively modest at around 2% globally with little change in Indian and Chinese consumption over the previous year.

The year 2010, specially, the 2nd half witnessed unprecedented increase in cotton prices as a result of several factors. This increase, to a certain extent, led to price increase in other competing fibres especially polyester fibre and to a lesser extent other natural and manmade fibres. It also led to accelerated inter-fibre substitution.

The acrylic fibre prices witnessed drop in the 1st half of

the year 2010-11 both on account of drop in Acrylonitrile prices (major raw material) as also large price differential with polyester fibre prices leading to threats of increased substitution and drop in acrylic fibre demand. However, the volatility in crude oil and propylene prices in the 2nd half of the year 2010-11 led to increase in Acrylonitrile prices leading to pulling up of acrylic fibre prices also. The increase in polyester fibre prices in tandem with cotton also supported recovery in acrylic fibre prices. The continuous trend of increase in Acrylonitrile prices led to inventory value gains for Indian fibre producers. The effective spread of acrylic fibre industry improved in the 2nd half of the year which is reflected in the overall performance of the Company. The acrylic fibre industry operating rate was around 86% in the year globally. The operating rate of domestic acrylic fibre industry was also at almost this level.

The availability and prices of Acrylonitrile have major influence on the performance of acrylic fibre industry. The demand of Acrylonitrile increased by around 7% in the year 2010 leading to a tight balance between demand and supply. With fresh Acrylonitrile capacity coming up in Asia in the year 2011, the tight balance is likely to ease slightly. On medium term basis, the demand and supply of Acrylonitrile is likely to maintain a close balance.

The global structure of acrylic fibre market shows capacity in few countries with very little or no domestic consumption. The producers from these countries have to depend mainly on exports. The dumping by these producers in countries like ours is a continuous and live threat.

b) FINANCIAL ANALYSIS & REVIEW OF OPERATIONS:

• PRODUCTION & SALES REVIEW:

The total production during the year under consideration was 20,044 MT as against 18,506 MT in the previous year. Your Company has achieved a turnover of Rs. 43,033.51 lacs against a turnover of Rs. 28,673.88 lacs in the previous year. After providing for depreciation of Rs. 1,116.90 lacs (previous year Rs. 1,124.28 lacs) and provision for current tax (including wealth tax) of Rs. 2,163.00 lacs (previous year Rs. 1,150.00 lacs), deferred tax (net of adjustments) of Rs. (297.84) lacs (previous year Rs. 212.88 lacs), and income tax adjustments for earlier years of Rs. Nil lacs (previous year 0.01 lacs), Profit after tax of the Company is Rs. 3,773.72 lacs as against Rs. 4,344.14 lacs in the previous year.

• RESOURCE UTILISATION:

i) Fixed Assets:

The gross fixed assets (including work-in-progress) as at 31st March, 2011 were Rs. 23,728.90 lacs as compared to Rs. 23,581.91 lacs in the previous year.

ii) Current Assets:

The net current assets as on 31st March, 2011 were Rs. 9,804.03 lacs as against Rs. 9,107.08 lacs in the previous year. Inventory level was at Rs. 4,535.92 lacs as against Rs. 4,460.88 lacs in the previous year.

• FINANCIAL CONDITIONS & LIQUIDITY:

Liquidity & Capital Resources:

	(Rs. in Lacs)	
	2010-2011	2009-2010
Cash & cash equivalents:		
Beginning of the year	338.57	160.37
End of the year	431.48	338.57
Net cash provided/(used) by:		
Operating Activities	1,612.78	4,399.52
Investing Activities	(1,505.72)	(4,288.64)
Financial Activities	(14.15)	67.32

c) BUSINESS OUTLOOK:

The global economic growth in the year 2010 at more than 3.5% and expected growth in the year 2011 and 2012 around 4% p.a. lend confidence in world economic recovery. The Indian economy is expected to grow between 7 to 8% in the year 2011-12 and beyond in the remaining period of 12th five year plan period. The increase in per capita income will support the demand of textile products within the country. The forecast of normal monsoon in the year 2011 is also a positive factor. The Government of India has extended TUFs for the remaining part of the 12th five year plan which will encourage creation of fresh textile capacity deploying modern technology both for domestic and export markets. Many global textile brands and retailers are looking beyond China for outsourcing. These are some of the major factors which augur well for growth of textile industry in India. The acrylic fibre industry is also likely to be a beneficiary of this growth.

There are several factors which seem to pose challenges some of which look formidable. Due to geopolitical and other factors, crude oil prices are once again on a boil. The commodity prices have touched unprecedented levels. The food prices have shot up globally. The inflationary pressures are leading to tight monetary policies which may adversely impact the growth momentum. These factors may slow down the economic recovery world over and specially could be very challenging for emerging economies and poorer countries.

For acrylic fibre industry, structural issues of propylene market besides increase in crude oil prices are very important. These two factors alongwith planned and unplanned turnarounds of Acrylonitrile plants in the 1st half of the year 2011 have led to historically high prices of Acrylonitrile at the time of writing this report. On the

other hand, cotton and polyester prices have shown some downward movement in the recent weeks. Though increase in Acrylonitrile prices warrant increase in acrylic fibre prices, the market may not accept the increase. Besides shrinkage in demand due to macro economic factors, the difference between acrylic fibre and polyester prices has widened which may encourage substitution. The margins of acrylic fibre producers are likely to come under pressure.

The coming financial year 2011-12 is likely to be a difficult period on account of pressures both on demand and prices of acrylic fibre as also risk of inventory value losses. But management will remain vigilant and deal with the situation with prudence and foresight. Nevertheless, the year will be full of challenges and the effect on performance cannot be ruled out.

d) INTERNAL CONTROL SYSTEM:

The internal audit is well designed and adequate to review all systems, processes and controls of the Company. It covers review and examination of compliances with all policies, procedures and statutory requirements. The suggestions for improvement of systems and processes form part of the recommendations of the internal audit team. The findings and recommendations of the internal audit team are discussed and examined by the senior management and the audit committee of the board. The timely implementation of the corrective measures is tracked.

e) MANAGEMENT PERCEPTION OF RISK & CONCERNS:

The principal raw material Acrylonitrile and Vinyl Acetate Monomer are both petrochemical derivatives and are highly susceptible to volatility in crude oil prices. The propylene market structure, shortages and fluctuating prices further add to the volatility.

There are only a limited number of large Acrylonitrile producers in the world which influence the supply and pricing of Acrylonitrile. Raw material sourcing and prices are a major risk area for the Company. In the first five months of the year 2011, Acrylonitrile prices have touched historically high levels as a result of combination of the above said factors. The present prices look to be disconnected with long term values in the supply chain. Any sharp correction is likely to add to the woes of the acrylic fibre industry.

The inter-fibre substitution in particular of acrylic fibre by polyester remain an area of concern. The inflationary pressures may lead to slower economic growth rates both in India and globally and may adversely impact textile consumption including acrylic fibre consumption. Changes in monsoon pattern and its impact on agriculture incomes, climatic conditions such as length of winter season and fashion trends may become factors of concern.

f) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS:

The Company continued with its efforts of creating a learning organization and the emphasis on development of the potential of its people through training and development. The functional training programmes were reviewed and further strengthened by incorporating continuously the learnings from operations and our customers. The efforts to strengthen positive work environment, promote innovation and excellence were renewed. The Company has always placed great emphasis on building a culture of mutual trust and harmony. The efforts in this direction were continued. The industrial relations remained harmonious and peaceful during the year.

The Company employed over 290 persons during the year.

3. 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.

4. 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, 2011 and of the profit of the Company for the year ended on 31st March, 2011;
- 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.

5. 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.

6. 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.

7. AUDITORS' REPORT:

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

8. PERSONNEL:

None of the employees has received a salary of Rs. 60.00 lac per annum or Rs. 5.00 lac per month or more during the financial year 2010-2011. Accordingly, no particulars of employees are to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

9. 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.

10. 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 : New Delhi
Dated: 9th May, 2011**

**(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, 2011

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 2010-2011 2009-2010

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)	3.39	5.27
Unit per Litre of Diesel Oil	(KWH)	3.29	2.86
Cost/Unit	(Rs./KWH)	11.04	12.67

ii) Through Turbines

Unit per Kg. of Coal/Lignite	(KWH/Kg.)	1.16	1.26
Total Cost	(Rs. in lacs)	601.82	515.69
Cost/Unit	(Rs./KWH)	2.30	2.06

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

Quantity	(MT)	33836	29709
Total Cost	(Rs. in lacs)	902.74	773.54
Average Rate	(Rs. per MT)	2,668	2,604

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

Quantity	(K. Ltrs.)	93.49	109.90
Total Cost	(Rs. in Lacs)	23.31	27.87
Average Rate	(Rs. per Ltrs.)	24.94	25.36

B) CONSUMPTION PER UNIT OF PRODUCTION:

Acrylic Fibre/Acrylic Tow

Electricity	(KWH/KG)	1.32	1.38
Coal (used in Boiler for generation of Steam)	(MT/MT)	1.69	1.61
Furnace Oil (used in Boiler for generation of steam)	(K.Ltrs./MT)	0.005	0.006

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 :

- Successful changeover of co-monomer

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

- Savings in cost of production.

(iii) Future plan of action:

- Increase in productivity.
- Efforts to produce specialty fibres.

(iv) Expenditure on R&D:

	(Rs. In lacs)	2010-11	2009-10
Non- Recurring	—	—	—
Percentage of turnover	—	—	—

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

(i) Efforts made towards technology absorption, adaptation and innovation

- Higher production from new Polymerization Reactor.
- Use of new Baler for packing waste fibre.

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

- Ease of handling and savings in transportation cost.
- Increased productivity.

(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:

	(Rs. in lacs)	2010-11	2009-10
Foreign Exchange earned (FOB)	Nil	Nil	Nil
Foreign Exchange used (on accrual basis)	18,784.10	9,035.30	

CORPORATE GOVERNANCE REPORT

This Report on Corporate Governance forms part of the Annual Report. It assumes a great deal of importance in the business life of the Company. The Company's goal is to find creative and productive ways of delighting its stakeholders i.e. investors, customers & associates, while fulfilling the role of a responsible corporate representative committed to best practices. This section besides being in compliance of the provisions of Listing Agreement gives an insight into the process of functioning of the Company.

1. COMPANY'S PHILOSOPHY:

- Ø Faith in bright future of Indian textiles and hence continued expansion in areas "which we know best".
- Ø Total customer focus in all operational areas.
- Ø Products to be of best available quality for premium market segments through Total Quality Management (TQM) and zero defect implementation.
- Ø Global orientation.
- Ø Integrated diversification / product range expansion.
- Ø World class manufacturing facilities with most modern R&D and process technology.
- Ø Faith in individual potential and respect for human values.
- Ø Encouraging innovation for constant improvement to achieve excellence in all functional areas.
- Ø Accepting change as a way of life.
- Ø Appreciating our role as a responsible corporate citizen.

2. BOARD OF DIRECTORS:

- (a) **Composition:** The Board of Directors comprises of a Non-Executive Chairman, a Managing Director and six Non-Executive Directors. Out of the total strength of eight directors, four directors are independent, thus it meets the stipulated requirement.
- (b) **Board Meetings:** During the financial year 2010-2011, the Board met four times on 28.04.2010, 10.07.2010, 28.10.2010 and 08.02.2011.

The composition of the Board of Directors and Directors attendance at the Board Meetings and at last Annual General Meeting of the Company, as also the number of Directorships/Chairmanships held by them in other public limited companies, during the financial year 2010-11 are as follows:-

Name of Director	Designation & Category	Number of Board Meetings attended	Attendance at last AGM	Directorships in other Public Ltd. Companies	Committee Memberships in other Public Ltd. Companies	Board Chairmanships in other Public Ltd. Companies	Committee Chairmanships in other Public Ltd. Companies
Mr. S.P. Oswal	Non-Executive Chairman, Non Independent	3	No	11	—	6	—
Mr. B.K. Choudhary	Managing Director, Non Independent	4	No	1	—	—	—
Mr. Sachit Jain	Non-Executive Director, Non Independent	—	Yes	13	5	1	2
Mr. D.L. Sharma	Non-Executive Director, Non Independent	1	No	5	5	1	—
Mr. S.P. Singh	Non-Executive Director, Independent	4	No	—	—	—	—
Mr. M.C. Gupta	Non-Executive Director, Independent	4	No	2	2	1	1
Mr. S.K. Bansal	Non-Executive Director, Independent	4	No	1	1	—	—
Dr. A.K. Bakhshi	Non-Executive Director, Independent	4	No	—	—	—	—