

41st Annual Report 2004-2005



VARDHMAN SPINNING AND GENERAL MILLS LIMITED

Vardhman Spinning and General Mills Limited

BOARD OF DIRECTORS

1. MR. SHRI PAUL OSWAL
– *Chairman*
2. MR. SURINDER SINGH BAGAI
3. AIR MARSHAL (Retd.) KULDIP SINGH BHATIA
4. MR. CHAMAN LAL JAIN
5. MR. BAL KRISHAN CHOUDHARY
6. MR. SACHIT JAIN
7. MRS. SHAKUN OSWAL
8. MRS. SUCHITA JAIN

COMPANY SECRETARY

MRS. SHAKTI JINDAL

AUDITORS

M/S. S.C. VASUDEVA & CO.,
Chartered Accountants, New Delhi

REGISTERED OFFICE

Chandigarh Road, Ludhiana-141 010

Phones : (0161) 2662543-547

Fax : (0161) 2601048, 2602710, 2642616

Website: www.vardhman.com

E-mail : secretarial.lud@vardhman.com

REGISTRAR AND TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED

CONTENTS

NOTICE	02
DIRECTORS' REPORT	05
CORPORATE GOVERNANCE REPORT	09
AUDITORS' REPORT	14
BALANCE SHEET	16
PROFIT AND LOSS ACCOUNT	17
CASH FLOW STATEMENT	18
SCHEDULES TO THE ACCOUNTS	19



Vardhman

Vardhman Spinning and General Mills Limited

NOTICE

NOTICE is hereby given that the FORTY-FIRST ANNUAL GENERAL MEETING of the members of the Company will be held on Saturday, the 27th day of August, 2005 at 10.30 A.M. at the Registered Office of the Company situated at Chandigarh Road, Ludhiana, to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005, Profit and Loss Account for the year ended on that date, together with the Reports of Auditors and Directors thereon.
2. To declare Dividend.
3. a) To appoint a Director in place of Mr. Bal Krishan Choudhary, who retires by rotation in accordance with Article 104 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. Surinder Singh Bagai, who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year 2005-2006 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 Mr. Sachit Jain, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mrs. Suchita Jain, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mrs. Shakun Oswal, who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

Place : Ludhiana
Dated : 23rd July, 2005

(SHAKTI JINDAL)
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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items Nos. 5 to 7 is annexed hereto and forms part of the Notice. 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 Nos. 3(a), 3(b) and 5 to 7 of the Notice is also annexed hereto separately and forms part of the Notice.
3. **The Register of Members and Share Transfer Books of the Company shall remain closed from 6th August, 2005 to 27th August, 2005 (Both days inclusive).**
4. The dividend declared, if any, will be paid to those members whose names appear in the Register of Members of the Company as on the last date of Book Closure i.e. 27th August, 2005. However, in respect of the shares held in electronic form, dividend will be paid on the basis of beneficial ownership as at the end of the 5th day of August, 2005, as per details furnished by Depositories for this purpose.
5. Members holding shares in physical mode are requested to notify the change in their addresses, if any, at the earliest to the Registrar and Transfer Agent. However, members holding shares in electronic mode may notify the change in their addresses, if any, to their respective Depository Participants.
6. 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.
7. 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 alongwith 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 Registrar and Transfer Agent.

Vardhman Spinning and General Mills Limited

ANNEXURE TO THE NOTICE

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

ITEM NOS. 5 TO 7 OF THE SPECIAL BUSINESS :

Mr. Sachit Jain and Mrs. Suchita Jain resigned from the Office of Executive Directors with effect from 30th March, 2005. The Board of Directors of the Company in their meeting held on 30th March, 2005 appointed both Mr. Sachit Jain and Mrs. Suchita Jain as Additional Directors on the Board of the Directors of the Company pursuant to Article 94 of the Articles of Association of the Company. Further, the Board of Directors in their meeting held on 23rd July, 2005 also appointed Mrs. Shakun Oswal as an Additional Director on the Board of the Directors of the Company pursuant to Article 94 of the Articles of Association of the Company.

In terms of Section 260 of the Companies Act, 1956 read with Article 94 of the Articles of Association of the Company, Mr. Sachit Jain, Mrs. Suchita Jain and Mrs. Shakun Oswal will hold Office of Additional Directors upto the date of Annual General Meeting.

The Company has received notices from some of the members under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Sachit Jain, Mrs. Suchita Jain and Mrs. Shakun Oswal as Directors of the Company. Your approval is, accordingly, solicited for their appointment as Directors liable to retire by rotation.

MEMORANDUM OF INTEREST :

Except Mr. Sachit Jain, Mrs. Suchita Jain and Mrs. Shakun Oswal being the appointees themselves, and Mr. Shri Paul Oswal, being the appointees' relative, none of the Directors of the Company is, in any way, concerned or interested in these resolutions.

By Order of the Board

Place : Ludhiana
Dated : 23rd July, 2005

(SHAKTI JINDAL)
Company Secretary

Report  junction.com



Vardhman Spinning and General Mills Limited

INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT REGARDING THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING

MR. BAL KRISHAN CHOUDHARY

Mr. Bal Krishan Choudhary, 54, has been a Director of the Company since 2000. He is a Post Graduate in Commerce and Master in Business Administration (Gold Medalist). He is having more than 30 years' experience in Steel and Textile businesses. He holds the position of President and Executive Director in Vardhman Acrylics Limited. He is also a member on the Board of Bharuch Eco-Aqua Infrastructure Limited. He is a member of the Audit Committee of Bharuch Eco-Aqua Infrastructure Limited. Further, he is also a member of Investors' Grievance Committee of Vardhman Acrylics Limited.

MR. SURINDER SINGH BAGAI

Mr. Surinder Singh Bagai, 76, has been a Director of the Company since 1971. He is a Bachelor of Law and Post Graduate in Arts. He is having more than 50 years' experience in various corporate laws with specialisation in taxation. He is a leading taxation expert of the country. He holds the position of a Director on the Board of the following companies :-

1. Bagai Investment Company (Unlimited)
2. Bagai Tax Law Services Private Limited
3. DLF Power Limited
4. Kevicon Builders & Developers Private Limited
5. Kevicon Consultants Limited
6. Nachiketa Real Estate Limited
7. Primrose Properties & Traders (Unlimited)
8. SCI-Tech
9. Wasti Properties (Unlimited)

However, he is not a member or Chairman of the Committee of any Body Corporate.

MR. SACHIT JAIN

Mr. Sachit Jain, 38, is an Electrical Engineer from IIT, Delhi and Master in Business Administration (Gold Medalist) from IIM, Ahmedabad. He is a Director of the Company since 1990 and having business experience of more than 15 years. He is the Chairman of HRD Sub-Committee of Confederation of Indian Industry (CII), Northern Region. He is also the member of Indian Cotton Mills' Federation (ICMF). He is the past President of Northern India Textile Mills' Association (NITMA) and also the past Chairman of Textile Sub-Committee of CII-Northern Region and also of CII-H.P. State Council. He is also the founder member of BBN Industries Association.

He also holds the position of a Director on the Board of the following companies :-

1. Mahavir Spinning Mills Limited
2. Vardhman Acrylics Limited
3. VMT Spinning Company Limited
4. Vardhman Apparels Limited
5. Auro Fabriks Limited
6. Vardhman Yarns & Threads Limited
7. Adinath Investment and Trading Company
8. Anklesh Investments Private Limited

9. Devakar Investment and Trading Company Private Limited
10. Srestha Holdings Limited
11. Santon Finance and Investment Company Limited
12. Flamingo Finance and Investment Company Limited
13. Ramaniya Finance and Investment Company Limited
14. Marshall Investment and Trading Company Private Limited
15. Pradeep Mercantile Company Private Limited
16. Plaza Trading Company Private Limited
17. Syracuse Investment and Trading Company Private Limited
18. Vardhman Textile Processors Private Limited

He is the Chairman of Vardhman Apparels Limited. He is a member of the Audit Committee of VMT Spinning Company Limited. Further, he is also a member of Investors' Grievance Committee of Mahavir Spinning Mills Limited.

MRS. SUCHITA JAIN

Mrs. Suchita Jain, 37, is a Post Graduate in Commerce. She is a Director of the Company since 1998 and having more than 15 years' experience in industry and business.

She holds the position of a Director on the Board of the following companies :-

1. Mahavir Spinning Mills Limited
2. Anklesh Investments Private Limited
3. Srestha Holdings Limited
4. Santon Finance and Investment Company Limited
5. Flamingo Finance and Investment Company Limited
6. Ramaniya Finance and Investment Company Limited
7. Marshall Investment and Trading Company Private Limited
8. Pradeep Mercantile Company Private Limited
9. Plaza Trading Company Private Limited
10. Syracuse Investment and Trading Company Private Limited

However, she is not a member or Chairman of the Committee of any Body Corporate.

MRS. SHAKUN OSWAL

Mrs. Shakun Oswal, 58, is a Graduate by qualification. She is having a good experience of handling investment activities, being a Director on the Board of the following companies :-

1. Adinath Investment and Trading Company
2. Anklesh Investments Private Limited
3. Devakar Investment and Trading Company Private Limited
4. Srestha Holdings Limited
5. Santon Finance and Investment Company Limited
6. Flamingo Finance and Investment Company Limited
7. Ramaniya Finance and Investment Company Limited
8. Marshall Investment and Trading Company Private Limited
9. Pradeep Mercantile Company Private Limited
10. Plaza Trading Company Private Limited
11. Syracuse Investment and Trading Company Private Limited
12. Vardhman Textile Processors Private Limited

However, she is not a member or Chairman of the Committee of any Body Corporate.



Vardhman Spinning and General Mills Limited

DIRECTORS' REPORT

To

The Members,

The Directors of your Company have pleasure in presenting their 41st Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2005.

1. FINANCIAL RESULTS :

The Financial Results for the year are as under :-

(Amount in Rs.)		
PARTICULARS	2004-05	2003-04
Sales (Gross)	—	6,739,016,875
Other Income	54,875,444	182,296,358
Profit before Depreciation, Interest and Tax (PBDIT)	52,037,618	1,163,922,535
Interest and Financial Expenses	—	293,734,326
Profit before Depreciation and Tax (PBDT)	52,037,618	870,188,209
Depreciation	497,190	418,647,025
Profit before Tax (PBT)	51,540,428	451,541,184
Provision for Tax		
- Current	2,300,000	55,900,000
- Deferred (Including Deferred Tax Adjustments)	—	93,675,960
- Tax credit availed	—	(28,000,000)
Profit after Tax (PAT)	49,240,428	329,965,224
Appropriations :		
Proposed Dividend on Equity Shares	6,383,072	67,009,320
Corporate Tax on Proposed Dividend	895,226	8,585,569
Transfer to Debenture Redemption Reserve	—	62,500,000
Transfer to General Reserve	31,795,816	200,000,000
Balance carried to Balance Sheet	42,981,432	103,209,004
	82,055,546	441,303,893
Earnings per Share (Rs.)		
- Basic	15.42	20.68
- Diluted	—	3.77
Dividend per Share (Rs.)	2.00	4.20

The figures of the current year, 2004-05 are not comparable with that of the previous year 2003-04 as the current year's figures are exclusive of the figures of the textile business which vests in Mahavir Spinning Mills Limited with effect from 1st April, 2004 pursuant to the Scheme of Arrangement and Demerger.

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

a) DEMERGER OF TEXTILE BUSINESS :

During the year, a Scheme of Arrangement and Demerger between Vardhman Spinning and General Mills Limited

(Transferor Company) and Mahavir Spinning Mills Limited (Transferee Company) was approved by the shareholders and creditors of the respective companies in their Court convened meetings held on 11th December, 2004. This Scheme was sanctioned by the Hon'ble Punjab and Haryana High Court vide its Order dated 4th March, 2005. As per the Scheme, the textile business of the Company vests in Mahavir Spinning Mills Limited with effect from 1st April, 2004. The consolidation of the textile business is expected to enhance the shareholders value and will improve the competitiveness of the merged entity.

In accordance with the Scheme of Arrangement and Demerger, the shareholders of the Transferor Company have been allotted/issued 8 equity shares of the Transferee Company and 2 equity shares of the Transferor Company for every 10 equity shares held in the Transferor Company on the Record Date fixed for the purpose i.e. 22nd April, 2005. Accordingly, the Company has issued 3,191,536 Equity Shares of Rs. 10/- each in lieu of the retained shares in the Company.

b) FINANCIAL ANALYSIS :

Pursuant to the demerger of the textile business of the Company, the results of the Company for the financial year 2004-05 are not comparable with that of the previous year. Because of Demerger, the sales were Nil during the year (Previous Year Rs. 6,739,016,875). The Company earned other income of Rs. 54,875,444 during the year as against Rs. 182,296,358 last year.

The Company earned profit before depreciation, interest and tax of Rs. 52,037,618 as against Rs. 1,163,922,535 in the previous year. The profit after tax was Rs. 49,240,428 as against Rs. 329,965,224 in the last year.

The balance available for appropriation after adding the proportionate balance in Surplus Account as per the Scheme of Arrangement and Demerger is Rs. 82,055,546. Out of this, a sum of Rs. 6,383,072 and Rs. 895,226 respectively have been appropriated towards proposed dividend and corporate dividend tax thereon, Rs. 31,795,816 is proposed to be transferred to general reserve and the balance of Rs. 42,981,432 is proposed to be carried as surplus to the balance sheet.

c) RESOURCE UTILISATION :

● FIXED ASSETS :

The gross fixed assets as at 31st March, 2005 were Rs. 17,111,843 as against Rs. 6,608,375,808 in the previous year. During the year, there were no additions or sales of fixed assets.

● CURRENT ASSETS :

The net current assets as on 31st March, 2005 were Rs. 44,194,527 as against Rs. 2,589,314,303 in the previous year.

d) FINANCIAL CONDITIONS AND LIQUIDITY :

Before Demerger, the Company enjoyed rating of "AA-" and "P1+" from Credit Rating Information Services of India Limited (CRISIL) for long-term and short-term borrowings respectively.



Vardhman Spinning and General Mills Limited

The position of liquidity and capital resources of the Company is given below: -

(Amount in Rs.)

	Current Year	Previous Year
Cash & cash equivalents :		
Beginning of the Year	—	77,028,494
End of the Year	—	86,559,678
Net cash provided/ (used) by :		
Operating Activities	(51,864,362)	835,763,926
Investing Activities	51,862,921	(464,528,553)
Financing Activities	1,441	(361,704,189)

e) INTERNAL CONTROL SYSTEM :

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal audit in the organisation is an independent appraisal activity and all significant issues are brought to the attention of the Audit Committee of the Board.

f) MANAGEMENT PERCEPTION OF RISKS & CONCERNS :

Pursuant to Demerger, the Company is no longer having the textile business. As at present, it is not susceptible to risks of a textile undertaking. However, it is left with investments and is prone to all the financial risks and capital market fluctuations.

g) HUMAN RESOURCES/INDUSTRIAL RELATIONS :

The Company is not carrying on any manufacturing activity and no workers were employed during the year.

3. PUBLIC DEPOSITS :

There are no deposits outstanding from the public as at the end of the year. Further, pursuant to Demerger, the Company has not accepted and does not intend to accept any deposits from the public.

4. DIVIDEND :

The Board of Directors of your Company is pleased to recommend a dividend of 20 per cent on the paid-up Equity Share Capital of the Company.

5. DIRECTORS :

Mr. Bal Krishan Choudhary and Mr. Surinder Singh Bagai, Directors of the Company, retire by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year, Mr. Sachit Jain and Mrs. Suchita Jain resigned from the Office of the Executive Directors with effect from 30th March, 2005. The Board of Directors appointed both Mr. Sachit Jain and Mrs. Suchita Jain as Additional Directors, who hold Office upto the date of Annual General Meeting. Now the Company has received notices from shareholders proposing the candidature of Mr. Sachit Jain and Mrs. Suchita Jain for appointment as Directors liable to retire by rotation.

The Industrial Development Bank of India withdrew the nomination of Mr. Chandrasekharapuram Venkateswaran Ramani as a Director on the Board of the Company with effect from 16th May, 2005. Mr. Shri Paul Oswal resigned from the

Office of Managing Director with effect from 1st June, 2005. He, however, continues to be the Chairman and Director not liable to retire by rotation. Mr. Surinder Kumar Bansal, Mr. Subhash Khanchand Bijlani and Mr. Rajendra also resigned from the Directorship of your Company with effect from 17th June, 2005. The Board places on record its appreciation for the services rendered by the said Directors during their tenure as Directors of the Company.

6. CORPORATE GOVERNANCE :

The Company has in place a system of Corporate Governance. A report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement is annexed to the report on Corporate Governance.

7. AUDITORS :

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

8. AUDITORS' REPORT :

The Auditors' Report on the Accounts of the Company for the year under review is self-explanatory and requires no comments.

9. COST AUDITORS :

Pursuant to Demerger, the Company is not carrying on any textile business. As such, the provisions of Cost Audit are no longer applicable to the Company.

10. STATEMENT OF PARTICULARS OF EMPLOYEES :

A Statement of Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 is annexed hereto and forms part of this report.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Particulars with respect to conservation of energy and other areas as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed hereto and form part of this report.

12. GROUP :

The Company alongwith the following entities, constitute a 'Group' as defined under the Monopolies and Restrictive Trade Practices Act, 1969 :

- Mahavir Spinning Mills Limited
- Vardhman Threads Limited
- Adinath Investment and Trading Company
- Devakar Investment and Trading Company Private Limited

13. DIRECTORS' RESPONSIBILITY STATEMENT :

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed;



Vardhman Spinning and General Mills Limited

- (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, 2005 and of the profits of the Company for the year ended on 31st March, 2005;
- (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.

14. ACKNOWLEDGEMENT :

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

For and on behalf of the Board

Place : Ludhiana
Dated : 17th June, 2005

(SHRI PAUL OSWAL)
Chairman

STATEMENT OF PARTICULARS OF EMPLOYEES

INFORMATION REQUIRED AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005.

S. No.	Name of Employee	Designation/Nature of duties	Remuneration (In Rs.)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last Employment
(A) PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION WHICH, IN THE AGGREGATE, WAS NOT LESS THAN Rs. 24,00,000/- PER ANNUM.								
- NIL -								
(B) PERSONS EMPLOYED FOR A PART OF THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION FOR ANY PART OF THE YEAR, AT A RATE WHICH, IN THE AGGREGATE, WAS NOT LESS THAN Rs. 2,00,000/- PER MONTH.								
1.	Shri Paul Oswal	Chairman and Managing Director	1,018,628	M.Com.	63	38	01.11.2003	Chairman and Managing Director, Vardhman Polytex Limited, (11.08.2001 to 15.05.2004)
2.	Sachit Jain	Director	7,540	B.Tech., M.B.A.	38	16	01.11.1990	Area Manager, Hindustan Lever Limited, (April, 1989 to October, 1990)

NOTES :

- Remuneration includes Salary, House Rent Allowance, Commission, Contribution to Provident Fund, Superannuation Fund, Leave Travel Concession, Medical Assistance and other allowances paid in cash and taxable value of non-cash perquisites.
- Appointments of Mr. Shri Paul Oswal and Mr. Sachit Jain are contractual in nature.
- Both Mr. Shri Paul Oswal and Mr. Sachit Jain are related Directors.
- As at 31st March, 2005, Mr. Shri Paul Oswal, in addition to his appointment as Chairman and Managing Director of the Company, continued to be the Executive Chairman of Mahavir Spinning Mills Limited.
- All the management costs upto 28th March, 2005 have been transferred to Mahavir Spinning Mills Limited in terms of the Scheme of Arrangement and Demerger. Mr. Sachit Jain resigned from the Office of Executive Director with effect from 30th March, 2005. As such, his remuneration given above is for a single day only i.e. 29th March, 2005. Remuneration of Mr. Shri Paul Oswal is from 29th March, 2005 to 31st March, 2005.



Vardhman Spinning and General Mills Limited

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, 2005 :

I. CONSERVATION OF ENERGY :

In terms of the Scheme of Arrangement and Demerger between Vardhman Spinning and General Mills Limited (Transferor Company) and Mahavir Spinning Mills Limited (Transferee Company) as sanctioned by the Hon'ble High Court of Punjab and Haryana at Chandigarh vide its Order dated 4th March, 2005, the textile business of the Company vests in the Transferee Company with effect from 1st April, 2004. Thereafter, the Company has not engaged in any manufacturing activity.

FORM-A

PARTICULARS	UNIT	2004-05	2003-04
A) POWER AND FUEL CONSUMPTION :			
1. Electricity :			
a) Purchased			
Units (KWH in lac)		—	1,406.86
Total amount (Rs. in lac)		—	4,223.30
Rate per unit (Rs. per KWH)		—	3.00
b) Own generation through :			
i) Diesel Generator			
Units (KWH in lac)		—	304.70
Unit per litre of Diesel (KWH)		—	3.83
Cost per unit (Rs. per KWH)		—	4.11
ii) Steam Turbine/Generator		—	Nil
2. Coal (Used in Boiler) :			
Quantity (MT)		—	150.35
Total cost (Rs. in lac)		—	6.09
Average rate (Rs. per MT)		—	4,050.00
3. Oil (LDO/HSD/RFO/HPS) used in Boilers :			
Quantity (Kilolitre)		—	192.37
Total Cost (Rs. in lac)		—	34.66
Average rate (Rs. per litre)		—	18.01
4. Others (Rice Husk) :			
Quantity (MT)		—	60,305.45
Total cost (Rs. in lac)		—	1,031.74
Average cost (Rs. per MT)		—	1,710.86

B) CONSUMPTION PER UNIT OF PRODUCTION :

1. Yarn :			
Electricity (KWH per Kg.)		—	3.50
Coal (Used for Dyed Yarn) (Kg. per kg.)		—	2.20
Husk (Used for Dyed Yarn) (Kg. per kg.)		—	2.58
2. Fabric :			
Electricity (Used for Grey Fabric) (KWH per metre)		—	0.84
Electricity (Used for Processed Fabric) (KWH per metre)		—	0.44
Steam (Used for Grey Fabric) (Kg. per metre)		—	0.56
Steam (Used for Processed Fabric) (Kg. per metre)		—	4.91

II. TECHNOLOGY ABSORPTION :

Efforts made in Technology Absorption are furnished in Form-B as under :-

FORM-B

A. RESEARCH AND DEVELOPMENT (R & D) :

1. Specific areas in which R & D is carried out by the Company:	Not Applicable										
2. Benefits derived as a result of R & D :	Not Applicable										
3. Future Course of action :	Not Applicable										
4. Expenditure on R & D :	(Rs. in lac)										
	<table><tr><th>2004-05</th><th>2003-04</th></tr><tr><td>Capital</td><td>— 24.94</td></tr><tr><td>Recurring</td><td>— 34.13</td></tr><tr><td>Total</td><td>— 59.07</td></tr><tr><td>Total R & D expenditure as a percentage of turnover</td><td>— 0.21%</td></tr></table>	2004-05	2003-04	Capital	— 24.94	Recurring	— 34.13	Total	— 59.07	Total R & D expenditure as a percentage of turnover	— 0.21%
2004-05	2003-04										
Capital	— 24.94										
Recurring	— 34.13										
Total	— 59.07										
Total R & D expenditure as a percentage of turnover	— 0.21%										

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts made :	Not Applicable
2. Particulars of imported technology in the last five years.	
i) a) Technology Imported :	Not Applicable
b) Year of import :	Not Applicable
c) Has technology been fully absorbed ? :	Not Applicable

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange earned and used :		(Rs.in lac)
	2004-05	2003-04
a) Earnings (FOB value of exports)	—	16,031.23
b) Outgo (CIF value of imports and expenditure in foreign currency)	—	6,549.40



Vardhman Spinning and General Mills Limited

CORPORATE GOVERNANCE REPORT

This Report on Corporate Governance forms part of the Annual Report. This section besides being in compliance of the provisions of Listing Agreement gives an insight into the process of functioning of the Company. The Company is committed to transparency and business ethics in discharge of its corporate responsibilities.

1. BOARD OF DIRECTORS :

(a) Board Meetings :

During the financial year 2004-2005, seven Board Meetings were held on the following dates :-

- 29th May, 2004
- 24th July, 2004
- 9th September, 2004
- 28th September, 2004
- 28th October, 2004
- 22nd January, 2005
- 30th March, 2005

(b) Composition :

As at 31st March, 2005, the Board comprised of a Chairman and Managing Director, a Nominee Director and nine Non-Executive Directors. Out of the total strength of 11 Directors, 8 Directors were independent and this met the stipulated requirement.

The composition, attendance and Directorships/Committee Memberships of the Board of Directors of the Company during the financial year 2004-05 is given as follows :-

Name of Director	Designation	Category	No. of Board Meetings attended	Attendance at last AGM	Total No. of Directorships in public companies	Total No. of Committee Memberships	Total No. of Board Chairmanships	Total No. of Committee Chairmanships
Mr. Shri Paul Oswal*	Chairman and Managing Director	Executive	6	Yes	11	1	* 5	1
Mr. Surinder Kumar Bansal**	Director	Non-Executive, Independent	6	No	1	—	—	—
Mr. Kuldip Singh Bhatia	Director	Non-Executive, Independent	7	No	1	—	—	—
Mr. Rajendra**	Director	Non-Executive, Independent	7	No	—	—	—	—
Mr. Chaman Lal Jain	Director	Non-Executive, Independent	6	No	—	—	—	—
Mr. Subash Khanchand Bijlani**	Director	Non-Executive, Independent	5	Yes	1	—	—	—
Mr. Bal Krishan Choudhary	Director	Non-Executive, Independent	1	No	2	2	—	—
Mr. Surinder Singh Bagai	Director	Non-Executive, Independent	2	No	3	—	—	—
Mr. Sachit Jain***	Director	Non-Executive, Not Independent	5	Yes	10	2	1	—
Mrs. Suchita Jain***	Director	Non-Executive, Not Independent	3	No	5	—	—	—
Mr. Chandrasekharapuram Venkateswaran Ramani****	Director	Non-Executive, Independent	2	No	3	—	—	—

Notes : * Resigned from the Office of Managing Director with effect from 1st June, 2005. He, however, continues to be the Chairman and Director, not liable to retire by rotation.

** Resigned from the Directorship of the Company with effect from 17th June, 2005.

*** Both Mr. Sachit Jain and Mrs. Suchita Jain resigned from the Office of the Executive Directors with effect from 30th March, 2005. The Board of Directors appointed them as Additional Directors with effect from the said date.

**** Nomination withdrawn by Industrial Development Bank of India with effect from 16th May, 2005.

2. AUDIT COMMITTEE :

As at 31st March, 2005, the Audit Committee comprised of three directors i.e. Mr. Subhash Khanchand Bijlani, Mr. Chaman Lal Jain and Mr. Bal Krishan Choudhary, Mr. Subhash Khanchand Bijlani being the Chairman of the Committee. Since then, Mr. Bijlani has resigned from the Office of Directorship. The Audit Committee was reconstituted on 17th June, 2005 and Air Marshal (Retd.) Kuldip Singh Bhatia was appointed as a member of the Committee in place of Mr. Bijlani. Mr. Chaman Lal Jain is the present Chairman of the Audit Committee.