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VARDHMAN HOLDINGS LIMITED
45th ANNUAL REPORT 2008-09

BOARD OF DIRECTORS

1. MR. SHRI PAUL OSWAL
– *Chairman*
2. MR. CHAMAN LAL JAIN
3. MR. JAGDISH RAI SINGAL
4. MR. SURINDER SINGH BAGAI
5. MR. SAT PAL KANWAR
6. MR. BAL KRISHAN ARORA
7. MRS. SHAKUN OSWAL
8. MR. SACHIT JAIN
9. MRS. SUCHITA JAIN

AUDITORS

M/S. S.C. VASUDEVA & CO.

REGISTRAR AND TRANSFER AGENT

M/S. ALANKIT ASSIGNMENTS LIMITED

REGISTERED OFFICE

Chandigarh Road, Ludhiana-141 010

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NOTICE

NOTICE is hereby given that the FORTY-FIFTH ANNUAL GENERAL MEETING of the members of the Company will be held on Friday, the 24th day of July, 2009 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, 2009, 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 Mr. Jagdish Rai Singal, 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.
c) 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.
4. To appoint Auditors for the year 2009-10 and to fix their remuneration.

By Order of the Board

Place : Ludhiana
Dated : 13th May, 2009

(SHRI PAUL OSWAL)
Chairman

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. 3(a), 3(b), and 3(c) 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 11th July, 2009 to 24th July, 2009 (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 date of Annual General Meeting i.e. 24th July, 2009. 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 10th July, 2009, 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.

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 | Mr. Jagdish Rai Singal | Mr. Surinder Singh Bagai | Mr. Sachit Jain |
|---|--|---|--|
| Date of Birth | 03.01.1946 | 07.03.1929 | 08.07.1966 |
| Date of Appointment | 17.10.2005 | 08.02.1971 | 30.03.2005 |
| Qualification | B.A | M.A., LL.B. | B. Tech., M.B.A. (Gold Medallist) |
| Expertise in specific functional area | Rich business experience of more than 40 years with expertise in international trade. | Leading expert of Taxation and Company Law | Business Executive having rich experience of about 20 years in textile industry. |
| Directorships in other companies | <ol style="list-style-type: none"> 1. Eastman Industries Limited. 2. Eastman Cast and Forge Limited. 3. Midland International Limited 4. Green Shadows Developments Private Limited 5. Colorful Developers Private Limited 6. Eastman Auto & Power Limited 7. Rohit Heritage Jewellers Private Limited 8. Eastman Hongkong Private Limited 9. Maxxis Infrastructure Limited | <ol style="list-style-type: none"> 1. Bagai Investment Company (Unlimited) 2. Bagai Tax Law Services (P) Limited. 3. Primrose Properties and Traders (Unlimited) 4. Wasti Properties (Unlimited) 5. SCI-Tech 6. Nachiketa Real Estate Limited 7. Eastern India Powertech Limited | <ol style="list-style-type: none"> 1. Vardhman Textiles Limited 2. VMT Spinning Company Limited 3. Vardhman Acrylics Limited 4. Vardhman Apparels Limited (Chairman) 5. Vardhman Yarns and Threads Limited 6. Vardhman Spinning and General Mills Limited 7. Syracuse Investment & Trading Company (P) Limited 8. Adinath Investment & Trading Company 9. Devakar Investment & Trading Company (P) Limited 10. Mahavir Spinning Mills Private Limited 11. Srestha Holdings Limited 12. Anklesh Investments (P) Limited 13. Pradeep Mercantile Company (P) Limited 14. Plaza Trading Company Private Limited 15. Marshall Investment & Trading Company (P) Limited 16. Santon Finance and Investment Company Limited 17. Flamingo Finance and Investment Company Limited 18. Ramaniya Finance and Investment Company Limited 19. VTL Investments Limited 20. Vardhman Texgarments Limited |
| Chairmanships/ Committee memberships of other companies | NIL | <ol style="list-style-type: none"> 1. Chairman of the Audit Committee of Eastern India Powertech Limited | <ol style="list-style-type: none"> 1. Chairman of Audit Committee of Vardhman Yarns and Threads Limited 2. Chairman of Audit Committee of VMT Spinning Company Limited 3. Member of Investor Grievance Committee of Vardhman Textiles Limited |
| Number of shares held | 6 | NIL | 2,330 |
| Relationship with other Directors | Not related to any Director | Not related to any Director | Related to Mr. Shri Paul Oswal, Mrs. Shakun Oswal and Mrs. Suchita Jain |

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 45th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2009.

1. FINANCIAL RESULTS :

The financial results for the year are as under : -

| | (Amount in Rs.) | |
|--|--------------------|-------------------|
| PARTICULARS | 2008-09 | 2007-08 |
| Income from Operations | 86,113,682 | 14,860,065 |
| Other Income | 7,000,542 | 9,231,580 |
| Profit before Depreciation, Interest and Tax (PBDIT) | 86,031,581 | 21,120,159 |
| Interest and Financial Expenses | 14,957 | 4,922 |
| Profit before Depreciation and Tax (PBDT) | 86,016,624 | 21,115,237 |
| Depreciation | 157,525 | 157,525 |
| Profit before Tax (PBT) | 85,859,099 | 20,957,712 |
| Provision for | | |
| - Current Tax | 5,095,000 | 7,200,000 |
| - Fringe Benefit Tax | 5,000 | 1,600 |
| Profit after Tax (PAT) | 80,759,099 | 13,756,112 |
| Add: Balance brought forward | 41,987,568 | 40,699,331 |
| Balance available for appropriation | 122,746,667 | 54,455,443 |
| Appropriations: | | |
| Proposed Dividend on Equity Shares | 6,383,072 | 6,383,072 |
| Corporate Dividend Tax on Proposed Dividend | 1,084,803 | 1,084,803 |
| Transfer to General Reserve | 10,000,000 | 2,000,000 |
| Transfer to Statutory Reserve | 17,500,000 | 3,000,000 |
| Balance carried to Balance Sheet | 87,778,792 | 41,987,568 |
| | <u>122,746,667</u> | <u>54,455,443</u> |
| Earnings per Share (Rs.) | 25.30 | 4.31 |
| 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. 86,113,682 as against Rs. 14,860,065 in the previous year. The Company earned other income of Rs. 7,000,542 during the year as against Rs. 9,231,580 last year. The Company earned profit before depreciation, interest and tax of Rs. 86,031,581 as against Rs. 21,120,159 in the previous year. After providing for interest and financial expenses of Rs. 14,957 (Previous Year Rs. 4,922), depreciation of Rs. 157,525 (Previous Year Rs. 157,525), current tax of Rs. 5,095,000 (Previous Year Rs. 7,200,000) and fringe benefit tax of Rs. 5,000 (Previous Year Rs. 1,600), the profit after tax was Rs. 80,759,099 as against Rs. 13,756,112 last year.

The balance available for appropriation after adding balance in surplus account is Rs.122,746,667. 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. 10,000,000 and Rs. 17,500,000 are proposed to be transferred to general reserve and statutory reserve respectively and the balance of Rs. 87,778,792 is proposed to be carried as surplus to the balance sheet.

b. RESOURCE UTILISATION :

FIXED ASSETS :

The gross fixed assets as at 31st March, 2009 were Rs.5,966,728, which was the same as previous year's gross fixed assets of Rs. 5,966,728. During the year, there were no additions of fixed assets.

CURRENT ASSETS :

The net current assets as on 31st March, 2009 were Rs.49,862,305 as against Rs. 68,589,447 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.) | |
|-------------------------------------|-----------------|---------------|
| | 2008-09 | 2007-08 |
| Cash and Cash Equivalents: | | |
| Beginning of the Year | 62,234,260 | 220,683,757 |
| End of the Year | 2,755,445 | 62,234,260 |
| Net Cash provided/(used) by: | | |
| Operating Activities | 29,563,845 | 5,133,238 |
| Investing Activities | (81,657,683) | (163,007,657) |
| Financing Activities | (7,384,977) | (575,078) |

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, 2009, 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 :

Dr. Ram Swarup Gupta, resigned from the Directorship of the

Company with effect from 13th May, 2009. The Board places on record its appreciation of the services rendered by Dr. Ram Swarup Gupta during his tenure as a Director of the Company.

Mr. Jagdish Rai Singal, Mr. Surinder Singh Bagai and Mr. Sachit Jain, Directors of your 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, along with the following entities, constitute a 'Group' as defined under the Monopolies and Restrictive Trade Practices Act, 1969:-

- a) Vardhman Textiles Limited
- b) VTL Investments Limited
- c) Adinath Investment and Trading Company
- d) 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 -

- (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, 2009 and of the profits of the Company for the year ended on 31st March, 2009;
- (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.

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 : 13th May, 2009

(S. P. OSWAL)
Chairman

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 2008-09, four Board Meetings were held on the following dates:

- 13th May, 2008
- 25th October, 2008
- 26th July, 2008
- 31st January, 2009

(b) Composition :

As at 31st March, 2009 the Board of Directors comprised of ten Directors, with Mr. Shri Paul Oswal as the Chairman of the Board of Directors. Out of the total strength of ten Directors, five 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 2008-09 is given as follows :-

| Name of Director | Designation and Category | Number of Board Meetings attended | Attendance at last Annual General Meeting | 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 | 4 | No | 11 | — | 6 | — |
| Mrs. Shakun Oswal | Non Executive Director, Non Independent | 4 | Yes | 4 | — | — | — |
| Mr. Sachit Jain | Non Executive Director, Non Independent | 4 | Yes | 11 | 3 | 1 | 2 |
| Mrs. Suchita Jain | Non Executive Director, Non Independent | 2 | No | 5 | — | — | — |
| Mr. Chaman Lal Jain | Non Executive Director Non Independent | 4 | No | — | — | — | — |
| Mr. Bal Krishan Arora | Non Executive, Independent Director | 3 | Yes | — | — | — | — |
| Mr. Surinder Singh Bagai | Non Executive, Independent Director | — | No | 3 | 1 | — | 1 |
| Mr. Jagdish Rai Singal | Non Executive, Independent Director | — | No | 5 | — | — | — |
| Dr. Ram Swarup Gupta | Non Executive, Independent Director | 4 | No | — | — | — | — |
| Mr. Sat Pal Kanwar | Non-Executive, Independent Director | 3 | No | — | — | — | — |
| Mr. Bal Krishan Choudhary | Non-Executive Director, Non Independent | 1 | No | 2 | 2 | — | — |

Notes :

- i) Mr. Sat Pal Kanwar and Mr. Bal Krishan Arora were appointed as Directors of the Company with effect from 13th May, 2008.
- ii) Mr. Bal Krishan Choudhary and Dr. Ram Swarup Gupta resigned from the Directorship of the Company with effect from 13th May, 2008 and 13th May, 2009 respectively.
- iii) Mr. Shri Paul Oswal, Mrs. Shakun Oswal, Mr. Sachit Jain and Mrs. Suchita Jain are related to one another. Mrs. Shakun Oswal and Mr. Chaman Lal Jain are related to each other. No other Director of the Company is related to any other Director of the Company.