

26th Annual Report  
2005-06

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**VARDHMĀN POLYTEX LIMITED**

## *Message from Chairman & Managing Director*



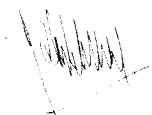
*It gives me immense pleasure in presenting you the 26<sup>th</sup> Annual Report of Vardhman Polytex Limited alongwith the Annual Accounts for the financial year 2005-06.*

*During the year under review, with starting up of new capacity at our VPL, Bathinda unit, the total spindlage of your Company exceeded one lac Spindles, which has contributed towards achieving a turnover close to Rs. 300 crores. In continuation of this expansion stream, we are in process of installation of another 26, 352 spindles at Vinayak Textile Mills, Ludhiana.*

*With focus on expansion to have economies of large scale & to adopt latest technology, we are facing certain constraints in terms of non-availability of Capital equipments in reasonable time. This problem is being faced in the domestic as well as international market. At the same time, many textile units in Europe are on the verge of closure due to high manpower cost and other operating costs. There is good opportunity for Indian entrepreneurs to buy such capacities for use in India. However, non-availability of the interest subsidy under TUFS to buy such spinning machinery is a big disadvantage and deterrent in this respect which needs to be looked into seriously by the concerned authorities in the Ministry of Textiles on a priority basis.*

*Inspite of all these odds, your Company is successfully facing all the challenges of the current environment and surging ahead for a better future. This is because of devotion and focused effort of our team of which we are proud of. We commit ourselves to excel for better value addition in all the fields by bench marking with the best business practice & our commitment is always there for our stake holders to provide them value for their money.*

*Best Regards,*



*Ashok Oswal  
Chairman & Managing Director*

## BOARD OF DIRECTORS

MR. ASHOK KUMAR OSWAL  
— *Chairman & Managing Director*  
MR. RAI SINGH PATIAL  
DR. BALBIR SINGH BHATIA  
MR. AJAY CHAUDHRY  
MR. MANOHAR DATTATRAYA KANITKAR

## PRESIDENT (CORPORATE AFFAIRS)

Mr. Sudheer Rangnekar

## COMPANY SECRETARY

Mr. Tarun Jindal

## AUDITORS

M/s S.S. Kothari Mehta & Co., New Delhi

## BANKERS

Canara Bank  
State Bank of India  
State Bank of Patiala  
Punjab National Bank  
Corporation Bank  
HDFC Bank Ltd.  
UTI Bank Ltd.  
Bank of Baroda

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## REGISTERED & CORPORATE OFFICE

341 K-1, Mundian Khurd, P.O. Sahabana,  
Chandigarh Road, Ludhiana - 141 123  
Phones : +91-161-2685301-305, 5052436  
Fax : +91-161-5052439  
E-mail: vpl.sect@oswalgroup.com  
Website: www.oswalgroup.com

## ADMINISTRATIVE OFFICE

305, Ansal Bhawan, 16, K.G. Marg,  
New Delhi - 110 001  
Phones : +91-11-23311582, 23312478,  
Fax: +91-11-23312477

## BRANCHES

405 - 408, 19, Sagar Plaza Building, Lakshmi Nagar,  
District Centre, New Delhi- 110 092  
B/31/5436, St. No. 0, Vishwkarma Nagar,  
Tajpur Road, Ludhiana- 141 008

## WORKS

- Vardhman Polytex Ltd., Badal Road,  
Bathinda - 151 005
- Vinayak Textile Mills (Spinning Unit), Phase  
VIII, Focal Point, Ludhiana - 141 123
- Vinayak Textile Mills (Dyeing Unit), Phase VIII,  
Focal Point, Ludhiana - 141 123
- Anshupati Textiles, 341 K-1, Mundian Khurd,  
P.O. Sahabana, Chandigarh Road,  
Ludhiana - 141 123

## REGISTRAR & SHARE TRANSFER AGENT

M/s Alankit Assignments Limited  
2E/21, Alankit House  
Jhandewalan Extension,  
New Delhi - 110 055

## NOTICE

NOTICE is hereby given that the TWENTY-SIXTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Thursday, the 20<sup>th</sup> day of July, 2006 at 11.00 a.m. at the Registered Office of the Company situated at 341K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana-141123 to transact the following business:-

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2006 and Profit and Loss Account for the year ended on that date, together with the Report of Auditors and Directors thereon.
2. To declare Dividend, if any.
3. To appoint a Director in place of **Mr. R.S. Patial**, who retires by rotation in accordance with Article-147 of the Articles of Association of the Company.
4. To appoint Auditors for the year 2006-07 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 a 'Special Resolution':

"RESOLVED THAT pursuant to the provisions of Section 31 & other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government under Section 268 of the said Act, the consent of the Members of the Company be and is hereby given to alter the Articles of Association of the Company as under:

Existing Article 173 be deleted and the following new Article 173 be substituted in its place:

173 The Managing Director of the Company shall not, while holding that office, be subject to retirement by rotation but he shall be taken into account in determining the number of Directors to retire by rotation.

RESOLVED FURTHER THAT the consent of the Members of the Company be and is hereby also given to make necessary modification/amendment in the Agreement relating to the appointment of Mr. Ashok Oswal as Managing Director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the

Companies Act, 1956, the consent of the Members be and is hereby given to the Board of Directors of the Company to mortgage and/or charge the movable and immovable properties, both present and future, of the Company, wheresoever situated in favour of Canara Bank to secure:

- a. Term Loan of Rs. 30.00 crores (Rupees thirty crores only)
- b. Together with interest thereon at the respective rates, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under Loan Agreement, as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to finalise, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid charge and to do all such acts, deeds and things as deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby given to the Board of Directors of the Company to mortgage and /or charge the movable and immovable properties, both present and future, of the Company, wheresoever situated in favour of State Bank of Patiala to secure:

- a) Term Loans of Rs. 28.00 crores (Rupees twenty eight crores only)
- b) Together with interest thereon at the respective rates, additional interest, liquidated damages, compound interest, commitment charges, premium on pre-payment or on redemption payable under Loan Agreement, as amended from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to finalise, settle and execute such documents/ deeds/agreements/papers as may be required for creating aforesaid charge and to do all such acts, deeds and things as deemed fit or considered necessary or incidental thereto in order to give effect to the said resolution."

**BY ORDER OF THE BOARD**

**Place : LUDHIANA**  
**Date : 02.05.2006**

**(TARUN 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 Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 5 to 7 are annexed hereto and form part of the Notice.
3. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 15.07.2006 to 20.07.2006 (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. 20.07.2006. However, in respect of the shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as at the end of 14.07.2006 as per details furnished by Depositories for this purpose.
5. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Company/Registrar and Share Transfer Agent. However, Members holding shares in electronic mode may notify the change in their address, 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. 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.
8. Members are requested to bring their copy of Annual Report along with 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 Company/Registrar and Share Transfer Agent of the Company.

**ANNEXURE TO THE NOTICE :****EXPLANATORY STATEMENT PURSUANT TO SECTION-173(2) OF THE COMPANIES ACT, 1956:****ITEM NO. 5 OF THE SPECIAL BUSINESS:**

The Company has floated a joint venture company in the name of Oswal F.M. Hämmerle Textiles Ltd. which is the subsidiary of this Company. There is a proposal for appointment of Mr. Ashok Oswal as Managing Director of the said company in terms of Section 316 of the Companies Act, 1956 so as to have a better control over the affairs of the subsidiary. The existing Article 173 of the Company, however, specifies that its Managing Director shall be a Whole-time Director meaning thereby that he shall be in the Whole-time employment of the Company. Therefore, it is considered necessary that the condition regarding the Managing Director remaining in Whole time employment of the Company, be deleted from Article 173.

Mr. Ashok Oswal has rich industrial experience for about 26 years and it will be in the interest of the Company and the said subsidiary, if he is enabled to be appointed as Managing Director of the said subsidiary also. Both the Companies are in the same line of business activity (i.e. textiles) and in order to have an integrated and co-ordinated control for the day to day management of affairs of both the Companies, it is considered advisable that he becomes the Managing Director of the said subsidiary also. Before this can be done, it is necessary to amend the existing Article 173 in the Articles of Association of the Company and to amend suitably by deleting the words 'Whole-time Director' in the Agreement relating to the appointment of Mr. Ashok Oswal as Managing Director of the Company.

Section 268 of the Companies Act, 1956 lays down that an amendment of any provision relating to the appointment of Managing/ Whole-time Director contained in the Articles of Association shall not have effect unless approved by the Central Government. Therefore, after approval of the Members, an application shall be made to the Central Government seeking its approval under Section 268 of the Act.

The Board of Directors comments the approval of the Special Resolution by the Members.

**MEMORANDUM OF INTEREST:**

No Director of the Company except Mr. Ashok Oswal may considered to be concerned or interested in this resolution.

**ITEM NO. 6 OF THE SPECIAL BUSINESS:**

Your Company has been sanctioned a Term Loan of Rs. 30.00 crores from Canara Bank to part finance the expansion project of the Company at Vinayak Textile Mills, Ludhiana.

Section 293(1) (a) of the Companies Act, 1956 provides that the Board of Directors of a public Limited Company shall not, without the consent of the Company in General Meeting, sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking(s).

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of Canara Bank, may be regarded as disposal of the Company's properties/undertakings, the approval of the Members of the Company under Section 293(1) (a) of the Companies Act, 1956, is solicited.

**MEMORANDUM OF INTEREST:**

None of the Directors of the Company is concerned or interested in this resolution.

**ITEM NO. 7 OF THE SPECIAL BUSINESS:**

Your Company has been sanctioned various Corporate /Term Loans of Rs. 28.00 crores from State Bank of Patiala to part finance the expansion/modernization projects at existing units of the Company.

Section 293(1) (a) of the Companies Act, 1956 provides that the Board of Directors of a public Limited Company shall not, without the consent of the Company in General Meeting, sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking(s).

Since the mortgage by the Company of its immovable properties, as aforesaid, in favour of State Bank of Patiala, may be regarded as disposal of the Company's properties/undertakings, the approval of the Members of the Company under Section 293(1) (a) of the Companies Act, 1956, is solicited.

**MEMORANDUM OF INTEREST:**

None of the Directors of the Company is concerned or interested in this resolution.

**BY ORDER OF THE BOARD**

Place : LUDHIANA  
Date : 02.05.2006

(TARUN JINDAL)  
COMPANY SECRETARY



## DIRECTORS' REPORT

Dear Shareowners,

The Directors of your Company have great pleasure in presenting their 26<sup>th</sup> 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, 2006.

### 1. FINANCIAL RESULTS:

The Financial Results for the year are as under:- (Rs. in lac)

PARTICULARS	2005-2006	2004-2005
Turnover	29131.25	23504.11
Profit before Depreciation, Interest & Tax (PBDIT)	4479.03	2725.27
Interest & Financial Charges	862.72	458.66
Profit before Depreciation & Tax (PBDT) (Cash Profit)	3616.31	2266.61
Depreciation	2275.86	1227.94
Profit before Tax (PBT)	1340.45	1038.67
Provision for Tax		
– Current	182.43	95.00
– Deferred	245.00	196.90
– Fringe Benefit Tax	20.40	–
Profit after Tax (PAT)	892.62	746.77
<b>Appropriations:</b>		
Proposed Dividend on Equity Shares	446.32	446.01
Corporate Dividend Tax	62.60	62.55
Transfer to General Reserve	200.00	250.00
Surplus carried to the Balance Sheet	656.58	472.88
Earning per Share (Rs.)		
– Basic	8.40	7.03
– Diluted	8.40	7.03
Dividend per Share (Rs.)	4.20	4.20

### 2. BUSINESS PERFORMANCE:

Your Directors are pleased to report performance of the business operations as follows:

#### • PRODUCTION & SALES REVENUE:

During the year under review, the turnover of the Company is Rs. 29131.25 lac as against Rs. 23504.11 lac in 2004-2005 registering an annualized growth of 23.94%. The FOB value of exports was increased by 6.56% from Rs. 7133.38 lac to Rs. 7601.47 lac.

#### • PROFITABILITY

The profit before depreciation, interest and tax is Rs. 4479.03 lac as compared to Rs. 2725.27 lac in the previous year showing an increase of 64.35%. After providing for depreciation of Rs. 2275.86 lac (Previous Year Rs. 1227.94 lac) and provision for taxation of Rs. 447.83 lac (Previous Year Rs. 291.90 lac), there is a net profit of Rs. 892.62 lac as compared to Rs. 746.77 lac in the previous year registering an increase of 19.53%. The balance available for appropriation after adding back provision for tax for earlier years and surplus brought forward from previous year is Rs. 1365.50 lac (Previous Year Rs. 1231.44 lac).

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### a) INDUSTRY STRUCTURE, DEVELOPMENT & FUTURE OUTLOOK

With overall improvement in the Indian economy and in the investment climate, all the manufacturing as well as the service sectors have shown a distinct improvement in their performance as well as growth. However, the growth that has been witnessed in the Textile industry is definitely remarkable. This buoyancy in the industry and investment in technology are expected to continue on a long term basis.

The expansion of the new as well as existing capacities have been so much that there is a waiting period of two to three years for delivery of textile machinery in the country, particularly for the spinning mills. On the investment front, the present trends are quite encouraging. In the year 2005-06, the loans under TUFS are expected to be exceeding Rs. 5,000 crores registering an increase of about 70% over and above an increase of about 100% in 2004-05 as compared to the previous year.

The domestic market has also shown some signs of healthy growth because of the fact that few manufacturing facilities operating abroad are slowing down. They were earlier benefiting from the operations of bilateral quotas. The home-textiles and garment segments are reflecting sound growth both in the domestic and international markets. There is a substantial scope for further growth in these segments. If the quality and productivity levels are achieved as per international parameters, there is no doubt that Indian Textile industry is embarking upon a path leading to bright future.

#### (b) INTERNAL CONTROL SYSTEMS & ADEQUACY

The internal controls and strict compliance of the laid-down procedures and systems is ensured under the three-tier system. There are certain internal checks within various functions which are subject to independent internal audit. Over and above, these internal systems and internal audit activities are under the overall scrutiny and review by the Audit Sub-Committee of the Board of Directors consisting of independent directors.

#### (c) HUMAN RESOURCE MANAGEMENT

Human Capital is the most valuable resource of an organization. Development of human capital has always been the thrust area of the Company. There has been continuous development of human resources by training programmes, seminars, conferences etc. Further, effective steps are undertaken to achieve better co-ordination among various departments by conducting reviews and monthly meetings. There is also an effective performance appraisal system to judge the performance of the employees. We value the human resource utmost.

#### (d) MANAGEMENT PERCEPTION OF RISKS & CONCERNS

Though India has achieved a better growth rate in respect of exports as compared to the quota-regime and it is only second to China in terms of the growth rate, still we have to accept that there are several other countries who have

larger market share in USA and EU markets as compared to India's market share. It is believed that India could have much more share of these markets after end of the quota-regime but has been left behind because of poor infrastructure in many areas, age-old labour laws & lower productivity standards. There is immense scope of improvement in these areas which will result into making our textile industry more competitive to the global competition mainly from countries like China.

Increasing oil-prices world-over remains a major area of concern. Shortage of required power from the state agencies has been a problem in terms of quality and quantity and most of the industrial units have been forced to make their own arrangements as an alternative. Because of the substantial growth in terms of the new units as well as expansion of existing manufacturing facilities, acute shortage of trained man-power in the textile industry has become a major challenge atleast in India.

## e) FINANCIAL ANALYSIS

### • RESOURCE UTILISATION

#### a) Fixed Assets

The gross fixed assets as at 31<sup>st</sup> March, 2006 were Rs. 28143.67 lac as against Rs. 21441.64 lac in the previous year. The Capital work-in-progress as on 31<sup>st</sup> March, 2006 was Rs. 2655.53 lac.

#### b) Working Capital

The net current assets as on 31<sup>st</sup> March, 2006 were Rs. 15150.67 lac as compared to Rs. 13268.64 lac in the previous year. Inventory level was Rs. 9176.48 lac as against Rs. 7610.76 lac in the previous year. Debtors outstanding for more than six months were Rs. 475.24 lac as compared to Rs. 316.99 lac in the previous year.

### • FINANCIAL CONDITION & LIQUIDITY

#### LIQUIDITY & CAPITAL RESOURCES

	2005-06	2004-05
<b>Cash &amp; cash equivalents:</b>		
Beginning of the Year	1509.77	160.43
End of the Year	496.28	1509.77
<b>Net cash provided (used) by:</b>		
Operating Activities	365.23	2746.26
Investing Activities	(4183.01)	(7057.32)
Financial Activities	2804.29	5660.40

## 4. EXPANSION PROJECT:

The Company has undertaken expansion of its existing facility at Vinayak Textile Mills, Focal Point, Ludhiana by addition of another 25000 spindles. The commercial production of the said project is expected to start around July, 2006.

## 5. JOINT VENTURE:

During the year, the Company has entered into a joint venture agreement with F. M. Hämmerle Group, Austria for setting up a green field project for manufacture of quality yarn & piece dyed shirting fabric with annual capacity of 12 million meters. For this purpose, a new company in the name of "Oswal F. M.

Hämmerle Textiles Ltd." has been floated which will set-up its plant at Village Kagal, Dist. Kolhapur (Maharashtra). The Company will be having 76% equity in the said joint venture company and 24% equity will be held by F.M. Hämmerle Group. The civil construction has already started. The plant is expected to be operational in first quarter of 2007.

## 6. DIRECTORS:

The retirement by rotation of Mr. R.S. Patial is due at the ensuing Annual General Meeting.

## 7. SUBSIDIARY COMPANY:

During the year, the Company has set up a subsidiary in the name of Oswal F. M. Hämmerle Textiles Ltd. for manufacturing the quality yarn & piece dyed shirting fabric. As per Section 212 of the Companies Act, 1956, a statement showing the interest of the holding Company in the said subsidiary is annexed with this Annual Report.

## 8. LISTING OF SECURITIES:

The securities of the Company are listed on National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., The Ludhiana Stock Exchange Assn. Ltd. and The Calcutta Stock Exchange Assn. Ltd. The Company has applied for delisting of securities at The Calcutta Stock Exchange Assn. Ltd. and The Ludhiana Stock Exchange Assn. Ltd. The delisting committee of The Ludhiana Stock Exchange Assn. Ltd. has approved the delisting of securities.

## 9. REGISTRAR AND SHARE TRANSFER AGENT:

M/s Alankit Assignments Limited, 2E/21, Alankit House, Jhandewalan Extension, New Delhi-110 055 is the Registrar and Share Transfer Agent of the Company.

## 10. DIVIDEND:

The Board of Directors of your Company is pleased to recommend a dividend of 42% on the paid up Equity Share Capital of the Company.

## 11. CORPORATE GOVERNANCE:

The Company has in place a comprehensive system of Corporate Governance. A separate report on Corporate Governance forms part of the Annual Report of the Company. The Company has implemented the amended Clause 49 of the Listing Agreement. A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

## 12. AUDITORS:

M/s S.S. Kothari Mehta & Co, 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.

## 13. AUDITORS' REPORT:

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



## 14. COST AUDITORS:

The Board of Directors have re-appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors of the Company under Section 233-B of the Companies Act, 1956 subject to the approval of the Central Government for the year 2006-2007. The Cost Auditors' Report will be forwarded to the Central Government as required under law.

## 15. 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 enclosed and forms part of this report.

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

Energy Conservation continues to be an area of major emphasis in your Company. Efforts are made to optimize the energy cost while carrying out the manufacturing operations. 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.

## 17. 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 judgments 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 31<sup>st</sup> March, 2006 and of the profit of the Company for the year ended on 31<sup>st</sup> March, 2006;
- 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;
- the annual accounts have been prepared on a going concern basis.

## 18. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government, Financial Institutions, Bankers and Business Constituents for their continued and valuable co-operation and support to the Company. They also take this opportunity to record their appreciation of the valuable contribution made by the employees in the successful operations of the Company during the year.

FOR AND ON BEHALF OF THE BOARD

(ASHOK OSWAL)  
CHAIRMAN &  
MANAGING DIRECTOR

Place : LUDHIANA  
Dated: 02.05.2006

## ANNEXURES TO THE DIRECTORS' REPORT

### PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF 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 31<sup>ST</sup> MARCH, 2006

#### (A) PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR 2005-2006, WHO WERE IN RECEIPT OF REMUNERATION WHICH IN THE AGGREGATE WAS NOT LESS THAN RS. 24,00,000/- PER ANNUM.

Name of the Employee	Designation	Remuneration (Rs.)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature of Duties	Particulars of Last Employment
Ashok Oswal	Chairman & Managing Director	58,11,763	B.A., LL.B.	51	26	31.10.1987	Managerial	Managing Director, Adinath Textiles Ltd.

#### (B) PERSONS EMPLOYED FOR A PART OF THE FINANCIAL YEAR 2005-2006, 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.

Name of the Employee	Designation	Remuneration (Rs.)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature of Duties	Particulars of Last Employment
			NIL					

#### NOTES:

- Remuneration includes Salary, Commission, House Rent Allowance, Bonus, Contribution to Provident Fund, Leave Travel Concession, Medical Assistance, and other allowances paid in cash and taxable value of non-cash perquisites.
- The employment of Mr. Ashok Oswal is contractual, being Managing Director of the Company appointed for a period of 5 years.

**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 31<sup>ST</sup> MARCH, 2006**

**I. CONSERVATION OF ENERGY:**

The Company has over the previous years taken several steps to conserve energy, wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements:

**ENERGY CONSERVATION MEASURES TAKEN:**

- Installation of common header for cooling tower water circulation of pump sets of R/F Dryer Machines with which cooling of both R/F Dryer Machines became possible through one pump set which resulted in annual savings of 36750 KWH.
- Interlocking of Air Compressors cooling tower with Air Compressors in such a way that cooling tower motors will run only when compressor will be in running mode which resulted in saving of 12959 KWH.
- The running of UNILAP Machine's Suction Fan has been controlled resulting in saving of 13086 KWH.

**ADDITIONAL INVESTMENTS & PROPOSALS:**

- Augmentation of PSEB Power Supply from 11 KV to 66 KV by setting up 66/11KV Grid station which will result in substantial saving of cost of energy.

**FORM-A:**

PARTICULARS	UNIT	2005-2006	2004-2005
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**A. POWER & FUEL CONSUMPTION:**
**1. Electricity**
**a) Purchased**

Units	(KWH in lac)	559.77	158.09
Total amount	(Rs. in lac)	2348.31	604.51
Rate per Unit	(Rs./KWH)	4.20	3.82

**b) Own generation**

i) Through Diesel Generator			
Units	(KWH in lac)	34.03	126.90
Units per litre of Diesel	(KWH)	3.69	3.72
Cost per Unit	(Rs./KWH)	7.36	5.99
ii) Through Steam Turbine/Generator			
HPS Based Generator			
Units	(KWH in lac)	151.91	322.74
Units per litre of Diesel	(KWH)	4.11	4.13
Cost per Unit	(Rs./KWH)	4.53	3.31

**2. Coal**

N.A. N.A.

**3. Furnace Oil**

N.A. N.A.

**4. Others/Internal Generation (Oil used in Boiler)**

Quantity	(Kilolitres)	3.86	5.49
Total Cost	(Rs. in lac)	0.99	1.12
Average Rate	(Rs. per litre)	25.65	20.40

**B. CONSUMPTION PER UNIT OF PRODUCTION:**

Yarn			
Electricity consumed	(KWH/Kg.)	2.59	2.70

**II. PARTICULARS AS PER FORM-B:**
**A. RESEARCH AND DEVELOPMENT (R&D):**
**FOCUS & EFFORTS IN R & D:**

- Monitoring & quality control as per customer requirement through process studies, testing & statistical analysis.
- Installation of testing equipment for moisture testing so as to maintain required moisture level in the final yarn.
- Audit of work practices at shop floor for making consistency in work method so as to reduce variation in quality due to "human aspects".
- The R&D efforts in the Company are focused on productivity improvement and better control on process parameters, quality improvement and higher efficiency through analysis of the test reports generated by latest testing equipments like AFIS, UT 4 SX, UTJ 4, Classimat quantum etc.

**BENEFITS DERIVED AS A RESULT OF R&D:**

- i) These instruments helps in producing optimally better quality yarn from winding machine with continued monitoring on quality parameters. In the Dye House, with the help of installation of R&D equipments, there is accuracy in the lab dips and improvement in RFT. In addition, the Company has also obtained "Usterized Certificate" from Uster Inc., Switzerland for maintaining consistent and better quality parameters.
- ii) Improvement in yarn quality and productivity.
- iii) Consistency in work performance and reduction in waste.
- iv) Improvement in manufacturing process and development.
- v) Reduction in manufacturing cost

**FUTURE COURSE OF ACTION:**

A separate cell has been set up by the Company with the sole objective of carrying out studies on the various factors which have a bearing on the product parameters:

**EXPENDITURE ON R & D:**

	2005-2006	2004-2005
Capital	0.64	148.99
Recurring	14.63	10.96
Total	15.27	159.95
Total R & D expenditure as a percentage of Turnover	0.05%	0.68%

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

The Management has created a work culture in the organization to foster innovation in all functions including production. The Company has machineries of latest technology and is continuously adapting the processes of production to the state-of-art technology. The Company has installed acqua splicer to make knotless (spliced) double yarn in TFOS which has been absorbed during the year. The Company has also added new products viz. Slub Yarn, Multicount, Multitwist Yarn. The Company has also started the dyed yarn exports & merchant exports in addition to grey yarn exports. During the year, the Company has explored the new markets of exports in Spain & Czech Republic.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	2005-2006	2004-2005
a) Earnings (FOB value of exports)	7,601.47	7,133.38
b) Outgo (CIF value of imports and expenditure in foreign currency)	4,624.02	3,594.87