



30th
2009-10
Annual Report

VARDHMĀN POLYTEX LIMITED

Message from Chairman & Managing Director



It gives me immense pleasure in presenting to you 30th Annual Report of Vardhmān Polytex Ltd.

The Indian Economy faced many challenges in the fiscal year 2009-10. The Economy is on the path of recovery from the global downturn with a growth in GDP which rose from 6.1 percent in first quarter of 2009-10 to 7.2 percent in the second quarter. Indian Textile Industry is also showing signs of recovery and domestic demand for textiles is expected to grow on continued strong growth in the Economy. Industry sources expect that the export demand in textile industry to recover in FY 2010-11 provided that Indian Rupee remains stable. However, in the time to come, Indian textile industry needs to concentrate on the cost optimization and value addition in order to compete with global players.

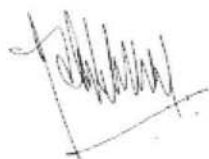
Further, on the cotton front, World cotton production is forecast to increase in 2010-11 coupled with forecasted increase of 2.8% in cotton consumption which indicates the prices of cotton to be on the higher side in current fiscal year too.

Your Company is continuously focusing on the value added yarns alongwith development of new exports markets. Cost competitiveness vis a vis offering quality is always the thrust area of Oswal Group.

I am pleased to report that the turnover of your Company has increased 23.20% in the current fiscal year out of which the export sales have shown an impressive growth of 46.75% during the FY 2009-10.

In the present scenario of competition, your company is striving hard to optimize all costs and improve sales realization so as to provide the maximum value to its stakeholders and business associates.

Best Regards,



*Ashok Oswal
Chairman & Managing Director*

BOARD OF DIRECTORS

MR. ASHOK OSWAL
 — Chairman & Managing Director
 DR. BALBIR SINGH BHATIA
 MR. AJAY CHAUDHRY
 MR. MANOHAR DATTATRAYA KANITKAR
 MR. ADISH OSWAL
 — Director (Group Corp. Affairs & Business Development)

CEO — CORPORATE

Dr. Rakesh Mittal

CHIEF FINANCIAL OFFICER

Mr. Parvinder Singh

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
 Bank of India
 Axis Bank Ltd.
 Bank of Baroda
 Bank of Maharashtra
 Punjab & Sind Bank
 United Bank of India
 Allahabad Bank

WORKS

- Vardhman Polytex Ltd., Badal Road, Bathinda - 151 005
- Vinayak Textile Mills (Spinning Unit), D-295/1, Phase VIII, Focal Point, Ludhiana - 141 123
- Vinayak Textile Mills (Dyeing Unit), D-295/1, Phase VIII, Focal Point, Ludhiana - 141 123
- Anshupati Textiles, 341 K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana - 141 123
- Amkryon International
 HB-22, Phase-VI, Focal Point, Ludhiana - 141 123

REGISTERED & CORPORATE OFFICE

341 K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana - 141 123
 Phones : +91-161-2685301-305
 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

307, Ansal Classique Tower, Rajouri Garden, New Delhi - 110 027

B/31/5436, St. No. 0, Vishwkarma Nagar, Tajpur Road, Ludhiana- 141 008

REGISTRAR & SHARE TRANSFER AGENT

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

CONTENTS

Page No(s).

NOTICE	02
DIRECTORS' REPORT	05
CORPORATE GOVERNANCE REPORT	10
AUDITORS' REPORT	18
BALANCE SHEET	20
PROFIT AND LOSS ACCOUNT	21
CASH FLOW STATEMENT	22
SCHEDULES AND NOTES	23
AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS	37
CONSOLIDATED BALANCE SHEET	38
CONSOLIDATED PROFIT AND LOSS ACCOUNT	39
CONSOLIDATED CASH FLOW STATEMENT	40
SUBSIDIARIES :	
OSWAL F. M. HÄMMERLE TEXTILES LTD.	50
F. M. HÄMMERLE VERWALTUNGS GMBH	70
OSWAL RETAIL PVT. LTD.	75

NOTICE

NOTICE is hereby given that the THIRTIETH ANNUAL GENERAL MEETING of the Members of the Company will be held on Friday, the 20th day of August, 2010 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 31st March, 2010 and Profit and Loss Account for the year ended on that date, together with the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Ajay Chaudhry, who retires by rotation in accordance with Article-147 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2010-11 and to fix their remuneration.

SPECIAL BUSINESS:

4. 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 Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members of the Company be and is hereby given for the re-appointment of Mr. Ashok Oswal as Chairman & Managing Director of the Company w. e. f. 01.08.2010 for a period of one year i.e. 01.08.2010 to 31.07.2011 on remuneration as per details given below:

1. Salary Salary will be Rs. 2,15,000/- (Rupees two lac fifteen thousand only) per month.
2. Commission 1.50% of Net Profits
3. Medical Allowance Medical Allowance shall be Rs.27,500/- (Rupees twenty seven thousand five hundred only) Per Month.
4. Perquisites The perquisites shall be allowed in addition to salary. However, such perquisites shall be restricted to an amount equal to one year's salary during the year as per details given below:
 - (a) **Housing-** Free residential accommodation alongwith free furnishing or House Rent Allowance equal to 50 % of the basic salary. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
 - (b) **Club Fees-** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - (c) **Personal Accident Insurance-** Premium not to exceed Rs. 5,000/- per annum.
 - (d) **Provident Fund-** Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (e) **Gratuity-** Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - (f) **Car & Telephone-** Free use of Telephone & Company's Car for official work as per Company Rules.

RESOLVED FURTHER THAT the said remuneration and perquisites shall be subject to Part II of the Schedule XIII to the Companies Act, 1956 and in case during the tenure of Chairman & Managing Director, there is a loss or the profits are inadequate

in the financial year, the aforesaid remuneration and perquisites shall be paid to Mr. Ashok Oswal in that financial year as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be decided by the Board of Directors and acceptable to Mr. Ashok Oswal".

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 Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members of the Company be and is hereby given for the re-appointment of Mr. Adish Oswal as Director (Group Corporate Affairs & Business Development), being Whole-time Director of the Company w. e. f. 01.08.2010 for a period of one year i.e. 01.08.2010 to 31.07.2011 on such remuneration & terms and conditions as per details given below:

1. Salary Basic Salary will be Rs. 1,60,000/- (Rupees One lac sixty thousand only) per month.
2. Commission 0.50% of Net Profits
3. Perquisites & Allowances The perquisites & allowances shall be allowed in addition to salary as per details given below:
 - (a) **Housing-** House Rent Allowance equal to 30 % of the basic salary.
 - (b) **Medical Re-imbusement -** Medical Reimbursement upto an amount of Rs. 15,000/- per annum.
 - (c) **Uniform & Washing Allowance-**Uniform & Washing Allowance upto an amount of Rs. 5,000/- per month.
 - (d) **Bonus-** Bonus equal to one month's basic salary for the year.
 - (e) **Club Fees-** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - (f) **Personal Accident Insurance-** Premium not to exceed Rs. 5,000/- per annum.
 - (g) **Provident Fund-** Contribution to provident fund, Superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act,1961.
 - (h) **Gratuity-** Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - (i) **Car & Telephone-** Free use of Telephone & Company's Car for official work as per Company Rules.

RESOLVED FURTHER THAT the said remuneration, allowances and perquisites shall be subject to Part II of the Schedule XIII to the Companies Act, 1956 and in case during the tenure, there is a loss or the profits are inadequate in the financial year, the aforesaid remuneration, allowances and perquisites shall be paid to Mr. Adish Oswal in that financial year as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be decided by the Board of Directors and acceptable to Mr. Adish Oswal".

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)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members of the Company be and is hereby given to authorize the Board of Directors to borrow from time to time, at its discretion either from the Company's Bank or any other bank, financial institution or any other lending institutions or Bodies Corporate(s) or such other persons as may be considered suitable by the Board of Directors for the purpose of Company's business any sum or sums of money as it may deem proper notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company, if any, (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, if any, that is to say, reserves not set apart for any specific purpose provided that the total amount of moneys to be borrowed together with moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs. 600 crore (Rupees Six Hundred crore only) outstanding at any one time and that for the implementation of this resolution the Board of Directors may act through any member thereof or any other person duly authorized by the Board of Directors in that behalf".

BY ORDER OF THE BOARD

Place : Ludhiana
Dated : 2nd July, 2010

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 Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items Nos. 4 to 6 and the information required pursuant to the Corporate Governance Clause of the Listing Agreement(s) regarding the director seeking re-appointment in the Annual General Meeting as proposed in Item No. 2, 4 to 5 of the Notice are annexed hereto and both form part of the Notice
3. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 17.08.2010 to 20.08.2010 (Both days inclusive).**
4. 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 Transfer Agent. However, Members holding shares in electronic mode may notify the change in their address, 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. 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.
7. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
8. 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. 4 OF THE SPECIAL BUSINESS:

The Members of the Company in their Annual General Meeting held on 22.09.2009 re-appointed Mr. Ashok Oswal as Chairman & Managing Director for a period of one year with effect from 01.08.2009 on the basic salary of Rs. 1,50,000 (Rupees one lac fifty thousand only) per month with a commission equal to 1.50% of the net profits and perquisites subject to total remuneration being within the limit of 5% of the net profits of the Company.

Further, the Board of Directors of the Company in its meeting held on 02.07.2010 has re-appointed Mr. Ashok Oswal as Chairman & Managing Director for a period of one year with effect from 01.08.2010 to 31.07.2011. The said appointment is pursuant to Section 269 read with Schedule XIII to the Companies Act, 1956.

Accordingly, the approval of the Members is solicited for the re-appointment of Mr. Ashok Oswal as Chairman & Managing Director.

The resolution as given in the Notice may also be read as an Abstract of the re-appointment of Chairman & Managing Director in terms of Section 302 of the Companies Act, 1956.

MEMORANDUM OF INTEREST:

None of the Directors except Mr. Ashok Oswal, being appointee and Mr. Adish Oswal, being relative of appointee, is concerned or interested in this resolution.

ITEM NO. 5 OF THE SPECIAL BUSINESS:

The Members of the Company in their Annual General Meeting held on 22.09.2009 appointed Mr. Adish Oswal as Director (Group Corporate Affairs & Business Development), being Whole-time Director of the Company for a period of one year with effect from 01.08.2009 to 31.07.2010 on the basic salary of Rs. 1,18,000 (Rupees one lac eighteen thousand only) per month with a commission equal to 0.50% of the net profits and perquisites subject to total remuneration being within the limit of 5% of the net profits of the Company.

Further, the Board of Directors of the Company in its meeting held on 02.07.2010 has re-appointed him as Director (Group Corporate Affairs & Business Development), being Whole-time Director of the Company for a period of one year with effect from 01.08.2010 to 31.07.2011 on such remuneration and terms & conditions as set out in the resolution. The said appointment is pursuant to Section 269 read with Schedule XIII to the Companies Act, 1956.

Accordingly, the approval of the Members is solicited for re-appointment of Mr. Adish Oswal Director (Group Corporate Affairs & Business Development).

The resolution as given in the Notice may also be read as an Abstract of the re-appointment of Director (Group Corporate Affairs & Business Development) in terms of Section 302 of the Companies Act, 1956.

MEMORANDUM OF INTEREST:

None of the Directors except Mr. Adish Oswal, being the appointee and Mr. Ashok Oswal, being relative of the appointee, is concerned or interested in this resolution

ITEM NO. 6 OF THE SPECIAL BUSINESS:

As per the provisions of Section 293(1)(d), a Company without the approval of the Shareholders in the General Meeting cannot borrow funds where the funds to be borrowed together with the funds already borrowed by the Company (apart from the temporary loans obtained



Vardhmān Polytex Limited

from the Company's bankers in the ordinary course of business) will exceed the aggregate of Paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. The Shareholders in their Annual General Meeting held on 20.08.2005 gave their approval for the borrowing to Board of Directors upto an amount of Rs. 300 crore (Rupees Three Hundred crore only). As your Company is considering further expansion projects, in which investment of Rs 300 crore to Rs 400 crore is required and the additional borrowings of the Company may exceed the existing limits of Rs 300 crore (Rupees Three Hundred crore only).

Therefore, it is proposed to increase the Borrowing Powers of the Board of Directors from the existing limits of Rs 300 crore to Rs. 600 crore (Rupees Six Hundred crore only). Accordingly, approval of the Members is solicited to the said increase in the limits of Borrowing Powers.

MEMORANDUM OF INTEREST:

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

BY ORDER OF THE BOARD

Place : Ludhiana
Dated : 2nd July, 2010

TARUN JINDAL
COMPANY SECRETARY

Information pursuant to Corporate Governance Clause of the Listing Agreement (s) regarding the Directors seeking appointment/re-appointment in the AGM.

Name of the Director	Mr. Ashok Oswal	Mr. Adish Oswal	Mr. Ajay Chaudhry
Date of Birth	08.02.1955	18.01.1980	19.10.1953
Date of Appointment	30.12.1986	31.07.2009	08.06.1989
Expertise in specific functional area	Industrialist	Industrialist	Leading Lawyer in Taxation
No. of Shares in VPL	1,22,698	1,02,965	155
Qualification	B.A. L.L.B	B.Com	B Sc., L.L.B
Directorships of other Companies as on 31 st March, 2010	<ol style="list-style-type: none"> 1. Oswal F.M. Hämmerle Textiles Ltd. 2. Adesh Investment & Trading Co. (P) Ltd. 3. Boras Investment & Trading Co. (P) Ltd. 4. Calgary Investment & Trading Co. (P) Ltd 5. Ruby Mercantile Co. (P) Ltd. 6. Gagan Mercantile Co. (P) Ltd. 7. Liberty Mercantile Co. (P) Ltd. 8. Pioneer Mercantile India (P) Ltd. 9. Kent Investments (P) Ltd. 10. Enakshi Investments (P) Ltd. 11. Panchsheel Textile Mfg. & Trading Co. (P) Ltd. 12. Allepy Investment & Trading Co. (P) Ltd. 13. Oswal Infratech (P) Ltd. 14. Oswal Holding (P) Ltd. 	<ol style="list-style-type: none"> 1. Oswal F.M. Hämmerle Textiles Ltd. 2. Oswal Retail (P) Ltd. 3. Oswal Holding (P) Ltd. 4. Oswal Infratech (P) Ltd. 5. Allepy Investment & Trdg. Co. (P) Ltd. 6. Nightnagle Dealcom (P) Ltd. 	<ol style="list-style-type: none"> 1. Oswal F.M. Hämmerle Textiles Ltd. 2. Sportking India Ltd.
Chairmanship / Membership of other Committees of Companies as on 31 st March, 2010.	<p>Member- Audit Committee Oswal F.M. Hämmerle Textiles (P) Ltd.</p> <p>Member – Investors’ Grievance Committee Vardhman Polytex Ltd.</p>	<p>Member- Audit Committee Oswal F.M. Hämmerle Textiles (P) Ltd.</p>	<p>Chairman - Audit Committee Vardhman Polytex Ltd. Sportking India Ltd.</p> <p>Chairman -Investors’ Grievance Committee Vardhman Polytex Ltd. Chairman–Remuneration Committee Vardhman Polytex Ltd.</p>

DIRECTORS' REPORT

Dear Shareowners,

The Directors of your Company have great pleasure in presenting their 30th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2010.

1. FINANCIAL RESULTS:

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

<u>PARTICULARS</u>	<u>2009-10</u>	<u>2008-09</u>
Turnover	52769.35	42830.78
Profit before Depreciation, Interest, Tax & Exceptional Items	6686.20	2616.01
Interest & Financial Charges	3351.05	3176.07
Profit before Depreciation, Tax & Exceptional Items	3335.15	(560.06)
Depreciation	2830.50	2842.13
Profit before Tax & Exceptional Items	504.65	(3402.19)
Exceptional Items	3574.14	(2647.76)
Profit before Tax & after Exceptional Items	(3069.49)	(754.43)
Provision for Tax		
– Current	102.00	19.70
– Deferred	(932.61)	18.63
– Fringe Benefit Tax	—	16.65
Profit after Tax and Exceptional Items	(2238.82)	(772.15)
Appropriations:		
Surplus carried to the Balance Sheet	(2406.41)	(167.59)
Earnings per Share		
– Basic (in Rs)	(20.31)	(7.27)
– Diluted (in Rs)	(20.31)	(7.27)

2. BUSINESS PERFORMANCE:

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

• SALES REVENUE:

During the year under review, the turnover of the Company is Rs.52769.35 lac as against Rs.42830.78 lac in 2008-09 registering an increase of 23.20%. The FOB value of exports has increased to Rs.15070.89 lac from 10269.95 lac showing a growth of 46.75%.

• PROFITABILITY:

The Profit before depreciation, interest, exceptional items & tax is Rs. 6686.20 lac as compared to Rs. 2616.01 lac in the previous year. After providing for depreciation of Rs. 2830.50 lac (Previous Year Rs. 2842.13 lac), Exceptional Item of Rs. 3574.14 lac (Previous Year Rs. (2647.76) lac) and provision for taxation of Rs. (830.67) lac (Previous Year Rs (17.72) lac.), there is a net profit of Rs. (2238.82) lac as compared to Rs. (772.15) lac in the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

(a) INDUSTRY STRUCTURE, DEVELOPMENT & FUTURE OUTLOOK

The Fiscal Year 2009-10 was a challenging year for the Indian Economy. In the first quarter, the economy came out of the Global downturn of FY'09. Further, the GDP growth rate rose from 6.1 percent in first quarter of 2009-10 to 7.2 percent in the second quarter which itself showed the signs of recovery of the Indian Economy. Further in the Financial year under review, the Indian Textile Industry was struggling with low recovery in demand of clothing in the international market. The demand contraction and low consumer spending in the USA, the EC and Japan has decisively impacted the demand for imported textiles and clothing. Thus, during the first nine months of 2009-10, cotton yarn exports aggregated 309 million kgs valued at US \$ 844 million which are 13% lower than the corresponding period of 2008-09.

The allocation of Rs. 2400 crore for Technology Up-gradation Funds Scheme (TUFs) in the Union Budget 2010-11 as against Rs. 3140 crore in the Fiscal Year 2009-10 would not suffice to clear the backlog of the TUFs disbursements. Further, the extension of interest subvention of 2% available for export credit upto 31st March, 2011 is only for few sectors and not to textile industry as a whole.

Conventional textile's profit margin is shrinking due to the rising raw material, labour, power and operating costs. The Indian Textile Industry should improve efficiencies to sustain profitabilities and also look for more value added products that give better profit margins with less operational costs. Amongst various options, opportunity for diversification lies in Technical Textiles as demand for them is increasing in India. It is projected that the technical textiles growth in India will be around 15 percent.

(b) INTERNAL CONTROL SYSTEMS & ADEQUACY:

The Company has adequate system of internal control. There is system of continuous Internal Audit which aims at ensuring effectiveness and efficiency of systems and operations. The internal audit is conducted by independent internal Audit Dept. and the report is reviewed by the Audit Committee of the Board consisting of independent Directors. Further, the Company has also taken steps to develop a mechanism to assess and minimize the risks by having a Risk Management Committee.

(c) HUMAN RESOURCE MANAGEMENT :

We at Oswal Group, give utmost importance to Human Resource. We consider "Human Resource as Human Capital". We believe in development of Human Resource. Human Resource department is flexible & believes in customization. Career Planning & Growth is on the top of our agenda, hence we customize career paths and retention plans according to the unique needs of the organization & individuals. We strongly believe on Performance Management System & always explore and tap high potential at Group level to meet the new challenges & competition. Our main tool is Training & Development of talent at various levels.

(d) MANAGEMENT PERCEPTION OF RISKS & CONCERNS :

The Cotton production in India during the year 2009-10 showed a marginal increase in the production of 292 lac

bales from 290 lac bales of 2008-09. However, the consumption of cotton is likely to rise by 8.3% in future in view of the expected increase in demand of textiles and clothing in the international market and India is expected to have larger share in the International Textile Industry. Therefore, availability of the cotton would be an area of concern for the textile mills in India. Hence, they will have to strategize cotton purchase proactively.

Moreover, the Textile Industry, particularly the conventional textile sector, requires vigorous efforts to adopt more aggressive marketing strategies, new products development and exploring the new markets. Apart from this, the industry needs to adopt energy efficient, environmentally sustainable practices and ensure compliance with international eco standards, if it has to compete and sustain itself in the global market, as issues relating to climate change and carbon emissions gather the growing attention of the consumers.

(e) FINANCIAL ANALYSIS:

• RESOURCE UTILISATION:

a) Fixed Assets:

The gross fixed assets as at 31st March, 2010 were Rs. 43743.98 lac as against Rs. 44283.41 lac in the previous year. The Capital work-in-progress as on 31st March, 2010 was Rs. 669.92 lac.

b) Working Capital:

The net current assets as on 31st March, 2010 were Rs. 14279.21 lac as compared to Rs. 23617.10 lac in the previous year. Inventory level was Rs.7940.17 lac as against Rs. 8184.89 lac in the previous year. Debtors outstanding for more than six months were Rs. 854.05 lac as compared to Rs. 886.92 lac in the previous year.

• FINANCIAL CONDITION & LIQUIDITY:

LIQUIDITY & CAPITAL RESOURCES

	(Rs. in lac)	
	<u>2009-10</u>	<u>2008-09</u>
Cash & cash equivalents:		
Beginning of the Year	163.83	1,971.12
End of the Year	1,147.40	163.83
Net cash provided (used) by:		
Operating Activities	12,795.64	2,840.78
Investing Activities	(3,054.23)	(3,080.26)
Financial Activities	(8,757.85)	(1,567.81)

4 PREFERENTIAL ISSUE:

During the year under review, your Company has issued 25,00,000 No's Convertible Warrants to the Financial Investors and 6,60,000 No's Convertible Warrants to a Financial Investor belonging to the Promoter Group on preferential basis pursuant to SEBI(Issue of Capital & Disclosure Requirements) Regulations, 2009. Out of 25,00,000 Convertible Warrants, 20,03,000 Warrants have been converted into Equity Shares of Rs. 10/- each at a premium of Rs. 29.53 per Share. The proceeds from these preferential issues have been used for the purpose of meeting the long term working capital requirements of the Company.

5. COMPANY PETITION:

A petition has been filed by M/s Maschinen Umwelttechnik Transportanlagen Gesellschaft mbH, Austria (a shareholder in Oswal F.M. Hämmerle Textiles Ltd.) against the Company u/s 397, 398 402 & 403 of the Companies Act, 1956 in the Hon'ble Company Law Board (CLB), Principal Bench, New Delhi. The said petition is pending for the mentioning in the Hon'ble CLB.

6 DIRECTORS:

Mr. Ajay Chaudhry, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Further, the Board of Directors has appointed Mr. Adish Oswal as Director (Group Corporate Affairs & Business Development) of the Company during the year 2009-10.

7. SUBSIDIARY COMPANIES:

The Company is having three Subsidiaries namely Oswal F.M. Hämmerle Textiles Ltd., F.M. Hämmerle Verwaltungs GmbH, Austria and Oswal Retail (P) Ltd. As per Section 212 of the Companies Act, 1956, a statement showing the interest of the holding Company in these Subsidiaries is annexed with this Annual Report.

8. LISTING OF SECURITIES:

The securities of the Company are listed on National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. Further, Foreign Currency Convertible Bonds (FCCBs) of the Company are listed at Singapore Exchange Securities Trading Ltd.

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:

In view of the current financial results, the Board of Directors of your Company has not recommended any dividend for the year 2009-10.

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 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 2010-2011. The Cost Auditors' Report will be forwarded to the Central Government as required under law.



Vardhmān Polytex Limited

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:

- 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 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 31st March, 2010 and of the profit of the Company for the year ended on 31st March, 2010;

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;

iv. 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

Place : Ludhiana
Dated : 8th May, 2010

(ASHOK OSWAL)
CHAIRMAN &
MANAGING DIRECTOR

ANNEXURE TO 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 31ST MARCH, 2010.

(A) PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR 2009-2010, 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. in lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature of duties	Particulars of Last Employment
Ashok Oswal	Chairman & Managing Director	33.16	B.A., L.L. B.	55	30	31.10.1987	Managerial	Managing Director, Adinath Textiles Ltd.
Dr. Rakesh Mittal	CEO-Corporate	70.91	B.Sc, B.Text, Phd. (Textile)	58	35	04.08.2006	Managerial	Director & Head (Manufacturing) Pantaloon Retail (India) Ltd.

(B) PERSONS EMPLOYED FOR A PART OF THE FINANCIAL YEAR 2009-2010, 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. in lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature Of duties	Particulars of Last Employment
—	—	—	—	—	—	—	—	—

NOTES:

1. 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.
2. The employment of Mr. Ashok Oswal is contractual, being Chairman & Managing Director of the Company appointed for a period of 1 year.

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010:

1. CONSERVATION OF ENERGY:

The Company has over the previous years taken several steps to conserve energy, wherever possible. Further efforts are made to optimize the energy cost while carrying out the manufacturing operation by formulating Energy Conservation Cell which continuously conduct study, verification, monitor the consumption & utilization of energy including identification of the areas of energy conservation.

ENERGY CONSERVATION MEASURES TAKEN & IMPACT:

Sr.	Energy Saving measures in 2009-10	Power Saving in Units
1.	Stopping and reducing the speed of H. Plant fans as per the weather conditions	8,30,000
2.	Plugging the air leakages and adjusting the air pressures of different machines	3,24,000
3.	Optimizing the air volume in the H. Plants	1,66,000
4.	Using the steam in the yarn conditioning plant (seiger machine)	53,000
5.	Optimizing the Suction Pressure in FDPS, Muratac, Blow Room, M.A. Fan and Carding Room	43,900

ADDITIONAL INVESTMENTS & PROPOSALS :

Sr.	Energy Saving measures to be taken	Estimated Cost (Rs. in lac)	Proposed Power Saving in Units
1.	Installation of Sensors for optimizing the running of OHBs	0.50	27,000
2.	Plugging the air leakages of compressed air in the machines of different sections	1.00	72,000

FORM-A:

PARTICULARS	UNIT	2009-10	2008-09
A. POWER & FUEL CONSUMPTION			
1 Electricity			
a) Purchased			
Units	(KWH in lac)	1086.60	1081.56
Total Amount	(Rs in lac)	5085.32	4733.25
Rate per Unit	Rs./KWH	4.68	4.38
b) Own generation			
I) Through Diesel Generator			
Units	(KWH in lac)	27.26	7.18
Units per litre of Diesel	(KWH)	3.52	3.43
Cost per Unit	Rs./KWH	8.38	8.85
II) Through Steam Turbine /Generator HPS based Generator			
Units	(KWH in lac)	42.83	15.12
Units per litre of Diesel	(KWH)	3.89	3.98
Cost per Unit	Rs./KWH	7.38	6.70
2 Coal		N.A.	N.A.
3 Furnace Oil		N.A.	N.A.
4 Others/Internal Generation (Oil used in Boiler)			
Quantity	(litres)	20645	-
Total Cost	(Rs. in lac)	6.20	-
Average Rate	(Rs. per litre)	30.03	-

B CONSUMPTION PER UNIT OF PRODUCTION

Yarn:			
Electricity	(KWH/Kg.)	2.91	2.45
Garments:			
Electricity	(KWH/Pcs)	0.39	0.43
Diesel	(Litres/Pcs)	0.01	0.08

II PARTICULARS AS PER FORM -B:

A RESEARCH AND DEVELOPMENT (R&D):

FOCUS & EFFORTS IN R & D:

- Focus on the value addition and observing the recent market demand and developing the value added yarns such as Slub/Fancy yarn, Core-spun Lycra yarn and Organic yarn.
- Focus on Customer satisfaction through in-depth analysis of Customers' requirements and implementing the required corrective and preventive action promptly.
- Co-ordinating with cotton purchase team for effective & timely furnishing of the test results & other related data to enable better procurement of raw material.
- Monitoring & quality control through process development studies, statistical quality control activities including online & offline testing, analysis through T test & F test.
- Effective quality tracking system for identification & attending of rouge spindles/drums in Preparatory, Ring Frame & post spinning stage.
- Improving the RFT, bulk to bulk and lab to bulk shade reproducibility and reducing dyeing cycle time
- 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 Cone Expert, AFIS, UT 4 SX, UTJ 4, Classimat Quantum, Auto Sorter 4 etc.

BENEFITS DERIVED AS A RESULT OF R&D:

- i) Better productivity & quality achieved through online monitoring & analysis by 'Cone expert' instrument.
- ii) Better improvement in Splice quality & splice strength of auto-coners through regular monitoring & checking.
- iii) RFT improved from 70% to 80% on smaller machine
- iv) Consistency in yarn quality & better productivity
- v) Flexibility in product range & Better Profitability
- vi) Improvement in manufacturing process and development.

vii) Reduction in manufacturing cost

FUTURE COURSE OF ACTION:

- ❖ Equipment to facilitate the testing & knitting parameters to be standardized
- ❖ A separate cell- PDC has been set up by the Company with the sole objective of carrying out studies in various factors, which have a bearing on the product parameter, work practices and work loads, waste reduction etc.

EXPENDITURE ON R&D:

PARTICULARS	(Rs. in lac)	
	2009-2010	2008-2009
Capital	29.97	61.65
Recurring	36.91	27.30
Total	66.88	88.95
Total R&D expenditure as a percentage of Turnover	0.13%	0.21%

B TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

During the year 2009-10, various imported & indigenous technologies were installed in the Unit. All those technologies are fully absorbed & their details are given below:

- (a) Amsler Lycra attachment
- (b) Caipo -Slub attachment

The Technology Up-gradation shall help in the following ways:

- ❖ Technical parameters are digitally controlled with the highest level accuracy.

- ❖ Change over is very user friendly
- ❖ Better material handling & lesser wastage of the input material
- ❖ Individual spindle is equipped with stop motion that ensures quality on consistent basis.
- ❖ Caipo Slub attachment is user-friendly & change over time is less.
- ❖ Designing of slub is very flexible.
- ❖ Running cost is comparatively less.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports, initiatives taken to increase exports, development of new export markets and export plans:

The Company has continued focus on increasing exports both in house exports as well as merchant exports. The Company has taken various initiatives to increase exports by offering different products viz. Cotton and acrylic yarn, dyed and blended yarn. During the year, Organic yarns were added as new products. During the year, the Company has explored the new markets of exports in East Europe, Russia, Hong-kong and Vietnam. The Company has also participated in various fairs and exhibitions to explore new markets and expand its customer base.

Total Foreign Exchange used and earned:

PARTICULARS	(Rs. in lac)	
	2009-2010	2008-2009
a) Earnings (FOB value of exports)	15070.89	10269.95
b) Outgo (CIF value of imports and expenditure in foreign currency)	829.34	894.56

CORPORATE GOVERNANCE REPORT

Corporate Governance assumes a great deal of importance in the business life of the Company. The Company's goal is to find creative and productive ways of delighting its stakeholders, i.e. investors, customers & associates, while fulfilling the role of a responsible corporate representative committed to best practices. This section besides being in compliance of the mandatory Listing Agreement gives an insight into the process of functioning of the Company.

1. COMPANY'S PHILOSOPHY:

- ✓ Total Customer Delight
- ✓ Competing with the best
- ✓ Total Quality People
- ✓ Product Quality a way of life
- ✓ Continued improvement through innovation & creativity
- ✓ State of Art Technology with ultramodern R & D facilities
- ✓ Respect of every VPL Parivar Member
- ✓ Achieving Excellence through culture integration
- ✓ Change a way of life
- ✓ Act as responsible corporate citizen and discharge our social responsibilities

2. BOARD OF DIRECTORS:

a) Composition:

The Board consists of 5 Directors out of which one is Chairman & Managing Director, one is an Executive Director and 3 are Non-Executive Independent Directors

b) Board Meetings & information to the Board:

During the year, 10 Board Meetings were held on 30.05.2009, 15.06.2009, 31.07.2009, 26.09.2009, 05.10.2009, 28.10.2009, 18.01.2010, 29.01.2010, 03.03.2010 & 18.03.2010. All the necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board of Directors for its consideration. The Company adopts the system of circulating Agenda and Notes to the Directors well in advance. Further, an Action Taken Report on the matters of the previous Board Meetings is also placed before the Board.

The composition, attendance and other Directorships/Committee Membership of the Directors of the Company is given as follows:-

Name of Director	Category of Directors	No. of Shares in VPL	No. of Board Meetings attended	Attendance at last AGM	Total No. of Directorships in other public Ltd. companies	Total No. of Committee Memberships	Total No. of Committee Chairmanships
Mr. Ashok Oswal DIN 00009403	Chairman & Managing Director (Promoter Director)	122698	10	Yes	1	2	-
Mr. Ajay Chaudhry DIN 00055733	Non-Executive Independent Director	155	10	Yes	2	-	4
Dr. B.S. Bhatia DIN 00551715	Non-Executive Independent Director	100	9	No	1	3	-
Mr. M.D. Kanitkar DIN 00551803	Non-Executive Independent Director	NIL	2	No	-	2	-
Mr. Adish Oswal* DIN 00009710	Director (Group Corporate Affairs & Business Development) (Promoter Director)	102965	6	Yes	1	1	-

* appointed with effect from 01.08.2009

c) Code of Conduct for Board of Directors and Senior Management:

The Company's Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been placed on the Website of the Company i.e. www.oswalgroup.com. All the Board Members and Senior Management Personnels have given their affirmations of compliance with the Code. A declaration to this effect signed by Chairman & Managing Director is enclosed and forms part of the Annual Report.

3. AUDIT COMMITTEE:

The Company has an Audit Committee in terms of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement comprising of 3 directors i.e. Mr. Ajay Chaudhry, Mr. M.D Kanitkar & Dr. B.S. Bhatia. Mr. Ajay Chaudhry is the Chairman of the Committee and the Company Secretary is the Secretary of the Committee. Statutory Auditors, Internal Auditors & Head of Corporate Finance Department are the permanent invitees to the Committee. The terms of reference of the Audit Committee is based on the role of the Audit Committee as mentioned in Clause 49 of the Listing Agreement. The terms of reference are broadly as under:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending to the Board, the appointment, re-appointment, replacement or removal of the statutory auditor and the fixation of audit fees and other services.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a) Matters required to be included in the Directors' Responsibility Statement to be included in Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes in accounting policies and practices with reasons.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management
 - d) Significant adjustments made in the financial statements arising out of audit findings
 - e) Compliance with listing and other legal requirements relating to financial statements along with accounting standards.
 - f) Disclosure of any related party transactions as per Accounting Standard (AS) 18
 - g) Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the management and auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function and discussion with internal auditors any significant findings
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Review of proceedings of the Board and financial statements of material unlisted subsidiary company

The Committee met four times in the year on 15.06.2009, 31.07.2009, 26.10.2009 & 29.01.2010. The attendance of the members of the Committee is given below:

Name of the Directors	Category of Directors	Attendance at Committee Meetings
Mr. Ajay Chaudhry	Non-Executive Independent Director	4
Mr. M.D Kanitkar	Non-Executive Independent Director	1
Dr. B.S. Bhatia	Non-Executive Independent Director	4

4. INVESTORS' GRIEVANCE COMMITTEE:

The Company has an Investors' Grievance Committee to look into the redressal of investors' complaints on various issues. The members of the Committee are Mr. Ajay Chaudhry, Mr. Ashok Oswal and Mr. M.D Kanitkar. The Chairman of the Committee is Mr. Ajay Chaudhry. The Company Secretary is the Compliance Officer. The Committee met once in the year and Mr. Ajay Chaudhry & Mr. Ashok Oswal attended the meeting.

As per the Clause 47 of the Listing Agreement, the Company has designated an e-mail ID exclusively for the purposes of registering the complaints of the investors which is given below:

Designated E-mail Id : vpl.sect@oswalgroup.com

Shareholders' Complaints:

During the financial year 2009-10, the Company received 86 complaints. The complaints were related to interest/dividend, redemption and transfer etc. The Company has duly addressed all the complaints.

5. REMUNERATION COMMITTEE:

Although, the non mandatory requirement, the Company has a Remuneration Committee consisting of Non-Executive Independent Directors i.e. Mr. Ajay Chaudhry, Dr. B.S. Bhatia and Mr. M.D Kanitkar. Mr. Ajay Chaudhry is the Chairman of the Committee. The Committee is empowered to decide, review and approve the remuneration packages including pension rights and compensation payments of Executive Directors. The details of remuneration paid to all the Directors is given as below:

Directors' Remuneration:

Executive Directors:

The Company pays remuneration to Chairman & Managing Director & Director (Group Corporate Affairs & Business Development) as approved by the Board of Directors and Members of the Company.

Details of remuneration to Executive Directors :

(Rs. in lac)

Name	Designation	Salary & HRA	Other Perquisites	Contribution to Provident & other Funds	Gross Remuneration
Mr. Ashok Oswal	Chairman & Managing Director	27.00	4.00	2.16	33.16
Mr. Adish Oswal	Director (Group Corporate Affairs & Business Development)	13.76	1.97	1.27	17.00

Non-Executive Directors:

Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board & Committee Meetings. The sitting fees for the Board Meetings is Rs. 5000/- per meeting and for the Committee Meetings is Rs. 3000/- per meeting.

6. GENERAL BODY MEETINGS

The details of last three Annual General Meetings are given as follows:-

Meeting	Day, date & time of the meeting	Venue	No. of Special Resolutions
29th AGM	Tuesday, 22nd September, 2009 at 11.00 a.m.	Regd. Office: 341K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana-141 123	6
28th AGM	Saturday, 27th September, 2008 at 4.00 p.m.	---- do-----	2
27th AGM	Tuesday, 11th September, 2007 at 4.00 p.m.	---- do-----	5

During the year 2009-10, the Company has passed one resolution through postal ballot, the detail of which is as below:

Special Resolution for approval of Investment upto an amount of Rs. 40 crores in Oswal F.M. Hämmerle Textiles Ltd. pursuant to Section 372A of the Companies Act, 1956.

7. DISCLOSURES:

There was no material/significant transactions with the directors or the management, their subsidiaries or relatives, etc. that have any potential conflict with interest of the Company at large read with details of transactions as disclosed in Notes on Accounts annexed in the Balance Sheet as per Accounting Standard (AS) – 18 of the Institute of Chartered Accountants of India. Also, there has not been any non-compliance by the Company in respect of which penalties or strictures were imposed by the Stock Exchanges or SEBI or any other Statutory Authority during the last three years. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. The Company has also implemented certain non mandatory requirements of Clause 49.

8. RISK MANAGEMENT PROCEDURES:

The Company has adopted a well defined procedure for the risk management. The Company is also having a Risk Management Policy which provides for the procedures of risk identification and minimization of risk. The Company is also having a Risk Management Committee consists of senior management functionaries within the organization. The Committee assesses the risks in various functional areas of the organization and defines the steps to minimize those risks.

9. MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual Reports, placing the information on Company's Website, publication of financial results, press releases in leading newspapers and by filing of various reports and returns with the Statutory Bodies like Stock Exchanges, the Registrar of Companies and Website of Ministry of Corporate Affairs. The quarterly results are published in prominent daily newspapers viz. Financial World and Desh Sewak.

Further, the financial results and shareholding pattern of the Company are also available on the Company's Website viz. www.oswalgroup.com

10. GENERAL SHAREHOLDERS INFORMATION:

i) 30th Annual General Meeting

Date	: Friday, 20th August, 2010
Time	: 11:00 AM
Venue	: Regd. Office: 341K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana- 141123

ii) Financial Calendar 2010-2011 (Tentative):

First Quarter Results	July, 2010
Second Quarter Results	October, 2010
Third Quarter Results	January, 2011
Annual Results	May, 2011

iii) Dates of Book Closure

: 17.08.2010 to 20.08.2010 (both days inclusive)

iv) Listing

: The Equity Shares of the Company are listed on two Stock Exchanges

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

Vardhmān Polytex Limited

The Foreign Currency Convertible Bonds (FCCBs) of the Company are listed at:

Singapore Exchange Securities Trading Ltd.
2, Shenton Way, # 19-00, SGX Centre 1
Singapore- 068804

The Company has duly paid the listing fees to the aforesaid stock exchanges for the year 2010-2011.

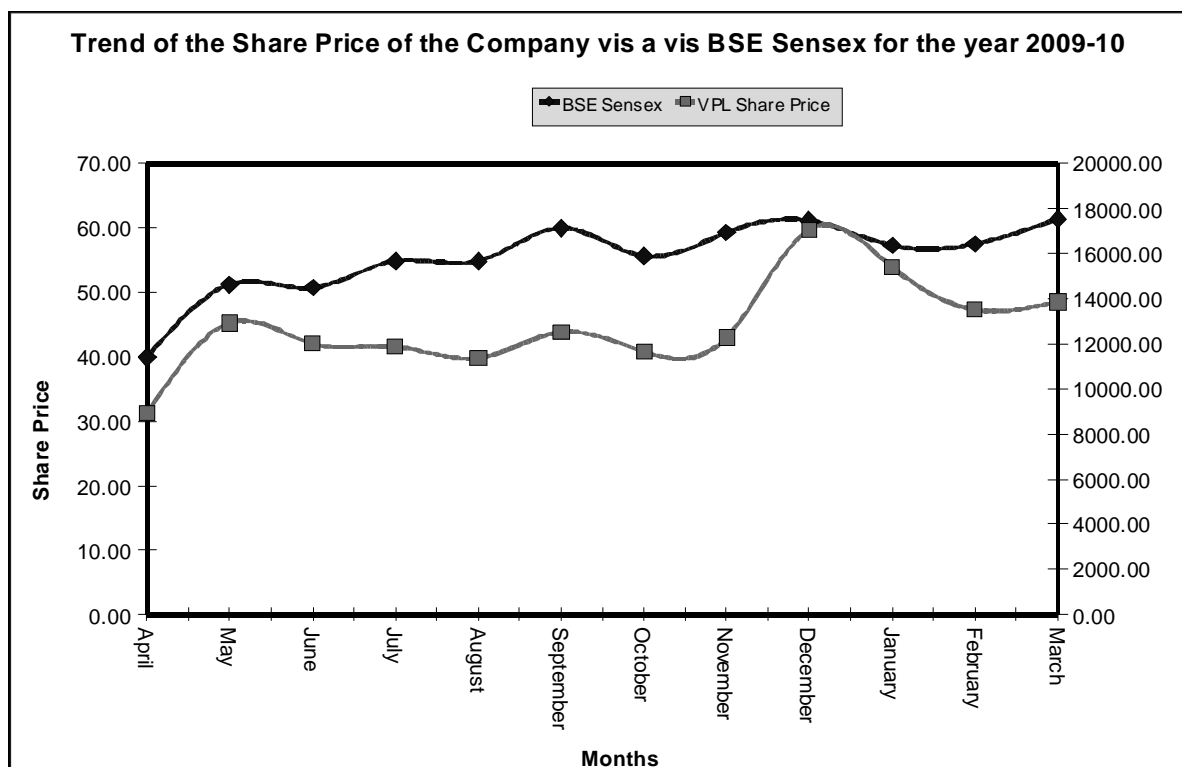
(v) **Stock Code**

The National Stock Exchange of India Ltd. : VARDMNPOLY
Bombay Stock Exchange Ltd. : 514175

(vi) **Stock Market Data:**

The month-wise highest and lowest stock prices vis-à-vis BSE Sensex during the financial year 2009-10 are given below :-

Financial Year 2009-10	Share Prices of VPL			%age Change over last month's closing	BSE Sensex			%age Change over last month's closing
	Highest	Lowest	Closing		Highest	Lowest	Closing	
April	35.00	30.25	31.35	20.58	11492.10	9546.29	11403.25	17.46
May	47.90	30.70	45.25	44.34	14930.54	11621.30	14625.25	28.26
June	54.00	40.00	42.00	-7.18	15600.30	14016.95	14493.84	-0.90
July	49.00	36.50	41.55	-1.07	15732.81	13219.99	15670.31	8.12
August	43.85	37.95	39.80	-4.21	16002.46	14684.45	15666.64	-0.02
September	45.20	39.00	43.80	10.05	17142.52	15356.72	17126.84	9.32
October	44.10	36.45	40.80	-6.85	17493.17	15805.20	15896.28	-7.18
November	44.70	36.05	43.00	5.39	17290.48	15330.56	16926.22	6.48
December	68.35	42.00	59.70	38.84	17530.94	16577.78	17464.81	3.18
January	66.80	50.50	53.90	-9.72	17790.33	15982.08	16357.96	-6.34
February	56.50	46.00	47.30	-12.24	16669.25	15651.99	16429.55	0.44
March	54.45	44.45	48.50	2.54	17793.01	16438.45	17527.77	6.68



vii) Registrar & Share Transfer Agent:

M/s Alankit Assignments Ltd., New Delhi, is the Registrar & Share Transfer Agent (RTA) of the Company. Now, the securities of the Company are available with RTA for dematerialization & transfer both in physical and electronic mode at:

M/s Alankit Assignments Limited.
 (Unit: Vardhman Polytex Ltd.)
 2E/21, Alankit House,
 Jhandewalan Extension,
 New Delhi-110 055
 Telephone No. : 011-42541234, 23541234, Fax No. 011-41540064
 E-mail: rta@alankit.com
 Web Site: www.alankit.com

viii) Share Transfer System:

The Company has a Share Transfer Committee comprising of Mr. Ashok Oswal, Mr. Adish Oswal, Mr. Ajay Chaudhry & Mr. Tarun Jindal as its members.

The Committee meets on an average once in a fortnight. A list of valid transfers and objectionable cases received from Alankit is placed before the Committee for its approval/confirmation. The Share Certificates are returned/dispached to the shareholders by Alankit after necessary endorsements normally within 15 days from the date of receipt by them. The delays, if any, are mostly due to notice given to seller for confirmation in case of difference in signatures & non receipt of the copy of PAN.

The shares of the Company are traded on the Stock Exchanges compulsorily in demat form. The Company has participated as an issuer both with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The shareholders may operate through any of the depositories, based on tariffs, quality and range of services being offered by them. The International Securities Identification Number (ISIN) is **INE 835 A01011**.

ix) Distribution of Shareholding as on 31st March, 2010 :

RANGE No. of Shares	SHAREHOLDERS		SHARES	
	Numbers	% to Total Holders	Numbers	% to Total No. of Shares
Upto - 500	8676	90.60	1212930	9.61
501 - 1000	452	4.72	361627	2.86
1001 - 5000	342	3.57	743717	5.89
5001 - 10000	39	0.41	282441	2.24
10001 - 50000	50	0.52	1209326	9.58
50001 & Above	17	0.18	8815916	69.82
TOTAL	9576	100.00	12625957	100.00

x) Shareholding Pattern of the Company as on 31st March, 2010:

Sr. No.	Category of the Shareholders	No. of Shares	%age to total No. of Shares
1.	Promoters	5845853	46.30
2.	Mutual Funds & UTI	1800	0.01
3.	Banks, Financial Institutions, Insurance Companies	151234	1.20
4.	Private Corporate Bodies	3381639	26.78
5.	Indian Public	3204100	25.38
6.	NRIs, OCBs, FII's	41331	0.33
	TOTAL	12625957	100.00

(xi) Dematerialisation of Shares:

As on 31st March, 2010, 96.52% of the capital comprising 1,21,87,125 shares were dematerialised against 95.79 % of the capital comprising 1,01,75,416 shares as on 31st March, 2009.

(xii) Outstanding GDRs/ADRs/Warrants:

There is no outstanding GDRs/ADRs. However, the Company is having outstanding 2% Unsecured Foreign Currency Convertible Bonds (FCCBs) in the aggregate principal amount of US Dollars 12 million having maturity period of 5 years and 7 days. Further, during the financial year 2009-10, the Company has issued 25,00,000 Convertible Warrants to the Financial Investors and 6,60,000 Convertible Warrants to a Financial Investor belonging to the Promoter Group on preferential basis pursuant to the provisions of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009. Out of 25,00,000 Convertible Warrants, 20,03,000 Warrants have been converted into equity shares. Rest of the Warrants is still pending for the conversion at the option of the Warrant holders.

(xiii) Plant locations:

- Vardhman Polytex Limited,
Badal Road,
Bathinda-151 003.
- Anshupati Textiles,
341K-1, Mundian Khurd,
P.O. Sahabana, Chandigarh Road,
Ludhiana-141 123.
- Vinayak Textile Mills (Spinning & Dyeing Unit)
Phase VIII, Focal Point,
Ludhiana-141 123
- Amkryon International,
HP-22, Phase VI, Focal Point,
Ludhiana 141 123

(xiv) Address for correspondence:

Registered Office : 341K-1, Mundian Khurd, P.O. Sahabana,
Chandigarh Road, Ludhiana-141 123.
Tel : 0161-2685301-305
Fax : 0161-5052439
E-mail : vpl.sect@oswalgroup.com

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DP).

(xv) General Note for Shareholders:

Dividends, remaining unpaid/unclaimed, upto the financial year 2001-2002 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government. Pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, dividend declared in the financial year 2002-2003 and onwards, which remain unpaid/unclaimed for a period of 7 years, is required to be transferred to the Investor Education and Protection Fund (Fund) of the Central Government. It may be noted that no claim will lie against the Company or the `Fund' in respect of the said unclaimed dividend amount so transferred to the `Fund'. Accordingly, members who have not claimed their dividend for the financial year 2002-2003 and onwards are requested to make their claim to the Company.

Auditors' Certificate on Compliance of Corporate Governance under Corporate Governance Clause of the Listing Agreement(s)

To The Members of,

Vardhman Polytex Limited

We have reviewed the implementation of Corporate Governance procedures by Vardhman Polytex Limited during the year ended March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges, with the relevant records and documents maintained by the company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our review and according to the information and explanations given to us and the representations made by Directors and the Management, the conditions of Corporate Governance as stipulated in Corporate Governance Clause 49 of the listing agreement(s) with the stock exchange(s) have been complied with by the company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For S.S. KOTHARI MEHTA & CO.

Chartered Accountants

Place : Ludhiana

(ARUN K. TULSIAN)

Date : 8th May, 2010

Partner



DECLARATION REGARDING COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted the Code of Conduct for all Board Members and Senior Management Personnel of the Company.

It is hereby affirmed that all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

Place : Ludhiana
Dated : 8th May, 2010

Ashok Oswal
Chairman & Managing Director

CERTIFICATE OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We have reviewed Financial Statement and cash flow statement for the period April 1, 2009 to March 31, 2010 and to the best of our knowledge and belief:

- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- iii) No transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

Further, we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to reporting and we have disclosed to the Auditors and the Audit Committee:

- a) Deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies;
- b) Significant changes in internal control over financial reporting during the year;
- c) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the Financial Statements; and
- d) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Ludhiana
Dated : 8th May, 2010

Parvinder Singh
Chief Financial Officer

Ashok Oswal
Chief Executive Officer
Chairman & Managing Director

AUDITORS' REPORT

To The Members of Vardhman Polytex Limited

We have audited the attached Balance Sheet of Vardhman Polytex Limited as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto.

These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (collectively the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement, dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S.S. KOTHARI MEHTA & CO.**
Chartered Accountants
(Firm Registration No. 000756N)

(**ARUN K. TULSIAN**)
Partner
M. No. 89907

Place : Ludhiana
Dated : 8th May, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year. Read with our comments in clause 1(a) above, there were no discrepancies noticed on such verification between the physical balances and fixed assets records.
(c) Fixed assets disposed off during the year were not substantial.
2. (a) The inventory, except material lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
(b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
(c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) The Company has not granted any loan, secured or unsecured, to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company had granted an interest bearing housing loan to the Managing director in earlier years, the maximum amount outstanding during the year and the year end balance of such loan is Rs. 3.08 lacs and Rs. 1.86 lacs respectively.
(b) The rate of interest and other terms & conditions of the aforementioned loan are, prima facie, not prejudicial to the interest of the Company. There are no overdue amounts at the year end in respect of principal and interest.
(c) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(d) Since there are no such loans, the comments regarding terms & conditions, repayment of the principal amount & interest thereon and overdue amounts are not required.
4. In our opinion, and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books & records of the Company, carried out in accordance with the generally accepted Auditing Practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained section 301 of the Act have been so entered.

Vardhmān Polytex Limited

- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rupees five lacs or more in respect of each party have been made at prices which are reasonable having regard to market prices for such transactions, prevailing at the relevant time, where such market prices are available.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.
 7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
 8. We have broadly reviewed the Cost Accounting records, maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such books and records.
 9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues, wherever applicable, have been generally regularly deposited with the appropriate authorities during the year and there are no such undisputed statutory dues outstanding as on the date of Balance Sheet for a period exceeding six months from the date they became payable.

(b) According to the information & explanations given to us and as per the books and records examined by us, there are no dues of Custom duty and Cess which have not been deposited on account of any dispute, except the following in respect of Income Tax, Wealth Tax, Excise Duty, Service Tax and Sales Tax along with the forum where dispute is pending:
 10. The accumulated losses, shown as reduction from general reserves, are less than fifty percent of networth of the company. There are no cash losses in the current financial year however there are cash losses in the immediately preceding financial year.
 11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank.
 12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. The Company does not fall within the category of Chit fund/ Nidhi/ Mutual Benefit fund / Society and hence the related reporting requirements of the Order are not applicable.
 14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments and hence the related reporting requirements of the Order are not applicable.
 15. The Company had given corporate guarantee for loans taken by others from a bank, the terms & conditions of such guarantees were, prima facie, not prejudicial to the interest of the Company. The guarantee has been released during the year and there are no guarantees outstanding at the year end.
 16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where such end use has been stipulated by the lender.
 17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds raised by the Company on short term basis have not been applied for long term investment.
 18. The Company has made preferential allotment of 6,60,000 warrants convertible into equity shares during the year to a company covered in the register maintained under section 301 of the Companies Act, 1956.
 19. The Company has not issued any debentures nor has any outstanding debentures during the year.
 20. The Company had raised USD 12 million by way of 2% Foreign Currency Convertible Bonds (FCCB) during the earlier years amounting to Rs.4802.40 lac. Pending utilization, part of the amount of Rs. 3781.31 lac which was temporarily invested outside India till the end of previous financial year, has been fully utilized during the year (Refer note no. 14 of Schedule 20)
 21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, a case was informed to us in previous years, of fraudulent practice by one of the company's overseas customers whereby the customers banker have released the documents and material sold without remitting the payment to company's bankers over a period of time. Legal proceedings are still continuing for the outstanding amount. Apart from this, we have not come across any instance of fraud on or by the company, noticed and reported during the year, nor have we been informed of any other case by the management.

Name of the Statute	Nature of Dues	Amount (Rs. in lac)	Forum Where Dispute is pending	Amount Deposited (Rs. in lac)
Central Excise Act	Excise Duty	42.34	Hon'ble Punjab & Haryana High Court, Chandigarh	42.34
	Excise Duty	14.75	Joint Secretary, New Delhi	13.85
	Excise Duty	103.20	Commissioner of Central Excise, Chandigarh	
	Excise Duty	89.07	Chief Commissioner of Central Excise, Ludhiana	
Income Tax Act	Excise Duty	2.58	Deputy Commissioner, Sangrur	
	Income Tax	8.87	Hon'ble Supreme Court, New Delhi	
	Income Tax	109.38	Honble Punjab & Haryana High Court, Chandigarh	220.00
	Income Tax	80.64	ITAT, Chandigarh	
Finance Act 1994	Income Tax	8.77	Commissioner Income Tax (Appeal), Ludhiana	
	Service Tax	17.93	Commissioner of Central Excise, Chandigarh	
	Service Tax	2.17	Commissioner of Central Excise, Ludhiana	
	Service Tax	0.86	Commissioner (Appeals), Chandigarh	
	Service Tax	8.40	CESTAT, New Delhi	0.50
Punjab VAT Act	Service Tax	1.46	Assistant Commissioner, Ludhiana	
	Punjab VAT Act	1.48	DETC, Patiala	0.38
Wealth Tax Act	Punjab VAT Act	0.51	Astt. Commissioner Sales Tax, Ludhiana	
	Wealth Tax	1.76	ITAT, Chandigarh	

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants
(Firm Registration No. 000756N)

(ARUN K. TULSIAN)
Partner
M. No. 89907

Place : Ludhiana
Dated : 8th May, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

Particulars	Schedule No.	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	1,266.05	1,070.75
b) Share Application Money (Pending Allotment)		149.23	—
c) Reserves & Surplus	2	11,765.29	13,902.08
2. Loan Funds			
a) Secured Loans	3	35,753.46	41,967.91
b) Unsecured Loans	4	5,390.40	6,103.20
3. Deferred Tax Liability (Net)	20	138.45	1,071.12
TOTAL		54,462.88	64,115.06
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	5	43,743.98	44,283.41
b) Less: Depreciation		18,111.74	15,500.71
c) Net Block		25,632.24	28,782.70
d) Capital Work in progress	6	669.92	375.87
e) Project & Pre-operative Expenditure (Pending Allocation)	7	158.75	158.43
2. Investments	8	13,661.00	10,539.67
3. Current Assets, Loans and Advances	9		
a) Inventories		7,940.17	8,184.89
b) Sundry Debtors		4,298.01	3,071.42
c) Cash and Bank Balances		1,147.40	163.83
d) Loans and Advances		6075.58	14,463.93
TOTAL	A	19,461.16	25,884.07
Less: Current Liabilities & Provisions	10		
a) Liabilities		4,778.78	2,023.75
b) Provisions		403.17	243.22
TOTAL	B	5,181.95	2,266.96
Net Current Assets	(A-B)	14,279.21	23,617.10
4. Miscellaneous Expenditure (Foreign Currency Monetary Items Translation Difference Account)		61.76	641.29
TOTAL		54,462.88	64,115.06
ACCOUNTING POLICIES & NOTES TO ACCOUNTS	20		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010



Vardhmān Polytex Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule No.	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
INCOME			
Gross Sales & Operational Income	11	52,769.35	42,830.78
Less: Excise Duty		1.29	1.94
Net Sales and Operational Income		52,768.06	42,828.84
Other Income	12	417.66	257.02
TOTAL		53,185.72	43,085.86
EXPENDITURE			
Raw Material Consumed & Purchase of Finished Goods	13	34,248.75	27,229.85
Manufacturing Expenses	14	8,267.96	7,573.06
Personnel Expenses	15	2,491.42	2,198.21
Administrative Expenses	16	553.08	1,159.64
Financial Expenses	17	3,351.05	3,176.07
Selling Expenses	18	1,485.79	1,330.11
(Increase)/decrease in Stock of Finished Goods and Work in Process	19	(547.48)	978.98
Depreciation	5	2,830.50	2,842.13
TOTAL		52,681.07	46,488.05
Profit before Exceptional Items		504.65	(3402.19)
EXCEPTIONAL ITEMS			
Depreciation written back (Refer Note No. 7 (A) of Other Notes of Schedule No 20)		—	3,165.30
Provision for diminution in the value of Investment (Refer Note No. 7 (B) of Other Notes of Schedule 20)		—	(517.54)
Provision for diminution in the value of Advance (Refer Note No. 7 (C) of Other Notes of Schedule 20)		(3,574.14)	—
Profit before Tax		(3,069.49)	(754.43)
Less: Provision for :			
- Wealth Tax		21.00	19.70
- Income Tax		81.00	—
- Deferred Tax		(932.67)	(18.63)
- Fringe Benefit Tax		—	16.65
Profit after Tax		(2,238.82)	(772.15)
Balance brought forward from last year		(167.59)	604.56
Amount available for Appropriation	TOTAL	(2,406.41)	(167.59)
APPROPRIATIONS :			
Proposed Final Dividend on Equity Shares		—	—
Corporate Dividend Tax thereon		—	—
Transfer to General Reserve		—	—
Amount carried to Balance Sheet		(2,406.41)	(167.59)
TOTAL		(2,406.41)	(167.59)
EARNING PER SHARE OF RS. 10/- EACH			
(Refer Note No. 16 of Other Notes of Schedule 20)			
- Basic (in Rs.)		(20.31)	(7.27)
- Diluted (in Rs.)		(20.31)	(7.27)
ACCOUNTING POLICIES & NOTES TO ACCOUNTS	20		

The Schedules referred to above form an integral part of the Profit & Loss Account.

As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &

Managing Director

Place : Ludhiana

Date : 8th May, 2010



**CASH FLOW STATEMENT FOR THE PERIOD 1ST APRIL, 2009 TO 31ST MARCH, 2010
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT**

	2009-10		2008-09
	(Rs. in lac)		(Rs. in lac)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Tax and Exceptional items	504.65		(3,402.19)
Adjustments for :			
Depreciation	2,830.50	2,842.13	
Interest Paid	3,351.05	3,176.07	
Interest/Dividend Received	(110.52)	(18.63)	
(Profit)/Loss on sale of Assets(Net)	4.63	(0.66)	
Sundry Balances written back	(2.15)	(25.32)	
Foreign Currency Translation Reserve written back	(165.60)	—	
Sundry Balances written off	24.53	28.31	
(Profit)/Loss on Sale of Investments	64.37	96.57	6,098.47
Operating Profit before Working Capital Changes	6,501.46		2,696.28
Adjustments for :			
(Increase)/ Decrease in Trade & other Receivables	3,560.35	(4,913.82)	
(Increase)/ Decrease in Inventories	244.72	5,552.09	
Increase/ (Decrease) in Trade Payables & other Liabilities	2489.11	(436.35)	201.92
Cash Generation from Operations	12,795.64		2,898.20
Taxes Paid	—	(57.42)	(57.42)
Net Cash from Operating Activities	12,795.64		2,840.78
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(975.51)	(1,332.28)	
Interest/Dividend Received	110.52	18.63	
Purchase of Investments	(7,001.00)	(2,364.78)	
Sale of Investments	3,815.30	589.58	
Sale of Fixed Assets	996.47	8.59	
Net Cash from Investing Activities	(3,054.23)		(3,080.26)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of Share Capital	936.01	—	
Proceeds from Long Term Borrowings (Net)	(5,163.52)	2,685.23	
Proceeds from Short Term Borrowings (Net)	(1,107.78)	(828.40)	
Interest Paid	(3,351.05)	(3,176.07)	
Reinstatement FCCB	(71.51)	(248.57)	
Net Cash from Financing Activities	(8,757.85)		(1,567.81)
Net Increase/(Decrease) in cash & cash equivalents	983.57		(1,807.29)
Cash & cash equivalents as on 01/04/2009	163.83		1,971.12
Cash & cash equivalents as on 31/03/2010	1,147.40		163.83

As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010

SCHEDULES TO THE ACCOUNTS
SCHEDULES 1 TO 20 ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 1— SHARE CAPITAL		
Authorized		
1,000 (Previous Year 1,000) 11% Redeemable Cumulative Preference Shares of Rs 100/- each	1.00	1.00
8,50,000 (Previous Year 8,50,000) Redeemable Non Cumulative Preference Shares of Rs 100/- each	850.00	850.00
2,14,90,000 (Previous Year 2,14,90,000) Equity Shares of Rs.10/- each	2,149.00	2,149.00
TOTAL	<u>3,000.00</u>	<u>3,000.00</u>
Issued, Subscribed and Paid Up		
1,26,25,957 (Previous Year 1,06,22,957) Equity Shares of Rs. 10/- each fully paid up	1,262.60	1,062.30
Add : Forfeited Shares (Amount originally paid up)	3.45	3.45
Nil (Previous Year Rs. 5,000) Redeemable Non Cumulative Preference Shares of Rs. 100/- each	—	5.00
TOTAL	<u>1,266.05</u>	<u>1,070.75</u>

Notes :

1. Paid-up Share Capital includes 20,03,000 Equity Shares of Rs. 10/- each at a premium of Rs. 29.53 per Share, arising out of conversion of the Convertible Warrants issued on preferential basis during the year (Refer Note No. 17 of Schedule 20).
2. Financial Investors holding 11,57,000 Convertible Warrants have right of conversion of the same into equivalent number of Equity Shares.

SCHEDULE 2 — RESERVES AND SURPLUS

Capital Redemption Reserve	0.01	0.01
Capital Subsidy	95.50	95.50
Share Premium Account	3,392.77	3,718.92
Add: Share Premium Received	591.49	—
Less: Utilized for providing for the premium on redemption of 2% Foreign Currency Convertible Bonds & Issue of Preferential Warrants	302.37	326.15
Reserve for Bad & Doubtful Debts & Advances As per last account	150.00	150.00
Less: Transfer to Profit & Loss Account	—	—
Amalgamation Reserve	45.00	45.00
Foreign Currency Translation Reserve	148.69	170.18
Less : Transferred to Other Income (Refer Note No. 7C of Other Notes in Schedule 20)	165.60	—
General Reserve As per last account	10,216.21	10,205.11
Add : Transfer from Profit & Loss Account	—	—
Add : Foreign Currency Monetary Item Translation Difference Account	—	11.10
(Translation provision of Notification on AS - 11 issued by ICAI)	(2,406.41)	(167.59)
Less : Profit & Loss Account	—	—
TOTAL	<u>11,765.29</u>	<u>13,902.08</u>

SCHEDULE 3 — SECURED LOANS

Term Loan from Banks	13,605.47	18,768.99
Short Term Loan from Banks	1,000.00	4,000.00
Working Capital Term Loan	9,800.00	—
Working Capital Borrowing from Banks	11,291.14	19,198.92
Vehicle Loan from Banks	56.85	—
TOTAL	<u>35,753.46</u>	<u>41,967.91</u>

Notes:

1. Term loans from Banks are secured by Equitable Mortgage created or to be created on all the immovable assets of the Company, both present and future, and hypothecation of all the movable assets including movable machinery, machinery parts, tools and accessories, and other movables, both present and future (except book debts) subject to prior charges created or to be created in favour of the Bankers for securing the Working Capital facilities availed from them.
2. Short Term Loan from Banks are secured by second charge on current assets of the Company. Due for repayment within one year, out of such loans, Rs. 1000 lac (Previous Year Rs. 4000 lac).
3. Working Capital Borrowing from Banks are secured by hypothecation of entire present & future tangible current assets of the Company and are also personally guaranteed by Chairman & Managing Director of the Company.
4. Amount due for repayment within next one year out of Long Term Loans is Rs. 2634.00 lac (Previous Year Rs. 3263.75 lac).
5. Working Capital Term Loans (WCTL), carved out of existing outstanding in Working Capital Account, have been sanctioned by leader of the Consortium Banks. WCTL is covered by first pari passu charge on the fixed assets of the Company.
6. Vehicle loans are secured by hypothecation of specific assets financed out of such loans.



Vardhmān Polytex Limited

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 4 – UNSECURED LOANS		
2% Foreign Currency Convertible Bonds	5,390.40	6,103.20
TOTAL	5,390.40	6,103.20

Note:

2% Foreign Currency Convertible Bonds were issued to Foreign Investors on 12.02.2008 by Company in terms of Offering Memorandum dated 12.02.2008. These Bonds can be converted into Equity Shares of nominal value of Rs. 10.00 at the option of holders at any time on or after 18 months at a pre-determined price of Rs 106.86 per Share unless previously redeemed and cancelled or converted. The Bonds are redeemable on or after 11.02.2013.

SCHEDULE 5- FIXED ASSETS (Rs. in lac)

Sr. No.	Particulars	Gross Block			As at 31.03.2010		
		As at 01.04.2009	Additions	Sales/ Adjustments			
1.	Freehold Land & Site Development	2,289.39	4.15	577.36	1,716.18		
2.	Lease Hold Land	171.00	—	—	171.00		
3.	Building	9,102.75	275.44	222.99	9,155.20		
4.	Plant & Machinery	31,892.81	285.69	353.72	31,824.78		
5.	Furniture & Fixture	201.61	20.32	—	221.93		
6.	Vehicles	316.69	91.19	66.50	341.38		
	Intangible Assets: -						
7.	Trademarks	3.27	—	—	3.27		
8.	Software	305.89	4.35	—	310.24		
	TOTAL	44,283.41	681.14	1220.57	43,743.98		
	PREVIOUS YEAR	40,630.43	3,640.76	(12.22)	44,283.41		
		Depreciation			Net Block		
Sr. No.		Upto 01.04.2009	During the Year	Sales/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Freehold Land & Site Development	—	—	—	—	1,716.18	2,289.39
2.	Lease Hold Land	—	—	—	—	171.00	171.00
3.	Building	1,350.20	251.42	34.21	1,567.41	7,587.79	7,752.55
4.	Plant & Machinery	13,786.24	2,490.99	150.48	16,126.75	15,698.03	18,106.57
5.	Furniture & Fixture	119.30	9.78	—	129.08	92.85	82.31
6.	Vehicles	148.77	28.15	34.78	142.14	199.24	167.92
7.	Trademarks	1.74	0.33	—	2.06	1.20	1.53
8.	Software	94.46	49.83	—	144.28	165.95	211.43
	TOTAL	15,500.71	2,830.50	219.47	18,111.74	25,632.24	28,782.70
	PREVIOUS YEAR	15,812.08	2,842.13	3,153.50	15,500.71	28,782.70	24,818.35

Notes:

- The freehold land cost is net of subsidy Rs.16.20 lac (Previous Year Rs.16.20 lac) received from the State Government. Land of Rs. 592.59 lac (Previous Year Rs. 592.59 lac) pending conveyancing in favour of the Company. Lease hold land is on 95 year lease.
- Building includes Rs. 85.05 lac (Previous Year Rs. 85.05 lac) being cost of flat at Delhi, pending transfer of title in favour of the Company and Rs. 359.78 lac (Previous Year Rs. 359.78 lac) being cost of Industrial Shed at Focal Point, Ludhiana pending conveyancing in favour of the Company.
- Refer Note No. 7 (A) of schedule 20 for sales/adjustments during the previous year under depreciation.

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 6 - CAPITAL WORK IN PROGRESS		
Machinery under Erection	127.62	—
Building under Construction	10.34	—
Advance against Purchase of Land & Building	0.10	158.75
Capital Advances	531.86	188.56
Others	—	28.56
TOTAL	669.92	375.87

SCHEDULE 7 - PROJECT AND PRE-OPERATIVE EXPENDITURE (PENDING ALLOCATION)

Interest and Financial Expenses	69.27	69.27
Technical Consultancy	24.48	24.16
Other Expenses	65.00	65.00
TOTAL	158.75	158.43
Less : Capitalised	—	—
Pending Allocation	158.75	158.43

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 8 - INVESTMENTS		
I. Long Term Investments- At Cost		
Trade		
Unquoted:		
250 (Previous Year 250) Equity Shares of Rs.10/- each fully paid up of VKM Colour Spin Limited.	0.03	0.03
5,000 (Previous Year 5,000) Equity Shares of Rs. 10/- each fully paid up of Deluxe Fabrics Limited.	0.50	0.50
99,999 (Previous Year Nil) Equity Shares of Rs. 10/- each fully paid up of Oswal Retail (P) Limited.	1.00	—
Non - Trade - Unquoted		
49,95,000 (Previous Year 4,95,000) 10% Redeemable Non-cumulative Preference Shares of Rs. 100/- each fully paid up of Oswal Retail (P) Ltd.	4,995.00	495.00
Less : Provision for dimution in the value of Investment Shares of F.M. Hämmerle Nfg GmbH (Minimum Registration Capital)	495.00	495.00
	<u>22.54</u>	<u>22.54</u>
Less : Provision for dimution in the value of Investment Shares of F.M. Hämmerle Verwaltungs GmbH (Minimum Registration Capital)	22.54	22.54
	<u>22.54</u>	<u>22.54</u>
8,59,84,073 (Previous Year 6,09,84,073) Equity Shares of Rs. 10/- each fully paid up of Oswal F.M. Hämmerle Textiles Ltd.	8,598.41	6,098.41
Foreign Currency Coupons (Global bearer Notes denominated in US Dollars)	—	3,305.90
DBS Bonds (denominated in US Dollars)	—	237.13
Union Overseas Bank Limited Bonds (denominated in US Dollars)	—	238.28
Quoted :		
1,51,554 (Previous Year 1,71,678) Equity Shares of Rs.10/- each fully paid up of Vardhman Textiles Ltd.	413.27	468.24
SUB TOTAL	<u>13,535.75</u>	<u>10,371.03</u>
2. Current Investments (At cost or fair market value)		
Quoted :		
Nil (Previous Year 200) Equity Shares of Rs. 10/- each fully paid up of Reliance Industries Ltd.	—	5.29
Nil (Previous Year 172) Equity Shares of Rs. 10/- each fully paid up of HDFC Bank Ltd.	—	2.42
Nil (Previous Year 26,040) Equity Shares of Rs. 10/- each fully paid up of Industrial Development Bank of India Ltd.	—	21.16
Nil (Previous Year 1,000) Equity Shares of Rs. 10/- each fully paid up of Eicher Motors Ltd.	—	3.88
Nil (Previous Year 500) Equity Shares of Rs. 10/- each fully paid up of ICICI Bank Ltd.	—	5.91
Nil (Previous Year 1,500) Equity Shares of Rs. 10/- each fully paid up of Jai Prakash Associates Ltd.	—	4.73
Unquoted :		
Nifty Linked Fixed Growth Fund	10.25	10.25
Investment in Mutual Funds (Refer Note No. 19 in Other Notes of Schedule 20)	115.00	115.00
SUB-TOTAL	<u>125.25</u>	<u>168.64</u>
TOTAL	<u>13,661.00</u>	<u>10,539.67</u>
Notes:		
1. Market Value of Quoted Investments	401.69	103.89
2. Aggregate Book Value of Quoted Investments	413.27	511.63
3. Aggregate Book Value of Unquoted Investments	13,247.73	10,028.04
4. Out of 1,51,554 Shares of Vardhman Textiles Ltd. 1,50,000 Shares are pledged in favour of Yes Bank Ltd. for availing a packing credit facility of Rs. 400 lac.		



Vardhmān Polytex Limited

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 9 — CURRENT ASSETS, LOANS AND ADVANCES		
(A) INVENTORIES (As taken, valued and certified by the Management)		
Raw Materials	6,074.01	6,874.83
Finished Goods & Waste	930.79	742.88
Work in Process	789.66	430.09
Stores & Spares	145.71	137.09
TOTAL	7,940.17	8,184.89
(B) SUNDRY DEBTORS (Unsecured considered good unless otherwise stated)		
Outstanding for more than six months	854.05	886.92
Others	3,443.96	2,184.50
TOTAL	4,298.01	3,071.42
(C) CASH AND BANK BALANCES		
Cash in Hand, Remittance in Transit & Cheques in Hand [(Including cash in hand Rs. 40.39 lac (Previous Year Rs. 80.64 lac)]	739.39	90.17
Balance with Scheduled Banks in :		
- Current Accounts	290.80	50.70
- Fixed Deposits	11.00	—
- Saving Bank Account	0.08	0.07
- Margin Money / Post Office Savings	—	4.25
- Fixed Deposit pledged with Banks	106.13	18.64
TOTAL	1,147.40	163.83
(D) LOANS & ADVANCES		
Advances recoverable in cash or in kind or for value to be received	3,468.26	1,935.20
Advance recoverable from Subsidiary	5,029.62	3,842.56
Less : Provision for diminution in value of Advance	3,574.14	—
Share Application Money (pending allotment)		3,842.56
- Subsidiary	66.05	2,566.05
- Others	—	4,363.18
Inter Corporate Deposits	110.00	6,929.23
Advance Tax & TDS	3,443.43	108.63
Less: Provision for taxation	(3,553.71)	3,748.18
Deposits and balances with Government Authorities	1,070.07	(3,451.71)
MAT Credit Entitlement	16.00	296.47
		1,335.84
		16.00
TOTAL	6,075.58	14,463.93
SCHEDULE 10 — CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors ***		
Micro, Small, Medium Enterprises	—	—
Others	991.38	797.44
Trade Deposit and Advances	67.06	145.06
Purchase & Other Bills Discounted from Banks and Others	2,795.78	—
Other Liabilities	880.13	1,021.42
Security Deposits & retention money from Contractors	16.50	26.55
Liability towards Investor Education and Protection Fund under Section 205C of Companies Act 1956 not due		
- Unclaimed Dividends	27.93	33.28
TOTAL	4,778.78	2,023.75
PROVISIONS		
Provision for Final Dividend on Equity Shares	—	—
Corporate Dividend Tax there on	—	—
Provision for premium on redemption of FCCB's	403.17	243.22
TOTAL	403.17	243.22
*** The Company has so far not received from the vendors/ suppliers their status under Micro, Small & Medium Enterprises under MSMED Act, 2006. So, the disclosure requirement for balance outstanding, interest paid/payable as at the year end as required under the Act has not been given.		
	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 11 — SALES AND OPERATING INCOME		
Sales	51,651.28	42,290.42
Job Charges Income	—	7.10
Export incentives/benefits	1,118.07	533.26
TOTAL	52,769.35	42,830.78

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 12 — OTHER INCOME		
Income from non trade Investments	100.82	7.41
Claims received	7.36	59.06
Profit from sale of Investments (net)	(64.37)	(96.57)
Dividend Income	9.70	11.22
Previous Year Income	—	0.38
Profit on sale of Fixed Assets (net)	(4.63)	0.66
Rebate & Discount	35.22	12.19
Foreign Currency Translation Reserve written back	165.60	—
Misc. Balances no longer required written back	2.15	25.32
Miscellaneous Income	165.81	237.35
TOTAL	417.66	257.02
SCHEDULE 13 — RAW MATERIAL CONSUMED & PURCHASE OF FINISHED GOODS		
Opening Stock	6,874.83	11,412.97
Purchases	32,232.29	22,552.23
Incidental Expenses/Purchase Tax	103.59	183.92
TOTAL	39,210.71	34,149.12
Less: Closing Stock	6,074.01	6,874.83
Cost of material sold	12.06	84.64
Raw Material consumed	33,124.64	27,189.65
Add: Purchases of finished goods	1,124.11	40.20
TOTAL	34,248.75	27,229.85
SCHEDULE 14 — MANUFACTURING EXPENSES		
Power & Fuel	5,511.98	5,069.62
Stores & Spares Consumed	1,333.91	1,233.84
Packing Material Consumed	853.07	785.56
Processing Charges	81.22	4.98
Machinery Repairs	438.22	407.60
Miscellaneous Expenses	49.56	71.46
TOTAL	8,267.96	7,573.06
SCHEDULE 15 — PERSONNEL EXPENSES		
Salaries, Wages & Other Benefits	2,232.29	1,969.66
Contribution to Provident & Other Funds	193.81	174.40
Staff Welfare Expenses	65.32	54.15
TOTAL	2,491.42	2,198.21
SCHEDULE 16 — ADMINISTRATIVE EXPENSES		
Rent	17.43	13.87
Rates & Taxes	28.33	23.82
Insurance	48.93	51.01
Building Repairs	22.15	16.94
Managerial Remuneration	50.16	38.74
Directors' Traveling Expenses	12.26	14.50
Sundry Balances written off	24.53	28.31
Charity & Donations	0.63	0.41
Postage, Telegram & Telephone	23.81	34.03
Printing & Stationery	14.27	14.71
Legal & Professional Expenses	19.51	75.84
Difference in Exchange Rate (Net)	16.92	579.64
Traveling, Boarding & Conveyance Expenses	58.21	115.45
Vehicle Maintenance	37.57	39.83
Electricity & Water Charges	22.65	20.52
Miscellaneous Expenses	155.72	92.02
TOTAL	553.08	1,159.64
SCHEDULE 17 — FINANCIAL EXPENSES		
Interest		
On Term Loans & Other fixed loans	895.14	937.83
On Working Capital Borrowings	2,932.28	2,577.03
Others	173.21	55.52
Bank Charges & Others	266.97	157.97
4,267.60	4,267.60	3,728.35
Less: Interest Income from-**		
- Customers	204.51	65.38
- Fixed Deposits	0.44	32.81
- Subsidiary Company	130.93	111.99
- Inter-Corporate Deposits	11.00	14.57
- Others	103.69	32.57
Foreign Currency Fluctuation Gain (Net)	165.95	294.96
Profit on Forward exchange contracts	300.03	—
(Net of mark to market loss of Rs. 41.59 lac (Previous Years Nil))	916.55	552.28
TOTAL	3,351.05	3,176.07

** Including TDS Rs. 40.58 lac (Previous Year Rs. 7.42 lac)

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 18 — SELLING EXPENSES		
Commission on Sales	371.73	424.85
Delivery Expenses (including freight, octroi & others)	938.49	817.66
Rebate & Discount	36.39	22.80
Sales Promotion	0.97	3.08
Cash Discount	65.65	58.21
Miscellaneous Expenses	72.56	3.51
TOTAL	1,485.79	1,330.11
SCHEDULE 19 — (INCREASE)/DECREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS		
Opening Stock		358.90
Work in process	430.09	
Finished Stock (including waste)	742.88	1,793.05
Less: Closing Stock		
Work in process	789.66	430.09
Finished Stock (including waste)	930.79	742.88
(Increase)\Decrease in Stock	(547.48)	978.98

SCHEDULE 20 - ACCOUNTING POLICIES & NOTES ON ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

1. (a) Accounting Convention

The accounts are prepared on accrual basis, under the historical cost convention, in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 and other relevant provisions of the said Act.

(b) Sales

Sales of goods is recognized at the point of dispatch of finished goods to the customers and includes excise duty but net of returns. Export sale is recognized at the time of making of bill of lading. Turnover net of excise duty is also disclosed.

(c) Export Benefits

The revenue in respect of export benefits is recognized on post export basis.

2. Retirement Benefits

a. Gratuity

Provision for Gratuity is for Employees Gratuity Fund Scheme which is managed by a trust and is in the nature of defined benefit obligation. It is considered on the basis of revised (AS)-15 on Actuarial Valuation. The discount rate and other financial assumptions are based on the parameters defined in the Accounting Standard. The expenses are charged to Profit & Loss Account.

b. Superannuation

The liability in respect of employees covered under the scheme is provided through a policy taken from Life Insurance Corporation of India.

c. Provident Fund

Contribution to the Provident Fund is deposited in accordance with the provisions of Employees Provident Fund & Miscellaneous Provisions Act, 1952 and charged to the Profit and Loss Account.

d. Leave with Wages

Short term benefits are provided for on accrual basis on the basis of Management estimates.

3. Fixed Assets

All fixed assets are stated at historical cost. In respect of new projects, direct & indirect expenditure including interest paid/payable during construction period upto date of commencement of commercial production is capitalized to the relevant assets in the ratio of cost of respective assets.

4. Depreciation

Depreciation on fixed assets in respect of

(a) All fixed assets, except intangibles, is charged by applying the straight line method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

(b) Intangible Assets are amortized over their useful lives not exceeding ten years.

5. Inventories

Inventories are valued at cost or net realizable value whichever is lower. The cost in respect of various items of inventory is computed as under :

- # In case of raw materials at weighted average cost plus direct expenses.
- # In case of stores & spares at weighted average cost plus direct expenses.
- # In case of work in process at raw material cost plus conversion cost depending upon the stage of completion.

6. Revenue Recognition

Revenues/income and cost/ expenditure are accounted for on accrual basis as they are earned/incurred except leave travel allowance, medical reimbursement and interest on calls in arrears which are accounted for an payment/realization basis, in view of uncertainty involved in ascertaining the final amount.

7. Government Grants/ Subsidies

Capital Subsidies are taken into consideration on receipt basis. Revenue grants are recognized when it is reasonably certain that the ultimate collection will be made.

8. Investments

Long term investments are carried at cost less provision, if any, for diminution in value other than temporary. Current Investments are carried at lower of cost or market value/ fair value.

9. Foreign Currency Transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction. Foreign currency denominated assets/liabilities are translated at the year end exchange rates and resultant gains/losses are recognised in the Profit and Loss Account for the year except exchange differences on liabilities related to acquisition of fixed assets are capitalised with the cost of relevant fixed assets. Foreign currency gain/loss relating to net investment in non-integral foreign operation is recognised in the Foreign Currency Translation Reserve Account. In case of forward foreign exchange contracts, exchange difference are dealt within the Profit and Loss account over the life of the contract.

10. CENVAT

CENVAT credit on excise duty paid inputs is reduced from the cost of related inputs. The same related to excise duty on capital items is reduced from the cost of related items.

11. Borrowing Costs

Borrowing Costs that are directly attributable to qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

12. Accounting for Taxes on Income

Provision for Current Income Tax is made in accordance with the provisions of Income Tax Act, 1961 in accordance with Accounting Standard (AS) - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax resulting from timing differences between book & tax profit is accounted for at the tax rates substantively enacted by the Balance Sheet date to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized only when there is reasonable/virtual certainty of sufficient future profits available to realize such assets.

13. Miscellaneous Expenditure

Expenses included under the head miscellaneous expenditure are amortized over the period of estimated future benefits.

14. Intangible Assets

Intangible Assets are recognized on the basis of recognition criteria as set out in Accounting Standard (AS) - 26 'Intangible Assets' issued by the Institute of Chartered Accountants of India.

15. Impairment of Assets

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the assets carrying amount exceeds its recoverable amount being higher of assets net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. Cash Generating Units).

Previously recognized impairment losses, relating to assets other than goodwill, are reversed where recoverable amount increases because of favorable changes in the estimates used to determine the recoverable amount since the last impairment was recognized. A reversal of an assets impairment loss is limited to its carrying amount that would have been determined (Net of depreciation or amortization) had no impairment loss been recognized in prior years.

16. Provisions, Contingent Liabilities & Contingent Assets

Provisions are recognized for present obligations of uncertain timing or amount arising as a result of a past event where a reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where it is not probable that an outflow of resources embodying economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of resources embodying economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain events are also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefits is remote.

OTHER NOTES
1. Contingent Liabilities not provided for in respect of :

	As at 31.3.2010 (Rs. in lac)	As at 31.3.2009 (Rs. in lac)
i) Claims against the Company not acknowledged as debts	295.59	93.55
ii) Bank Guarantees/Bonds outstanding in favour of President of India & Others	7.20	30.00
iii) Letters of Credit outstanding	1,827.30	1,717.00
iv) Bills discounted with Banks against Irrevocable Letter of Credit	3,184.06	1,717.02
v) Income Tax demands under appeal	209.43	617.93
vi) Demand of PSEB for Voltage surcharge and DSA	258.95	259.81
vi) Corporate Guarantee given to Banks on behalf of third parties (Loans & working capital disbursed against this guarantee)	—	1,290.00
vii) Subordination letter for not to withdraw the loan from foreign Subsidiary until negative Equity situation	213.14	1,650.44
2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances).	—	2.28
3. Amount recoverable in cash or kind include:-		
i) Rs. 168.99 lac (Previous Year Rs. 211.30 lac) being amount of ESI, Excise Duty, Sales Tax, PSEB deposited under protest. No provision has been made in accounts in respect thereof. The same will be made in the year of settlement.		
ii) Rs. 1.86 lac (Previous Year Rs. 3.08 lac) granted as housing loan to Managing Director of the Company. Maximum amount due at any time during this year is Rs. 3.08 lac (Previous Year Rs. 4.23 lac).		
iii) Rs. 220 lac (Previous Year Rs. 220 lac) being amount deposited as Income Tax under protest. No provision has been made in respect thereof. The same will be made in the year of settlement.		

4. Payment to Auditors

	2009-10 (Rs. in lac)	2008-09 (Rs. in lac)
a) Audit Fee	3.14	2.48
b) Tax Audit Fee	0.83	0.75
c) Other Expenses	0.95	0.80

5. In the opinion of the Board of Directors, the value on realization of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.

6. As per Accounting Standard (AS) 15 "Employee Benefits", the disclosures of employee benefits as defined in the Accounting Standard are given below:

Defined Contribution Plan

Contribution to defined contribution plan, recognized as expenses for the year are as under :

	(Rs. in lac)	
	2009-10	2008-09
Employer's contribution to Provident Fund	60.13	52.87
Employer's contribution to Superannuation Fund	10.01	9.75
Employer's contribution to Pension Scheme	73.08	64.43

Defined Benefit Plan

The Employees' Gratuity Fund scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

	(Rs. in lac)	
	Gratuity Funded	
	2009-10	2008-09
i) Reconciliation of opening and closing balances of Defined Benefit Obligation		
Defined benefit obligation at beginning of the year	144.83	117.77
Current service cost	29.32	29.10
Interest cost	11.79	8.06
Actuarial (gain/loss)	(10.05)	10.57
Benefit paid	(12.19)	(20.67)
Defined benefit obligation at year end	163.70	144.83
ii) Reconciliation of opening and closing balances of fair value of plan asset		
Fair value of plan assets at beginning of the year	129.34	120.93
Expected return on plan assets	10.41	9.71
Actuarial (gain/loss)	0.74	(2.10)
Employer contribution	18.99	0.80
Benefits paid	—	—
Fair value of plan assets at the year end	159.48	129.34

		As at 31st March	
		2010	2009
iii)	Reconciliation of fair value of assets and obligations		
	Fair value of plan assets at beginning	159.48	129.34
	Present value of obligation	163.70	144.83
	Amount recognised in Balance Sheet	<u>4.22</u>	<u>15.49</u>
iv)	Amount to be recognised in the Statement of Profit & Loss		
	Current service cost	29.32	29.10
	Interest cost	11.79	8.06
	Expected return on plan assets	(10.41)	(9.71)
	Actuarial (gain)/loss recognized	(10.79)	12.66
	Expenses recognized in the Statement of Profit and Loss Account	<u>19.91</u>	<u>40.11</u>

7. a) During the previous year, the Company has changed the method of calculation of depreciation in one of its manufacturing plant from written down value to straight line method, to re-align the method along with the other Units. Due to this, recalculation from commissioning of plant upto 31st March, 2008. The accumulated Depreciation got reduced by Rs. 3165.30 lac and the same was credited to Profit & Loss Account. Depreciation for the previous year got reduced by Rs. 864.87 lac.
- b) During the previous year, 100% Provision for diminution in Investment value has been made in Oswal Retail Pvt. Ltd. in Preference Share Capital amounting to Rs. 495 lac and Rs. 22.54 lac in Equity Share Capital of F.M. Hämmerle Nfg GmbH, Austria, considering the losses in these Companies.
- c) During the year, 100% provision for diminution in advance to F.M. Hämmerle Nfg GmbH, Austria has been made amounting to Rs. 3574.14 lac considering the losses in the Company. The company has filed an application for liquidation of the subsidiary corresponding opening fluctuation translation reserve is transferred to Profit & Loss Account.

8. Computation of Profit as per Section 198 read with Section 349 of the Companies Act, 1956 for the purpose of remuneration payable to the Managerial Personnel

	2009-10 (Rs. in lac)	2008-09 (Rs. in lac)
Profit before Tax	(3,069.49)	(754.43)
Add :- Depreciation for the year	2,830.50	2,842.13
- Managerial Remuneration	50.16	38.74
	<u>(188.84)</u>	<u>2,126.44</u>
Less :- Depreciation for the year	2,830.50	2,842.13
- Profit on sale of Fixed Assets	(4.63)	0.66
Profit for computation of commission	<u>(3,014.70)</u>	<u>(716.35)</u>
Commission provided for	—	—

9. Remuneration paid/payable during the year to the Chairman & Managing Director and Whole time Director

	2009-10 (Rs. in lac)	2008-09 (Rs. in lac)
Salary & House Rent Allowance	42.73	31.20
Contribution to Provident & Other Funds	3.43	2.50
Other Perquisites *	4.00	5.04
Total	<u>50.16</u>	<u>38.74</u>

*Calculated as per the Income Tax Rules, 1962

10. The Income Tax Assessment of the Company has been completed upto Assessment Year 2007-08. The Assessing Officer has made certain disallowances in the past resulting in to demands against the Company. The Company has contested these demands in appeals to the relevant authorities. Whereas some appeals have been decided in favour of the Company by the CIT (Appeals), the Department has gone in appeals to the Higher Authorities. For the issues not settled in favour of the Company, it has also filed appeals to Higher Authorities. Pending adjudication at various levels, no provision has been considered in accounts, the Company is hopeful of getting desired relief at appropriate levels.

11 (A) Derivative contracts entered into by the Company and outstanding as on 31st March, 2010 for hedging currency risks :

Nature	USD	Rs in lac	JPY	Rs in lac
Forward Cover				
Account Receivables	1,75,00,00	5,466.33	—	—
Previous Year	(1,05,00,000)	(5,233.83)	—	—
Account Payable	—	—	—	—
Previous Year	—	—	—	—
Options	—	—	14,69,72,369	500.00
Previous Year	—	—	(14,69,72,369)	(500.00)

(B) Foreign currency exposures that are not hedged by derivative instruments or otherwise outstanding as on 31st March, 2010 :

Nature	USD	Rs in lac	JPY	Rs in lac
Account Receivables	1,059,711.91	476.02	—	—
Previous Year	(7,969,889.58)	(4,053.57)	—	—
Account Payable	1,23,665.00	55.55	—	—
Previous Year	—	—	—	—
Loans	12,000,000.00	5,390.40	—	—
Previous Year	(18,085,317.00)	(9,198.19)	—	—

12. Segment Reporting :

The Company has only one segment of yarn and accordingly, the disclosure requirement as prescribed in the Accounting Standard (AS) - 17 on 'Segment Reporting' issued by Institute of Chartered Accountants of India are not required.

13. During the previous year, the Company has opted for the Notification No. GSR 225(E) dated 31.03.2009 issued by the Ministry of Corporate Affairs. Exchange Differences on long term Foreign Currency denominated monetary items relating to acquisition of depreciable capital assets amounting to Rs. 195.04 lac are decapitalised (Previous Year Rs. 347.29 lac were capitalised) with the relevant capital assets instead of charging/adjusting them to Profit & Loss Account. Similar differences relating to Accounting Year 2007-08 of Rs. 11.10 lac were adjusted to cost of relevant Capital Assets by adjustment in General Reserve. Exchange differences relating to other long term items have been considered for amortisation over a period not beyond 31st March, 2011. On reinstatement of long term foreign currency monetary items as on 31.03.2010, the impact of unamortised amount of Rs. 61.76 lac (Previous Year Rs. 641.29 lac) out standing on 31.03.2010 will be amortised during the year ending 31.03.2011.

14. During the earlier year, the Company has issued 2% Unsecured Foreign Currency Convertible Bonds (FCCBs) in the aggregate principal amount United State Dollars 12 (Twelve) Millions in the course of international offerings. The expenses incurred & premium payable on the redemption of such Bonds has been adjusted with Share Premium Account in accordance with the provision of Section 78 of the Companies Act, 1956. Part of the amount of proceeds invested outside India till the end of Previous Year have been fully utilised during the year in the Company's projects.

15. Related Party Disclosure :

Details of disclosures as required by Accounting Standard (AS) - 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are as under :

(Rs. in lac)

Particulars	Subsidiary		Key Management Personnel (KMP)		Relatives of Key Management Personnel		Enterprises over which KMP is able to exercise significant influence		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Sale of goods	—	—	—	—	—	—	—	1,294.91	—	1,294.91
Sale of Equity	—	—	—	—	—	0.10	—	0.90	—	1.00
Purchase of goods	—	—	—	—	—	—	—	4.50	—	4.50
Purchase of Equity	—	—	—	—	1.00	1.00	—	—	—	1.00
Investment in Equity Share Capital	7,001.00	1,897.77	—	—	—	—	—	—	7,001.00	1,897.77
Application money for Preference Shares (pending allotment)	—	—	—	—	—	—	—	608.55	—	608.55
Application money for Equity Share Capital (pending allotment)	66.05	2,566.05	—	—	—	—	—	—	66.05	2,566.05
Application money received for Equity Share Capital (pending allotment)	—	—	—	—	—	—	99.83	—	99.83	—
Advance	(1,468.68)	3,560.40	—	—	—	—	—	—	(1,468.68)	3,560.40
Expenditure	234.00	260.43	—	—	—	—	—	—	234.00	260.43
Interest Income	130.93	—	—	—	—	—	—	—	—	—
Purchase of Fixed Assets	—	—	—	—	—	—	—	37.58	—	37.58
Remuneration	—	—	—	—	3.74	6.45	—	—	3.74	6.45
Managerial Remuneration	—	—	50.16	38.74	—	—	—	—	50.16	38.74



Vardhmān Polytex Limited

Note :

1. Subsidiary	2009-10 Oswal F.M. Hämmerle Textiles Ltd. F.M. Hämmerle Nfg GmbH, Austria F.M. Hämmerle Verwaltungs GmbH, Austria Oswal Retail (P) Ltd.	2008-09 Oswal FM Hämmerle Textiles Ltd. F.M. Hämmerle Nfg GmbH, Austria F.M. Hämmerle Verwaltungs GmbH, Austria
2. Key Management Personnel (KMP)	Mr. Ashok Oswal Mr. Adish Oswal Mr. Abhinav Oswal Mrs Rakhi Oswal	Mr. Ashok Oswal
3. Relatives of Key Managerial Personnel	Mr. Adish Oswal Mr. Abhinav Oswal Mrs Rakhi Oswal	Mr. Adish Oswal Mr. Abhinav Oswal Mrs Rakhi Oswal
4. Enterprise over which Key Management Personnel (KMP) is able to exercise significant influence	Panchsheel Textile Mfg. & Trading Co. (P) Ltd. Enakshi Investments (P) Ltd. Liberty Mercantile Co. (P) Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments (P) Ltd. Ruby Mercantile Co. (P) Ltd. Boras Investment & Trading Co. (P) Ltd. Gagan Mercantile Co. (P) Ltd. Pioneer Mercantile India (P) Ltd. Adesh Investment & Trading Co. (P) Ltd. Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech (P) Ltd. Oswal Tradecom (P) Ltd. Oswal Holding (P) Ltd. Nightnagle Dealcom (P) Ltd.	Oswal Retail (P) Ltd. Panchsheel Textile Mfg. & Trading Co. (P) Ltd. Enakshi Investments (P) Ltd. Liberty Mercantile Co. (P) Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments (P) Ltd. Ruby Mercantile Co (P) Ltd Boras Investment & Trading Co. (P) Ltd. Gagan Mercantile Co. (P) Ltd Pioneer Mercantile India (P) Ltd Adesh Investment & Trading Co. (P) Ltd. Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech (P) Ltd. Oswal Tradecom (P) Ltd. Oswal Holding (P) Ltd.

16. Earning per Share :

The calculation of Earning per Share(EPS) has been made in accordance with Accounting Standard (AS) – 20 on 'Earning per Share' issued by the Institute of Chartered Accountants of India.

	Current Year	Previous Year
	(Rs.)	(Rs.)
Profit after tax	(A) (22,38,81,777.57)	(7,72,14,984.47)
Weighted average number of Equity Shares of Rs. 10/- each	11023557.00	1,06,22,957.00
Earning per Share : Basic	(B) 11023557.00	1,06,22,957.00
Earning per Share : Diluted	(A/B) (20.31)	(7.27)
	(A/B) (20.31)	(7.27)

Note -

The conversion price of 2% coupon Foreign Currency Convertible Bonds & Preferential warrants are higher than the fair value of Equity Share as at the closing of the year and accordingly anti-dilutive. Therefore, the same has not been considered for computing the diluted earning per Share.

17. The Company has issued 25,00,000 Convertible Warrants to the Financial Investors on preferential basis pursuant to SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009. The said Warrants were convertible into equivalent number of Equity Shares at a Conversion Price of Rs. 39.53 per Share (including premium) at option of the Warrantholder within a period of 18 months from the date of allotment. The Company has received an amount equivalent to 25% of the Conversion Price as Share application money at the time of allotment of the Warrants. Out of the said 25,00,000 Convertible Warrants, holders of 20,03,000 Warrants exercised their option for the conversion of the said Warrants by paying the balance amount equivalent to 75% of the Conversion Price and accordingly, they were allotted 20,03,000 Equity Shares of Rs. 10/- each at a premium of Rs. 29.53 per Share. Further, the Company has issued another 6,60,000 Convertible Warrants to a Financial Investor belonging to the Promoter Group on preferential basis pursuant to SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009. The said Convertible Warrants are convertible into equivalent number of Equity Shares at the Conversion Price of Rs. 60.50 per Share (including premium) at option of the Warrantholder within a period of 18 months from the date of allotment. The Company has received an amount equivalent to 25% of the Conversion Price as Share application money at the time of allotment of these Warrants. The application money received on these Warrants has been shown as Share application money (pending allotment) in the Balance Sheet of the Company. The proceeds from these preferential issues have been used for the purpose of meeting the long term working capital requirements of the Company.

18. Movement of Deferred Tax Liability (net) as on 31st March, 2010 is as follows :

	Balance as on	Charge/(credit)	Amount (Rs. in lac)
	01.04.2009	during the year	Balance as on
			31.03.2010
Timing difference on account of depreciation	1,112.92	1,473.54	2,586.46
Less : -			
Deferred tax asset arising on account of merger of of Amkryon International (P) Ltd.	41.80		41.80
Deferred tax asset on Account of Section 43B Items and Unabsorbed Depreciation		2,406.21	2,406.21
Total	1,071.12	(932.67)	138.45

19. Details of Mutual Fund Investment during the year 2009-2010:
(Investment Rs. in lac)

	Balance as on 01.04.09		Purchased during the year		Sold during the year		Balance as on 31.03.10	
	No. of units	Amount	No. of units	Amount	No. of units	Amount	No. of units	Amount
Brought over								
PNB Long Term Equity Fund	1,50,000	15.00	—	—	1,50,000	16.08	—	—
IL & FS - Milestone Fund	1	100.00	—	—	—	—	1	100.00
SBI GETS Fund	—	—	1,683	25.00	1,683	24.57	—	—
Reliance Infrastructure Fund	—	—	1,49,194	15.00	1,49,194	16.02	—	—
Canara Robeco Force Fund	—	—	1,95,599	20.00	1,95,599	19.93	—	—
AXIS EQUITY FUND	—	—	10,000	10.00	10,000	10.06	—	—
SBI COMMA Fund	—	—	42,499	10.00	42,499	9.96	—	—
SBI COMMA Fund	—	—	62,709	15.00	—	—	62,709	15.00
Total	1,50,001	115.00	4,61,683	95.00	5,48,996	96.63	62,710	115.00

20. Additional information as far as applicable, pursuant to Part-II of Schedule-VI to the Companies Act, 1956
A. Particulars of Capacity & Production

	Unit	As at 31.03.2010	As at 31.03.2009
a) Installed Capacity (as certified by the Management)			
i) Cotton Yarn Spinning	Spindles	1,54,224.00	1,54,224.00
ii) Worsted Spinning	Spindles	11,648.00	11,648.00
iii) Dyeing Capacity	In Tons per day	15.00	15.00
b) Actual Production			
Cotton Yarn	In MT	26,289.62	24,564.48
Acrylic Yarn	In MT	327.92	270.37
Blended Yarn	In MT	5,947.61	4,977.94
Dyed Yarn	In MT	4,232.82	3,812.60
Garments	PCS	2,77,785.00	1,04,775.00
Waste	In MT	8,538.76	8,313.74

B. Particulars of Opening Stock, Closing Stock & Sales :

Particulars	Unit	Opening Stock		Closing Stock		Sales (Net of Excise)	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Finished Goods							
Cotton Yarn	In MT	266.32	709.31	341.09	266.32	26,416.31	24,203.80 *
	Rs. in lac	294.04	736.86	415.87	294.04	31,869.31	26,470.71
Acrylic Yarn	In MT	99.20	557.02	63.33	99.20	362.88	509.94 **
	Rs. in lac	121.51	840.12	139.00	121.51	647.51	732.73
Blended Yarn	In MT	170.23	79.70	69.66	170.23	6,043.46	4,805.79 ***
	Rs. in lac	176.95	78.46	94.58	176.95	7,596.46	5,273.44
Dyed Yarn	In MT	61.09	80.43	78.45	61.09	4,138.82	3,831.86 ****
	Rs. in lac	103.23	114.34	155.86	103.23	8,456.89	7,069.40
Waste	In MT	69.92	81.37	156.77	69.92	8,442.10	8,298.78 *****
	Rs. in lac	20.86	22.37	45.05	20.86	2,762.66	2,660.74
Garments	Pcs	17,716.00	908.00	57,908.00	17,716.00	250,842.00	89,767.00 *****
	Rs. in lac	26.19	1.00	80.42	26.19	318.45	83.40
TOTAL	Rs. in lac	742.78	1,793.15	930.79	742.88	51,651.28	42,290.42

* Samples issued 4.07 MT (Previous Year 3.27 MT); Self Consumption 682.63 MT (Previous Year 842.67 MT); Lost in process 9.77 MT (Previous Year 12.25 MT).

** Samples issued Nil (Previous Year 0.18 MT); Self Consumption 0.91 MT (Previous Year 218.07 MT).

*** Self Consumption 2.67 MT (Previous Year 80.78 MT); Sample Issued 0.41 MT (Previous Year 0.84), Lost in Process 1.65 MT (Previous Year Nil)

**** Self Consumption 78.29 MT (Previous Year Nil); Samples Nil (Previous Year 0.08 MT)

***** Waste Destroyed 9.81 MT (Previous Year 26.41 MT).

***** Sale includes job work of 2,50,842 PCS (Previous Year 14,858 PCS); Samples 1,172 PCS (Previous Year 426 PCS).



Vardhmān Polytex Limited

C. Particulars of Purchase of Finished Goods

Particulars	2009-10		2008-09	
	Quantity In MT	Value (Rs. in lac)	Quantity in MT	Value (Rs. in lac)
Cotton Yarn	897.94	1,106.98	54.52	39.46
Dyed Yarn	1.65	2.73	—	—
Garments	14,421.00	14.40	2,226.00	0.73
Total	15,320.59	1,124.11	2,280.52	40.19

D. Particulars of Raw Material Consumed

Particulars	2009-10		2008-09	
	Quantity In MT	Value (Rs. in lac)	Quantity in MT	Value (Rs. in lac)
Cotton	42,037.10	29,283.07	39,688.65	24,935.68
Man Made Fibre	4,236.15	3,825.41	3,191.70	2,253.96
Fabric	18,288.60	16.16	—	—
Total	46,273.25	33,124.64	42,880.34	27,189.65

E. Detail regarding Imported and Indigenous Material Consumed during the year

Description	Indigenous Value (Rs. in lac)	Imported Value (Rs. in lac)	Indigenous %	Imported %	Total Value (Rs. in lac)
Raw Material					
2009-10	33,064.68	59.98	99.82	0.18	33,124.66
2008-09	27,148.63	41.02	99.85	0.15	27,189.65
Components, Store & Spares *					
2009-10	531.88	161.73	76.68	23.32	693.60
2008-09	464.64	162.29	74.11	25.89	626.93

* Includes expenses which are in the nature of repairs to plant & machinery.

F. CIF Value of Imports

	2009-10 (Rs. in lac)	2008-09 (Rs. in lac)
Raw Material	123.26	25.38
Capital Goods	237.12	520.51
Components, Store & Spares	162.75	146.93
Total	523.12	692.82

G. F.O.B. Value of Exports

15,070.89 10,269.95

H. Expenditure in Foreign Currency

	2009-10	2008-09
- Traveling	8.46	0.50
- Commission	292.66	195.67
- Others	5.10	5.57
Total	306.22	201.74

21. Figures for the previous year have been rearranged and/or regrouped wherever considered necessary to facilitate comparison.

22. Figures in bracket indicate deductions.

As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Members of Vardhman Polytex Limited

We have audited the attached Consolidated Balance Sheet of Vardhman Polytex Limited as at 31st March, 2010 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement of the Company for the year ended on that date, annexed thereto.

These Consolidated Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Financial Statements of one subsidiary company have been audited by us which reflect total assets of Rs.23813.60 lac and total revenues of Rs. 5104.90 lac.

We did not audit the separate financial statement of a subsidiary, FM Hämmerle Verwaltungs GmbH, Austria whose unaudited financial statements reflects total assets of Rs.140.28 lac as at 31st March, 2010 and total revenue is 113.26 lac for the year ended. The said Financial Statements of F.M. Hämmerle Verwaltungs GmbH, which was furnished to us by the management, was unaudited. We are unable to express an opinion on true & fair view in so far as it relates to amounts considered in the Consolidated Financial Statements of Subsidiary for the reason as stated above.

Audited Financial Statements of a subsidiary Oswal Retail Private Limited, New Delhi reflecting total assets of Rs.189.67 lac as at 31st March, 2010 and total revenue of Rs. 10.35 lac for the period then ended have been

audited by one of the auditors of the company whose report has been furnished to us by the management and our opinion is based solely on the report of the said auditor.

Audited Financial statements of a Subsidiary Oswal F.M. Hämmerle Textiles Limited, Ludhiana reflecting total assets of Rs. 23813.61 lac as at 31st March, 2010 and total revenue of Rs. 5,104.90 lac for the period then ended have been audited by us and submitted to management and our opinion is based on that report.

We report that the Consolidated Financial Statements have been prepared by the company in accordance with the requirements of Accounting Standard AS-21, 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited Financial Statements of the subsidiary and aforementioned subsidiary included in the Consolidated Financial Statements.

In our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the Accounting Principles generally accepted in India:

- i) In the case of Consolidated Balance Sheet, of the Consolidated state of affairs of Vardhman Polytex Ltd and its subsidiaries as at 31 st March, 2010;
- ii) In the case of Consolidated Profit and Loss Account, of the Consolidated results of operations of Vardhman Polytex Ltd and its subsidiaries for the year ended on that date; and
- iii) In the case of Consolidated Cash Flow Statement, of the Consolidated cash flows of Vardhman Polytex Ltd and its subsidiaries for the year ended on that date.

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants
(Firm Regn. No. 000756N)

(ARUN K. TULSIAN)

Place : Ludhiana
Dated : 8th May, 2010

Partner
M. No. 89907



Consolidated Results of Vardhmān Polytex Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

Particulars	Schedule No.	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	1,266.05	1,070.75
b) Share Application Money (Pending Allotment)		149.23	—
c) Reserves & Surplus	2	8,327.05	11,944.20
2. Deferred Government Grant			
		249.19	—
3. Loan Funds			
a) Secured Loans	3	50,897.83	57,071.17
b) Unsecured Loans	4	5,417.49	6,103.20
4. Minority Interest			
		810.25	1,296.99
5. Deferred Tax Liability (net)			
		138.45	1,071.12
TOTAL		67,255.54	78,557.43
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	5	66,491.61	66,664.58
b) Less: Depreciation		20,824.82	16,631.49
c) Net Block		45,666.79	50,033.09
d) Capital Work in Progress	6	1068.20	381.10
e) Project & Pre-operative Expenditure (Pending Allocation)	7	158.76	158.43
2. Investments			
	8	542.05	4,421.72
3. Goodwill on consolidation			
		5,352.20	—
4. Current Assets, Loans and Advances			
a) Inventories		9,246.73	9,242.84
b) Sundry Debtors		5,180.90	3,493.74
c) Cash and Bank Balances		811.48	440.68
d) Loans and Advances		5,670.29	12,873.49
TOTAL	A	20,909.40	26,050.75
Less: Current Liabilities & Provisions			
a) Liabilities	10	6,086.14	2,873.39
b) Provisions		417.47	255.56
TOTAL	B	6,503.61	3,128.95
Net Current Assets	(A-B)	14,405.79	22,921.80
5. Misc. Expenditure			
(Foreign Currency Monetary Items Translation Difference Account)	19	61.76	641.29
TOTAL		67,255.54	78,557.43
ACCOUNTING POLICIES & NOTES TO ACCOUNTS	20		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010



Consolidated Results of Vardhmān Polytex Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule No.	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
INCOME			
Gross Sales & Operational Income	11	57,814.39	44,204.47
Less: Excise Duty		6.68	1.94
Net Sales		57,807.71	44,202.53
Other Income	12	551.20	291.79
TOTAL		58,358.91	44,494.32
EXPENDITURE			
Raw Material Consumed & Purchase of Finished Goods	13	36,473.80	28,000.76
Manufacturing Expenses	14	10,093.63	8,284.01
Personnel Expenses	15	3,398.79	2,745.09
Administrative Expenses	16	1,163.49	1,447.40
Financial Expenses	17	4,608.35	3,907.50
Selling Expenses	18	1,713.55	1,388.89
(Increase)/Decrease in Stock of Finished Goods and Work in Process	19	(935.08)	744.05
Depreciation	5	4,341.50	3,932.20
TOTAL		60,858.03	50,449.91
Profit before Exceptional Items		(2,499.12)	(5,955.59)
EXCEPTIONAL ITEMS			
Depreciation written back		—	3,165.30
Provision for diminution in the value of Investment		—	(517.54)
Provision for diminution in the value of Advance		(3,574.14)	—
Profit for the year before Tax		(6,073.26)	(3,307.82)
Less: Provision for :		—	—
- Wealth Tax		21.00	19.78
- Income Tax		81.96	0.35
- Deferred Tax		(932.67)	(18.63)
- Fringe benefit Tax		—	25.55
Profit after Tax		(5,243.55)	(3,334.88)
Less Minority interests in Income of Subsidiaries		(486.74)	(604.61)
Income attributable to Consolidated Group		(4,756.81)	(2,730.26)
Brought forward from last year		(2,125.70)	604.56
Balance brought forward Pursuant to scheme of Amalgamation		—	—
Less : Transferred to goodwill against pre-acquisition losses		(1,026.20)	—
Amount available for Appropriation	TOTAL	(5,856.32)	(2,125.70)
APPROPRIATIONS :			
Transfer to Balance Sheet		(5,856.32)	(2,125.70)
TOTAL		(5,856.32)	(2,125.70)
EARNING PER SHARE OF RS. 10/- EACH			
(Refer Note No. 7 of Other Notes)			
- Basic (in Rs.)		(43.15)	(25.70)
- Diluted (in Rs.)		(43.15)	(25.70)
ACCOUNTING POLICIES & NOTES TO ACCOUNTS	20		

The Schedules referred to above form an integral part of the Profit & Loss Account.
As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010



Consolidated Results of Vardhmān Polytex Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDING AS ON 31ST MARCH, 2010 PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

	2009-10 (Rs. in lac)		2008-09 (Rs. in lac)
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Tax and Exceptional items	6,073.26		(5,955.56)
Adjustments for :			
Depreciation	4,341.50	3,932.21	
Interest Paid	4,608.35	3,907.48	
Interest/Dividend Received	(119.54)	(18.63)	
(Profit)/Loss on sale of Assets(Net)	5.87	(0.66)	
Sundry Balances written back	(2.15)	(25.32)	
Foreign Currency Translation reserve written back	(165.60)	(0.83)	
Sundry Balances written off	188.68	71.11	
(Profit)/Loss on Sale of Investments	64.37	96.57	7,961.93
Operating Profit before Working Capital Changes	2,848.22		2,006.36
Adjustments for :			
(Increase)/ Decrease in Trade & other Receivables	1,748.31	(5,494.13)	
(Increase)/ Decrease in Inventories	(3.89)	4,744.04	
Increase/ (Decrease) in Trade Payables & other Liabilities	2,171.19	(537.22)	(1,287.31)
Cash Generation from Operations	6,763.83		719.05
Taxes Paid	—	(57.42)	(57.42)
Net Cash from Operating Activities	6,763.83		(661.63)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(1,626.56)	(2,543.88)	
Interest/Dividend Received	119.54	18.63	
Purchase of Investments	—	(2,367.78)	
Sale of Investments	3,815.30	589.58	
Sale of Fixed Assets	996.44	8.59	
Net Cash from Investing Activities	3,304.72		(4,294.87)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of Share Capital	936.01	3,225.23	
Proceeds from Long Term Borrowings (Net)	(5,106.63)	3,321.66	
Proceeds from Short Term Borrowings (Net)	(1,123.55)	(549.27)	
Interest Paid	(4,608.35)	(3,916.62)	
Reinstatement of FCCB	(44.41)	(2,48.57)	
Deferred Government Grant	249.19	—	
Net Cash from Financing Activities	(9,697.75)		1,832.43
Net Increase/(Decrease) in cash & cash equivalents	370.80		(1,800.81)
Cash & cash equivalents as on 01/04/2009	440.68		2,241.49
Cash & cash equivalents as on 31/03/2010	811.48		440.68

As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner

M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010

Consolidated Results of Vardhmān Polytex Limited

SCHEDULES TO THE ACCOUNTS

SCHEDULES 1 TO 20 ANNEXED TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

		As at 31.03.2010 (Rs. in lac)		As at 31.03.2009 (Rs. in lac)
SCHEDULE 1 — SHARE CAPITAL				
Authorized				
1,000	(Previous Year 1,000) 11% Redeemable Cumulative Preference Shares of Rs 100/- each	1.00		1.00
8,50,000	(Previous Year 8,50,000) Redeemable Non Cumulative Preference Shares of Rs 100/- each	850.00		850.00
2,14,90,000	(Previous Year 2,14,90,000) Equity Shares of Rs.10/- each	2,149.00		2,149.00
	TOTAL	3,000.00		3,000.00
Issued, Subscribed and Paid Up				
1,26,25,957	(Previous Year 1,06,22,957) Equity Shares of Rs. 10/- each fully paid up Add : Forfeited Shares (Amount originally paid up)	1,262.60 3.45	1,062.30 3.45	1,065.75
Nil	(Previous Year 5,000) Redeemable Cumulative Preference Shares of Rs. 100/- each	—		5.00
	TOTAL	1,266.05		1,070.75
Notes :				
1. Paid-up Share Capital includes 20,03,000 Equity Shares of Rs. 10/- each at a premium of Rs. 29.53 per Share, arising out of conversion of the Convertible Warrants issued on preferential basis during the year.				
2. Financial Investors holding 11,57,000 Convertible Warrants have right of conversion of the same into equivalent number of Equity Shares.				
SCHEDULE 2 — RESERVES AND SURPLUS				
	Capital Redemption Reserve	0.01		0.01
	Capital Subsidy	95.50		95.50
	Share Premium Account	3,392.77	3,718.92	
	Add: Share Premium received	591.49	—	
	Less: Utilized for providing for the premium on redemption of 2% Foreign Currency Convertible Bonds	302.37	326.15	3,392.77
	Reserve for Bad & Doubtful Debts & Advances as per last account	150.00	150.00	
	Less: Transfer to Profit & Loss account	—	—	150.00
	Amalgamation Reserve	45.00		45.00
	Foreign Currency Translation Reserve	160.36	170.41	
	Less : Transferred to Profit & Loss Account (Refer Note No. 2C of Notes on Accounts)	165.60	—	170.41
	General Reserve			
	As per last account	10,216.21	10,205.11	
	Add : Currency Translation Reserve	—	11.10	
	Add : Transfer from Profit & Loss Account	—	—	
	Less : Transfer from Profit & Loss Account	(5,856.32)	(2,125.70)	8,090.51
	TOTAL	8,327.05		11,944.20
SCHEDULE 3 — SECURED LOANS				
	Term Loans:			
	- From Banks	28,486.48		33,593.12
	Short Term Loan from Banks	1,000.00		4,000.00
	Working Capital Term Loan	9,800.00		—
	Working Capital Borrowings from Banks	11,554.50		19,478.05
	Vehicle Loan from Banks	56.85		—
	TOTAL	50,897.83		57,071.17
Notes:				
1. Term loans from Banks are secured by Equitable Mortgage created or to be created on all the immovable assets of the Company, both present and future, and hypothecation of all the movable assets including movable machinery, machinery parts, tools and accessories, and other movables, both present and future (except book debts) subject to prior charges created or to be created in favour of the Bankers for securing the Working Capital facilities availed from them.				
2. Short Term Loan from Banks are secured by second charge on current assets of the Company. Due for repayment within one year, out of such loans, Rs. 1,000 lac (Previous Year Rs. 4,000 lac).				
3. Working Capital Borrowings from Banks are secured by hypothecation of entire present & future tangible current assets of the Company and are also personally guaranteed by Chairman & Managing Director of the Company.				
4. Amount due for repayment within next one year out of Long Term Loans is Rs. 4,459 lac (Previous Year Rs. 5,138.75 lac).				
5. Working Capital Term Loans (WCTL), carved out of existing outstanding in Working Capital Account, have been sanctioned by leader of the Consortium Banks. WCTL is covered by first pari passu charge on the fixed assets of the Company.				
6. Vehicle loans are secured by hypothecation of specific assets financed out of such loans.				

Consolidated Results of Vardhmān Polytex Limited

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 7 — PROJECT AND PRE-OPERATIVE EXPENDITURE (PENDING ALLOCATION)		
Salaries, Wages, Bonus & Other Benefits	—	669.68
Interest and Financial Expenses	69.28	436.45
Traveling Expenses	—	372.02
Other Expenses	89.48	866.98
Depreciation	—	845.66
Business Promotion & Marketing Office Expenses	—	920.97
TOTAL	158.76	4,111.76
Less : Capitalised		<u>3,953.33</u>
Pending Allocation	158.76	158.43
SCHEDULE 8 — INVESTMENTS		
I. Long Term Investments- At Cost		
Trade		
Unquoted:		
250 (Previous Year 250) Equity Shares of Rs.10/- each fully paid up of VKM Colour Spin Limited.	0.03	0.03
5,000 (Previous Year 5,000) Equity Shares of Rs. 10/- each fully paid up of Deluxe Fabrics Limited.	0.50	0.50
Non - Trade		
Shares of F. M. Hämmerle Nfg GmbH (Minimum Registered Capital)	22.54	22.54
Less : Provision for diminution in the value of Investment	<u>22.54</u>	<u>22.54</u>
Investment in DBS Bonds	—	237.13
Investment in UOBL Bonds	—	238.28
Foreign Currency Coupons (Global Bearer Notes) (Unutilised funds out of FCCB proceeds)	—	3,305.90
Quoted :		
1,51,554 (Previous Year 1,71,708) Equity Shares of Rs.10/- each fully paid up of Vardhman Textiles Ltd.	413.27	468.24
SUB TOTAL	413.80	4,250.08
2. Current Investments (at cost or fair market value)		
Quoted :		
Nil (Previous Year 200) Equity Shares of Rs. 10/- each fully paid up of Reliance Industries Ltd.	—	5.29
Nil (Previous Year 172) Equity Shares of Rs. 10/- each fully paid up of HDFC Bank Ltd.	—	2.42
Nil (Previous Year 26,040) Equity Shares of Rs. 10/- each fully paid up of Industrial Development Bank of India Ltd	—	21.16
Nil (Previous Year 1,000) Equity Shares of Rs. 10/- each fully paid up of Eicher Motors Ltd.	—	3.88
Nil (Previous Year 500) Equity Shares of Rs. 10/- each fully paid up of ICICI Bank Ltd.	—	5.91
Nil (Previous Year 1,500) Equity Shares of Rs. 10/- each fully paid up of Jai Prakash Associates Ltd.	—	4.73
Unquoted		
Investment in Nifty Linked Fixed Growth Fund	10.25	10.25
SBI Smart Unit Linked Plan	3.00	3.00
Investment in Mutual Funds (Refer Note No. 10 in Other Notes)	115.00	115.00
SUB-TOTAL	128.25	171.64
TOTAL	542.05	4,421.72
Notes:		
1. Market Value of Quoted Investments	401.69	103.89
2. Aggregate Book Value of Quoted Investments	413.27	511.63
3. Aggregate Book Value of Unquoted Investments	128.78	3,910.10
4. Out of 1,51,554 Shares of Vardhman Textiles Ltd., 1,50,000 Shares are pledged in favour of Yes Bank Ltd. for availing a packing credit facility of Rs. 400 lac.		



Consolidated Results of Vardhmān Polytex Limited

	<u>As at 31.03.2010</u> (Rs. in lac)	<u>As at 31.03.2009</u> (Rs. in lac)
SCHEDULE 9 — CURRENT ASSETS, LOANS AND ADVANCES		
(A) INVENTORIES		
(As taken, valued and certified by the Management)		
Raw Materials	6,235.83	7,006.33
Finished goods & waste	1,135.88	844.28
Work in Process	1,430.47	759.36
Stores & Spares	407.78	448.66
Raw Material in transit	36.77	16.24
Capital Goods in transit	—	167.97
TOTAL	<u>9,246.73</u>	<u>9,242.84</u>
(B) SUNDRY DEBTORS		
(Unsecured considered good unless otherwise stated)		
Outstanding for more than six months	953.80	897.51
Others	4,227.10	2,596.23
TOTAL	<u>5,180.90</u>	<u>3,493.74</u>
(C) CASH AND BANK BALANCES		
Cash in Hand, Remittance in Transit & Cheques in Hand [(including cash in hand Rs. 42.85 lac (Previous Year Rs. 85.37 lac)]	43.09	94.89
Balance with Scheduled Banks		
In Current Accounts	402.97	81.33
In Fixed Deposit	11.00	—
In Saving Bank Account	0.08	0.07
In Margin Money / Post Office	—	4.25
In Fixed Deposit pledged with Banks	354.34	260.14
TOTAL	<u>811.48</u>	<u>440.68</u>
(D) LOANS & ADVANCES		
Advances recoverable in cash or in kind or for value to be received	4,329.62	2,989.36
Advance recoverable from Subsidiary	3,574.14	3,506.62
Less : Provision for diminution in value of advance	<u>3,574.14</u>	<u>—</u>
Share application money (pending allotment)		3,506.62
- Subsidiary	—	—
- Others	—	4,363.18
Inter Corporate Deposits	110.00	108.63
Deposits and balances with Government Authorities	1,319.39	1,589.74
MAT Credit	16.00	16.00
Advance Tax & TDS	3,472.57	3,775.32
Less: Provision for Taxation	<u>(3,577.29)</u>	<u>3,475.36</u>
TOTAL	<u>5,670.29</u>	<u>12,873.49</u>
SCHEDULE 10 — CURRENT LIABILITIES AND PROVISIONS		
Sundry Creditors ***	1,836.83	1,276.10
Trade Deposit and Advances	140.42	153.16
Purchase & Other bills discounted from Banks & Others	2,795.78	—
Other Liabilities	1,252.32	1368.20
Security Deposits & Retention Money from Contractors	32.86	42.65
Liability towards Investor Education and Protection Fund under Section 205C of Companies Act, 1956 not due		
- Unclaimed Dividend	27.93	33.28
TOTAL	<u>6,086.14</u>	<u>2,873.39</u>
PROVISIONS		
Provision for Employees Benefits	14.30	12.34
Provision for premium on Redemption of FCCBs	403.17	243.22
TOTAL	<u>417.47</u>	<u>255.56</u>

*** The Company has not received any status of Micro, Small & Medium enterprises under MSMED Act, 2006, so the balance outstanding, interest paid/payable during the year has not been provided.



Consolidated Results of Vardhmān Polytex Limited

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 11 — SALES AND OPERATING INCOME		
Sales*	56,696.32	43,664.11
Job Charges Income	—	7.10
Export Incentives/Benefits	1,118.07	533.26
TOTAL	57,814.39	44,204.47
*Sales include sale of Rs. 85.83 lac being material dispatched but same have not reached at customer place (Subsidiary), hence the same balances are not eliminated in sales & purchase schedule.		
SCHEDULE 12 — OTHER INCOME		
Income from Investments (Non-trade)	109.84	7.41
Claims received	7.36	59.06
Profit from sale of Investments (Net)	(64.37)	(96.57)
Dividend Income	9.70	11.22
Previous Year Income	—	0.38
Profit on sale of Fixed Assets (Net)	(5.87)	0.66
Rebate & Discount	35.22	12.19
Forex Swap Income	165.60	
Misc. Balances no longer required written back	2.15	25.32
Exports Benefits	40.65	13.34
Income recognised under deferred Govt. grant	26.98	—
Miscellaneous Income	223.94	258.78
TOTAL	551.20	291.79
SCHEDULE 13 — RAW MATERIAL CONSUMED & PURCHASE OF FINISHED GOODS		
Opening Stock	7,006.34	11,502.36
Purchases	34,332.32	23,355.86
Incidental Expenses/Purchase Tax	126.20	193.20
TOTAL	41,464.86	35,051.42
Less: Closing Stock	6,235.83	7,006.34
Cost of Material Sold	18.64	84.64
Raw Material Consumed	35,210.39	27,960.44
Add: Purchases of Finished Goods	1,263.41	40.32
TOTAL	36,473.80	28,000.76
SCHEDULE 14 — MANUFACTURING EXPENSES		
Power & Fuel	6,213.08	5,381.62
Stores & Spares Consumed	2,176.81	1,566.85
Packing Material Consumed	874.62	798.51
Processing Charges	114.48	29.11
Machinery Repairs	438.22	407.60
Water Charges	90.17	27.60
Miscellaneous Expenses	186.25	72.72
TOTAL	10,093.63	8,284.01
SCHEDULE 15 — PERSONNEL EXPENSES		
Salaries, Wages & Other Benefits	3,075.97	2,468.15
Contribution to Provident & Other Funds	243.43	213.21
Staff Welfare Expenses	79.39	63.73
TOTAL	3,398.79	2,745.09
SCHEDULE 16 — ADMINISTRATIVE EXPENSES		
Rent	35.47	13.87
Rates & Taxes	35.74	28.66
Insurance	61.10	64.11
Building Repairs	31.31	22.07
Managerial Remuneration	50.16	38.74
Directors' Traveling Expenses	14.24	14.50
Sundry Balances Written Off	188.68	28.47
Charity & Donations	1.13	0.77
Postage, Telegram & Telephone	55.81	56.10
Printing & Stationery	39.81	29.85
Legal & Professional	83.28	120.93
Difference in Exchange Rate	22.10	581.45
Traveling & Conveyance Expenses	180.29	183.92
Vehicle Maintenance	53.18	49.39
Provision for diminution in the value of investment	—	20.53
Water & Electricity Charges	22.65	—
Miscellaneous Expenses	288.54	194.05
TOTAL	1,163.49	1,447.40



Consolidated Results of Vardhmān Polytex Limited

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 17- FINANCIAL EXPENSES		
Interest		
On Term Loans & Other Fixed Loans	1,862.66	1,673.61
On Working Capital Borrowings	3,103.79	2,473.60
Others	173.73	55.52
Bank Charges & Others	280.79	168.00
Less: Interest received from		
Customers	204.53	65.74
Fixed Deposits	24.15	54.34
Fluctuation Gain	165.95	294.96
Profit on Forward Exchange Contracts	300.03	-
[(Net of mark to market loss of Rs. 41.59 lac (Previous Year Nil)]		
Interest Received on Inter Corporate Deposits	11.00	14.57
Others	106.96	33.62
TOTAL	4,608.35	3,907.50
SCHEDULE 18 — SELLING EXPENSES		
Commission on Sales	433.05	438.75
Delivery Expenses (Including Freight, Octroi & Others)	989.77	830.15
Rebate & Discount	37.16	22.80
Sales Promotion	3.86	30.12
Cash Discount	70.48	63.33
Cess on Yarn	-	-
Miscellaneous Expenses	179.23	3.74
TOTAL	1,713.55	1,388.89
SCHEDULE 19 — (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND WORK-IN-PROCESS		
Opening Stock		
Work in Process	759.36	509.87
Finished Stock (Including Waste)	871.91*	1,837.82
Less: Closing Stock		
Work in Process	1,430.47	759.36
Finished Stock (including Waste)	1,135.88	844.28
(Increase)\Decrease in Stock	(935.08)	744.05

* The opening balance includes Rs. 27.63 lac of finished stocks of Subsidiary, Oswal Retail Pvt. Ltd. consolidated during the Year.

Consolidated Results of Vardhmān Polytex Limited

SCHEDULE 20 - ACCOUNTING POLICIES & NOTES ON ACCOUNTS

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- i) Vardhman Polytex Ltd. has prepared Consolidated Financial Statements by consolidating its Accounts with those of its following subsidiaries as on 31.03.2010 in accordance with Accounting Standard (AS)-21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Name of Subsidiaries	Country of Incorporation	% Shareholding/Voting Power As on 31 March 2010
Oswal F.M. Hämmerle Textiles Ltd	India	81.89% (Increased from 76.23%)
Oswal Retail Pvt. Ltd.	India	100.00%
F.M. Hämmerle Verwaltungs GmbH	Austria	100.00%

- ii) The Financial Statements of Parent Company and its Subsidiaries have been consolidated on line by line basis by adding together book value of like items of assets, liabilities, income and expenses after eliminating intra group balances and intra-group transactions.
- iii) Foreign Subsidiary- Operations of Foreign Subsidiary has been considered by Management non integral; thus items of the assets and liabilities both monetary and non-monetary, have been translated at the exchange rates prevailing at the end of the year and items of income and expenses have been translated at the average rate prevailing during the period. Resulting exchange differences arising on translation of said items have been transferred to Foreign Currency Translation Reserve Account.
- iv) Since, Foreign Subsidiary is in same line of business which function in different regulatory environment, certain policies such as in respect of reinstatement of forex liabilities are different than that of the policies followed by the Holding Company. The Notes on Accounts and policies followed by Subsidiaries and Holding Company are disclosed in their respective Financial Statements.
- v) Figures pertaining to the Subsidiary Companies have been reclassified wherever necessary to bring them in the line with Parent Company's Financial Statements.

OTHER NOTES

1. Contingent Liabilities not provided for in respect of.

	As at 31.3.2010 (Rs. in lac)	As at 31.3.2009 (Rs. in lac)
i) Claims against the Company not acknowledged as debts	295.59	93.55
ii) Bank Guarantees/Bonds outstanding in favour of President of India & Others	288.97	297.68
iii) Letters of Credit Outstanding	1,827.30	1,741.80
iv) Bills discounted with Banks against Irrevocable Letter of Credit	3,184.06	1,717.02
v) Income Tax demands under appeal	209.43	617.93
vi) Demand of PSEB for Voltage Surcharge and DSA	258.95	259.81
vi) Corporate Guarantee given to Banks on behalf of third parties (Loans & working capital disbursed against this guarantee)	—	1,290.00 244.00
vii) Subordination letter for not to withdraw the loan from Foreign Subsidiary until negative Equity situation reverses	213.14	1,650.44

2. (A) During the previous year, the Company has changed the method of calculation of depreciation in one of its manufacturing plant from Written Down Value to Straight Line Method, to re-align the method along with the other Units. Due to this, recalculation of depreciation has been made from commissioning of plant upto 31st March, 2008 and the Accumulated Depreciation has been reduced by Rs. 3165.30 lac and the same was credited to Profit & Loss Account. Depreciation for the previous year got reduced by Rs. 864.87 lac.
- (B) During the previous year, 100% provision for diminution in Investment value has been made in Oswal Retail Pvt. Ltd. Preference Share Capital amounting to Rs. 495 lac and Rs. 22.54 lac in Equity Share Capital of F. M. Hämmerle Nfg GmbH, Austria, considering the losses in these Companies.
- (C) During the year, 100% provision for diminution in advance to F.M. Hämmerle Nfg GmbH, Austria has been made amounting to Rs. 3574.14 lac considering the losses in the company. The company has filed an application for liquidation of the Subsidiary. The corresponding opening fluctuation translation reserve has been transferred to Profit & Loss Account.
- (D) During the previous year, the Management was in the process of the disposal of the Subsidiary company F.M. Hämmerle Nfg. GmbH, Austria. Due to this, the Company has excluded this company from consolidation as per guidelines of Accounting Standard (AS) -21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India as mentioned above. During the year, the Company has filed an application for the liquidation of the Subsidiary company.



Consolidated Results of Vardhmān Polytex Limited

3. During the previous year, Company had opted for the Notification No GSR 225(E) dated 31.03.2009 issued by the Ministry of Corporate Affairs. Exchange differences on long term Foreign Currency denominated monetary Items relating to acquisition of depreciable capital assets amounting to Rs. 195.04 lac are decapitalised (Previous Year Rs. 347.29 lacs were capitalised) with the relevant capital assets instead of charging/adjusting them to Profit & Loss Account. Similar differences relating to Accounting Year 2007-08 of Rs. 11.10 lac were adjusted to the cost of relevant capital assets by adjustment in general reserves. Exchange differences relating to other long term items have been considered for amortisation over a period not beyond 31st March, 2011. On reinstatement of Long term Foreign Currency Monetary Items as on 31.03.2010, the impact of unamortised amount of Rs. 61.76 lac (Previous Year Rs. 641.29 lac) outstanding on 31.03.2010 will be amortised during the year 31.03.2011.

4. Segment Reporting :

The Company is in textile segment, accordingly the disclosure requirement as prescribed in the Accounting Standard (AS) - 17 on 'Segment Reporting' issued by Institute of Chartered Accountants of India is not required.

5. During the earlier years, the Company has issued 2% Unsecured Foreign Currency Convertible Bonds (FCCBs) in the aggregate principal amount of United State Dollars 12 (Twelve) Million in the course of international offerings. The expenses incurred & premium payable on the redemption of such Bonds has been adjusted with Share Premium Account in accordance with the provision of Section 78 of the Companies Act, 1956. Part of the amount of proceeds invested outside India till the end of Previous Year have been fully utilised during the year in the Company's projects.

6. Related Party Disclosure :

Details of disclosures as required by Accounting Standard (AS) - 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are as under :-

(Rs. in lac)

Particulars	Key Management Personnel (KMP)		Venturer		Associates		Relatives of Key Management Personnel		Enterprises over which KMP is able to exercise significant influence	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Sale of Goods	—	—	—	—	—	121.92	—	—	—	1294.91
Sale of Equity	—	—	—	—	—	—	—	0.10	—	0.90
Purchase of Goods	—	—	—	—	—	—	—	—	—	4.50
Purchase of Equity	—	—	—	—	—	—	1.00	1.00	—	—
Expenses Shared	—	—	—	—	—	1.02	—	—	—	—
Application money for Preference Shares (pending allotment)	—	—	—	—	—	—	—	—	—	608.55
Application Money Received for Equity Share Capital	—	—	—	—	—	—	—	—	99.83	—
Purchase of Fixed Assets	—	—	—	—	—	166.53	—	—	—	37.58
Technical Know-How	—	—	—	—	—	—	—	—	—	—
Remuneration	—	—	—	—	—	—	3.74	6.45	—	—
Managerial Remuneration	50.16	38.74	—	—	—	—	—	—	—	—

1. Subsidiary	Oswal F.M. Hämmerle Textiles Ltd. F.M. Hämmerle Nfg GmbH, Austria F.M. Hämmerle Verwaltungs GmbH, Austria Oswal Retail Pvt. Ltd.	Oswal F.M. Hämmerle Textiles Ltd. F.M. Hämmerle Nfg GmbH, Austria F.M. Hämmerle Verwaltungs GmbH, Austria
2. Key Management Personnel (KMP)	Mr. Ashok Oswal Mr. Adish Oswal	Mr. Ashok Oswal
3. Relatives of Key Management Personnel	Mrs Rakhi Oswal Mr. Abhinav Oswal	Mr. Adish Oswal Mrs Rakhi Oswal Mr. Abhinav Oswal
4. Enterprise over which Key Management Personnel (KMP) is able to exercise significant influence	Panchsheel Textile Mfg. & Trading Co. (P) Ltd Enakshi Investments (P) Ltd. Liberty Mercantile Co. (P) Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments (P) Ltd Ruby Mercantile Co (P) Ltd Boras Investment & Trading Co. (P) Ltd. Gagan Mercantile Co. (P) Ltd Pioneer Mercantile India (P) Ltd Adesh Investment & Trading Co. (P) Ltd. Calgary Investment & Trading Co. (P) Ltd Oswal Infratech (P) Ltd. Oswal Tradecom (P) Ltd. Oswal Holding (P) Ltd. Nightnagle Dealcom (P) Ltd IRIS Textil GmbH, Austria	Oswal Retail (P) Ltd. Panchsheel Textile Mfg. & Trading Co. (P) Ltd. Enakshi Investments (P) Ltd. Liberty Mercantile Co. (P) Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments (P) Ltd Ruby Mercantile Co (P) Ltd Boras Investment & Trading Co. (P) Ltd. Gagan Mercantile Co. (P) Ltd Pioneer Mercantile India (P) Ltd Adesh Investment & Trading Co. (P) Ltd. Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech (P) Ltd. Oswal Tradecom (P) Ltd. Oswal Holding (P) Ltd. IRIS Textil GmbH, Austria
5. Venturer	IRIS Textil GmbH, Austria	IRIS Textil GmbH, Austria
6. Associates	F.M. Hammerle Textilwerke GmbH & Co. KG F.M. Hammerle Textilwerke, Austria JH Verwaltungs GmbH, Austria	F.M. Hammerle Textilwerke GmbH & Co. KG F.M. Hammerle Textilwerke, Austria JH Verwaltungs GmbH, Austria



Consolidated Results of Vardhmān Polytex Limited

7. Earning per Share :-

The calculation of Earning per Share (EPS) has been made in accordance with Accounting Standard (AS) – 20 on 'Earning per Share' issued by the Institute of Chartered Accountants of India.

		Current Year (Rs. in lac)	Previous Year (Rs. in lac)
Profit after Tax	(A)	(4,756.81)	(2730.26)
Weighted Average number of Equity Shares of Rs. 10/- each (Nos.)		1,10,23,557	1,06,22,957
Earning per Share : Basic	(B)	1,10,23,557	1,06,22,957
Earning per Share : Diluted	(A/B)	(43.15)	(25.70)
	(A/B)	(43.15)	(25.70)

Note -

The conversion price of 2% Foreign Currency Convertible Bonds is higher than the fair value of Equity Share as at the closing of the year and accordingly anti-dilutive. Therefore, the same has not been considered for computing the diluted Earnings per Share.

8. The Company has issued 25,00,000 Convertible Warrants to the Financial Investors on preferential basis pursuant To SEBI(Issue of Capital & Disclosure Requirements) Regulations, 2009. The said Warrants were convertible into equivalent number of Equity Shares at a Conversion Price of Rs. 39.53 per Share (including premium) at option of the Warrantheadholder within a period of 18 months from the date of allotment. The Company has received an amount equivalent to 25% of the Conversion Price as Share application money at the time of allotment of the Warrants. Out of the said 25,00,000 Convertible Warrants, holders of 20,03,000 Warrants exercised their option for the conversion of the said Warrants by paying the balance amount equivalent to 75% of the Conversion Price and accordingly, they were allotted 20,03,000 Equity Shares of Rs. 10/- each at a premium of Rs. 29.53 per Share.

Further, the Company has issued another 6,60,000 Convertible Warrants to a Financial Investor belonging to the Promoter Group on preferential basis pursuant to SEBI (issue of Capital & Disclosure Requirements) Regulations, 2009. The Said Convertible Warrants are convertible into equivalent number of Equity Shares at the Conversion Price of Rs. 60.50 per Share (including Premium) at option of the Warrantheadholder within a period of 18 months from the date of allotment. The Company has received an amount equivalent to 25% of the Conversion Price as Share application money at the time of allotment of these Warrants. The application money received on these Warrants has been shown as Share application money (pending allotment) in the Balance Sheet of the Company. The proceeds from these preferential issues have been used for the purpose of meeting the long term working capital requirements of the Company.

9. Movement of Deferred Tax Liability (Net) as on 31st March, 2010 is as follows :-

	Balance as on 01.04.2009	Charge/(credit) during the year	Amount (Rs. in lac) Balance as on 31.03.2010
Timing difference on account of depreciation	1,112.92	1,473.54	2,586.46
Less :			
Deferred tax asset arising on account of Amalgamation of Amkryon International (P) Ltd.	41.80	-	41.80
Deferred Tax asset arising on account of Section 43B items & unabsorbed depreciation	-	2,406.21	2,406.21
Total	1,071.12	(932.67)	138.45

In Oswal Retail (P) Ltd. & Oswal F.M. Hämmerle Textiles Ltd., in view of absence of virtual certainty of profits in the near future deferred tax assets on account of unabsorbed depreciation have been restricted to the extent of deferred tax liability and those on account of unabsorbed losses have not been recognized at all.

10. Details of Mutual Fund Investment during the year :

(Investment Rs. in lac)

	Balance as on 01.04.09		Purchased during the year		Sold during the year		Balance as on 31.03.10	
	No. of units	Amount	No. of units	Amount	No. of units	Amount	No. of units	Amount
Brought over								
PNB long term Equity Fund	1,50,000	15.00	-	-	1,50,000	16.08	-	-
IL & FS - milestone Fund	1	100.00	-	-	-	-	1	100.00
SBI Gets Fund	-	-	1,683	25.00	1,683	24.57	-	-
Reliance Infrastructure Fund	-	-	1,49,194	15.00	1,49,194	16.02	-	-
Canara Robeco force Fund	-	-	1,95,599	20.00	1,95,599	19.93	-	-
AXIS Equity Fund	-	-	10,000	10.00	10,000	10.06	-	-
SBI Comma Fund	-	-	42,499	10.00	42,499	9.96	-	-
SBI Comma Fund	-	-	62,709	15.00	-	-	62,709	15.00
Total	1,50,001	115.00	4,61,683	95.00	5,48,996	96.63	62,710	115.00

11. Figures for the previous year have been rearranged and/or regrouped wherever considered necessary to Facilitate comparison.

12. Figures in bracket indicate deductions.

As per report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. : 000756N

(Arun K. Tulsian)

Partner
M. No. 89907

Parvinder Singh

Chief Financial Officer

Tarun Jindal

Company Secretary

Ajay Chaudhry

Director

Ashok Oswal

Chairman &
Managing Director

Place : Ludhiana

Date : 8th May, 2010

DIRECTORS' REPORT

Dear Shareowners,

The Directors of your Company have great pleasure in presenting their 4th Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2010.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under: -	(Rs. in lac)	
PARTICULARS	2009-10	2008-09
Turnover	5012.85	1373.69
Profit before Depreciation, Interest & Tax (PBDIT)	19.49	(726.14)
Interest & Financial Charges	1238.28	727.01
Profit before Depreciation & Tax (PBDT) (Cash Profit)	(1218.79)	(1453.15)
Depreciation	1468.84	1081.45
Profit before Tax (PBT)	(2687.63)	(2534.60)
Provision for Tax		
-- Wealth Tax	--	0.08
-- Fringe Benefit Tax	--	8.90
Profit after Tax (PAT)	(2687.63)	(2543.58)

2. PERFORMANCE OF THE PROJECT:

Due to global slow down, the operations of the Company suffered leading to lower production.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

(a) TEXTILE INDUSTRY- STRUCTURE & DEVELOPMENT:

The Fiscal Year 2009-10 was a challenging year for the Indian Economy. The Economy stabilized in the first quarter of 2009-10 as against the financial downturn in 2008-09 in view of the global recession. Further, the GDP growth rate rose from 6.1 percent in first quarter of 2009-10 to 7.2 percent in the second quarter which itself showed the signs of recovery of the Indian Economy. Indian Textile Industry is still facing the challenges due to the low demand of the textiles and clothing in the international market. The demand contraction and low consumer spending in the USA, the EC and Japan has decisively impacted the demand for imported textiles and clothing. Thus, during the first nine months of 2009-10, cotton yarn exports aggregated 309 million kgs valued at US \$ 844 million which are 13% lower than the corresponding period of 2008-09.

The allocation of Rs. 2400 crores for Technology Up-gradation Funds Scheme (TUFFS) in the Union Budget 2010-11 as against Rs. 3140 crores in the Fiscal Year 2009-10 would not suffice to clear the backlog of the TUFFS disbursements. Further, the extension of interest subvention of 2% available for export credit upto 31st March, 2011 is only for few sectors and not for the textile industry as a whole.

Conventional textile's profit margin is shrinking due to the rising raw material, labour, powered, operating costs. The Indian Textile Industry should therefore take up more value added products that give more profit margins with less operational costs. The first and foremost opportunity for diversification lies in Technical Textiles as demand for them is increasing in India. It is projected that the technical textile growth in India will be around 15 percent.

(b) INTERNAL CONTROL SYSTEMS & ADEQUACY:

The Company has adequate system of internal control. There is system of continuous Internal Audit which aims at ensuring effectiveness and efficiency of systems and operations. The internal audit is conducted by independent internal Audit Dept. and the report is reviewed by the Audit Committee of the Board consisting of Independent Directors.

(c) HUMAN RESOURCE MANAGEMENT:

We at Oswal Group, give utmost importance to Human Resource. We consider "Human Resource as Human Capital". We believe in development of Human Resource. Human Resource department is flexible & believes in customization. Career Planning & Growth is on the top of our agenda Hence, we customize career paths and retention plans according to the unique needs of the organization & individuals. We strongly believe on Performance Management System & always explore and tap high potential at Group level to meet the new challenges & competition. Our main tool is Training & Development of Talent at various levels.

(d) MANAGEMENT PERCEPTION OF RISKS & CONCERNS:

The Cotton production during the year 2009-10 showed a marginal increase in the production of 292 lac bales from 290 lac bales during the year 2008-09. However, the consumption of the cotton is likely to rise by 8.3% in view of the increasing demand of textiles and clothing in the international market. Therefore, availability of the cotton would be major cause of concern for the textile Industry in India and they have to keep an eye on the imported cotton.

Moreover, the Textile Industry, particularly the conventional textile sector, requires vigorous efforts to adopt more aggressive marketing strategies, new products development and exploring the new markets. Apart from this, the industry needs to adopt energy efficient, environmentally sustainable practices and ensure compliance with international eco standards, if it has to compete and sustain itself in the global market, as issues relating to climate change and carbon emissions gather the growing attention of the consumers.

(e) FUTURE OUTLOOK:

The demand for textiles products is likely to pick up with the global economy pulling out of recession. Keeping in view and assuming that the Government will remove the bottlenecks, constraining the growth of Industry, we believe that the industry will show better performance in the coming years. As part of textile industry, the performance of your Company is likely to show improvement.

4. DIRECTORS:

The retirement by rotation of Dr Rakesh Mittal is due at the ensuing Annual General Meeting and being eligible, he offers himself for re-appointment.

5. 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.

6. AUDITORS' REPORT:

The Statutory Auditors of the Company have submitted the Auditors' report on the accounts of the Company for the accounting year ended March 31, 2010. In their report, they have made an observation about delay in repayments of Principal Amounts and payment of interest to the Banks which were paid after the due date.

The Turnover of your Company was expected to be ramped up in the first quarter of financial year 2009-10 but due to sluggish market and especially the plant which has been designed for the European Customers could not take off as expected till the second quarter of the year. Due to this, the cash flows of the Company suffered adversely. The lesser cash accruals coupled with the

repayments has put the Company in the stretched liquidity position. Accordingly, the Company has filed an application for Debt restructuring (Refer Note No-13 of Other Notes in the Balance Sheet).

7. AUDIT COMMITTEE:

The Company has constituted an Audit Committee of its Board of Directors. The constituents members of the Audit committee are Mr. Ashok Oswal, Mr. Josef Hahl and Mr. Adish Oswal.

8. COMPANY PETITION:

A Company Petition under Section 397, 398, 402 and 403 of the Companies Act, 1956 was filed by M/s Vardhman Polytex Limited before the Hon'ble Company Law Board (CLB), Principal Bench, New Delhi which was mentioned on 20.04.2010. Further, a Company Petition under Section 397, 398, 402 and 403 of the Companies Act, 1956 was filed by M/s Maschinen Umwelttechnik Transportanlagen Gesellschaft GmbH before the Hon'ble Company Law Board (CLB), Principal Bench, New Delhi which is pending for mentioning.

9. STATEMENT OF PARTICULARS OF EMPLOYEES:

A statement of Particular of employees pursuant to Section 217(2A) of the Companies Act, 1956 is enclosed and forms part of this report.

10. 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.

11. 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 31st March, 2010 and of the profit of the Company for the year ended on 31st March, 2010;
- 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.

12. 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 : 7th May, 2010

ANNEXURE TO 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 31ST MARCH, 2010

(A) PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR 2009-2010, 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. in lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature of duties	Particulars of Last Employment
Ashok Kumar Joshi	Unit Head	36.83	Textile Engineer	51	28	15-12-2006	Managerial	Head-Group D&D, PDG & Weaving Technology, Arvind Mills Ltd.

(B) PERSONS EMPLOYED FOR A PART OF THE FINANCIAL YEAR 2009-2010, 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. in lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature Of duties	Particulars of Last Employment
Arun Chattopadhyay	CMO	2.05	B.sc, B.tech	53	33	01/02/2010	Marketing	Chiripal Industries Ltd

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.

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010:

1. CONSERVATION OF ENERGY:

The Company has taken several steps to conserve energy, wherever possible. This shall continue to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements.

ENERGY CONSUMPTION MEASURES UNDERTAKEN:

Steam, Water and Power:

The Company is implementing "Utility Management" system to monitor and control various Utility Consumptions in each department. For Power, Energy Meters are provided in the system, to assess the consumption department wise.

FORM-A:

<u>PARTICULARS</u>	<u>UNIT</u>	<u>2009-10</u>	<u>2008-09</u>
A. POWER & FUEL CONSUMPTION			
1 Electricity			
a) Purchased			
Units	(KWH in lac.)	76.65	45.63
Total amount	(Rs in lac.)	448.34	255.24
Rate per unit	Rs./KWH	5.85	5.59
b) Own generation			
I) Through Diesel Generator			
Units	(KWH in lac.)	0.53	0.72
Units per litre of Diesel	(KWH)	3.23	3.20
Cost per unit	Rs./KWH	12	11.47
II) Through Steam Turbine /Generator HPS based Generator			
Units	(KWH in lac.)	N.A.	N.A.
Units per litre of Diesel	(KWH)	N.A.	N.A.
Cost per unit	Rs./KWH	N.A.	N.A.
2 Coal			
3 Furnace Oil			
4 Others/Internal Generation Oil used in Boiler			
Quantity	(Kilolitres)	N.A.	N.A.
Total Cost	(Rs. in lac.)	N.A.	N.A.
Average Rate	(Rs. per litre)	N.A.	N.A.
B CONSUMPTION PER UNIT OF PRODUCTION			
Grey Fabric	(KWH/Mtr.)	1.20	1.48
Finished Fabric	(KWH/Mtr.)	2.22	3.24

II PARTICULARS AS PER FORM -B:

A RESEARCH AND DEVELOPMENT (R&D):

FOCUS & EFFORTS IN R & D:

- Complete testing and evaluation of incoming material yarn, dyes and chemicals
- Focus on Customer satisfaction through in-depth analysis of Customers' requirements and implementing the required corrective and preventive action promptly.

- The R&D efforts in the Company are focused on productivity improvement and better control on process parameters, quality improvement and higher efficiency.

BENEFITS DERIVED AS A RESULT OF R&D:

- Better productivity & quality achieved through online monitoring & analysis.
- Flexibility in product range & Better Profitability.
- Improvement in manufacturing process and development.

FUTURE PLANS

- To get RFT in the bulk dyeing & to give more number of recipes for bulk dyeing.
- To obtain M & S certificate for 2010-11 from STR, UK on finished fabric evaluation to assure the customers testing of finished fabric in progress..
- To get GOTS Certification for organic cotton yarn to fabric for 2010-11.

EXPENDITURE ON R&D

<u>PARTICULARS</u>	<u>2009-2010</u>	<u>2008-2009</u>
Capital	—	—
Recurring	53.79	42.52
Total	53.79	42.52

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.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

<u>PARTICULARS</u>	<u>2009-2010</u>	<u>2008-2009</u>
a) Earnings (FOB value of exports)	758.85	269.15
b) Outgo (CIF value of imports)	1030.85	437.64

AUDITORS' REPORT

To The Members of Oswal F. M. Hämmerle Textiles Limited

We have audited the attached Balance Sheet of Oswal F.M Hammerle Textiles Limited as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto.

These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (collectively the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement, dealt with by this report, comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:
- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
- ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants
(Firm Regn. No. 000756N)

(ARUN K. TULSIAN)
Partner
M. No. 89907

Place : Ludhiana
Dated : 7th May, 2010

Annexure to the Auditors' report (Annexure referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year. Read with our comments in clause 1(a) above, there were no discrepancies noticed on such verification between the physical balances and fixed assets records.
 - (c) Fixed assets disposed off during the year were not substantial.
2. (a) The inventory, except material lying in transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. Material in transit has been verified by management on subsequent receipt of goods.
 - (b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) The Company has not granted any loan, secured or unsecured, to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - (b) Since there are no such loans, the comments regarding terms & conditions, repayment of the principal amount & interest thereon and overdue amounts are not required.
 - (c) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - (d) Since there are no such loans, the comments regarding terms & conditions, repayment of the principal amount & interest thereon and overdue amounts are not required.
4. In our opinion, and according to the information and explanations given to us during the course of audit, there are

adequate internal control systems commensurate with size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books & records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems

5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rupees five lacs or more in respect of each party have been made at prices which are reasonable having regard to market prices for such transactions, prevailing at the relevant time, where such market prices are available.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
8. We have broadly reviewed the Cost Accounting records, maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such books and records.
9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory dues, wherever applicable, have been generally regularly deposited with the appropriate authorities during the year and there are no such undisputed statutory dues outstanding as on the date of Balance Sheet for a period exceeding six months from the date they became payable.

(b) According to the information & explanations given to us and as per the books and records examined by us, there are no dues of Custom duty, Income Tax, Sales Tax, Service Tax, Wealth Tax, Excise and Cess which have not been deposited on account of any dispute.
10. The company has accumulated losses as at the end of the financial year which are less than fifty percent of the net worth. The company has incurred cash losses in the current & immediately preceding financial year.
11. According to the information and explanations given to us and as per the books and records examined by us, there were delays in repayment of principal amounts and payment of interest to banks which were paid after the due date, the details are as under:

I. Interest Payment Default				
A. State Bank of Mysore (SBM)				
Month	Amount	Due Date	Actual Payment	Date
May-09	21,98,036.00	1-Jun-09	21,98,036.00	20-Jun-09
Jun-09	20,92,541.00	1-Jul-09	20,92,541.00	23-Jul-09
Jul-09	24,07,366.00	1-Aug-09	24,07,366.00	17-Aug-09
Aug-09	24,03,165.00	1-Sep-09	24,03,165.00	26-Sep-09
Sep-09	23,36,820.00	1-Oct-09	23,36,820.00	30-Oct-09
Oct-09	24,19,280.00	1-Nov-09	24,19,280.00	22-Jan-10
Nov-09	23,43,587.00	1-Dec-09	23,43,587.00	2-Mar-10
Dec-09	24,46,090.00	1-Jan-10	20,13,090.00	2-Mar-10
		1-Jan-10	4,33,000.00	16-Mar-10
Jan-10	24,98,923.00	1-Feb-10	-	
Feb-10	23,32,516.00	1-Mar-10	-	
TOTAL	2,34,78,324.00		1,86,46,885.00	
B. State Bank of India (SBI)				
Month	Amount	Due Date	Actual Payment	Date
May-09	67,79,127.00	1-Jun-09	67,79,127.00	30-Jun-09
Jun-09	65,97,911.00	1-Jul-09	65,97,911.00	27-Jul-09
Jul-09	76,95,310.00	1-Aug-09	66,54,389.00	19-Aug-09
Aug-09	75,96,092.00	1-Sep-09	9,96,092.00	17-Sep-09
Sep-09	73,73,838.00	1-Oct-09	5,83,838.00	27-Oct-09
		1-Sep-09	24,00,000.00	22-Sep-09
		1-Sep-09	7,00,000.00	12-Nov-09
		1-Sep-09	42,00,000.00	29-Sep-09
		1-Sep-09	60,90,000.00	17-Nov-09
Oct-09	76,48,738.00	1-Nov-09	76,48,738.00	17-Nov-09
Nov-09	73,58,978.00	1-Dec-09	73,58,978.00	2-Dec-09
Dec-09	74,75,046.00	1-Jan-10	5,54,063.00	29-Jan-10
		1-Jan-10	69,20,983.00	26-Feb-10
Jan-10	75,45,799.00	1-Feb-10	-	
Feb-10	68,46,010.00	1-Mar-10	-	
TOTAL	7,29,16,849.00		5,74,84,119.00	
C. State Bank of Patiala (SBOP)				
Month	Amount	Due Date	Actual Payment	Date
May-09	46,52,859.00	1-Jun-09	46,52,859.00	11-Jun-09
Jun-09	45,16,790.00	1-Jul-09	45,16,790.00	17-Jul-09
Jul-09	51,13,220.00	1-Aug-09	49,41,732.00	17-Aug-09
Aug-09	49,87,505.00	1-Sep-09	49,87,505.00	17-Sep-09
Sep-09	48,19,212.00	1-Oct-09	15,40,000.00	5-Nov-09
		1-Oct-09	10,00,000.00	7-Nov-09
		1-Oct-09	8,00,000.00	11-Nov-09
		1-Oct-09	33,40,000.00	12-Nov-09
Oct-09	50,01,959.00	1-Nov-09	3,32,414.00	27-Nov-09
		1-Nov-09	2,50,000.00	2-Dec-09
		1-Nov-09	38,00,000.00	9-Jan-10
		1-Nov-09	5,00,000.00	25-Jan-10
		1-Nov-09	1,19,545.00	28-Jan-10
Nov-09	48,55,765.00	1-Dec-09	1,13,788.00	28-Jan-10
		1-Dec-09	10,00,000.00	24-Feb-10
		1-Dec-09	5,00,000.00	25-Feb-10
		1-Dec-09	32,41,977.00	27-Feb-10
Dec-09	50,46,110.00	1-Jan-10	50,46,110.00	2-Mar-10
Jan-10	50,64,678.00	1-Feb-10	-	
Feb-10	45,98,248.00	1-Mar-10	-	
TOTAL	4,86,56,346.00		40,682,720.00	
II. Principal Payment Default				
A. State Bank of Mysore (SBM)				
Month	Amount	Due Date	Actual Payment	Date
Jan-10	8,33,000.00	31-Jan-10	8,33,000.00	2-Mar-10
Mar-10	8,33,000.00	31-Mar-10		
TOTAL	16,66,000.00		8,33,000.00	

Oswal F. M. Hämmerle Textiles Limited

B. State Bank of India (SBI)				
Month	Amount	Due Date	Actual Payment	Date
Jul-09	25,00,000.00	30-Jul-09	25,00,000.00	8/19/2009
Sep-09	1,00,00,000.00	30-Sep-09	1,00,00,000.00	11/17/2009
Oct-09	25,00,000.00	30-Oct-09	25,00,000.00	1/29/2010
Dec-09	2,00,00,000.00	30-Dec-09	68,87,517.00	2/26/2010
		30-Dec-09	1,56,12,480.00	3/31/2010
Jan-10	25,00,000.00	30-Jan-10		
Mar-10	2,00,00,000.00	31-Mar-10		
TOTAL	5,75,00,000.00		3,74,99,997.00	
C. State Bank of Patiala (SBOP)				
Month	Amount	Due Date	Actual Payment	Date
Jul-09	16,66,667.00	31-Jul-09	16,66,667.00	17-Aug-09
Oct-09	16,66,667.00	31-Oct-09	16,66,667.00	28-Jan-10
Jan-10	16,66,667.00	31-Jan-10	6,60,000.00	2-Mar-10
		31-Jan-10	80,000.00	12-Mar-10
TOTAL	50,00,001.00		40,73,334.00	

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company does not fall within the category of Chit fund/ Nidhi/ Mutual Benefit fund / Society and hence the related reporting requirements of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments and hence the related reporting requirements of the Order are not applicable.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where such end use has been stipulated by the lender.
17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds raised by the Company on short term basis have not been applied for long term investment.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year nor has any outstanding debentures.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, notice and reported during the year, nor have we been informed of such cases by the management.

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants
(Firm Regn. No. 000756N)

(ARUN K. TULSIAN)

Place : Ludhiana
Dated : 7th May, 2010

Partner
M. No. 89907



BALANCE SHEET AS AT 31ST MARCH, 2010

Particulars	Schedule No.	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	10,500.00	8,000.00
b) Share Application Money (Pending Allotment)		66.05	2,566.05
2. Deferred Government Grant			
		249.19	—
3. Loan Funds			
a) Secured Loans	2	15,843.37	15,103.26
4. Deferred Tax Liability			
(Refer Note No. 9 of Other Notes in Schedule 17)		—	—
TOTAL		<u>26,658.61</u>	<u>25,669.31</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	3	22,497.98	22,246.27
Less: Depreciation		2,590.62	1,121.78
b) Net Block		19,907.36	21,124.49
c) Capital Work in Progress	4	398.28	5.23
d) Project & Pre-operative Expenses (Pending Allocation)	5	—	—
2. Investments			
	6	3.00	3.00
3. Current Assets, Loans and Advances			
a) Inventories	7	1,294.44	1,057.97
b) Sundry Debtors		864.98	422.33
c) Cash and Bank Balances		350.93	276.00
d) Loans and Advances		994.62	1,094.69
TOTAL		3,504.97	2,850.98
Less: Current Liabilities & Provisions			
a) Liabilities	8	2,371.90	845.63
b) Provisions		14.30	12.34
TOTAL		2,386.20	857.97
Net Current Assets		1,118.77	1,993.01
4. Profit & Loss Account			
TOTAL		<u>26,658.61</u>	<u>25,669.31</u>
ACCOUNTING POLICIES & NOTES TO ACCOUNTS		17	

The Schedules referred to above form an integral part of the Balance Sheet.
As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.

Chartered Accountants

Firm Registration No. 000756N

(Arun K. Tulsian)
Partner
M. No. 89907

Kuldeep Singla
Authorised Signatory

Gurmukh Singh
Company Secretary

Adish Oswal
Director

Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 7th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule No.	Current Year	Previous Year
INCOME			
Gross Sales	9	5,012.85	1,373.69
Less: Excise Duty on traded goods		5.40	—
Net Sales		5,007.45	1,373.69
Other Income	9A	97.45	34.77
TOTAL		5,104.90	1,408.46
EXPENDITURE			
Raw Material Consumed & Purchase of Finished Goods	10	2,234.01	770.89
Manufacturing Expenses	11	1,820.64	710.96
Personnel Expenses	12	817.07	546.88
Administrative Expenses	13	385.08	266.78
Financial Expenses	14	1,238.28	727.01
Selling Expenses	15	231.71	74.03
(Increase)/Decrease in Stock of Finished Goods and Work in Process	16	(403.10)	(234.93)
Depreciation	3	1,468.84	1,081.45
TOTAL		7,792.53	3,943.06
Profit for the year before Tax		(2,687.63)	(2,534.60)
Less : Provision For :			
-Wealth Tax		—	0.08
-Income Tax		—	—
-Deferred Tax		—	—
-Fringe Benefit Tax		—	8.90
Profit after Tax		(2,687.63)	(2,543.58)
Brought forward from last year		(2,543.58)	—
Amount available for Appropriation		(5,231.21)	(2,543.58)
Amount carried to Balance Sheet		(5,231.21)	(2,543.58)
TOTAL		(5,231.21)	(2,543.58)
EARNING PER SHARE OF RS. 10/- EACH			
(Refer Note No. 16 of Other Notes in Schedule 17)			
- Basic (in Rs.)		(3.11)	(3.18)
- Diluted (in Rs.)		(3.11)	(3.18)
ACCOUNTING POLICIES & NOTES TO ACCOUNTS	17		

The Schedules referred to above form an integral part of the Profit & Loss Account.
As per our report of even date attached

For S.S.KOTHARI MEHTA & CO.
Chartered Accountants
Firm Registration No. 000756N

(Arun K. Tulsian)
Partner
M. No. 89907

Kuldeep Singla
Authorised Signatory

Gurmukh Singh
Company Secretary

Adish Oswal
Director

Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 7th May, 2010



**CASH FLOW STATEMENT FOR THE PERIOD ENDING AS ON 31ST MARCH, 2010
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT**

	2009-10 (Rs. in lac)	2008-09 (Rs. in lac)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary items	(2687.63)	(2534.61)
Adjustments for :		
Depreciation	1468.84	1081.45
Interest Paid	1238.28	727.01
Sundry Balances written off	<u>29.28</u>	<u>42.80</u>
Operating Profit before Working Capital Changes	48.76	(683.35)
Adjustments for :		
(Increase)/Decrease in Loans and Advances & other Receivables	(371.85)	(579.92)
(Increase)/ Decrease in Inventories	(236.47)	(808.05)
Increase/ (Decrease) in Trade Payables & other Liabilities	<u>1528.24</u>	<u>(104.88)</u>
Cash Generation from Operations	968.68	(2176.19)
Net Cash from Operating Activities	968.68	(2176.19)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(644.76)	(1076.71)
Purchase of Investments	<u>—</u>	<u>(3.00)</u>
Net Cash from Investing Activities	(644.76)	(1079.71)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	—	3201.60
Proceeds from Long Term Borrowings (Net)	56.89	516.95
Proceeds from Short Term Borrowings (Net)	683.22	279.13
Interest Paid	(1238.29)	(736.15)
Capital Subsidy	<u>249.19</u>	<u>—</u>
Net Cash from Financing Activities	(248.98)	3261.53
Net Increase/(Decrease) in cash & cash equivalents	74.93	5.62
Cash & cash equivalents as on 01/04/2009	276.00	270.38
Cash & cash equivalents as on 31/03/2010	350.93	276.00

As per report of even date attached

For S.S.KOTHARI MEHTA & CO.
Chartered Accountants
Firm Registration No. 000756N

(Arun K. Tulsian)
Partner
M. No. 89907

Kuldeep Singla
Authorised Signatory

Gurmukh Singh
Company Secretary

Adish Oswal
Director

Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 7th May, 2010

SCHEDULES TO THE ACCOUNTS

SCHEDULES 1 TO 17 ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 1 — SHARE CAPITAL		
Authorized		
10,50,00,000 (Previous Year 8,00,00,000) Equity Shares of Rs. 10/- each	10,500.00	8,000.00
TOTAL	10,500.00	8,000.00
Issued, Subscribed and Paid Up		
10,50,00,000 (Previous Year 8,00,00,000) Equity Shares of Rs. 10/- each fully paid up	10,500.00	8,000.00
TOTAL	10,500.00	8,000.00
a) Out of above, 1,90,15,920 Equity Shares are allotted as fully paid up pursuant to Technical Collaboration and Marketing Assistance Agreement dated 01.03.2006, with IRIS Textil GmbH, Austria without payment being received in cash.		
b) Out of above, 8,59,84,073 (Previous Year 6,09,84,073) Equity Shares are held by Vardhman Polytex Limited, the Holding Company.		
SCHEDULE 2 — SECURED LOANS		
Term Loan from Banks	14,881.02	14,824.13
Working Capital Borrowings from Banks	962.35	279.13
TOTAL	15,843.37	15,103.26

Notes:

- Loans are secured by first pari-passu charge on the movable & immovable properties of the Company and also the lease hold rights.
- Working Capital Borrowings from Banks are secured by hypothecation of entire present & future tangible current assets of the Company
- Amount due for repayment within next one year, out of term loans is Rs. 1825 lac (Previous Year Rs. 1875 lac)

SCHEDULE 3 — FIXED ASSETS

(Rs. in lac)

Sr. No.	Particulars	Gross Block			As at 31.03.2010	
		As at 01.04.2009	Additions	Sales/ Adjustments		
1.	Free Hold Land & Site Development	-	-	-	-	
2.	Lease Hold Land	236.13	-	-	236.13	
3.	Building	6,688.48	13.28	-	6,701.76	
4.	Plant & Machinery	12,601.12	225.07	-	12,826.19	
5.	Furniture & Fixture	171.15	8.51	-	179.66	
6.	Vehicles	31.50	-	-	31.50	
Intangible Assets :						
7.	Trademarks & Technical know how	2,386.43	-	-	2,386.43	
8.	Software	131.45	4.86	-	136.31	
TOTAL		22,246.27	251.72	-	22,497.98	
PREVIOUS YEAR		2,921.95	19,324.32	-	22,246.27	
Sr. No.	Particulars	Depreciation			Net Block	
		Upto 01.04.2009	During the Year	Sales/ Adjustments	Upto 31.03.2010	As at 31.03.2010
1.	Free Hold Land & Site Development	-	-	-	-	-
2.	Lease Hold Land	-	-	-	236.13	236.13
3.	Building	156.44	207.62	-	364.06	6,532.05
4.	Plant & Machinery	714.08	978.57	-	1,692.65	11,887.04
5.	Furniture & Fixture	30.28	19.45	-	49.73	140.87
6.	Vehicles	7.47	2.97	-	10.44	24.03
7.	Trademarks & Technical Know How	179.20	238.64	-	417.84	2,207.23
8.	Software	34.31	21.59	-	55.90	97.14
TOTAL		1,121.78	1,468.84	-	2,590.62	19,907.36
PREVIOUS YEAR		32.87	1,088.91	-	1,121.78	2,889.07

Notes:

- Land is leased for a period of 95 years from MIDC.
- Depreciation includes Nil considered under pre-operative expenses (Previous Year Rs. 7.46 lac)



Oswal F. M. Hämmerle Textiles Limited

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 4 — CAPITAL WORK IN PROGRESS		
Machinery under erection	397.65	0.83
Building under construction	—	2.96
Capital advances	0.63	1.44
TOTAL	398.28	5.23
SCHEDULE 5 — PROJECT AND PRE-OPERATIVE EXPENSES (Pending Allocation)		
Interest & Financial Expenses	—	218.23
Depreciation	—	7.46
Market Development Expenses	—	29.40
TOTAL	—	255.09
Trial Run Expenses		
Cost of Raw Material	—	104.10
Manufacturing, Personnel & other Expenses	—	343.51
Purchase of Finished Goods	—	23.16
Rebate & Discount Expenses	—	5.66
Selling Expenses	—	5.56
Less : Sale of trial run Finished Goods	—	(146.82)
Sale Sample Fabric	—	(2.47)
(Increase)/Decrease of Finished Goods & Work in Process	—	(39.35)
TOTAL	—	293.35
Other		
Interest Income	—	(0.17)
Notice Pay	—	(0.47)
TOTAL	—	(0.64)
Total Pre-operative expenses	—	547.81
Amount brought forward from Previous Year	—	3,405.53
TOTAL	—	3,953.33
Less : Allocated to building & plant machinery	—	3,953.33
Pending Allocation	—	—
SCHEDULE 6 — INVESTMENTS		
Current Investments (at cost or fair market value)		
Unquoted		
Investment in SBI Smart Unit Linked Plan	3.00	3.00
TOTAL	3.00	3.00
Notes :		
Aggregate Book Value of Unquoted Investment	3.00	3.00

	As at 31.03.2010 (Rs. in lac)		As at 31.03.2009 (Rs. in lac)
SCHEDULE 7 — CURRENT ASSETS, LOANS AND ADVANCES			
(A) INVENTORIES			
(As taken, valued and certified by the Management)			
Raw Materials	161.83		131.51
Finished Goods & Waste	192.96		101.40
Work in Process	640.81		329.27
Stores & Spares	261.82		311.56
Capital Goods	0.25		—
Raw Material in Transit	36.77		16.25
Capital Goods in Transit	—		167.97
TOTAL	1,294.44		1,057.97
(B) SUNDRY DEBTORS			
(Unsecured considered good unless otherwise stated)			
Outstanding for more than six months	90.21		10.59
Others***	774.77		411.74
TOTAL	864.98		422.33
*** Include Rs. 80.57 lac from Company under Same Management (Previous Year Rs. 121.92 lac)			
(C) CASH AND BANK BALANCES			
Cash in Hand, Remittance in Transit & Cheques in Hand (Including Cash in Hand, Rs. 2.46 lac (Previous Year Rs. 4.72 lac))	2.46		4.72
Balance with Scheduled Banks in:			
- Current Accounts	100.26		29.78
- Fixed Deposit Pledged with Banks for Gurantees	248.21		241.50
TOTAL	350.93		276.00
(D) LOANS & ADVANCES			
Advances recoverable in cash or in kind or for value to be received	745.75		837.31
Advance Tax & TDS	28.85		27.13
Less: Provision for Taxation	(23.59)		(23.66)
Deposits and balances with Government Authorities	243.61		253.90
TOTAL	994.62		1,094.69
SCHEDULE 8 — CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Sundry Creditors ***			
Micro, Small, Medium Enterprises	—		—
Others	874.78		478.66
Trade Deposit and Advances	48.86		8.10
Other Liabilities	1,431.90		342.76
Security Deposits & Retention Money from Contractors	16.36		16.11
TOTAL	2,371.90		845.63
Provisions			
Provision for Employee Benefits	14.30		12.34
TOTAL	2,386.20		857.97
*** The Company has not received from the vendors/ suppliers their status under Micro, Small & Medium Enterprises under MSMED Act, 2006. So, the disclosure requirement for balance outstanding, interest paid/ payable as at the year end as required under the Act has not been given.			
SCHEDULE 9 — SALES & OTHER OPERATING INCOME			
	Current Year		Previous Year
	(Rs. in lac)		(Rs. in lac)
Sales	5,003.53		1,373.69
Job Charges Income	9.32		—
TOTAL	5,012.85		1,373.69
SCHEDULE 9 (A) — OTHER INCOME			
Income from Investments (Non-Trade)	—		—
Claims Received	6.86		—
Exports Benefits	40.65		13.34
Income recognized under Deferred Govt. Grant	26.98		—
Miscellaneous Income	22.96		21.43
TOTAL	97.45		34.77



Oswal F. M. Hämmerle Textiles Limited

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 10 — RAW MATERIAL CONSUMED & PURCHASE OF FINISHED GOODS		
Opening Stock	131.51	89.38
Purchases	2,108.99	803.62
Incidental Expenses/Purchase Tax	22.61	9.28
TOTAL	2,263.11	902.28
Less: Closing Stock	161.83	131.51
Cost of Material Sold, destroyed	6.57	
Raw Material Consumed	2,094.71	770.77
Add: Purchases of Finished Goods	139.30	0.12
TOTAL	2,234.01	770.89
SCHEDULE 11 — MANUFACTURING EXPENSES		
Power & Fuel	701.10	312.00
Stores & Spares Consumed	842.89	333.01
Packing Material Consumed	21.55	12.95
Processing Charges	28.23	24.14
Water Charges	90.17	27.60
Miscellaneous Expenses	136.70	1.26
TOTAL	1,820.64	710.96
SCHEDULE 12 — PERSONNEL EXPENSES		
Salaries, Wages & other Benefits	753.38	498.49
Contribution to Provident & other Funds	49.62	38.82
Staff Welfare Expenses	14.07	9.58
TOTAL	817.07	546.88
SCHEDULE 13 — ADMINISTRATIVE EXPENSES		
Rent	1.20	—
Rates & Taxes	7.01	2.03
Insurance	12.13	13.11
Building Repairs	9.16	5.13
Director's Traveling Expenses	1.98	—
Sundry Balances written off	29.28	0.16
Charity & Donations	0.50	0.36
Postage, Telegram & Telephone	25.89	22.07
Printing & Stationery	24.24	15.14
Legal & Professional Expenses	47.92	27.34
Difference in Exchange Rate	5.18	1.80
Travelling & Conveyance Expenses	98.37	68.46
Vehicle Maintenance	15.61	9.56
Preliminary Expenses written off	—	42.64
Miscellaneous Expenses	106.61	58.98
TOTAL	385.08	266.78
SCHEDULE 14 — FINANCIAL EXPENSES		
Interest		
On Term Loans & other Fixed Loans	1,089.41	731.16
On Working Capital Borrowings	161.63	8.57
Others	0.53	
Bank Charges & others	13.71	10.03
Less: Interest received from**		
Customers	0.03	0.37
Fixed Deposits	23.70	21.33
Others	3.27	1.05
TOTAL	1,238.28	727.01

**Includings TDS Rs. 4.03 lac (Previous Year Rs. 4.45 lac)

SCHEDULE 15 — SELLING EXPENSES

Commission on Sales	48.45	13.90
Delivery Expenses (including Freight, Octroi & others)	44.59	12.49
Rebate & Discount	0.76	
Sales Promotion	2.89	27.04
Cash Discount	4.83	5.11
Miscellaneous Expenses (Cost of Designing & Samples)	130.19	15.48
TOTAL	231.71	74.03

SCHEDULE 16 — (INCREASE)/DECREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS

Opening Stock *				
Work in Process	329.27		150.97	—
Finished Stock (including waste)	101.40	430.67	44.77	195.74
Less: Closing Stock				
Work in Process	640.81		329.27	—
Finished Stock (including waste)	192.96	833.77	101.40	430.67
(Increase)\Decrease in stock		(403.10)		(234.93)

* Including Stocks generated during trial run - Finished Stock Nil (Previous Year Rs. 3.34 lac) and Work in Process Nil (Previous Year Rs. 42.69 lac.)

SCHEDULE 17 - ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION:

The Financial Statements have been prepared on accrual basis, under the historical cost convention, in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and as referred to in Section 211(3C) of the Companies Act, 1956 and other relevant provisions of the said Act.

2. FIXED ASSETS

- a) Fixed Assets are stated at their original cost of acquisition/installation (net of Cenvat credit).
- b) Expenditure during construction period (including financing cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as pre-operative expenses, pending allocation. These expenses are apportioned to fixed assets at the time of commencement of commercial production.

3. DEPRECIATION

- a) Depreciation on all assets is provided on the "straight line method" in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.
- b) Intangible Assets are amortized over their useful lives not exceeding 10 years.

4. INVENTORIES

Inventories are valued at cost or net realizable value whichever is lower. The cost in respect of various items of inventory is computed as under :

- In case of raw materials at weighted average cost plus direct expenses.
- In case of stores & spares at weighted average cost plus direct expenses.
- In case of work in process at raw material cost plus conversion cost depending upon the stage of completion.

5. INTANGIBLE ASSETS

Intangible Assets are recognized on the basis of recognition criteria as set out in Accounting Standards (AS)-26 "Intangible Assets" issued by the Institute of Chartered Accountants of India.

6. IMPAIRMENT OF ASSETS

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the assets carrying amount exceeds its recoverable amount being higher of assets net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. Cash generating units).

Previously recognized impairment losses, relating to assets other than goodwill, are reversed where recoverable amount increases because of favorable changes in the estimates used to determine the recoverable amount since the last impairment was recognized. A reversal of impairment loss is limited to its carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior years.

7. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized for present obligation of uncertain timing or amount arising as a result of past event where a reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the amount cannot be estimated reliably the obligation is disclosed as a contingent liability, unless the probability of outflow of resources embodying economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non- occurrence one or more uncertain events are also disclosed as contingent liability unless the probability of outflow of resources embodying economic benefits is remote.

8. REVENUE RECOGNITION

Sale of goods is recognized at the point of dispatch of goods to the customers. Gross sales include excise duty and exclude sales tax.

Capital grants are considered on receipt basis. Revenue grants are recognized when it is reasonably certain that the ultimate collection will be made. Capital grants relating to specific items of fixed assets are disclosed as deferred Government grants ; proportion of such grant matching with depreciation on related assets is treated as income and credited to profit & loss account.

9. RETIREMENT BENEFITS

Provident Fund

Company's contribution to provident fund being in the nature of defined contribution plan are being charged to Profit and Loss Account during the period the services are rendered by the employees.

Gratuity

Provision for gratuity in the nature of defined benefit obligation is considered on the basis of revised (AS)-15 on actuarial valuation. The discount rate and other financial assumptions are based on the parameters defined in the Accounting Standard.

Leave Encashment

Short term benefits are provided for on accrual basis on the basis of management estimates.

10. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of transaction.

Monetary foreign currency assets and liabilities outstanding at the close of the financial year are converted at the exchange rates prevailing on the Balance Sheet date. Exchange differences arising on account of fluctuations in the rate of exchange are recognized in the Profit and Loss Account.

In respect of items covered by forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or expense for the year.

11. BORROWING COSTS

Borrowing Costs attributable to acquisition and construction of qualifying fixed assets are capitalized as part of the cost of such assets up to the date when such assets are ready for intended use. Other Borrowing Costs are charged to revenue account.

12. ACCOUNTING FOR TAXES ON INCOME

Provision for current income tax is made in accordance with the provisions of Income Tax Act, 1961. In accordance with Accounting Standard (AS)-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax resulting from timing differences between book & tax profit is accounted for at the tax rates substantively enacted by the Balance Sheet date to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized only when there is reasonable/virtual certainty of sufficient future profits available to realize such assets.

13. MISCELLANEOUS EXPENDITURE

Expenses included under the head 'Miscellaneous Expenditure 'are amortized over the period of estimated future benefits.

Oswal F. M. Hämmerle Textiles Limited

OTHER NOTES

1. Contingent liabilities not provided for

- (i) Bank Guarantees issued by Banks in favour of President of India through Asstt. Comm. of Custom and MSEB amount to Rs. 281.77 lac (Previous Year Rs. 267.68 lac)
- (ii) Letters of credit outstanding Nil (Previous Year Rs. 24.80 lac)

2. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is NIL. (Previous Year Rs. 8.30Lac)

3. Related Party Disclosures

Related party disclosures are as per Accounting Standards (AS-18) issued by the Institute of Chartered Accountants of India

- (i) List of Related Parties and relationships

Particulars	2009-10	2008-09
a. Holding Company	Vardhman Polytex Ltd.	Vardhman Polytex Ltd.
b. Venturer	IRIS Textil GmbH, Austria	IRIS Textil GmbH , Austria
c. Fellow Subsidiaries	Oswal Retail Private Limited. F M Hämmerle Verwaltungs GmbH, Austria	F M Hämmerle Nfg GmbH, Austria F M Hämmerle Verwaltungs GmbH, Austria
d. Key Management Personnel (KMP)	Mr. Ashok Oswal Mrs Manju Oswal Mr Adish Oswal	Mr. Ashok Oswal Mrs Manju Oswal Mr Adish Oswal
e. Relative of Key Management Personnel	Mr. Abhinav Oswal	Mr. Abhinav Oswal
f. Enterprises over which Key Management Personnel is able to exercise significant influence.	Panchsheel Textile Mfg & Trading Co. (P) Ltd. Enakshi Investments (P) Ltd. Liberty Mercantile Co. (P) Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments (P) Ltd. Ruby Mercantile Co. (P) Ltd. Boras Investment & Trading Co. (P) Ltd. Gagan Mercantile Co. (P) Ltd. Pioneer Mercantile India (P) Ltd. Adesh Investment & Trading Co. (P) Ltd. Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech (P) Ltd. Oswal Tradecom (P) Ltd. Oswal Holding (P) Ltd. Nighthagle Dealcom Pvt. Ltd.	Panchsheel Textile Mfg & Trading Co. (P) Ltd. Enakshi Investments (P) Ltd. Liberty Mercantile Co. (P) Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments (P) Ltd. Ruby Mercantile Co. (P) Ltd. Boras Investment & Trading Co. (P) Ltd. Gagan Mercantile Co. (P) Ltd. Pioneer Mercantile India (P) Ltd. Adesh Investment & Trading Co. (P) Ltd. Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech (P) Ltd. Oswal Tradecom (P) Ltd. Oswal Holding (P) Ltd. Oswal Retail (P) Ltd.

(Rs. in lac)

Particulars	Holding Company		Venturer		Fellow Subsidiary		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Sale of Goods	—	—	—	—	149.75	121.92	149.75	121.92
Equity Share Capital-Investment this year	2,500.00	1,852.70	—	—	—	—	2,500.00	1,852.70
Application money for Equity Share Capital	—	—	—	—	—	—	—	—
Pending Allotment	—	2,566.05	—	—	—	—	—	2,566.05
Reimbursement of Expenses	356.01	260.43	—	—	52.23	—	408.24	260.43
Purchase of Fixed Assets	—	—	—	—	158.33*	166.53	158.33	166.53
Outstanding Balance written off	—	—	—	—	28.79	—	28.79	—
Purchase of Goods	—	—	—	—	114.20	—	114.20	—

* Fellow subsidiary disposed off during the year .

4. Earning Per Share :

The calculation of Earning Per Share(EPS) has been made In accordance with Accounting Standard (AS) - 20 'Earning Per Share' issued by The Institute of Chartered Accountants of India.

		<u>Current Year</u>	<u>Previous Year</u>
		(Rs. in lac)	
Profit After Tax	(A)	(2,687.63)	(2,543.58)
Weighted average number of Equity Shares of Rs. 10/- each		86,301,370	10,622,957
	(B)	86,301,370	10,622,957
Earning Per Share : Basic	(A/B)	(3.11)	(23.94)
Earning Per Share : Diluted	(A/B)	(3.11)	(23.94)

5. Expenditure in foreign currency

Technical Know-how		—	—
Traveling		30.58	18.03
Other Expenses		101.87	19.49
Import of Samples		0	1.02
6. FOB Value of Exports		758.85	262.02

7. Auditors Remuneration

Statutory Audit Fee		1.38	1.38
Tax Audit Fee		0.28	0.56
Audit Expenses		0.22	0.11

8. As per Accounting Standard (AS)15 " Employee Benefits", the required disclosures are given Below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under :

	<u>2009-10</u>	<u>2008-09</u>
	(Rs. in lac)	
Employer's contribution to Provident Fund	22.49	18.74
Employer's contribution to Superannuation Fund	1.43	4.12
Employer's contribution to Pension Scheme	11.76	7.41

Defined Benefit Plan

The Employees' Gratuity plan for the Company is the Defined Benefit Plan where annual contribution on the Actuarial Valuation are charged to the Profit & Loss Account. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

	<u>2009-10</u>	<u>2008-09</u>
	(Rs. in lac)	
i) Reconciliation of opening and closing balances of Defined Benefit Obligation		
Defined Benefit Obligation at beginning of the year		
Present Value of obligations at the beginning of the IVP	12.34	6.06
Current Service Cost	5.62	5.98
Interest Cost	1.05	0.45
Actuarial (Gain)/Loss	(4.71)	(0.15)
Benefit Paid	0.00	0.00
Defined Benefit Obligation at Year End	14.30	12.34
	As at 31st March	
	2010	2009
ii) Reconciliation of fair value of assets and obligations		
Fair value of plan assets at Year end	—	—
Present value of obligation	14.30	12.34
Amount recognised in Balance Sheet	14.30	12.34

	As at 31st March	
	2010	2009
iii) Amount to be recognised in the Statement of Profit & Loss Account		
Current service cost	5.62	5.98
Interest cost	1.05	0.45
Expected return on plan assets	—	—
Actuarial (gain)/loss recognized in the IVP	(4.71)	(0.15)
Expenses recognized in the Statement of Profit and Loss Account*	<u>1.96</u>	<u>6.28</u>

* Difference between opening liability as per actuarial valuation and that as per books of account recognised as expense during the at year.

9. Deferred Tax

The Company has deferred tax liability of Rs. 899.67 lac upto the end of this year on account of differences arising between depreciation as per books of accounts and that as per Income Tax . However, deferred tax assets on account of unabsorbed depreciation as per income tax computation of Rs 3062.58 lac is much higher than the deferred tax liability In view of absence of virtual certainty of profits in the near future, deferred tax assets on account of unabsorbed depreciation have been restricted to the extent of deferred tax liability and those on account of unabsorbed losses have not been recognized at all. The movements of the elements of deferred tax are as under:

Element of Deferred Tax	Balance as on on 01.04.2009	Change/Credit during this year	Balance as 31.03.2010
Liability on account of depreciation	4621.00	899.67	5520.67
Less : Assets on account of unabsorbed depreciation as per Income Tax Act	4621.00	899.67	5520.67

10. Additional Information

a. Installed Capacity	Units	2009-10	2008-09
Looms	Nos.	100	72

The particulars of Sample purchased and sold, yarn purchased, and fabric produced during the year and the closing stock of the same is given below :

b. Sample Purchased & Sold		Purchased		Sold/Distributed		Closing Stock	
Item		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Fabric	Qty (Mtrs)	—	1,039.90	—	1,039.90	—	—
Sample	Rs. in lac	—	1.02	—	4.29	—	—

c. Yarn purchased and consumed (Raw Material)		Purchased		Consumed		Closing Stock	
Item		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Yarn	Qty (Kgs)	8,09,694.94	3,76,915.63	7,96,559.96	3,43,375.00	54,974.52	45,357.54
	Rs. in lac	2,131.60	975.19	2,094.71	865.12	161.83	131.51

d. Fabric Manufactured		Opening Stock		Qty Manufactured		Qty Sold		Closing Stock	
Item		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Fabric	Qty (Mtrs)	82,011.05	1,181.61	36,04,250.10	16,83,728.50	37,82,560.85	16,73,735.44	1,06,803.30	82,011.05
	Rs. in lac	99.15	47.34			4,981.73	1,373.69	192.93	99.15
Waste	Qty (Mtrs)	5,490.43	—	83,519.42	5,490.43	88,880.25		129.60	5,490.43
	Rs. in lac	2.25	—			16.40		0.03	2.25
Total	Rs. in lac	101.40	47.34			4,998.13	1,373.69	192.96	101.40

e. Particulars of Finished Goods Purchased		2009-10	2008-09
Fabric	Qty (kgs)	2,03,103.00	169.00
	Rs. in lac	139.30	0.12

f. CIF Value of Import

	(Rs. in lac)	
	2009-10	2008-09
Capital Goods	540.57	225.48
Dyes & Chemicals	297.49	181.88
Stores & Spares/fabric	192.79	30.28
TOTAL	<u>1,030.85</u>	<u>437.64</u>

12. Government Subsidy

- a) The Govt. of Maharashtra has sanctioned Value Added Tax (VAT) subsidy in the form of lower tax rate under the Mega Project Scheme.
- b) Under the Textile Upgradation Fund Scheme (TUFS) the Company is eligible for 5% interest subsidy on Term loans. Therefore, the interests on term loans are being accounted for net of subsidy.
- c) During the year 2009-10, the Company has received capital subsidy of Rs 276.17 lac on specific items of fixed assets in process house / dye house machinery .

13. Due to initial hiccup in the form of increase in the prices of building material and labour shortage , the company's project was commissioned with a delay leading to cost overrun. Due to global slowdown, the operation also suffered leading to lower production . All this has a severe impact on operational cash flows. Due to liquidity problem , the Company was not able to service its debt obligation during this year, in the form of delayed payment of principal amounts and interest. Having already undertaken restructuring from the lender in the past in the form of deferment of principal repayments , the Company has also submitted request to its lenders for Corporate Debt Restructuring (CDR). Necessary procedural formalities are being completed in this regard. Necessary accounting adjustments will be carried out in the year in which the same is finally approved.
14. The Company has agreed to share 33.33% of specified expenses of Holding Company Vardhman Polytex Limited relating to administration cost vide its Board Resolution dated 14.06.2008. During the period, Rs. 356.01 lac (Previous Year Rs. 260.43 lac) have been accounted for by the Company on this account.
15. In the opinion of the Board of Directors, the value on realization of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.
16. M/s Vardhman Polytex Ltd., a major Shareholder and Holding Company has filed a petition u/s 397, 398, 402 & 403 of the Companies Act,1956 in the Hon'ble Company Law Board, Principal Bench, New Delhi against M/s Maschinen Umwelttechnik Transportanlagen Gesellschaft mbH, Austria (another shareholder), M/s IRIS Textile GmbH (erstwhile foreign Collaborator), Mr. Josef Hahnl, Director and Mr. Ishwinder Maddh (erstwhile Alternate Director to Mr. Josef Hahnl) alleging that the activities and acts of Mr. Josef Hahnl and Mr. Ishwinder Maddh are in the manner oppressive to M/s Vardhman Polytex Ltd. The said petition has been mentioned on 20.04.2010 and now fixed for hearing to consider the filing of the reply from the Respondents and rejoinder on the reply
17. Figures less than Rs. 1000/-have been rounded off to the nearest thousand in Notes to Accounts.
18. Figures for the previous year have been rearranged and/or regrouped wherever considered necessary to facilitate comparison.
19. Figures in brackets indicate deductions.

As per report of even date attached

For S.S.KOTHARI MEHTA & CO.
Chartered Accountants
Firm Registration No. 000756N

(Arun K. Tulsian)
Partner
M. No. 89907

Kuldeep Singla
Authorised Signatory

Gurmukh Singh
Company Secretary

Adish Oswal
Director

Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 7th May, 2010



Oswal F. M. Hämmerle Textiles Limited

Information required by Part IV of Schedule VI attached to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
 Balance Sheet Date
 Date Month Year

II. Capital Raised during the Year (Amount in Rs. Thousand)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Assets Total Liabilities
Sources of Funds
 Paid-up Capital Reserves & Surplus
 Secured Loans Unsecured Loans
Application of Funds
 Net Fixed Assets * Investments
 Net Current Assets Miscellaneous Expenditure
 Accumulated Losses

*Including Capital Work in progress & pre-operative exp of Rs. 39,828 Thousand (Previous Year Rs. 523 Thousand)

IV. Performance of the Company (Amount in Rs. Thousand)

Turnover (including Other Income) Total Expenditure
 Profit/Loss before Tax Profit/Loss after Tax
 Earning per Share in Rs.
 Basic
 Diluted

V. Generic Names of Three Principal Products / Services of the Company (As per Monetary Terms)

Item Code No.
 Product Description
 Item Code No.
 Product Description
 Item Code No.
 Product Description

As per our report of even date attached

For **S.S. KOTHARI MEHTA & CO.**

Chartered Accountants
 Firm Registration No. : 000756N

(Arun K. Tulsian)
 Partner

Kuldeep Singla
 Authorised Signatory

Gurmukh Singh
 Company Secretary

Adish Oswal
 Director

Ashok Oswal
 Chairman &
 Managing Director

M. No. 89907

Place : Ludhiana

Date : 7th May, 2010

BALANCE SHEET AS OF 31ST MARCH, 2010

Particulars	INR in lac	As at 31.03.2010 (Amount in •)	INR in lac	As at 31.03.2009 (Amount in •)
ASSETS				
A. FIXED ASSETS				
I. Intangible Assets				
1. Trademarks, Patents and similar Intangible Rights	116.91	173.333,29	125.91	186.667,00
II. Tangible Assets				
1. Other equipment, fixtures and fittings	4.33	6.415,18	—	—
TOTAL (A)	<u>121.24</u>	<u>179.748,47</u>	<u>125.91</u>	<u>186.667,00</u>
B. CURRENT ASSETS				
I. Receivables and other Assets				
1. Trade accounts receivable	9.35	13.862,20	—	—
2. Other receivables and assets	16.00	23.726,35	27.74	41.133,25
	25.35	37.588,55	27.74	41.133,25
II. Cash in hand and bank deposits				
	9.70	14.381,42	0.84	1.251,50
TOTAL (B)	<u>35.05</u>	<u>51.969,97</u>	<u>28.58</u>	<u>42.384,75</u>
TOTAL (A + B)	<u>156.29</u>	<u>231.718,44</u>	<u>154.49</u>	<u>229.051,75</u>
SHAREHOLDERS' EQUITY AND LIABILITIES				
A. CAPITAL AND RESERVES				
I. Registered Capital				
1. Registered Capital	23.61	35.000,00	23.61	35.000,00
II. Accumulated loss				
There of loss carry forward from the pervious year	(19.12)	(29.582,51)	—	—
Currency Translation Loss	(0.96)	—	(0.83)	—
TOTAL (A)	<u>(119.61)</u>	<u>(177.334,93)</u>	<u>3.66</u>	<u>5.417,49</u>
B. ACCRUALS AND PROVISIONS				
1. Accruals for Taxes	1.33	1.973,00	—	—
2. Other Accruals	6.88	10.199,11	0.54	800,00
TOTAL (B)	<u>8.21</u>	<u>12.172,11</u>	<u>0.54</u>	<u>800,00</u>
C. LIABILITIES				
1. Trade Accounts Payable	8.50	12.608,58	1.47	2.186,93
2. Accounts payable due to Affiliated Companies	226.54	335.859,56	121.41	180.000,10
3. Other Liabilities	32.65	48.413,12	27.41	40.647,23
There of social security	0.97	1.440,89	—	—
TOTAL (C)	<u>267.69</u>	<u>396.881,26</u>	<u>150.29</u>	<u>222.834,26</u>
TOTAL (A + B + C)	<u>156.29</u>	<u>231.718,44</u>	<u>154.49</u>	<u>229.051,75</u>

INCOME STATEMENT for the year ended 31st March, 2010

Particulars		INR in lac	As at 31.03.2010 (Amount in •)	INR in lac	As at 31.03.2009 (Amount in •)
PROFIT AND LOSS ACCOUNT					
1. NET SALES					
a) Net sales Austria		4.02	6.000,00	—	—
b) Net sales exports		80.04	119.461,46	—	—
c) Secondary proceeds		0.44	658,90	—	—
d) Reductions of turnover		(0.20)	(302,96)	—	—
	TOTAL (A)	<u>84.30</u>	<u>125.817,40</u>	—	—
2. OTHER OPERATING INCOME					
a) Other	(B)	28.96	43.228,04	—	—
3. COST OF MATERIALS AND SERVICES					
a) Cost of Purchased services	(C)	(13.44)	(20.060,57)	—	—
4. PERSONNEL EXPENSES					
a) Salaries		(71.76)	(107.114,51)	—	—
b) Expenses of severance payments		(0.83)	(1.239,01)	—	—
c) Expenses for statutory social security and payroll related contributions		(17.03)	(25.415,20)	—	—
d) Other social benefits		(0.09)	(134,27)	—	—
	(D)	<u>(89.73)</u>	<u>(133.902,99)</u>	—	—
5. AMORTIZATION AND DEPRECIATION					
a) Of intangible assets and regular	(E)	11.35	16.945,01	8.62	13.333,00
		<u>11.35</u>	<u>16.945,01</u>	<u>8.62</u>	<u>(13.333,00)</u>
6. OTHER OPERATING EXPENSES					
a) Taxes if not included in taxes on income and profit		—	—	(0.23)	(350,00)
b) Other		(110.29)	(164.611,61)	(5.51)	(8.536,08)
	TOTAL (F)	<u>(110.29)</u>	<u>(164.611,61)</u>	<u>(5.74)</u>	<u>(8.886,08)</u>
7. OPERATING RESULT (A+B) - (C) to (F)	(G)	<u>(111.55)</u>	<u>(166.474,74)</u>	<u>(14.36)</u>	<u>(22.219,08)</u>
8. Other interest income and similar income		0.01	9,40	0.21	322,57
9. Interest and similar expenses		(9.95)	(14.860,08)	(4.62)	(7.140,00)
10. FINANCIAL RESULT	(H)	<u>(9.94)</u>	<u>(14.850,68)</u>	<u>(4.41)</u>	<u>(6.817,43)</u>
11. ORDINARY BUSINESS RESULT	(G-H) (I)	<u>(121.49)</u>	<u>(181.325,42)</u>	<u>(18.77)</u>	<u>(29.036,51)</u>
12. Taxes on income and profit	(J)	(0.95)	(1.427,00)	(0.35)	(546,00)
13. NET LOSS FOR THE YEAR	(I-J)	<u>(122.44)</u>	<u>(182.752,42)</u>	<u>(19.12)</u>	<u>(29.582,51)</u>
14. LOSS FOR THE YEAR		<u>(122.44)</u>	<u>(182.752,42)</u>	<u>(19.12)</u>	<u>(29.852,51)</u>
15. Loss carry forward from the pervious year		(19.82)	(29.582,51)	—	—
16. ACCUMULATED LOSS		<u>(142.26)</u>	<u>(212.334,93)</u>	<u>(19.12)</u>	<u>(29.582,51)</u>

Notes :

I. General Principles

The Financial Statements have been prepared in accordance with the principles of proper book keeping and accounting and the objective of presenting a fair and true view of the assets, earnings and financial position of the Company.

Accounting, valuation and disclosure of the assets and liabilities have been conducted in compliance with Para 196 to 211 of the Austrian Commercial Code (UGB). Also, the special provisions of Para 222 to 235 UGB for Limited Liability Companies have been applied.

The Financial Statements have been prepared in keeping with the principles of separate valuation and an on going concern has been assumed for the valuation.

In accordance with the principle of conservatism, only gains realized on the Balance Sheet cut-off date have been reported in the Financial Statement. All recognizable risks and potential losses have been taken into account.

The Income Statement has been prepared under the method of total cost accounting.

II. Accounting Principles

1. Fixed Assets

1.1 Intangible and Tangible Fixed Assets

Intangible assets acquired have been valued at cost of acquisition less scheduled amortization on the basis of their usable life and unscheduled write-offs, if necessary. A usable life of 15 years has been assumed.

Tangible assets acquired have been valued at cost of acquisition, less scheduled amortization on the basis of their usable life and unscheduled write-offs, if necessary. The usable life of the individual groups of fixed assets is between 4 and 10 years.

Low value assets (acquisition costs than EUR 400,00) have been fully written off in the year of acquisition.

Depreciation rates have generally been calculated according to the straight-line depreciation method.

2. Current Assets

2.1. Accounts Receivable and Other Assets

Accounts receivable and other assets have been valued with lower of nominal value and market value.

Receivables have been valued at a lower value in cases of recognizable individual risks.

All receivables are due within one year.

Receivables in Foreign Currency have been valued with the transaction value or the lower value at the Balance Sheet cut-off date.

3. Provisions

Provisions have been made to cover projected claims in accordance with the principle of conservatism.

4. Liabilities

Liabilities have been valued at their repayment amounts in accordance with the principle of conservatism.

Liabilities in foreign currency have been valued with the transaction value or the higher repayment value at the Balance Sheet cut-off-date.

III. Notes to the Balance Sheet

Principles of Foreign Currency Accounting

Foreign currency accounting has been accomplished in accordance with the principle of conservatism.

Accounts receivable are valued with the lower of transaction and market value and liabilities and provisions with the higher of transaction and repayments value :

1. Summary of Fixed Assets:

	Cost Price		Additions	Disposals	Depreciation		Book Value		Depreciation	INR
	01.04.2009	INR			Cumulated	INR	01.04.2009	INR		
	31.03.2010	in lac	Transfer	Transfer	31.03.2010	in lac	31.03.2010	in lac	Appreciation	in lac
A. Fixed Assets										
I. Intangible Assets										
1. Trademarks, patents and similar	200.000,00	134.90	—	—	13.333,38	8.62	186.666,62	125.91	13.333,33	8.62
intangible rights	200.000,00	134.90	—	—	26.666,71	17.99	173.333,29	116.91	—	—
II. Tangible Assets										
1. Other equipment, fixtures and fittings	—	—	10.373,44	2.000,00	—	—	—	—	2.158,26	1.40
	8.373,44	5.07	—	—	1.958,26	1.31	6.415,18	4.33	—	—
	200.000,00	134.90	10.373,44	2.000,00	13.333,38	8.62	186.666,62	125.91	15.491,59	10.02
	208.373,44	139.97	—	—	28.624,97	19.30	179.748,47	121.24	—	—

F. M. Hämmerle Verwaltungs GmbH, Austria

2. Liabilities Ageing Report :

	(Amount in •)	INR in lac	There of Rest period up to 1 year	INR in lac
	•		•	
1. Trade accounts payable	12.608,58	8.50	12.608,58	8.50
Previous Year	2.186,93	1.47	2.186,93	1.47
2. Accounts Payable due to affiliated companies	335.859,56	226.54	335.859,56	226.54
Previous Year	180.000,10	121.41	180.000,10	121.41
3. Other Liabilities	48.413,12	32.65	48.413,12	32.65
Previous Year	40.647,23	27.41	40.647,23	27.41
thereof social security	1.440,89	0.97	1.440,89	0.97
Previous Year	—	—	—	—
Total	396.881,26	267.69	396.881,26	267.69
Previous Year	222.834,26	150.29	222.834,26	150.29

3. Negative equity

The Balance Sheet shows a negative Equity of EUR -177.334,93 (INR -119.61 lac). Despite this over-indebtedness, no insolvency situation under Insolvency law exists because the Parent Company, Vardhman Polytex Limited has issued a letter of subordination for its inter-company loan to F.M. Hämmerle Verwaltungs GmbH for the amount of EUR 314.000,00. Vardhman Polytex Limited declares that it will not reclaim the inter-company loan unless the negative Equity situation has been solved and that in case of insolvency all other debts are settled first.

V. Miscellaneous

In the Financial Year three salaried employees were employed.

Enterprise Relations :

Name of the Parent Company :	Vardhman Polytex Limited
Seat of the Parent Company :	Ludhiana, India
Participation :	100%
Place of the Publication :	India

The following persons were members on the Board of Management :

Ashok Oswal, DOB 08.02.1955, CEO Since 29th of August 2008.

Dornbirn

Ashok Oswal

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY								
Name of Subsidiary Company(s)	Financial year ending of the Subsidiary	Number of Shares held & Face Value	Extent of Holding	For financial year of the Subsidiary			For the Previous Financial Years since it became a Subsidiary	
				Profit/(Loss) so far it concerns the Members of the Holding Company and not dealt within the books of account of the Holding Company(Except to the extent dealt with in Col.6)	Profit/(Loss) so far it concerns the Members of the Holding Company and not dealt within the books of accounts of the Holding Company	Profit/(Loss) so far it concerns the Members of the Holding Company and not dealt within the books of account of the Holding Company(Except to the extent dealt with in Col.8)	Profit/(Loss) so far it concerns the Members of the Holding Company and not dealt within the books of accounts of the Holding Company	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
OSWAL F. M. HÄMMERLE TEXTILES LIMITED, INDIA	31.03.2010	8,59,84,073 Equity Shares of Rs. 10/- each	81.89%	NIL	(2200.89)	NIL	(1938.97)	
OSWAL RETAIL (P) LTD, INDIA	31.03.2010	99,999 Equity Shares of Rs. 10/- each	100%	NIL	(194.72)	NA	NA	
F. M. HÄMMERLE VERWALTUNGS GmbH, AUSTRIA	31.03.2010	Euro 35000.00 (INR 22.54 lac)	100%	NIL	(122.44)	NIL	(19.12)	

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting their 9th Annual Report together with Audited Accounts for the period ended 31st March, 2010.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under: -

<u>PARTICULARS</u>	<u>2009-10</u>	<u>2008-09</u>
Turnover	-	1333.34
Profit/ Loss before Tax (PBT)	(194.65)	(1446.62)
Provision for Tax (FBT)	-	(0.77)
Profit/Loss after Tax (PAT)	(194.65)	(1447.39)

(Rs. in lac)

AUDITORS:

M/s Gupta Khurana & Sahewala, 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.

PERSONNEL:

Information of particulars of Employees pursuant to provisions of Section 217 (2A) of the Companies Act, 1956 is NIL.

DIRECTOR'S RESPONSIBILITY STATEMENT :

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

- i. in the preparation of annual accounts, the applicable Accounting Standards have been followed;
- ii. 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 31st March, 2010 and the Profit of the Company for the year ended on 31st March, 2010;
- iii. proper case 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 'going concern' basis.

FOR AND ON BEHALF OF THE BOARD

(RAKHI OSWAL)
DIRECTOR

(ADISH OSWAL)
DIRECTOR

Place : NEW DELHI
Dated : 5th May, 2010

AUDITORS' REPORT

To The Members of Oswal Retail (P) Ltd.

1. We have audited the attached Balance Sheet of Oswal Retail Private Limited as at 31st March 2010, the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Governments of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statements on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that: -
 - i. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account
 - iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956 except AS-15.
 - v. On the basis of written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give the true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet of the state of affairs of the Companies as at 31st March, 2010; and
 - (b) in the case of the Profit and Loss Accounts of the Loss for the year ended on the date.

For GUPTA KHURANA & SAHEWALA
Chartered Accountants

(SANTOSH KUMAR SAHEWAL)

Place : New Delhi
Dated : 5th May, 2010

Partner

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT ON THE ACCOUNTS OF OSWAL RETAIL PRIVATE LIMITED FOR THE YEAR ENDING 31ST MARCH, 2010

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4-A) of the Companies Act, 1956, we report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a phased program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such program, the management has physically verified fixed assets during the year and no material discrepancies were noticed on such verification.
Substantial amount of fixed assets disposed off during the year, and therefore this may affect the going concern status of the company.
2. Physical verification of inventory has been conducted during the year by the management at reasonable intervals. The procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of inventory, discrepancies noticed on physical verification have been properly dealt with in the books of accounts.
3. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4 (iii) (b) to (d) of the Companies (Auditor's Report) order, 2003 are not applicable.

4. In our opinion, and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for purchases of inventory, fixed assets and for sales of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.
5. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of Section 301 of the Act have been entered, and the transactions have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.
7. In our opinion the Company has an Internal Audit System commensurate with its size and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956 in respect of activities carried out by the Company.
9. According to the information and explanation given to us, and on the basis of our examination of the books of account, the Company has been regular in depositing with appropriate authorities undisputed statutory dues including Income Tax, Sales Tax, and any other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed dues payable in respect of Income Tax, Sales Tax and Wealth Tax were outstanding at 31, March 2010 for a period of more than 6 months from the date they become. According to the information and explanations given to us, there are no dues in respect of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty, and Cess that have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has accumulated losses at the end of the financial year and has incurred cash losses in the financial year and in the financial year immediately preceding such financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment to the bank as per the repayment schedule approved by the concerned bank.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the order is not applicable.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in Shares, Securities, Debentures and other Investments. Accordingly, clause 4 (xiv) of the order is not applicable.
15. According to the information and explanations given to us, the Company has not given guarantees for loans taken by other from banks and financial institutions. Accordingly, clause 4 (xv) of the order is not applicable.
16. In our opinion and according to the information and explanation given to us, the term loans raised during the year by the company have been applied for the purpose for which the said loans were obtained, where such end use has been stipulated by the lender.
17. In our opinion and according to the information and explanation given to us, the funds raised by the company on short term basis have not been applied for long term investments.
18. The Company has made preferential allotment of shares during the previous year.
19. The Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
20. The Company has not raised any money by public issues during the year. Accordingly, clause 4 (xx) of the order is not applicable.
21. According to the information and explanations given to us, neither fraud on or by the company has been noticed or reported during the year nor have we been informed of such case by the management.

For GUPTA KHURANA & SAHEWALA
Chartered Accountants

(SANTOSH KUMAR SAHEWAL)
Partner

Place : New Delhi
Dated : 5th May, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

Particulars	Schedule No.	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
I. SOURCES OF FUNDS			
1) Shareholders' Funds			
a) Equity Share Capital	1	10.00	10.00
b) Redeemable Non Cumulative Preference Share Capital		4,995.00	495.00
c) Redeemable Non Cumulative Preference Share Application Money to be allotted		—	4,363.19
2) Loan Funds			
Secured Loans	2	—	244.44
TOTAL		5,005.00	5,112.63
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	3	123.36	123.59
Less: Accumulated Depreciation		105.05	73.37
Net Block		18.31	50.22
2. Current Assets, Loans And Advances			
Sundry Debtors (yarn Division)	4	9.60	9.18
Inventories	5	12.13	27.63
Cash And Bank Balances	6	3.44	13.59
Loans And Advances	7	146.19	134.84
TOTAL (A)		171.36	185.24
Less: Current Liabilities & Provisions			
a) Liabilities		209.32	87.70
TOTAL (B)		209.32	87.70
Net Current Assets (A-B)		(37.96)	97.54
3. Miscellaneous Expenditure			
(To the extent not written off)	10	—	134.87
4. Profit & Loss Account			
TOTAL		5,024.65	4,830.00
TOTAL		5,005.00	5,112.63
ACCOUNTING POLICES & NOTES TO ACCOUNTS	17		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our report of even date attached

For Gupta Khurana & Sahewala
Chartered Accountants

(Santosh Kumar Sahewala)
Partner
M. No. 091395

Adish Oswal
Director

Rakhi Oswal
Director

Place : New Delhi
Date : 5th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule No.	Current Year	Previous Year
INCOME			
Sales		—	1,333.34
Other Incomes	11	10.34	16.10
Increase/(Decrease) in Stock	12	—	25.74
TOTAL		<u>10.34</u>	<u>1,375.18</u>
EXPENDITURE			
Materials Purchased		—	1,393.86
Administrative Expenses	13	160.62	249.36
Selling & Other Expenses	14	2.92	8.91
Personnel Expenses	15	0.59	55.01
Financial Expenses	16	9.07	61.07
Depreciation	4	31.78	80.71
Capital Loss		0.03	972.88
TOTAL		<u>205.01</u>	<u>2,821.80</u>
Profit / (Loss) before Tax		(194.65)	(1,446.62)
Provision for Taxation			
– Provision for FBT		—	0.77
Profit after Tax		(194.65)	(1,447.39)
Balance from Previous Year		(4,830.00)	(3,382.61)
Balance carried to Balance Sheet		<u>(5,024.65)</u>	<u>(4,830.00)</u>
ACCOUNTING POLICIES & NOTES TO ACCOUNTS	17		

The Schedules referred to above form an integral part of the Profit & Loss Account,
As per our report of even date attached

For Gupta Khurana & Sahewala
Chartered Accountants

(Santosh Kumar Sahewala)
Partner
M. No. 091395

Adish Oswal
Director

Rakhi Oswal
Director

Place : New Delhi
Date : 5th May, 2010

SCHEDULES TO THE ACCOUNTS

SCHEDULES 1 TO 12 ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 1 — SHARE CAPITAL		
Authorized		
1,50,000 Equity Shares of Rs.10/- each	15.00	15.00
50,85,000 (Previous Year 19,85,000) Redeemable Non-cumulative Preference Shares of Rs. 100/- each	5,085.00	1,985.00
TOTAL	5,100.00	2,000.00
Issued,Subscribed and Paid Up		
1,00,000 Equity Shares of Rs. 10/- each in Cash	10.00	10.00
49,95,000 Redeemable Non-cumulative Preference Shares of Rs. 100/- each	4,995.00	495.00
TOTAL	5,005.00	505.00
SCHEDULE 2 — SECURED LOANS		
Term Loan from Corporation Bank	—	244.44
TOTAL	—	244.44

SCHEDULE 3 — FIXED ASSETS

(Amount in Rs.)

Sr. No.	Particulars	Gross Block				
		As at 01.04.2009	Additions	Sales/ Adjustments	As at 31.03.2010	
1.	Computer	46,000.00	—	23,000.00	23,000.00	
2.	Fire Extinguisher	5,075.00	—	—	5,075.00	
3.	Furniture & Fixture	2,171,078.00	—	—	2,171,078.00	
4.	Leasehold Improvement	23,570.00	—	—	23,570.00	
5.	Intangible Assets (Market Information)	10,015,427.00	—	—	10,015,427.00	
6.	Electrical Equipment	97,946.00	—	—	97,946.00	
TOTAL		12,359,096.00	—	23,000.00	12,336,096.00	
PREVIOUS YEAR		139,581,194.06	—	127,222,098.06	12,359,096.00	
Sr. No.	Particulars	Depreciation		Net Block		
		Upto 01.04.2009	During the Year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Computer	14,913.60	6,835.00	11,184.80	11,815.20	31,086.40
2.	Fire Extinguisher	642.25	321.00	963.25	4,111.75	4,432.75
3.	Furniture & Fixture	3,10,786.68	1,37,429.00	4,48,215.68	17,22,862.32	18,60,291.32
4.	Leasehold Improvement	9,428.00	4,714.00	14,142.00	9,428.00	14,142.00
5.	Intangible Assets (Market Information)	69,91,236.80	30,24,190.20	1,00,15,427.00	-	30,24,190.20
6.	Electrical Equipment	10,442.20	4,652.00	15,094.20	82,851.80	87,503.80
TOTAL		73,37,449.53	31,78,141.20	10,563.80	1,05,05,026.93	18,31,069.07
PREVIOUS YEAR		2,34,52,641.00	80,70,745.00	24,185,936.47	73,37,449.53	50,21,646.47

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 4 - SUNDRY DEBTORS		
Considered good less than six month (Yarn Div)	9.60	9.18
More than six months	—	—
TOTAL	9.60	9.18

	As at 31.03.2010 (Rs. in lac)	As at 31.03.2009 (Rs. in lac)
SCHEDULE 5 — INVENTORIES		
Closing Stock (As taken, valued and certified by the mangement)	<u>12.13</u>	<u>27.63</u>
TOTAL	12.13	27.63
SCHEDULE 6 — CASH AND BANK BALANCES		
Cash in hand	—	2.02
Cheque in hand	—	0.31
Balance With Scheduled Banks		
- SBOP Current Account	0.03	0.03
- HDFC Current Account	3.34	11.14
- Corporation Bank	0.07	0.09
TOTAL	3.44	13.59
SCHEDULE 7 — LOANS AND ADVANCES		
Advance Recoverable in Cash & in Kind (Unsecured) or for value to be received		
Security Deposit (for Stores)	66.50	69.66
Suppliers		
VPL Bhatinda	25.61	14.61
Amkryon International (Unit of VPL)	4.56	4.56
OFMH (Kolhapur)	8.76	8.76
Advance to Staff	—	0.40
Advance to Others	—	1.12
Rent Advance		
Fixed Deposit (Deposit with Delhi Sales Tax)	4.00	4.00
Fixed Deposit (Deposit with UP Sales Tax)	0.50	0.50
Security Deposit (UP Sales Tax)	1.21	1.21
TDS Receivable	33.71	28.33
Interest Receivable	1.04	0.70
Prepaid Insurance	—	0.04
Advance FBT	—	0.95
Advance Income Tax	0.29	—
TOTAL	146.19	134.84
SCHEDULE 8 — CURRENT LIABILITIES		
Creditors Goods	6.41	30.33
Creditors for Expenses & Services	3.19	4.86
Advance for Franchise	24.50	35.78
Advance from Customers	—	0.65
Corporation Bank Current Account		
IDBI Bank Current Account	3.98	5.40
Advance from - VPL	144.63	
Statutory Liabilities		
TDS Payable	1.94	1.95
Sales Tax Liabilities	—	2.54
Provision for FBT	—	0.77
Provision & others		
Leave Salary Payable	0.27	0.68
Other Liabilities		
Expenses Payable	24.40	4.74
TOTAL	209.32	87.70
SCHEDULE 9 — MISC EXPENSES NOT WRITTEN OFF		
Opening Balance	134.87	179.83
Expenditure incurred during the Year		
ROC Expenses	20.16	—
Less: Written off during the Year	155.03	44.96
Balance carried forward	—	134.87

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
SCHEDULE 10 — OTHER INCOME		
Misc Income	8.19	6.50
Interest Income	2.16	9.60
TOTAL	10.34	16.10
SCHEDULE 11 — INCREASE/(DECREASE) IN STOCK		
TOTAL	(15.50)	25.74
SCHEDULE 12 — ADMINISTRATION EXPENSES		
Rent	—	41.72
Repair & Maintenance	0.13	14.82
Insurance	0.04	2.21
Legal & Professional Expenses	2.93	8.37
Communication Expenses	0.32	4.78
Conveyance & Traveling (Domestic)	0.97	4.26
Conveyance & Traveling (Foreign)	—	2.28
Auditors Remuneration		
— For Statutory Audit	0.50	0.55
— For Tax Audit	—	0.17
— For other Expenses	—	0.05
Balances written off	—	105.02
Electrical & Water Expenses	—	9.28
Postage Charges	—	0.41
Printing & Stationary	0.09	0.30
Security Guards Charges	—	5.24
Misc Expenditure written off	155.03	44.96
Misc. Expenses	0.61	4.94
TOTAL	160.62	249.36
SCHEDULE 13 — SELLING & OTHERS EXPENSES		
Sales Promotion	—	0.50
Additional Sales Tax	2.36	2.37
Commission On Sales	0.16	1.04
Packing And Others	—	0.56
Store Expenses	—	0.75
Freight & Cartage	0.40	2.08
Marketing & Advertising	—	1.61
TOTAL	2.92	8.91
SCHEDULE 14 - PERSONNEL EXPENSES		
Salaries	0.59	47.63
Directors' Remuneration	—	7.19
Staff Welfare	—	0.19
TOTAL	0.59	55.01
SCHEDULE 15 - FINANCIAL EXPENSES		
Bank Charges	0.11	1.18
Interest	8.96	59.89
TOTAL	9.07	61.07

SCHEDULE 17— ACCOUNTING POLICIES & NOTES TO ACCOUNTS**a. Basis of preparation of Financial Statements**

The financial statements have been prepared and presented under the Historical Cost Convention Method, on the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles ("GAAP"), and Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 and the presentation requirements of relevant provisions of the Companies Act, 1956, to the extent applicable.

b. Use of estimates

The preparation of financial statements in conformity with the Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the Reporting Period. Actual results could differ from these estimates. Any change in the accounting estimates is adjusted prospectively in the current and future periods.

c. Revenue recognition

The Company follows the practice of recognizing income on an accrual basis.

d. Expenditure

Expenses are recognised on accrual basis.

e. Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

f. Depreciation

Depreciation is provided on a straight line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Depreciation is charged from the date the asset is or ready to use or put to use whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal. Leasehold Improvements is being amortized over period of three years. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

g. Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net selling price and present value as determined above. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is recorded only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

h. Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a Straight Line Basis over the lease period.

i. Income-tax expense

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

j. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, "Earnings Per Share" of Companies (Accounting Standards) Rules, 2006. The basic and diluted earnings / (loss) per

share is computed by dividing the net profit / (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed and disclosed after adjusting the effects of all dilutive potential equity shares, if any, except when the results will be anti-dilutive.

k. Provisions and contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2. Redeemable Non Cumulative Preference Shares

The Company has issued Redeemable Non Cumulative Preference Shares to its holding company M/s Vardhman Polytex Limited.

3. Amounts due from Companies under the same management as required under Section 370-(1B) of the Companies Act, 1956.

Particulars	As at		Maximum balance during the year ended	
	31 March, 2010	31 March, 2009	31 March, 2010	31 March, 2009
Oswal F.M. Hämmerle Textile Ltd	8.76	8.76	8.76	8.76
Amkryon International (Unit-VPL)	4.56	4.56	4.56	4.56
	13.32	13.32	13.32	13.32

4. Segment Reporting

The Company has been carrying business of wholesale trading of yarn and retail trading of garments. Information pursuant to the provision of paragraphs 3 & 4 of part II of schedule VI to the Companies Act, 1956 are given hereunder

Production

	Unit	31.03.2010		31.03.2009	
		Qty.	Value (Rs in lac)	Qty.	Value (Rs in lac)
A Purchase of Trading goods					
1 Readymade Garments	Pcs	—	—	19249	38.50
2 Yarn	Kgs.	—	—	1127025	1294.84
B Sales & Stock					
Opening stock of Trading Goods					
1 Readymade Garments	Pcs	—	—	64470	266.80
2 Fabrics	Mtrs.	—	—	6000	1.20
C Sales					
Trading					
1 Readymade Garments	Pcs.	—	—	15626	49.94
2 Yarn	Kgs.	—	—	1127025	1283.40
D Closing Stock					
Trading Goods					
1 Readymade Garments	Pcs.	11369.00	12.13	15918.00	27.63
Short, Excess & Loss					
1 Readymade Garments Returned to supplier	Pcs.	4549	—	52175	—

Oswal Retail Private Limited

5. Auditors' remuneration (excluding service tax)

Legal and professional expense includes auditors' remuneration as follows:

Particulars	Year ended 31 March, 2010	Year ended 31 March, 2009
Statutory Audit Fee	0.50	0.55#
Tax Audit	—	0.17#
Others	—	0.05#
Total	0.50	0.77

Paid to other auditors

6. Managerial Remuneration

Particulars	Year ended 31 March, 2010	Year ended 31 March, 2009
Salaries, Bonus and Allowances	—	7.19
Total	—	7.19

* does not include expense towards gratuity since the same is based on actuarial valuations carried out for the Company as a whole.

7. Earnings per Equity Share

Basic Earnings per Equity Share have been computed by dividing net profit after tax by the weighted average number of Equity Shares outstanding for the year.

Particulars	Units	Year ended 31 March, 2010	Year ended 31 March, 2009
a. Profit/(loss) after tax attributable to Equity Shareholders	Rs.	(194.72)	(1446.62)
b. Computation of weighted average number of Equity Shares of Rs. 10/- each			
- Number of shares at the beginning of the year		1,00,000	1,00,000
- Shares issued during the year		—	—
Total number of equity shares outstanding at the end of the year		1,00,000	1,00,000
c. Weighted average of number of equity shares used in computing basic earnings per share (based on the date of issue of shares)	No. of shares	1,00,000	1,00,000
d. Basic Earnings/(loss) per Equity Share (a/c) of face value of Rs. 10/- each.	Rs.	(194.72)	(1446.62)

8. Deferred Taxation

The deferred taxation has not been provided due to uncertainty of the future profits.

9. Related Party Transactions

Related party disclosures as required under Accounting Standard (AS) - 18 "Related party Disclosures", notified by the Government in the Companies (Accounting Standards) Rules, 2006 are given hereunder:

- a) Name and relationship with related parties where control exists

Description of relationship	Name of the party
Holding Company	Vardhman Polytex Limited
Fellow Subsidiary	Oswal F.M. Hämmerle Textiles Ltd

- b) Related parties with whom transactions have taken place during the current year and the previous year

Key Managerial Personnel

Description of relationship	Name
Director	Adish Oswal Rakhi Oswal

c) Transactions / balances outstanding with the related parties

	For the Year ended 31 March, 2010	For the Year ended 31 March, 2009
Vardhman Polytex Limited(VPL)		
Purchases Yarn	—	1294.84
Sales Readymade Garments	—	37.02
Share Application Money	—	648.21
Non Cumulative Preference Shares Alloted	4500.00	—
VPL Bhatinda	25.61	118.65
VPL Ludhiana	144.63	—
Oswal F.M. Hämmerle Textile Ltd		
Sales	—	12.03
Other Services	—	0.28
Amkryon International (Unit of VPL)		
Sales	—	4.56
Managerial Remuneration		
Adish Oswal	—	4.92
Rakhi Oswal	—	2.27

10. Contingent liabilities

Contingent Liabilities not provided for are NIL

- 11.** The Company has requested its vendors to confirm their status under Micro, Small and Medium Enterprises Development Act, 2006. Based on the confirmations received, there are no amounts due to any micro or small enterprise under the Act.
- 12.** Previous year figures have been regrouped and reclassified wherever necessary to confirm to current year's classification. The previous year financial statements were audited by another firm of Chartered Accountants.

As per our report of even date attached

For Gupta Khurana & Sahewala

Chartered Accountants

(Santosh Kumar Sahewala)

Partner

M. No. 091395

Adish Oswal

Director

Rakhi Oswal

Director

Place : New Delhi

Date : 5th May, 2010

Financial Highlights for Five Years

(Rs. in lac)

Parameters	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Gross Sales and Operating Income	52769.35	42830.78	37587.47	38779.38	29131.25
FOB Value of Exports	15070.89	10269.95	9210.72	10319.11	7601.47
Net Profit	(2238.82)	(772.15)	305.24	1403.70	892.62
Profit before Tax (PBT)	(3069.49)	(754.43)	134.81	2122.95	1340.45
Cash Profit (PBT + Dep.- Exceptional Items)	3335.15	(560.06)	2525.30	4541.01	3616.31
Gross Block (FA + CWIP)	44413.90	44659.29	43272.51	35085.26	30799.20
Net Block (NA + CWIP)	26302.16	29158.57	27460.43	21618.00	19671.69
Paid up Share Capital	1266.05	1070.75	1065.75	1065.75	1065.75
Net Worth*	13319.01	16043.94	16929.59	17807.06	16840.70
Capital Employed	54462.88	64115.06	61843.08	42827.33	36186.09
Long Term Debt Equity Ratio	1.76	1.17	0.95	0.65	0.62
Current Ratio	1.12	1.02	1.07	1.33	1.39

*Includes deferred tax liability

Equity Shares Data for Five Years	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Book Value per Share (Rs.)	105.20	151.03	159.37	167.63	158.53
Earning per Share (Rs.) - Basic	(20.31)	(7.27)	2.87	13.22	8.40
- Diluted	(20.31)	(7.27)	2.87	13.22	8.40
Cash Earning per Share	26.34	(5.27)	23.77	42.75	34.04
Dividend per Share (Rs.)	—	—	2.00	4.20	4.20
PE Ratio	1.85	(6.15)	34.02	7.39	11.03
Price to Cash Earning Ratio	(25.77)	1.65	4.11	2.29	2.72
Price to Book Value per Share	0.46	0.21	0.61	0.58	0.58

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A view of State-of-the-Art Machinery at the Units of the Company

Vardhmān Polytex Limited

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