

44th ANNUAL REPORT 2007-08



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. SAT PAL KANWAR
7. MR. BAL KRISHAN ARORA
8. MRS. SHAKUN OSWAL
9. MR. SACHIT JAIN
10. MRS. SUCHITA JAIN

COMPANY SECRETARY

MR. YOGESH SACHDEVA

REGISTERED OFFICE

Chandigarh Road, Ludhiana-141 010

Phones : (0161) 2228943-48

Fax : (0161) 2222616, 2601048 & 2602710

Website : www.vardhman.inE-mail : secretarial.lud@vardhman.com**AUDITORS**M/S. S.C. VASUDEVA & CO.,
Chartered Accountants, New Delhi**REGISTRAR AND TRANSFER AGENT**

M/S. ALANKIT ASSIGNMENTS LIMITED

CONTENTS

NOTICE	3
DIRECTORS' REPORT	5
CORPORATE GOVERNANCE REPORT	7
AUDITORS' REPORT	12
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT	15
CASH FLOW STATEMENT	16
SCHEDULES TO THE ACCOUNTS	17



Vardhman Holdings Limited

(Formerly known as Vardhman Spinning and General Mills Limited)

NOTICE

NOTICE is hereby given that the FORTY-FOURTH ANNUAL GENERAL MEETING of the members of the Company will be held on Saturday, the 30th day of August, 2008 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, 2008, Profit and Loss Account for the year ended on that date, together with Report of Auditors and Directors thereon.
2. To declare Dividend.
3. a) To appoint a Director in place of Mrs. Shakun Oswal, who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers herself for re-appointment.
- b) To appoint a Director in place of Mrs. Suchita Jain, who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and being eligible, offers herself for re-appointment.
- c) To appoint a Director in place of Mr. Chaman Lal 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.
4. To appoint Auditors for the year 2008-09 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. Sat Pal Kanwar, 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 Mr. Bal Krishan Arora, 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 : 13th May, 2008

(YOGESH SACHDEVA)
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 and 6 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), 3(c), 5 and 6 of the Notice is also 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 13th August, 2008 to 30th August, 2008 (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

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

ITEM NOS. 5 & 6 OF SPECIAL BUSINESS

The Board of Directors of the Company in their meeting held on 13.05.2008 appointed Mr. Sat Pal Kanwar and Mr. Bal Krishan Arora as Additional Directors on the Board 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. Sat Pal Kanwar and Mr. Bal Krishan Arora will hold office of Additional Director upto the date of Annual General Meeting. The Company has received notices in writing along with requisite deposit from members signifying their intention to propose the candidature of Mr. Sat Pal Kanwar and Mr. Bal Krishan Arora for the office of Director in terms of Section 257 of the Companies Act, 1956. Your approval is solicited for their appointment as Directors liable to retire by rotation.

MEMORANDUM OF INTEREST

None of the Directors except Mr. Sat Pal Kanwar and Mr. Bal Krishan Arora, the appointees themselves, is concerned or interested in these resolutions.

By Order of the Board

Place : Ludhiana
Dated : 13th May, 2008

(YOGESH SACHDEVA)
Company Secretary



Vardhman Holdings Limited

(Formerly known as Vardhman Spinning and General Mills Limited)

ANNEXURE TO THE NOTICE

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

Name of the Director	Mrs. Shakun Oswal	Mrs. Suchita Jain
Date of Birth	18.08.1946	21.03.1968
Date of Appointment	23.07.2005	30.03.2005
Qualification	B.A.	M.Com
Expertise in specific functional area	Investment Activities	More than 18 years experience in Industry and Business
Directorships in other companies	<ol style="list-style-type: none"> Adinath Investment & Trading Company Pvt. Limited Devakar Investment & Trading Company Pvt. Limited Anklesh Investments (P) Limited Srestha Holdings Limited Vardhman Textiles Processors (P) Limited Santon Finance & Investment Company Limited Flamingo Finance & Investment Company Limited Ramaniya Finance & Investment Company Limited Marshall Investment & Trading Company Pvt. Limited Pradeep Mercantile Co. Pvt. Limited Plaza Trading Co. Pvt. Limited Syracuse Investment & Trading Company Pvt. Limited 	<ol style="list-style-type: none"> Syracuse Investment & Trading Company Private Limited Srestha Holdings Limited Anklesh Investments (P) Limited Pradeep Mercantile Company Private Limited Plaza Trading Company Private Limited Santon Finance & Investment Company Limited Flamingo Finance & Investment Company Limited Ramaniya Finance & Investment Company Limited Marshall Investment & Trading Company Private Limited Vardhman Linen Limited
Chairmanships/Committee memberships of other companies	Nil	Nil
Number of Shares held	19,084	27,101
Relationship with other Directors	Related to Mr. Shri Paul Oswal, Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Chaman Lal Jain	Related to Mr. Shri Paul Oswal, Mrs. Shakun Oswal and Mr. Sachit Jain

Name of the Director	Mr. Chaman Lal Jain	Mr. Sat Pal Kanwar	Mr. Bal Krishan Arora
Date of Birth	23.11.1939	28.05.1939	12.03.1935
Date of Appointment	28.08.1978	13.05.2008	13.05.2008
Qualification	M.Sc. (Chemistry)	Undergraduate	B.Com., LL.B
Expertise in specific functional area	More than 34 years of rich business experience in Chemical Industry	Manufacturing and Trading in Textiles	Company Law and Secretarial Practice
Directorships in other companies	Nil	Nil	Nil
Chairmanships/Committee memberships of other companies	Nil	Nil	Nil
Number of shares held	5	1212	Nil
Relationship with other Directors	Related to Mrs. Shakun Oswal	Not Related to any Director	Not Related to any Director

Vardhman Holdings Limited

(Formerly known as Vardhman Spinning and General Mills Limited)



DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 44th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2008.

1. FINANCIAL RESULTS :

The financial results for the year are as under : -

(Amount in Rs.)		
PARTICULARS	2007-08	2006-07
Income from Operations	14,860,065	133,458,828
Other Income	9,231,580	6,105,408
Profit before Depreciation, Interest and Tax (PBDIT)	21,120,159	137,892,352
Interest and Financial Expenses	4,922	3,106
Profit before Depreciation and Tax (PBDT)	21,115,237	137,889,246
Depreciation	157,525	157,525
Profit before Tax (PBT)	20,957,712	137,731,721
Provision for		
- Current Tax	7,200,000	4,800,000
- Deferred Tax	-	180,353
- Fringe Benefit Tax	1,600	4,000
- Tax adjustment of earlier years	-	604,968
Profit after Tax (PAT)	13,756,112	132,142,400
Appropriations:		
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	1,084,803	-
Transfer to General Reserve	2,000,000	110,000,000
Transfer to Statutory Reserve	3,000,000	-
Balance carried to Balance Sheet	41,987,568	40,699,331
	<u>54,455,443</u>	<u>157,977,629</u>
Earnings per Share (Rs.)	4.31	41.40
Dividend per Share (Rs.)	2.00	2.00

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

a. FINANCIAL ANALYSIS :

The Company was registered as Non Banking Financial Company with effect from 20th July, 2007. During the year, the Income from operations was Rs.14,860,065 as against Rs.133,458,828 in the previous year. The Company earned other income of Rs.9,231,580 during the year as against Rs.6,105,408 last year. The Company earned profit before depreciation, interest and tax of Rs. 21,120,159 as against Rs.137,892,352 in the previous year. After providing for interest and financial expenses of Rs. 4,922 (Previous Year Rs. 3,106), depreciation of Rs. 157,525 (Previous Year Rs. 157,525), current tax of Rs.7,200,000 (Previous Year Rs.4,800,000), deferred tax being nil (Previous Year Rs. 180,353) and fringe benefit tax of Rs. 1,600 (Previous Year Rs. 4,000) and tax adjustment for earlier years being nil (Previous Year Rs. 604,968), the profit after tax was Rs.13,756,112 as against Rs.132,142,400 last year.

The balance available for appropriation after adding balance in surplus account is Rs.54,455,443. Out of this, a sum of Rs. 6,383,072 and Rs. 1,084,803 respectively have been appropriated towards proposed dividend and corporate dividend

tax thereon, Rs. 2,000,000 and Rs. 3,000,000 are proposed to be transferred to general reserve and statutory reserve respectively and the balance of Rs. 41,987,568 is proposed to be carried as surplus to the balance sheet.

b. RESOURCE UTILISATION :

FIXED ASSETS :

The gross fixed assets as at 31st March, 2008 were Rs.5,966,728 as compared to Rs.56,235,478 in the previous year. During the year, there were no additions of fixed assets. The Company also sold its fixed assets valuing Rs.50,268,750 (Previous Year Nil).

CURRENT ASSETS :

The net current assets as on 31st March, 2008 were Rs. 68,589,447 as against Rs.225,477,553 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.)		
	2007-08	2006-07
Cash and Cash Equivalents:		
Beginning of the Year	220,683,757	102,658,588
End of the Year	62,234,260	220,683,757
Net Cash provided/(used) by:		
Operating Activities	5,133,238	131,840,049
Investing Activities	(163,007,657)	-
Financing Activities	(575,078)	(13,814,880)

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 organization 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 RISK 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 31st March, 2008, there are no outstanding/unclaimed deposits from the public.

4. DIVIDEND :

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

5. DIRECTORS :

Mrs. Shakun Oswal, Mrs. Suchita Jain and Mr. Chaman Lal Jain, Directors of your Company, retire by rotation at the conclusion



Vardhman Holdings Limited

(Formerly known as Vardhman Spinning and General Mills Limited)

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.

The Audit Committee met four times during the financial year 2007-08 on the following dates :-

- 28th May, 2007
- 31st July, 2007
- 27th October, 2007
- 28th January, 2008

The attendance of the members of the Committee during the financial year 2007-08 is given below :-

Committee Members	Category	Number of Audit Committee Meetings Attended
Mr. Jagdish Rai Singal	Non-Executive, Independent Director	4
Mr. Surinder Singh Bagai	Non-Executive, Independent Director	Nil
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 fee for attending Board and Committee Meetings. The details of sitting fee paid to the Directors during the financial year 2007-08 is given hereunder :-

S. No.	Name of Director	Sitting Fee (Rs.)
1.	Mr. Chaman Lal Jain	23,000
2.	Dr. Ram Swarup Gupta	32,000
3.	Mr. Surinder Singh Bagai	-
4.	Mr. Jagdish Rai Singal	20,000

b) Shareholding :

The Shareholding of the Directors in the Equity Share Capital of the Company as at 31st March, 2008 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. Jagdish Rai Singal	6
4.	Mrs. Suchita Jain	27,101	9.	Mr. Surinder Singh Bagai	Nil
5.	Mr. Bal Krishan Choudhary	20			

5. INVESTORS' GRIEVANCE COMMITTEE :

As at 31st March, 2008, the Investors' Grievance Committee comprised 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, during the financial year 2007-08 was Mrs. Shakti Jindal. However, Mr. Yogesh Sachdeva is the Compliance Officer for the said Committee with effect from 1st April, 2008.

During the financial year 2007-08, one meeting of the Investors' Grievance Committee was held on 21st March, 2008, which was attended by all the members.

During the financial year 2007-08, the Company had received 73 complaints. The complaints are related to transfer, 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 2007-08.



Vardhman Holdings Limited

(Formerly known as Vardhman Spinning and General Mills Limited)

6. GENERAL BODY MEETINGS :

The details of General Body Meetings held during the last three financial years are given as follows :-

Nature of Meeting	Day, Date and Time of the Meeting	Venue	Number of Special Resolutions
43 rd Annual General Meeting for financial year ended 31 st March, 2007	Saturday, 18 th August, 2007 at 10.30 a.m.	Registered Office, Chandigarh Road, Ludhiana-141 010	Nil
42 nd Annual General Meeting for the financial year ended 31 st March, 2006	Saturday, 26 th August, 2006 at 10.30 a.m.	Registered Office, Chandigarh Road, Ludhiana-141 010	Nil
Extra-Ordinary General Meeting	Saturday, 11 th February, 2006 at 11.00 a.m.	Registered Office, Chandigarh Road, Ludhiana-141 010	1
41 st Annual General Meeting for the financial year ended 31 st March, 2005	Saturday, 27 th August, 2005 at 10.30 a.m.	Registered Office, Chandigarh Road, Ludhiana-141 010	Nil

The Company has not passed any resolution through postal ballot during the financial year 2007-08. No resolution is proposed to be passed by postal ballot in the forthcoming Annual General Meeting.

7. DISCLOSURES :

During the year, there was no material significant transaction with the directors, management, their relatives, etc. that have any potential conflict with interest of the Company at large. Also there has not been any non-compliance by the Company in respect of which penalties or strictures were imposed by the Stock Exchanges, the Securities and Exchange Board of India or any other Statutory Authority during the last three years.

Further, the Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement. The Company may also take up the non-mandatory requirements of Clause 49 in due course of time.

8. MEANS OF COMMUNICATION :

The Company communicates with the shareholders at large through its Annual Reports, publication of financial results, press releases in leading newspapers and by filing of various reports and returns with the statutory bodies like Stock Exchanges and the Registrar of Companies. The quarterly results are normally published in the 'Financial World' and 'Desh Sewak' and are also made available at Company's web-site www.vardhman.in. Further, the financial results and shareholding pattern of the Company is also available on the Electronic Data Information Filing and Retrieval (EDIFAR) web-site viz. www.sebidifar.nic.in.

9. GENERAL INFORMATION FOR SHAREHOLDERS :

i) 44th Annual General Meeting :

Date : 30th August, 2008
Time : 10.30 A.M.
Venue : Registered Office, Chandigarh Road, Ludhiana-141 010.

ii) Financial Calendar 2008-09 (Tentative) :

First Quarter Results : July, 2008
Second Quarter Results : October, 2008
Third Quarter Results : January, 2009
Annual Results : May, 2009

iii) Dates of Book Closure : 13th August, 2008 to 30th August, 2008 (Both days inclusive)

iv) Dividend payment date : Within 30 days after declaration

v) Listing

The equity shares of the Company are listed on the following Stock Exchanges:

1. The Bombay Stock Exchange Limited (BSE),
Floor 25, P.J. Towers, Dalal Street, Mumbai-400 001.
2. The National Stock Exchange of India Limited (NSE),
"Exchange Plaza", Bandra-Kurla Complex, Bandra (East), Mumbai-400 051.

The Company has duly paid the listing fee to both the aforesaid Stock Exchanges for the financial year 2008-09.