

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.

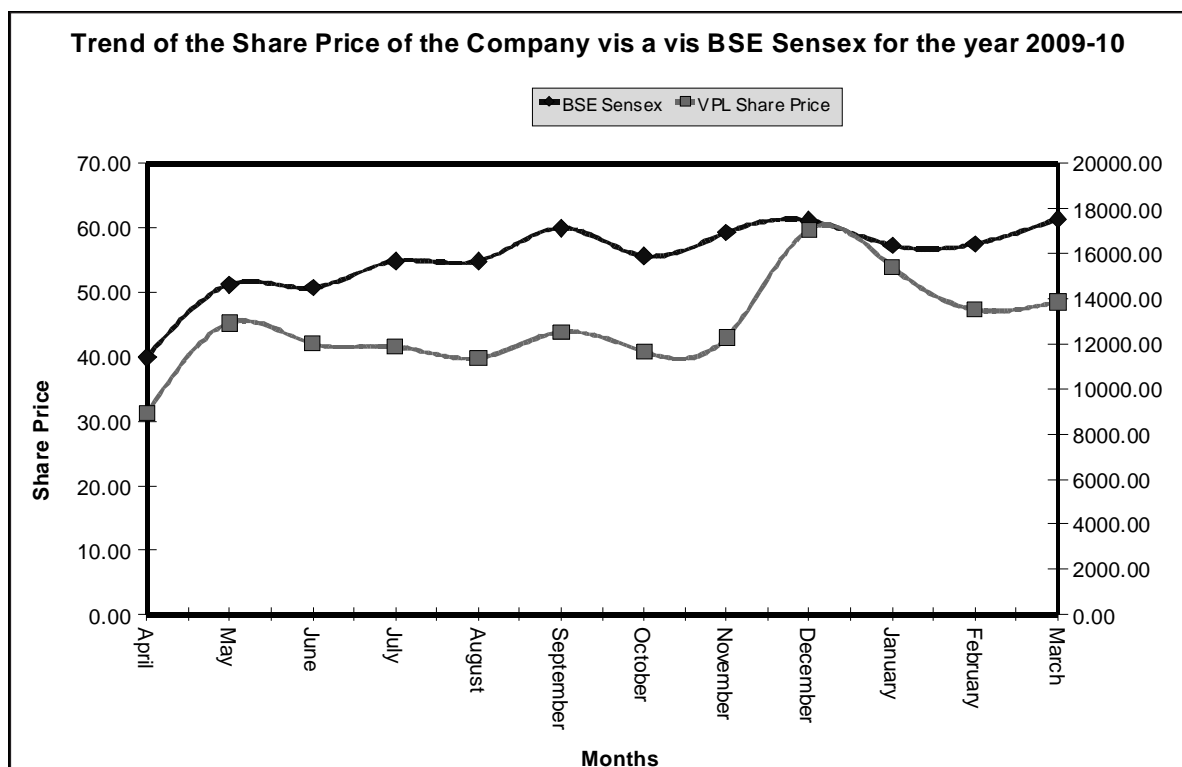
(v) **Stock Code**

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/dispatched 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.