

# 43rd Annual Report 2006-07



Vardhmān

VARDHMAN HOLDINGS LIMITED

## Vardhman Holdings Limited

(Formerly known as Vardhman Spinning and General Mills Limited)

**BOARD OF DIRECTORS**

1. MR. SHRI PAUL OSWAL  
– *Chairman*
2. MR. SURINDER SINGH BAGAI
3. MR. JAGDISH RAI SINGAL
4. MR. CHAMAN LAL JAIN
5. DR. RAM SWARUP GUPTA
6. MR. BAL KRISHAN CHOUDHARY
7. MR. SACHIT JAIN
8. MRS. SHAKUN OSWAL
9. MRS. SUCHITA JAIN

**COMPANY SECRETARY**

MRS. SHAKTI JINDAL

**REGISTERED OFFICE**

Chandigarh Road, Ludhiana-141 010

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Website : [www.vardhman.com](http://www.vardhman.com)E-mail : [secretarial.lud@vardhman.com](mailto:secretarial.lud@vardhman.com)**AUDITORS**M/S. S.C. VASUDEVA & CO.,  
Chartered Accountants, New Delhi**REGISTRAR AND TRANSFER AGENT**

M/S. ALANKIT ASSIGNMENTS LIMITED

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## Vardhman Holdings Limited

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## NOTICE

NOTICE is hereby given that the FORTY-THIRD ANNUAL GENERAL MEETING of the members of the Company will be held on Saturday, the 18th day of August, 2007 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, 2007, Profit and Loss Account for the year ended on that date, together with the Reports of Auditors and Directors thereon.
2. a) 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.
- b) To appoint a Director in place of Mr. Sachit Jain, 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.
3. To appoint Auditors for the year 2007-08 and to fix their remuneration.

By Order of the Board

Place : Ludhiana  
Dated : 28th May, 2007

(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. 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 Nos. 2(a) and 2(b) of the Notice is being 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 17<sup>th</sup> August, 2007 to 18<sup>th</sup> August, 2007 (Both days inclusive).**
4. 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.
5. 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.
6. 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.

## ANNEXURE TO THE NOTICE

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

Name of the Director	Mr. Surinder Singh Bagai	Mr. Sachit Jain
Date of Birth	07.03.1929	08.07.1966
Date of Appointment	08.02.1971	30.03.2005
Qualification	M.A., LL.B.	B. Tech., M.B.A. (Gold Medallist)
Expertise in specific functional area	Leading expert of Taxation and Company Law	Business Executive having rich experience of more than 15 years in textile industry
Directorships in other companies	<ol style="list-style-type: none"> <li>1. Bagai Investment Company (Unlimited)</li> <li>2. Bagai Tax Law Services (P) Limited</li> <li>3. Primrose Properties and Traders (Unlimited)</li> <li>4. Wasti Properties (Unlimited)</li> <li>5. SCI-Tech</li> <li>6. DLF Power Limited</li> <li>7. Kevicon Builders and Developers Private Limited</li> <li>8. Kevicon Consultants Limited</li> <li>9. Nachiketa Real Estate Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Vardhman Textiles Limited</li> <li>2. VMT Spinning Company Limited</li> <li>3. Vardhman Acrylics Limited</li> <li>4. Vardhman Apparels Limited (Chairman)</li> <li>5. Vardhman Yarns and Threads Limited</li> <li>6. Vardhman Linen Limited</li> <li>7. Syracuse Investment &amp; Trading Company (P) Limited</li> <li>8. Adinath Investment and Trading Company</li> <li>9. Devakar Investment &amp; Trading Company (P) Limited</li> <li>10. Vardhman Textiles Processors Private Limited</li> <li>11. Srestha Holdings Limited</li> <li>12. Anklesh Investments (P) Limited</li> <li>13. Pradeep Mercantile Company (P) Limited</li> <li>14. Plaza Trading Company Private Limited</li> <li>15. Marshall Investment &amp; Trading Company (P) Limited</li> <li>16. Santon Finance and Investment Company Limited</li> <li>17. Flamingo Finance and Investment Company Limited</li> <li>18. Ramaniya Finance and Investment Company Limited</li> <li>19. Punjab Tractors Limited</li> </ol>
Chairmanships/Committee memberships of other companies	<ol style="list-style-type: none"> <li>1. Chairman of the Audit Committee of DLF Power Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman of Audit Committee of VMT Spinning Company Ltd.</li> <li>2. Member of Investor Grievance Committee of Vardhman Textiles Limited</li> </ol>
Number of Shares held	Nil	2,330



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## DIRECTORS' REPORT

### Dear Members,

The Directors of your Company have pleasure in presenting their 43rd Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2007.

### 1. FINANCIAL RESULTS :

The financial results for the year are as under : -

PARTICULARS	(Amount in Rs.)	
	2006-07	2005-06
Income from Operations	133,458,828	54,887,866
Other Income	6,105,408	64,380,861
Profit before Depreciation, Interest and Tax (PBDIT)	137,892,352	116,166,996
Interest and Financial Expenses	3,106	5,644
Profit before Depreciation and Tax (PBDT)	137,889,246	116,161,352
Depreciation	157,525	196,610
Profit before Tax (PBT)	137,731,721	115,964,742
Provision for Tax		
- Current Tax	4,800,000	6,000,000
- Deferred Tax	180,353	(180,353)
- Fringe Benefit Tax	4,000	13,000
- Tax adjustment for earlier years	604,968	-
Profit after Tax (PAT)	132,142,400	110,132,095
<b>Appropriations:</b>		
Interim Dividend on Equity Shares	6,383,072	-
Corporate Tax on Interim Dividend	895,226	-
Proposed Dividend on Equity Shares	-	6,383,072
Corporate Tax on Proposed Dividend	-	895,226
Transfer to General Reserve	110,000,000	120,000,000
Balance carried to Balance Sheet	40,699,331	25,835,229
	157,977,629	153,113,527
Earnings per Share (Rs.)	41.40	34.50
Dividend per Share (Rs.)	2.00	2.00

### 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

#### a) FINANCIAL ANALYSIS :

During the year, the income from operations was Rs. 133,458,828 as against Rs. 54,887,866 in the previous year, showing an increase of 143.15 per cent. This increase is mainly due to receipt of interim dividend income by the Company. The Company earned other income of Rs. 6,105,408 during the year as against Rs. 64,380,861 last year.

The Company earned profit before depreciation, interest and tax of Rs. 137,892,352 as against Rs. 116,166,996 in the previous year. After providing for interest and financial expenses of Rs. 3,106 (Previous Year Rs. 5,644), depreciation of Rs. 157,525 (Previous Year Rs. 196,610), current tax of Rs. 4,800,000 (Previous Year Rs. 6,000,000), deferred tax of Rs. 180,353 [Previous Year (Rs. 180,353)] fringe benefit tax of Rs. 4,000 (Previous Year Rs. 13,000) and tax adjustment for earlier years of Rs. 604,968 (Previous Year Nil), the profit after tax was Rs. 132,142,400 as against Rs. 110,132,095 last year, registering an increase of 19.99 per cent.

The balance available for appropriation after adding balance in surplus account is Rs. 157,977,629. Out of this, a sum of Rs. 6,383,072 and Rs. 895,226 respectively have been appropriated towards interim dividend and corporate dividend tax thereon, Rs. 110,000,000 is proposed to be transferred to general reserve and the balance of Rs. 40,699,331 is proposed to be carried as surplus to the balance sheet.

#### b) RESOURCE UTILISATION :

##### FIXED ASSETS :

The gross fixed assets as at 31<sup>st</sup> March, 2007 were Rs. 56,235,478 as compared to Rs. 56,235,478 in the previous year. During the year, there were no additions of fixed assets (Previous Year Rs. 50,268,750). The Company also did not sell any of its fixed assets during the year (Previous Year Rs. 11,145,115).

##### CURRENT ASSETS :

The net current assets as at 31<sup>st</sup> March, 2007 were Rs. 225,477,553 as against Rs. 100,275,027 in the previous year.

#### c) FINANCIAL CONDITIONS AND LIQUIDITY :

Management believes that the Company's liquidity and capital resources are sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below: -

	(Amount in Rs.)	
	2006-07	2005-06
<b>Cash and cash equivalents :</b>		
Beginning of the Year	102,658,588	—
End of the Year	220,683,757	102,658,588
<b>Net cash provided/ (used) by :</b>		
Operating Activities	131,840,049	96,926,882
Investing Activities	—	12,920,550
Financing Activities	(13,814,880)	(7,188,844)

#### d) 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.

#### e) MANAGEMENT PERCEPTION OF RISKS AND CONCERNS :

The Company is prone to all the financial risks and capital market fluctuations.

#### f) HUMAN RESOURCES/INDUSTRIAL RELATIONS :

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

#### 3. PUBLIC DEPOSITS :

The Company has not accepted and does not intend to accept any deposits from the public. As at 31<sup>st</sup> March, 2007, there are no outstanding/unclaimed deposits from the public.



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## 4. DIVIDEND :

The Board of Directors of your Company declared an interim dividend @ 20 percent for the financial year 2006-07 in its Board Meeting held on 10th March, 2007. The Board of Directors have not recommended any further dividend and so, the interim dividend be treated as final dividend.

## 5. DIRECTORS :

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

## 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. STATEMENT OF PARTICULARS OF EMPLOYEES :

During the year, no employee of the Company received a salary of more than Rs. 24.00 lac. per annum or Rs. 2.00 lac. per month. Accordingly, no particulars of employees are to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

## 10. 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 Nil.

## 11. GROUP :

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

- Vardhman Textiles Limited
- Vardhman Threads Limited
- Adinath Investment and Trading Company
- Devakar Investment and Trading Company Private Limited

## 12. 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;
- 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, 2007 and of the profits of the Company for the year ended on 31st March, 2007;
- 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
- The annual accounts have been prepared on a going concern basis.

## 13. ACKNOWLEDGEMENT :

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

For and on behalf of the Board

Place : Ludhiana  
Dated : 28th May, 2007

(S. P. OSWAL)  
Chairman



# Vardhman Holdings Limited

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## 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. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company's philosophy on corporate governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders. The Company believes that all its actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

### 2. BOARD OF DIRECTORS :

#### (a) Board Meetings :

During the financial year 2006-07, five Board Meetings were held on the following dates :-

- 19th May, 2006
- 22nd July, 2006
- 31st October, 2006
- 29th January, 2007
- 10th March, 2007

#### (b) Composition :

The Board of Directors comprises of nine Directors, with Mr. Shri Paul Oswal as the Chairman of the Board of Directors. Out of the total strength of nine Directors, three Directors are independent and this meets the stipulated requirement.

The composition, attendance and Directorships/Committee Memberships of the Board of Directors of the Company during the financial year 2006-07 is given as follows :-

Name of Director	Designation and Category	Number of Board Meetings attended	Attendance at last AGM	Directorships in other public companies	Other Committee Memberships	Board Chairmanships in other companies	Committee Chairmanships in other companies
Mr. Shri Paul Oswal	Non-Executive Chairman, Non Independent	5	Yes	11	1	5	1
Mrs. Shakun Oswal	Non-Executive Director, Non Independent	5	Yes	4	—	—	—
Mr. Sachit Jain	Non-Executive Director, Non Independent	5	No	11	2	1	1
Mrs. Suchita Jain	Non-Executive Director, Non Independent	Nil	No	6	1	—	—
Mr. Chaman Lal Jain	Non-Executive Director, Non Independent	5	No	—	—	—	—
Mr. Bal Krishan Choudhary	Non-Executive Director, Non Independent	1	No	2	3	—	—
Mr. Surinder Singh Bagai	Non-Executive, Independent Director	Nil	No	3	1	—	1
Mr. Jagdish Rai Singal	Non-Executive, Independent Director	2	Yes	4	—	—	—
Dr. Ram Swarup Gupta	Non-Executive, Independent Director	5	No	—	—	—	—

### 3. AUDIT COMMITTEE :

The Audit Committee comprises of three Directors viz. Mr. Jagdish Rai Singal, Mr. Surinder Singh Bagai and Dr. Ram Swarup Gupta. Mr. Jagdish Rai Singal is the Chairman of the Audit Committee. All members of the Audit Committee are financially literate and one of the members, Dr. Ram Swarup Gupta, has accounting/financial management expertise. The terms of reference of the Audit Committee are as contained in Corporate Governance Clause of the Listing Agreement.





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The Audit Committee met four times during the financial year 2006-07 on the following dates :-

- 19th May, 2006
- 22nd July, 2006
- 31st October, 2006
- 29th January, 2007

The attendance of members of the Audit Committee during the financial year 2006-07 is given below :-

Committee Members	Category	Number of Audit Committee Meetings Attended
Mr. Jagdish Rai Singal	Non-Executive, Independent Director	3
Mr. Surinder Singh Bagai	Non-Executive, Independent Director	1
Dr. Ram Swarup Gupta	Non-Executive, Independent Director	4

#### 4. DIRECTORS' REMUNERATION AND SHAREHOLDING :

##### (a) Remuneration :

The Company does not have any Executive Director. Further, Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board and Committee Meetings. The details of sitting fee paid to the Directors during the financial year 2006-07 is given hereunder:-

S. No.	Name of Director	Sitting Fee (Rs.)
1.	Mr. Chaman Lal Jain	26,000
2.	Dr. Ram Swarup Gupta	32,000
3.	Mr. Surinder Singh Bagai	3,000
4.	Mr. Jagdish Rai Singal	17,000

##### (b) Shareholding :

The shareholding of the Directors in the Equity Share Capital of the Company is given as follows:-

S. No.	Name of Director	Number of Shares held	S. No.	Name of Director	Number of Shares held
1.	Mr. Shri Paul Oswal	58,195	6.	Mr. Chaman Lal Jain	5
2.	Mrs. Shakun Oswal	19,084	7.	Dr. Ram Swarup Gupta	Nil
3.	Mr. Sachit Jain	2,330	8.	Mr. Surinder Singh Bagai	Nil
4.	Mrs. Suchita Jain	27,101	9.	Mr. Jagdish Rai Singal	6
5.	Mr. Bal Krishan Choudhary	20			

#### 5. INVESTORS' GRIEVANCE COMMITTEE :

The Investors' Grievance Committee comprises of Mr. Chaman Lal Jain, Mrs. Shakun Oswal and Mr. Bal Krishan Choudhary, all being Non-Executive Directors. The Chairman of the Committee is Mr. Chaman Lal Jain. The Compliance Officer for this Committee is Mrs. Shakti Jindal, Company Secretary.

During the financial year 2006-07, two meetings of the Investors' Grievance Committee were held on 22<sup>nd</sup> July, 2006, and 31<sup>st</sup> October, 2006, which were attended by Mr. Chaman Lal Jain and Mrs. Shakun Oswal.

During the financial year 2006-07, the Company had received 126 complaints. The complaints are related to transfers, dematerialisation, dividend etc. and all the complaints have been duly resolved by the Company. Further, there is no pendency in respect of shares received for transfer during the financial year 2006-07.