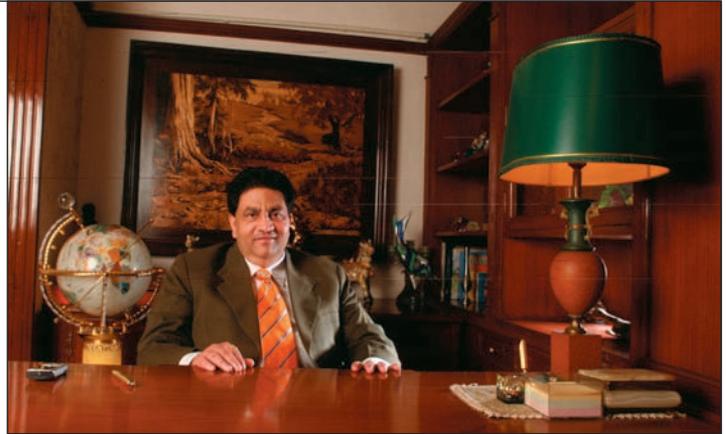




VARDHMAN POLYTEX LIMITED

32nd Annual Report, 2011-12

Message from Chairman & Managing Director



Dear Shareholders,

The financial year 2011-12 remained subdued for the manufacturing sector as a whole in India. The textile industry in particular was badly affected by the worldwide recession, shortfall in demand and lack of policy reforms. The global economy also performed weak during last nine months of the year 2011-12. The shortfall in imports by USA and Europe are the examples of the declining trend in the demand of products.

Sudden drastic fall in cotton prices at the international level followed by similar drop in yarn prices shook the confidence and sentiments of the textile market as a whole. The demand erosion at retail level as a sequel to poor economic conditions of USA and Europe dealt a swear blow to the entire textile supply chain. Since the spinning mills were carrying huge inventory of high priced cotton, being the continuous process industry, had no option but to consume the same even though the yarn prices were almost equal to raw material prices. All this dented the profitability and overall performance of the spinning mills badly.

The sentiment of the textile industry has shown positive outlook for the last two quarters based on affordable prices of cotton, adequate demand both in domestic and exports and nearly matching price of finished goods but the margins will be still below the expected levels.

It is pleasure for me to inform you that the Company has substantially completed the spinning project at Nalagarh and started the commercial production after successful trail runs in terms of quality, productivity and efficiency. I hope that the said unit will generate better revenue when it will run at State electricity power than own generated energy.

In the tough scenario, your company is focused on product innovations, cost reduction, improving efficiencies and financial restructuring to create maximum wealth for its stakeholders and business partners.

Sincerely



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
 – *Executive Director*

CHIEF FINANCIAL OFFICER

Mr. Parvinder Singh

COMPANY SECRETARY

Mr. Sushil Sharma

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
 Jammu and Kashmir Bank
 Andhra 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
- Vardhman Polytex Limited, Village Nangal Nihla/Upperla, Swarghat Road, Nalagarh-174 101(HP)
- Anshupati Textiles, 341 K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana - 141 123
- Amkryon International
 HB-22, Phase-VI, Focal Point, Ludhiana - 141 010

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

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NOTICE

NOTICE is hereby given that the **32nd Annual General Meeting** of the members of the Company will be held on Saturday, the 29th day of September, 2012 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:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the year ended on that date, together with the Report of Auditors and Directors thereon.
- To appoint a Director in place of Dr. B. S. Bhatia, 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.
- To appoint Auditors for the year 2012-13 and to fix their remuneration.

SPECIAL BUSINESS:

- 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 Part II of the Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 the consent of the Members be and is hereby accorded to approve, ratify and confirm the payment of the remuneration not exceeding ₹ 48,00,000/- (Rupees forty eight lac only) for the financial year 2011-12 to Mr. Ashok Kumar Oswal, Chairman & Managing Director as minimum remuneration."

- 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 and subject to the approval of Central Government, Banks/ Financial Institutions, if required, the consent of the Members of the Company be and is hereby given for the re-appointment of Mr. Ashok Kumar Oswal as Chairman & Managing Director of the Company w.e.f. 01.04.2012 for a period of three years i.e. 01.04.2012 to 31.03.2015 at the remuneration as per details given below:

- Salary:** Basic Salary will be ₹ 2,60,000/- (Rupees Two lac sixty thousand only) per month.
- Commission:** 2% of the Net Profits.
- Perquisites:** The following perquisites shall be allowed in addition to salary. The valuation of the perquisites shall be done as per Income Tax Rules, whenever applicable.
 - Housing-** Free residential accommodation alongwith free furnishing or House Rent Allowance equal to 30% 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.
 - Medical Allowance-** Medical Allowance upto an amount of ₹ 5,000/- per month.
 - Reimbursement of electricity and water charges** not exceed to ₹ 3,00,000/- per annum.
 - Club Fees-** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - 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.
 - Gratuity-** Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - 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 of 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 and perquisites shall

be paid to Mr. Ashok Kumar 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 approved by the Board of Directors and acceptable to Mr. Ashok Kumar Oswal".

- 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 and subject to the approval of Central Government, Banks/ Financial Institutions, if required, the consent of the Members of the Company be and is hereby given for the re-appointment of Mr. Adish Oswal as Executive Director of the Company, being whole time director, w.e.f. 01.04.2012 for a period of three years i.e. 01.04.2012 to 31.03.2015 at the remuneration as per details given below:

- Salary:** Basic Salary will be ₹ 2,60,000/- (Rupees Two lac sixty thousand only) per month.
- Commission:** 0.75% of the Net Profits.
- Perquisites:** The following perquisites shall be allowed in addition to salary. The valuation of the perquisites shall be done as per Income Tax Rules, whenever applicable.
 - Housing-** House Rent Allowance equal to 30% of the basic salary.
 - Medical Re-imburement-** Medical Reimbursement upto an amount of ₹ 15,000/- per annum.
 - Uniform and Washing Allowance-** Uniform and Washing Allowance upto an amount of ₹ 3,000/- per month each.
 - Bonus-** Bonus equal to one month's basic salary for the year.
 - Special Allowance-** Special Allowance upto an amount of ₹ 25,000/- per month.
 - Club Fees-** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - Personal Accident Insurance-** Premium not to exceed ₹ 5,000/- per annum.
 - 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.
 - Gratuity-** Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - 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 of 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 approved by the Board of Directors and acceptable to Mr. Adish Oswal.

- To consider and if thought fit, to pass, with or without modification(s), the following resolution as a 'Special Resolution':

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions of the Companies Act, 1956, if any (including any statutory modification(s) or re-enactment thereof, for the time being in force), and subject to the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (SEBI (ICDR) Regulations, 2009), as in force and subject to other applicable rules, regulations and guidelines of Securities and Exchange Board of India (SEBI) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into between the Company and the Stock

Exchanges, where the shares of the Company are listed and subject to requisite approvals, consents, permissions and/or sanctions if any, of SEBI, the Stock Exchanges and other appropriate authorities as may be required and subject to such conditions as may be prescribed by any of them while granting any such approvals, consents, permissions, and/or sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred hereunder), the Board be and is hereby authorized to create, offer, issue and allot, from time to time, in one or more tranches, upto 16,00,000 (Sixteen Lacs) Warrants on a preferential basis to the Promoter(s) and/or Promoter Group of the Company(s), entitling the holder of each Warrant, from time to time, having option to apply for and obtain allotment of one equity share of the face value of ₹ 10/- each against such Warrant (hereinafter referred to as the "Warrants"), in one or more tranches, in such manner and on such price, terms and conditions as may be determined by the Board in accordance with the SEBI (ICDR) Regulations, 2009 or other provisions of the law as may be prevailing at the time; provided that the minimum price of the Warrants so issued shall not be less than the price arrived at in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009.

RESOLVED FURTHER THAT the said issue of Warrants shall be subject to the following terms and conditions:

1. The proposed allottees of warrants shall, on the date of allotment, pay an amount equivalent to at least 25% of the price fixed per warrant in terms of the SEBI (ICDR) Regulations, 2009.
2. The holder of each warrant will be entitled and having option to apply for and obtain allotment of one equity share of face value of ₹ 10/- each of the Company against each warrant at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment, in one or more tranches. At the time of exercise of entitlement, the warrant holder(s) shall pay the balance of the consideration towards the subscription to each equity share. The amount so paid will be adjusted/ set-off against the issue price of the resultant Equity shares.
3. If the entitlement against the warrants to apply for the equity shares is not exercised within the aforesaid period, the entitlement of the warrant holders to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.
4. The Relevant Date, as per the SEBI (ICDR) Regulations, 2009, as amended up to date, for the determination of price of the equity Shares to be issued and allotted upon exercise of right attached to the warrants referred to above is 30th August, 2012, being the date, 30 days prior to the date of this Annual General Meeting.
5. The warrant holder(s) shall hold equal rights in respect of future bonus and right issue, if any declared by the company, in the same proportion and manner with any other shareholder of the Company.
6. The equity shares issued upon the conversion of warrants shall rank pari passu in all respects including with respect to dividend, with the then fully paid up equity shares of the Company, subject however to the provisions of the Memorandum and Articles of Association of the Company.
7. The warrant(s) by itself until converted into equity shares, does not give to the holder(s) thereof any rights with respect to that of a shareholder of the Company except as specified above.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon exercise of option by warrant holder(s) or as may be necessary in accordance with the terms of the offer.

RESOLVED FURTHER THAT the Board is authorized to issue, offer and allot the requisite number of warrants to any other person(s)/ entity(s) belonging to promoter group in the event any of the warrants remaining unsubscribed by the proposed allottees for any reason whatsoever and shall also be entitled to vary, modify or alter any of the terms and conditions, including the size of the issue, as may be deemed expedient by the Board and the Proposed Allottee(s).

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable, incidental or expedient

to the issue or allotment of aforesaid warrants and listing of the equity shares on conversion with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment of any of the said warrants, the utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion may deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors, any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution".

By order of the Board

Place : Ludhiana
 Date : 14th August, 2012

Sd/-
 (Sushil Sharma)
 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 specified in special business and the information required pursuant to the Clause 49 of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting are annexed hereto and both forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 26.09.2012 to 29.09.2012 (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 Participant.
5. Members desiring any information as regards to 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.
9. The Annual Report shall be sent electronically to those members whose e-mail Id is available with the Company. However, any members who want to get the physical copy may request/write the company for getting the same.

ANNEXURE TO THE NOTICE:

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

ITEM NO. 4 & 5

The Shareholders vide resolution dated 12.07.2011 re-appointed Mr. Ashok Kumar Oswal as Chairman & Managing Director of the Company for a period of one year from 01.04.2011 to 31.03.2012 at the basic salary of ₹ 3,35,000 (Rupees Three lac thirty five thousand only) per month with other perquisites and commission equal to 2% of the net profits.

As there is net loss in the financial year 2011-12, the remuneration payable to Mr. Ashok Kumar Oswal, Chairman and Managing Director is subject to Part II of the Schedule XIII of the Companies Act, 1956. Therefore, on the basis of effective capital of the Company, maximum remuneration payable to Mr. Ashok Kumar Oswal during the financial year 2011-12 can not exceed ₹ 48,00,000/- . The Remuneration Committee and Board of Directors in their meetings held on 11.02.2012 recommended and approved the payment of remuneration to Chairman & Managing Director for the year 2011-12 not to exceed ₹ 48,00,000/- (not includes contribution to provident fund, gratuity and encashment of leave) subject to the approval of the shareholders.

Further, the Board of Directors in its meeting held on 11.02.2012 has approved the re-appointment of Mr. Ashok Kumar Oswal as Chairman & Managing Director and payment of remuneration payable to him for the period of three years with effect from 01.04.2012. The Remuneration Committee has also approved the terms of appointment and remuneration as stated in the resolution. The said re-appointment and payment of remuneration is pursuant to Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and subject to the approval of Central Government.

Accordingly, the approval of the Members is solicited for the payment of remuneration for the financial year 2011-12 and the re-appointment & fixation of remuneration payable to Mr. Ashok Kumar Oswal as Chairman & Managing Director of the Company for the period of 3 years w.e.f. 01.04.2012.

As per Section II [1(B)] of PART II of schedule XIII of the Companies Act, 1956 the following information as given below to the shareholders:

I. GENERAL INFORMATION

1. Name of the of Industry	Manufacturing of Textile Yarn		
2. Date of Commencement of Business	02.12.1982		
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable		
4. Financial Performance based on given indicators	Particulars	2011-12 (₹ in Lacs)	2010-11 (₹ in Lacs)
	Turnover (including export)	74,927.60	71,644.39
	Export Turnover	28,552.59	21,276.44
	Profit before Tax (PBT)	(10,462.19)	3,585.22
	Profit after Tax (PAT)	(8,141.22)	2,669.97
5. Export performance and net foreign exchange collaborations (if any)	Foreign Exchange earned ₹ 28,552.59 Lac.		
6. Foreign Investment	Foreign Subsidiary:- F. M. Hammerle Verwaltungs GmbH, Austria.		

II. INFORMATION ABOUT THE APPOINTEE

1. Background Detail	Mr. Ashok Kumar Oswal, age 57 years, is Graduate in Law. He joined his family business of Vardhman Group in 1977. He is an Industrialist, having more than 30 years experience in the Textile Industry and Managing Director of the Company since 1987. Under his dynamic leadership, the Company has consolidated its strength in textiles and crossed the turnover of ₹ 700 Crore during the financial year 2010-11.
2. Past Remuneration	₹ 48.15 Lac paid during the FY 2011-12
3. Recognition or awards	None
4. Job profile and his suitability	He has rich experience in yarn manufacturing and specialized knowledge in the field of procurement of cotton, the main raw material and capital equipments at the corporate level.
5. Remuneration proposed	The detail of the proposed remuneration payable to Mr. Ashok Kumar Oswal is given in the resolution.
6. Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person etc	The remuneration proposed is reasonable as compared with the industry standards for a director of similar profile.
7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any	Mr. Ashok Kumar Oswal, Promoter Director holding 1,27,748 equity shares and relative of Mr. Adish Oswal, Executive Director of the Company.

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits	The financial year 2011-12 has not been a good year for the textile industry as a whole. The higher interest cost, general reversionary trend in the textile industry, global slowdown, increase in raw material cost, ambiguous government policies and unprecedented volatility in prices of cotton and yarn has lead to the losses incurred by the company.
2. Steps taken or proposed to be taken for improvement	The external factors like economic slow-down, government policies, and volatility in prices are out of the control of the Company. But, the Company has taken various initiatives viz. product innovation, reduction of various costs, better market penetration, and improvement in realisation etc. In addition to this, the company is also planning for making reference to CDR Cell for the financial restructuring.
3. Expected increase in productivity and profits in measurable terms	It is expected that the performance of the company will get better during the next financial year as initiatives taken by the Company for increase its productivity and efficiency. The turnover and profitability will also improve, but are not measurable as the same are influenced by various factors such as market prices of yarn, raw material and cost of various inputs etc.

MEMORANDUM OF INTEREST:

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

ITEM NO. 6

Mr. Adish Oswal was appointed as an Executive Director of the Company with the approval of members for a period of one year w.e.f. 01.04.2011 and his term was expired on 31.03.2012. The Board of Directors in its meeting held on 11.02.2012 has re-appointed Mr. Adish Oswal as Executive Director of the Company for the period of three years with effect from 01.04.2012 on the terms and conditions given in the resolution. The Remuneration Committee of the Company has also approved the terms of appointment and remuneration payable to him. The said re-appointment and payment of remuneration is pursuant to Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and subject to the approval of Central Government.

Accordingly, the approval of the Members is solicited for the re-appointment of Mr. Adish Oswal as Executive Director of the Company and fixation of remuneration for the period of three years w.e.f 01.04.2012.

As per Section II [1(B)] of PART II of schedule XIII of the Companies Act, 1956 the following information as given below to the shareholders:

The Point (I) "General Information" and Point (III) "Other Information" are as stated above

II. INFORMATION ABOUT THE APPOINTEE

1. Background Detail	Mr. Adish Oswal, aged 32 years is Whole time Director of the Company since 2009. He is Graduate in commerce and joined his family business in 2005. He is an Industrialist and having good experience in yarn & fabric manufacturing. Mr. Adish Oswal has been designated as Executive Director of the Company in 2011.
2. Past Remuneration	₹ 47.18 Lac paid during the FY 2011-12.
3. Recognition or awards	None
4. Job profile and his suitability	He has about 7 years experience in textile industry and involved in the strategic decision making and key management decisions for the future growth of the Company.
5. Remuneration proposed	The detail of the proposed remuneration payable to Mr. Adish Oswal is given in the resolution.
6. Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person etc	The remuneration proposed is reasonable as compared with the industry standards for a director of similar profile.
7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any	Mr. Adish Oswal, Promoter Director holding 1,29,511 equity shares and relative of Mr. Ashok Kumar Oswal, Chairman & Managing Director of the Company.

Vardhmān Polytex Limited

MEMORANDUM OF INTEREST:

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

ITEM NO. 7

In the process of the arrangement of funds for day to day business activities, funding ongoing and future capital expenditure and/or for long term working capital requirement of the Company, the Promoters and/or Promoter Group have agreed to provide necessary funds by subscribing upto 16,00,000 (Sixteen Lac only) warrants convertible into equity shares of face value of ₹ 10/- each at the price which shall not be less than the minimum price calculated in accordance with Regulation 76 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009.

Information pursuant to Regulation 73 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009

1. Object of the Preferential Issue

To meet the funding requirement for day to day business activities, funding ongoing and future capital expenditure and/or for long term working capital requirement of the Company.

2. Pricing of the Issue and Relevant Date

The warrants proposed to be allotted on preferential basis would be issued at a price not lower than the price calculated as per SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009. The Relevant Date for this purpose is 30th August, 2012 being the date, 30 days prior to the date of passing of the resolution.

3. Intention of the Promoters/Directors/Key Management Persons to subscribe to the Offer

The preferential issue is being made to the Promoters and/or Promoter Group of the Company. As such this resolution is being sought to approve subscription to the warrants by the Promoters and/or Promoter Group that are being offered through this resolution.

4. Under subscription, if any

Any of the warrants issued as above, that may remain unsubscribed for any reason whatsoever, may be offered and allotted by the Board in its absolute discretion to any person / entity / investor controlled by the Promoters and/or Promoter Group, on the same terms and conditions.

5. Shareholding Pattern of the Company (pre and post offer i.e. post issue of Equity Shares) is as below:

Sr. No.	Category of the shareholders	Pre Issue		Post Issue	
		No. of Shares	%	No. of Shares	%
1	Promoter Group Shareholding Promoters (Bodies Corporate / Individuals)	73,32,302	45.14	89,32,302	50.06
2	Public Shareholding Mutual Funds/UTI/Banks/ Financial Institutions	2,934	0.02	2,934	0.02
3	Foreign Institutional Investors	1,200	0.01	1,200	0.01
4	Bodies Corporate	48,81,940	30.06	48,81,940	27.36
5	Resident Individuals (Indian Public)	39,92,555	24.58	39,92,555	22.37
6	NRIs/OCBs	32,026	0.20	32,026	0.18
	Total	1,62,42,957	100.00	1,78,42,957	100.00

6. Proposed time within which the allotment will be complete

The allotment of the warrants shall be completed within the prescribed period of 15 days from date of the passing of the resolution by the

Shareholders provided that in case, the allotment of warrants is pending on account of the pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of the receipt of such approval.

7. Identity of the proposed allottees and percentage of post preferential issue capital that may be held by them in the Company consequent to the Preferential Issue

Identity of the proposed Allottees	Shareholding in the Company			
	(Pre Issue)		(Post Issue)	
Mr. Ashok Kumar Oswal	1,27,748	0.79	5,27,748	2.96
Mr. Adish Oswal	1,29,511	0.80	5,29,511	2.97
Panchsheel Textile Mfg. & Trdg. Co. (P) Ltd.	44,02,917	27.11	48,02,917	26.92
Alma Assets Consultancy (P) Ltd	7,87,325	4.85	11,87,325	6.65

8. Change in control and composition of the Board

This issue of equity shares will not result any change in control and composition of the Board. Voting right shall change according to the change in shareholding pattern mentioned above.

9. Lock in requirements

The warrants and equity shares to be allotted upon their conversion shall be locked in for a period of three years from the date of allotment of warrants /resultant equity shares.

10. Auditor's Certificate

A certificate from the Auditor certifying that the issue of the shares is being made in terms of the provisions of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 shall be opened for inspection at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.

11. Undertaking

- The Company hereby undertakes that it shall re-compute the price of the Securities specified above in terms of the provisions of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 where it is required to do so.
- Further, the Company also undertakes that if the amount payable on account of re-computation of price is not paid within the time stipulated in the SEBI (ICDR) Regulations, 2009, the above specified securities shall continue to be locked in till the time such amount is paid by allottees.

Since, the issue of warrants convertible into equity shares through preferential offer requires the approval of the Members of the Company under Section 81(1A) of the Companies Act, 1956 and SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, the resolution in the Notice is proposed for your kind approval.

Mr. Ashok Kumar Oswal and Mr. Adish Oswal being the Promoter Director may be deemed concerned or interested in the Resolution to the extent of the warrants that may be subscribed by the them and/or Promoters/ Promoters Group Companies. None of other Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board

Sd/-

Place: Ludhiana

Date :14th August, 2012

(Sushil Sharma)
Company Secretary

Information pursuant to Clause 49 of the Listing Agreement(s) regarding the Directors seeking appointment/re-appointment in the AGM

Name of the Director	Mr. Balbir Singh Bhatia	Mr. Ashok Kumar Oswal	Mr. Adish Oswal
Date of Birth	20.07.1942	0.8.02.1955	18.01.1980
Date of Appointment	22.01.1987	30.12.1986	31.07.2009
Expertise in specific functional area	Management Consultant	Industrialist	Industrialist
No. of Shares in VPL	100	1,27,748	1,29,511
Qualification	M.Com, Ph.d	B.A., LL.B	B.Com
Directorships of other companies as on 31 st March, 2012	1. Amrit Vanaspati Company Ltd.	1. Oswal F.M. Hammerle Textiles Ltd. 2. Kent Investments (P) Ltd. 3. Enakshi Investments (P) Ltd. 4. Calgary Invst. & Trdg. Co. (P) Ltd. 5. Allepy Invst. & Tdg. Co. (P) Ltd. 6. Adesh Invst. & Trdg. Co. (P) Ltd. 7. Pioneer Mercantile India (P) Ltd. 8. Boras Invst & Trdg. Co. (P) Ltd. 9. Gagan Mercantile Co. (P) Ltd. 10. Liberty Mercantile Co. (P) Ltd. 11. Ruby Mercantile Co. (P) Ltd. 12. Panchsheel Tex. Mfg. & Trdg. Co. (P) Ltd. 13. Oswal Infratech (P) Ltd. 14. Oswal Holding (P) Ltd. 15. Alma Assets Consultancy (P) Ltd.	1. Oswal F.M. Hammerle Textiles Ltd. 2. Allepy Invst. & Tdg. Co. (P) Ltd. 3. Oswal Infratech (P) Ltd. 4. Oswal Holding (P) Ltd. 5. Nightnagle Dealcom (P) Ltd. 6. Oswal Industrial Enterprise (P) Ltd. 7. Alma Assets consultancy (P) Ltd.
Chairmanship / Membership of other Committees of companies as on 31 st March, 2012	Member - Audit Committee Vardhman Polytex Limited Chairman - Audit Committee Amrit Vanaspati Company Ltd.	Member - Audit Committee Oswal F.M. Hammerle Textiles Ltd. Member - Investor Grievance Committee Vardhman Polytex Limited	Member - Audit Committee Oswal F.M. Hammerle Textiles Ltd.
Relationship with other Directors	Not related to any director	Relative of Executive Director	Relative of Chairman and Managing Director

DIRECTORS' REPORT

Dear Fellow,

The Directors of your Company is presenting their 32nd Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2012.

1. FINANCIAL RESULTS

The Financial Results for the year are as under:-

PARTICULARS	(₹ in lac)	
	2011-12	2010-11
Turnover	74,927.60	71,644.39
Profit/(Loss) before Interest, Depreciation & Tax	(730.55)	11,022.96
Finance Cost	6,771.95	4,705.97
Profit/(Loss) before Depreciation & Tax	(7,502.50)	6,316.99
Depreciation	2,959.69	2,731.77
Profit/(Loss) before Tax	(10,462.19)	3,585.22
Provision for Tax	(2,320.97)	915.25
Profit/(Loss) after Tax	(8,141.22)	2,669.97
Earnings Per Share		
- Basic and Diluted (in ₹)	(50.12)	20.02

2. PRESENTATION OF FINANCIAL STATEMENTS

Notification dated 28th February, 2011 issued by the Ministry of Corporate Affairs has stipulated a revised format for disclosure of financial statements under Schedule VI to the Companies Act, 1956. The financial results of the Company for the year ended 31st March, 2012 are, therefore, disclosed as per the Revised Schedule VI and the previous year's figures have been restated to align with the current year's presentation.

3. BUSINESS PERFORMANCE

Your Directors are pleased to report the Company's business operations performance as follows:

• SALES REVENUE

During the year under review, the turnover of the Company was ₹ 74,927.60 lacs as against ₹ 71,644.39 lacs in 2010-11, registering an increase of 4.59%. The FOB value of exports during the year increased to ₹ 28,552.59 lacs from ₹ 21,276.44 lacs in 2010-11, registering a growth of 34.20%.

• PROFITABILITY

During the year under review, the margins of the Company were under pressure. The Company incurred loss before depreciation and interest during the current year of ₹ (730.55) lacs against profit of ₹ 11,022.96 lacs during the previous year. The Company incurred net loss after tax to ₹ (8,141.22) lacs during the current year against profit of ₹ 2,669.97 lacs in the previous year.

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) INDUSTRY STRUCTURE, DEVELOPMENT & FUTURE OUTLOOK

The long-term period (1991-92 to 2011-12), average annual growth of industries remained about 6.7 per cent as against GDP growth of 6.9 per cent. During that given period, the share of overall industry in GDP remained generally stable at around 28 per cent whereas share of manufacturing, which is the most dominant sector within industry, remained between 14-16 per cent. This share is modest when compared to China (above 40 per cent) and some of the East Asian countries (above 30 per cent).

The textile industry, which accounts for around 14 per cent of industrial production and more than 10 per cent of the country's total exports, has so far remained subdued during the current financial year. The total cloth production was declined by 4.74 per cent during April-December 2011. The decline in production has been due to two major segments, namely power loom (-2.54 per cent) and hosiery (-14.89 per cent). During April-December 2011, man-made fiber

production and filament yarn production recorded a decrease of about 2 per cent and 7 per cent respectively where as cotton yarn production decreased by 13 per cent during this period. However, blended and 100 per cent non-cotton yarn production increased by 5 per cent.

The textile industry is the largest jobs generator after agriculture, employing around 35 million people across various segments and one of the leading providers of foreign exchange in India. Textiles and clothing worth US \$26.82 billion were exported during 2010-11. During April-November 2011, exports of textiles & clothing were of the order of US\$ 19.78 billion as against US\$15.86 billion during the same period of 2010, registering a considerable growth of 24.73 per cent. In respect of global exports of textiles, India ranked third, trailing EU-27 and China.

The diversification and value-addition across the value-chain is more needed in Indian textile industry. Extra emphasize is required to be given to automation in view of shortage of workforce to improve productivity and control production losses. Focus on technical textiles sector and forward integration in the textile/spinning will be beneficial. Control on costs and optimum utilisation of financial resources shall help in bringing down the cost of funds.

(b) INTERNAL CONTROL SYSTEMS & ADEQUACY

Your Company has an adequate internal control system. There is a system of continuous Internal Audit which aims at ensuring effectiveness and efficiency of systems and operations. The internal audit is conducted by an independent Internal Audit Department 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 risks by having a Risk Management Committee.

(c) HUMAN RESOURCE MANAGEMENT

Your Company gives utmost importance to human resource. It considers "Human Resource as Human Capital" and believes in the development of Human Resource. The Company strongly believes in the Performance Management System and always tries to explore and tap high potential at the Group level to meet new challenges and competition. Our main tool is training and developing talent at various levels.

(d) SAFETY, HEALTH AND ENVIRONMENT

The Company's top priority is safety, with regard to employment. It encourages safety measures at all operational levels, especially at the floor level. Regular training programs are conducted to create awareness about the importance of safety at work. Medical camps are organized periodically for the welfare of the members. Additionally, regular medical facilities are also provided to them.

The Company was awarded with the Punjab State Safety Award in 2010 for the largest reduction in the frequency of accidents in Textile Industry by the Punjab State Safety Award Committee and the Chief Inspector of Factories, Punjab.

(e) MANAGEMENT PERCEPTION OF RISKS & CONCERNS

The textile Industry remained under pressure during the financial year 2011-12 due to volatility in raw cotton and yarn prices, low demand and generally weak consumer confidence. The position was aggravated by poor/downward credit rating of the Euro zone.

However, the sentiment of the textile industry has shown positive outlook for the last two quarters based on affordable prices of the cotton, adequate demand both in domestic and exports and nearly matching price of finished goods. The foreign currency i.e. USD supported the net sales realization/margins in the overseas market. The mills are buying cotton more judiciously and carrying reasonable inventory which

has helped in balancing the fluctuations in supply and prices of cotton. Thus the positive scenario is likely to continue in the current year, though margins will be still below the expected levels.

(f) **FINANCIAL ANALYSIS**

• **RESOURCE UTILISATION**

i) **Fixed Assets**

The gross fixed assets as at 31st March, 2012 were ₹ 55,364.57 lacs as against ₹ 44,684.54 lacs in the previous year. The capital work-in-progress as on 31st March, 2012 was ₹ 2,156.97 lacs.

ii) **Current Assets**

Inventory levels were at ₹ 3,101.51 lacs as against ₹ 14,439.54 lacs in the previous year. The trade receivables during the year under review were ₹ 4,614.69 lacs as compared with ₹ 7,343.08 lacs in the previous year.

• **FINANCIAL CONDITION & LIQUIDITY**

LIQUIDITY & CAPITAL RESOURCES

	(₹ in lac)	
Particulars	2011-12	2010-11
Cash & cash equivalents :		
Beginning of the year	2,239.86	1,147.40
End of the year	483.50	2,239.86
Net cash provided (used) by :		
Operating Activities	17,653.02	1,949.10
Investing Activities	(9,849.46)	(2,430.48)
Financial Activities	(9,559.92)	1,573.84

5. **STATUS OF EXPANSION AT NALAGARH**

Directors of the Company take pleasure to inform you that during the year, the spinning project, which was undertaken by the Company with 40,800 spindles at Nalagarh, has been substantially completed. The commercial production of the same was started in the month of January, 2012 with about 25,000 spindles.

6. **SHARE CAPITAL**

During the year under review, the Authorised Share Capital of the Company was increased from ₹ 30 crore to ₹ 70 crore in two tranches.

7. **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.

8. **CORPORATE DEBTS RESTRUCTURING (CDR)**

The Company has made reference to the CDR cell for the its debt restructuring under CDR mechanism/ scheme of Reserve Bank of India.

9. **DIRECTORS**

Dr. B. S. Bhatia, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

The Board of Directors in its meeting held on 11.02.2012 has re-appointed Mr. Ashok Oswal as Chairman & Managing Director and Mr. Adish Oswal as Executive Director of the Company w.e.f 01.04.2012 for the period of three years, subject to the approval of shareholders.

10. **SUBSIDIARY COMPANIES**

The Company has three Subsidiaries namely Oswal F.M. Hämmerle Textiles Ltd, F.M. Hämmerle Verwaltungs GmbH, Austria and Oswal Industrial Enterprise Private Ltd. As per Section 212 of the Companies Act, 1956, the statements showing the interest of the holding company in these subsidiaries are annexed with this Annual Report.

11. **EXEMPTION UNDER SECTION 212 FOR SUBSIDIARIES**

Ministry of Corporate Affairs vide its Circular No: 51/12/2007-CLIII

dated 8th February, 2011 has, subject to compliance with certain conditions, granted general exemption to the companies from applicability of Section 212 of the Companies Act, 1956 for attachment of Balance Sheet, P&L A/c, Director's Report and Auditor's Report of the subsidiary companies with the Balance Sheet of the Company. The Board of Directors of the Company has decided not to attach the aforesaid documents of the subsidiary companies with the Balance Sheet of the Company and complied the provisions of the said Circular i.e. the Consolidated Financial Statement of the Company for the financial year ended 31st March, 2012 duly audited by Statutory Auditors is included in the Annual Report.

The Annual Accounts of these subsidiaries and the related detailed information will be made available to any Member of the Company/ its subsidiaries seeking such information at any point of time and are also available for inspection by any Member of the Company/ its subsidiaries at the Registered Office of the Company/its subsidiaries.

Further, pursuant to the Listing Agreement with the Stock Exchanges and general exemption granted by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Company, including the financial details of all the subsidiary companies, which forms part of the Annual Report, has been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

12. **LISTING OF SECURITIES**

The Securities of the Company are listed on the 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.

13. **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.

14. **FIXED DEPOSIT**

During the year under review, the Company invited Fixed Deposits from the Public as per Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975. At the end of the year, fixed deposits from the public were outstanding to the tune of Rs. 61.61 lacs which were well within the limits prescribed under the above said section. There were no overdue deposits as on 31st March, 2012.

15. **DIVIDEND**

The Board of Directors of your Company has not recommended any dividend for the year 2011-12.

16. **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. A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

17. **AUDITORS**

M/s S.S. Kothari Mehta & Co, Chartered Accountants, New Delhi, Auditors of the Company, retires at the conclusion of the forthcoming Annual General Meeting and being eligible, offers themselves for reappointment.

18. **AUDITORS' REPORT**

The Statutory Auditors of the Company have submitted the Auditors' Report on the Accounts of the Company for the year ended 31st March, 2012. In their report, they have made certain observations. One of the observation in respect to non creation of provision for write-off of investment in subsidiary company namely M/s Oswal Industrial Enterprises (P) Limited (OIEL), has not been addressed by the Company. We states that the said subsidiary company OIEL has started to generate positive earnings and expected to overcome from its financial position.

With respect to further observation for delayed payment of interest and principal of Banks during the year 2011-12, we state that the textile industry presently in India is passing from difficult phase due to slow down of demand, high inventory cost, sharp fluctuation in the prices etc. The Company reported major net loss during the FY 2011-12 and is suffering from severe liquidity. The delay in Bank payments due to current year losses on account of fluctuations in cotton fibre and yarn prices, lesser cash accruals coupled with the repayment has put the company in the stretched liquidity position. Accordingly, the Company has filed an application to CDR for its debt restructuring.

Further, the utilization of short term funds to long term investment by the Company is only due to shifting of current maturities of term loan to current liabilities as per the requirement of Revised Schedule VI of the Companies Act, 1956.

The other points of Auditors' Report on the Accounts of the Company for the year under review are self-explanatory and require no comments.

19. COST AUDITORS

The Board of Directors 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 2012-2013. As mandated by Circular No.15/2011 dated 11 April 2011 issued by the Ministry of Corporate Affairs, Government of India, full particulars of Cost Auditor are given below:-

Name	M/s Ramanath Iyer & Co., Cost Accountants
Address	BL-4 (Paschmi), Shalimar Bagh, New Delhi - 110088
Details of Cost Audit Report for the financial year ended 31st March 2011	
(a) Due date of filing	30th September, 2011
(b) Actual date of filing	21st & 24th September, 2011

20. 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.

21. 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 optimise energy costs 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 forms part of this report.

22. 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, 2012 and of the profit of the Company for the year ended on 31st March, 2012;
- 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.

23. 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

Sd/-

(Ashok Oswal)

Chairman & Managing Director

Place : Ludhiana

Dated: 30th May, 2012

ANNEXURES TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012.

(A) PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR 2011-2012, WHO WERE IN RECEIPT OF REMUNERATION WHICH IN THE AGGREGATE WAS NOT LESS THAN ₹ 60,00,000/- PER ANNUM.

Name of the Employee	Designation	Remuneration (₹ in lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature of duties	Particulars of Last Employment
—	—	—	NIL	—	—	—	—	—

(B) PERSONS EMPLOYED FOR A PART OF THE FINANCIAL YEAR 2011-2012, WHO WERE IN RECEIPT OF REMUNERATION FOR ANY PART OF THE YEAR, AT A RATE WHICH IN THE AGGREGATE WAS NOT LESS THAN ₹ 5,00,000/- PER MONTH

Name of the Employee	Designation	Remuneration (₹ in lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Nature of duties	Particulars of Last Employment
Dr. Rakesh Mittal*	CEO-Corporate	49.81	B.Sc, B. Text, Phd. (Textile)	59	36	04.08.2006	Managerial	Director & Head (Manufacturing) Pantaloon Retail (India) Ltd.

* Resigned from the company w.e.f. 30.11.2011

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, 2012

I. CONSERVATION OF ENERGY

The Company has over the previous years taken several steps to conserve energy, wherever possible. The Energy Conservation Cell of the company continuously conducts studies, verification, monitors the consumption and utilisation of energy including identification of energy conservation areas.

ENERGY CONSERVATION MEASURES TAKEN & IMPACT

Sr. No.	Energy Saving measures in 2011-12	Power Saving in Units
1.	Optimizing the air volume and controlling fan speed in the Humidity Plants, plugging the air leakages and adjusting the air pressures, optimizing the suction pressure, optimizing plant operations, installation of sensor, invertors etc.	10,89,160

ADDITIONAL INVESTMENTS & PROPOSALS

Sr. No.	Energy Saving measures to be taken	Estimated Cost (₹ in lac)	Proposed Power Saving in Units
1.	Optimizing the suction, plugging the air leakages of compressed air, modification and replacement of old motors etc.	9.00	3,31,000

FORM-A

PARTICULARS	UNIT	2011-2012	2010-2011
A. POWER & FUEL CONSUMPTION			
1 Electricity			
a) Purchased			
Units	(KWH in lacs)	1,155.19	1,164.04
Total amount	(₹ in lac.)	5,977.39	5,168.12
Rate per unit	₹/KWH	5.17	4.44
b) Own generation			
i) Through Diesel Generator			
Units	(KWH in lacs)	48.23	11.51
Units per litre of Diesel	(KWH)	3.82	3.51
Cost per unit	₹/KWH	10.58	9.81
ii) Through Steam Turbine/Generator			
HPS based Generator			
Units	(KWH in lacs)	7.51	9.14
Units per litre of Diesel	(KWH)	3.63	3.81
Cost per unit	₹/KWH	14.32	11.69
2 Others/Internal Generation (Oil used in Boiler)			
Quantity	(litres)	71,200	87,000
Total Cost	(₹ in lacs)	24.42	28.48
Average Rate	(₹ per litre)	34.30	32.74
B CONSUMPTION PER UNIT OF PRODUCTION			
Yarn:			
Electricity	(KWH/Kg.)	3.38	3.02
Garments:			
Electricity	(KWH/Pcs)	0.42	0.39
Diesel	(Liters/Pcs)	0.01	0.01

II. PARTICULARS AS PER FORM –B
A RESEARCH AND DEVELOPMENT (R&D)
SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT

The Company has provided state of the art equipments in Research & Development (R&D)/ Quality Control (QC) departments of each unit for developing new products, processes & controls for overall value addition. The Company's R&D/QC teams regularly focused on process development and quality control at every stage of production.

BENEFITS DERIVED AS RESULT OF R&D

The Company has been maintaining consistent & world class yarn quality and obtained "Usterized Certificate" for the consecutive sixth year. It has been able to improve productivity and reduce cost of production.

EXPENDITURE ON R&D

PARTICULARS	2011-12	2010-11
Capital	626.93	–
Recurring	36.64	5.43
Total	663.57	5.43
Total R&D expenditure as a percentage of Turnover	0.89%	0.01%

B TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

During the year 2011-12, latest imported and indigenous technologies were installed at newly setup unit at Nalagarh (HP) to achieve higher standards of productivity, efficiency and quality.

The Company successfully launched SIRO Yarn in the overseas market.

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 continued its focus on increasing exports in diversified markets. The Company undertook various initiatives to increase exports by offering different products and participating in fairs & exhibitions to explore new markets & expand its customer base.

Total Foreign Exchange earned and used

PARTICULARS	2011-12	2010-11
a) Earnings (FOB value of exports)	28,552.59	21,276.44
b) Outgo (CIF value of imports and expenditure in foreign currency)	3,208.20	1,308.79

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 (Five) Directors out of which 2 (Two) are Executive Directors and 3 (Three) are Non-Executive Independent Directors. Company is having majority of independent directors on the Board.

b) Board Meetings

During the year under review, 5 (Five) Board Meetings were held on 14.05.2011, 12.08.2011, 25.10.2011, 14.11.2011, and 11.02.2012.

Detail of composition of the Board, number of Board Meetings attended, attendance at last AGM, directorship of other Companies, chairmanship & membership of the committees held and shareholding in the Company are as given below:

Name of Director	Category of Director	Share holding in the Company	No. of Board Meetings attended	Attendance at last AGM	Total No. of Directorship in other Public Ltd. companies	No. of Committee*	
						Membership	Chairmanship
Mr. Ashok Oswal DIN 00009403	Chairman & Managing Director	1,27,748	3	Yes	1	2	-
Mr. Ajay Chaudhry DIN 00055733	Non-Executive Independent Director	NIL	5	Yes	3	-	3
Dr. B. S. Bhatia DIN 00551715	Non-Executive Independent Director	100	5	No	1	1	1
Mr. M. D. Kanitkar DIN 00551803	Non-Executive Independent Director	NIL	3	No	1	2	-
Mr. Adish Oswal DIN 00009710	Executive Director	1,29,511	5	Yes	1	1	-

* Board Committees for this purpose includes Audit Committee and Shareholders'/Investors' Grievance Committee only (including Board Committees of the Company)

Notes:

1. None of directors is a chairman of more than 5 (Five) committees and member of more than 10 (Ten) committees.
2. There is no inter-se relationship between the directors except Mr. Adish Oswal, being son of Mr. Ashok Oswal, Chairman and Managing Director.

c) Change in directorship during the year

During the financial year 2011-12, there was no change in directorship of the Company. Mr. Ashok Oswal was re-appointed as Chairman and Managing Director and Mr. Adish Oswal was re-appointed as Executive Director of the Company w.e.f 01.04.2011 for the period of one year.

The Board of directors in its meeting held on 11.02.2012 has re-appointed Mr. Ashok Oswal as Chairman and Managing Director and Mr. Adish Oswal as Executive Director of the Company w.e.f 01.04.2012 for the period of three years, subject to the approval of shareholders.

d) Meetings Procedure

Company holds Board Meetings regularly. The Directors are informed venue and date of meeting in advance in writing at their usual address and also through e-mail. Detailed agenda papers alongwith explanatory statements are circulated to the directors in advance. The Board has complete access to all information with the Company. All information stipulated in Clause 49 is regularly provided to the Board as a part of agenda papers alongwith the action taken report on the matters previously approved/discussed. Directors actively participate in the Board Meetings and contribute significantly by expressing their views, opinions and suggestions. Decisions are taken after proper and through discussion.

e) Remuneration of Directors

- i) **Executive Directors:** The Company pays remuneration to Chairman & Managing Director & Executive Director as approved by the Board of Directors and Members of the Company.
- ii) **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 ₹ 5000/- per meeting and for the Committee Meetings is ₹ 3000/- per meeting.

Details of remuneration paid to the Directors during the year

(₹ in lacs)

Name	Designation	Salary	Allowances and Perquisites	Contribution to Provident and other funds	Sitting Fee	Total Remuneration
Mr. Ashok Oswal	Chairman & Managing Director	30.15	14.38	3.62	--	48.15
Mr. Adish Oswal	Executive Director	31.20	12.24	3.74	--	47.18
Mr. Ajay Chaudhry	Non- Executive	--	--	--	0.49	0.49
Dr. B. S. Bhatia	Non- Executive	--	--	--	0.46	0.46
Mr. M. D. Kanitkar	Non- Executive	--	--	--	0.33	0.33

3. COMMITTEES OF THE BOARD

a) 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 Independent Directors i.e. Mr. Ajay Chaudhry, Mr. M. D. Kanitkar and Dr. B.S. Bhatia. Mr. Ajay Chaudhry is the Chairman of the Committee and the Company Secretary acts as 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 Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Committee met five times during the year on 14.05.2011, 21.05.2011, 12.08.2011, 14.11.2011 & 11.02.2012. The attendance of the members of the Committee is given below:

Name of the Member	Category	No. of Meetings attended
Mr. Ajay Chaudhry	Non-Executive Independent Director	5
Mr. M. D. Kanitkar	Non-Executive Independent Director	3
Dr. B. S. Bhatia	Non-Executive Independent Director	5

b) 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. Mr. Ajay Chaudhry is the Chairman of the Committee. The Committee met one time during the year on 11.02.2012 and all members were present at the meeting.

During the financial year 2011-12, the Company received 45 complaints. The complaints were mainly related to dividend/interest, redemption and transfer etc. The Company has duly addressed all the complaints.

The Board has appointed Mr. Sushil Sharma, Company Secretary, as Compliance Officer of the Company. He can be contacted for any investor related matters relating to the Company at 0161-2685301-05 and fax at 0161-5052439. 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/queries of the investors which is given below:

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

c) Remuneration Committee

Although, the non mandatory requirement, the Company has a Remuneration Committee consisting of 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 Committee met two times during the year on 14.05.2011 and 11.02.2012 and all members were present at these two meetings.

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report has been included in this Annual Report.

5. 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 & 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.

6. RISK MANAGEMENT

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.

7. SHAREHOLDERS

a) Detail of Directors seeking appointment/re-appointment

The brief profile of the directors being appointed/re-appointed is given elsewhere in this Annual Report, which form part of the Corporate Governance Report.

b) Previous Annual General Meetings

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

Meeting	Day, Date & Time of the Meeting	Venue	No. of Special Resolutions
31 st AGM	Monday, 29 th August, 2011 at 11.00 a.m.	Regd. Office: 341 K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana-141 123.	2
30 th AGM	Friday, 20 th August, 2010 at 11.00 a.m.	-do-	2
29 th AGM	Tuesday, 22 nd September, 2009 at 11.00 a.m.	-do-	6

During the year 2011-12, the Company has passed following four special resolutions through postal ballot on 12.07.2011. Mr. Ashwani Khanna, Practising Company Secretary was appointed as Secruitnizer.

Sr. No.	Particulars	Voting Pattern	
		For	Against
1)	For providing corporate guarantee and security by pledging of shares in favour of lenders of Oswal F.M. Hammerle Textiles Limited.	99.77	0.22
2)	For increase in Remuneration of relative of Director.	99.75	0.24
3)	For re-appointment of Mr. Ashok Oswal as Chairman and Managing Director of the Company.	99.77	0.22
4)	For re-appointment of Mr. Adish Oswal as Executive Director of the Company.	99.77	0.22

c) Means of Communication

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

The financial results, annual report and shareholding pattern of the Company are also available on the Company's website viz. www.oswalgroup.com

8. DISCLOSURES

There was no material/significant transaction 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) as notified pursuant to the Companies (Accounting Standards) Rules, 2006 . 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.

9. GENERAL SHAREHOLDERS INFORMATION

i) 32nd Annual General Meeting

Date	: Saturday, 29 th September, 2012
Time	: 11:00 A.M.
Venue	: Regd. Office: 341K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana-141 123

ii) Financial Calendar 2012-2013 (Tentative)

First Quarter Results	August, 2012
Second Quarter Results	November, 2012
Third Quarter Results	February, 2013
Annual Results	May, 2013

iii) Dates of Book Closure : 26.09.2012 to 29.09.2012 (both days inclusive)

iv) Listing of Securities

Sr No.	Description	Stock Exchange
1.	Equity Shares	Bombay Stock Exchange Ltd. (BSE) 25 th Floor, P.J. Towers, Dalal Street, Mumbai - 400 001
		The National Stock Exchange of India Ltd. (NSE) "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai-400 051.
2.	Foreign Currency Convertible Bonds (FCCBs)	Singapore Exchange Securities Trading Ltd. 2, Shenton Way, # 19-00, SGX Centre 1 Singapore- 068804

The Company has duly paid the listing fees to BSE and NSE for the year 2012-2013.

(v) Stock Code

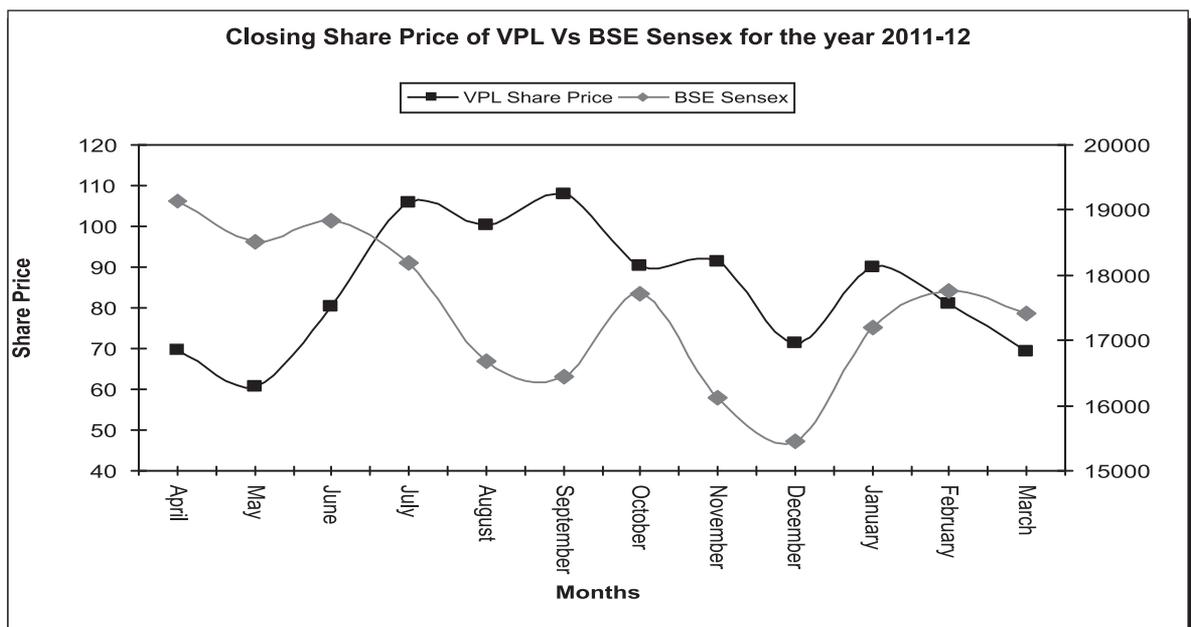
- The National Stock Exchange of India Ltd. : VARDMNPOLY
- Bombay Stock Exchange Ltd. : 514175

(vi) Stock Market Data

Month wise highest and lowest share price of VPL vis-à-vis BSE Sensex and NSE Nifty during the financial year 2011-12 is given below:-

Financial Year 2011-12	VPL Share Price at BSE		BSE Sensex		VPL Share Price at NSE		NSE Nifty	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
April	83.20	57.00	19811	18976	83.30	63.40	5944	5693
May	76.00	55.40	19254	17786	74.00	55.00	5775	5329
June	87.50	55.00	18873	17314	87.50	54.15	5658	5196
July	107.80	78.60	19132	18132	110.00	78.40	5740	5454
August	108.00	88.00	18440	15766	108.50	88.65	5552	4720
September	112.15	96.00	17212	15801	112.85	95.60	5169	4759
October	109.25	64.85	17908	15745	109.00	66.00	5400	4728
November	99.85	88.55	17702	15479	101.75	87.00	5326	4639
December	94.35	69.20	17004	15136	94.90	68.35	5099	4531
January	92.85	63.60	17259	15358	94.00	65.30	5217	4588
February	99.40	72.50	18524	17062	99.90	77.60	5630	5159
March	86.95	65.00	18041	16921	87.00	64.50	5499	5136

Source: www.bseindia.com & www.nseindia.com



vii) Registrar & Share Transfer Agent (RTA)

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 as its members. The Committee meets on an average once in a fortnight. A list of valid transfers and objectionable cases received from RTA is placed before the Committee for its approval/confirmation. The Share Certificates are returned/dispatched to the shareholders by RTA 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 and/or non receipt of 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) Dematerialisation of Shares

As on 31st March, 2012, 86.47% of the share capital comprising 1,40,44,969 shares were dematerialised against 78.22% of the share capital comprising 1,27,05,606 shares as on 31st March, 2011.

x) Distribution of Shareholding as on 31st March, 2012

Range (No. of Shares)	Shareholders		Shares	
	Numbers	% to Total Holders	Numbers	% to Total No. of shares
Upto - 500	7,275	92.91	9,52,433	5.87
501 - 1000	243	3.10	1,90,726	1.17
1001 - 5000	202	2.58	4,52,861	2.79
5001 - 10000	31	0.40	2,24,672	1.38
10001 - 50000	41	0.52	9,73,443	5.99
50001 & Above	38	0.49	1,34,48,822	82.80
Total	7,830	100.00	1,62,42,957	100.00

xi) Shareholding Pattern of the Company

Sr. No.	Category of the shareholders	As on 31 st March, 2012		As on 31 st March, 2011	
		No. of Shares	%age of total No. of shares	No. of Shares	%age to total No. of shares
1.	Promoters	73,32,302	45.14	72,04,977	44.36
2.	Mutual Funds & UTI	1,800	0.01	1,800	0.01
3	Banks, Financial Institutions, Insurance Companies	1,134	0.01	1,51,134	0.93
4.	Private Corporate Bodies	49,52,206	30.49	39,86,230	24.54
5.	Indian Public	39,21,995	24.15	48,45,340	29.83
6.	NRIs, OCBs, FIIs	33,520	0.20	53,476	0.33
	Total	1,62,42,957	100.00	1,62,42,957	100.00

xii) Outstanding GDRs/ADRs/Warrants

There is no outstanding GDRs/ADRs/Convertible Warrants. However, the Company is having outstanding 2% Unsecured Foreign Currency Convertible Bonds (FCCBs) for the principal amount of USD 8.5 million having maturity period of 5 years and 7 days.

xiii) Plant Locations

- Vardhman Polytex Limited,
Badal Road,
Bathinda-151 003
- Vinayak Textile Mills (Spinning & Dyeing Unit)
Phase VIII, Focal Point,
Ludhiana-141 123

- Vardhman Polytex Limited
Village Nangal Nihla/Upperla,
Swarghat Road,
Nalagarh-174 101(HP)
- Anshupati Textiles,
341K-1, Mundian Khurd,
P.O. Sahabana, Chandigarh Road,
Ludhiana-141 123
- Amkryon International,
HB-22, Phase VI, Focal Point,
Ludhiana 141 010

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 Participant (DP).

xv) General Note for Shareholders

Dividends, remaining unpaid/unclaimed, upto the financial year 2003-2004 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 2004-2005 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 2004-2005 and onwards are requested to make their claim to the Company.

xvi) Green Initiative in Corporate Governance

The Company supports the 'Green Initiative' taken by the Ministry of Corporate Affairs ("MCA") vide its circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011. Accordingly to comply with better Corporate Governance Practice and to implement the said circulars, the Company opted to send the Notices, Annual Report etc. in electronic form to the members at their registered e-mail addresses.

During the previous financial year, the Company sent Annual Report, notice of EGM, extract under section 302 etc. in electronic form to those members whose e-mail addresses were registered with their respective Depositories (NSDL/CDSL) and the Company.

10. AUDITOR'S CERTIFICATE ON COMPLIANCE

Certificate from the Statutory Auditors confirming compliance of Clause 49 (VII) is given in this Annual Report.

DECLARATION REGARDING COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted the Code of Conduct for all Board members and senior management 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 : 30th May, 2012

Sd/-
Ashok Oswal
Chairman & Managing Director

CERTIFICATE OF CHIEF EXECUTIVE OFFICER (CMD) AND CHIEF FINANCIAL OFFICER

We have reviewed financial statement and cash flow statement for the period April 1, 2011 to March 31, 2012 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 they 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: 30th May, 2012

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Ashok Oswal
Chairman & Managing Director

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

To The Members of,
Vardhman Polytex Limited

We have examined the compliance of conditions of Corporate Governance procedures by VardhmanPolytex Limited for the year ended 31st March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s) 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 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.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and Management, we certify that the Company has substantially complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

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
Firm Registration No.: 000756N
Sd/-

Place : Ludhiana
Date : 30th May, 2012

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

AUDITORS' REPORT

To The Members of Vardhman Polytex Limited

1. We have audited the attached Balance Sheet of **Vardhman Polytex Limited** ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement 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 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 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 (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 information and explanation given to us, we enclose in the Annexure a statement 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 explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - ii) 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;
 - iii) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Statement of Profit & Loss 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 *except variance with Accounting Standard AS-13 as mentioned in clause (vii) below;*
 - v) On the basis of written representations received from the directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
- vi) Without qualifying our opinion, we draw attention to note no. 13 to the financial statements where in the company has made investment in the equity shares of its subsidiary company Oswal F. M. Hammerle Textiles Limited, whose net worth is partly eroded. We understand from the management that the investment is long term strategic in nature and the erosion in net worth is due to slump in the textile sector; this being a temporary phenomenon, the net worth will revive in the near future.
 - vii) *No provision has been made for investment made in one of the subsidiary companies Oswal Industrial Enterprise Pvt Limited of ₹ 4501 lacs whose net worth is substantially eroded, the company having accumulated losses of ₹ 4874.26 lacs against share capital of ₹ 5005.00 lacs. This is at variance with Accounting Standard AS-13 'Accounting for Investment' notified under the Companies (Accounting Standard) Rules, 2006 resulting in loss for the year being understated and investments and reserve and surplus being overstated by the same amount.*
 - viii) *Subject to the aforesaid clause (vii) above, 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:*
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (b) In the case of Statement of Profit and Loss, of the Loss for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR S.S. KOTHARI MEHTA & CO.

Firm Regn. No.: 000756N

Chartered Accountants

Sd/-

(Arun K. Tulsian)

Partner

M. No. 089907

Place : Ludhiana

Date : 30th May, 2012

Annexure to the Auditors' Report

(Annexure referred to in paragraph 3 of our report of even date)

Re: Vardhman Polytex Limited ('the Company')

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Verification of the fixed assets is being conducted by the management based on a programme designed to cover all assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the company and nature of its business. 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) There was no disposal of a substantial part of fixed assets during the year; however during the year, company has temporarily shut down one of the units Anshupati Textiles, Ludhiana. It has no impact on the going concern assumption.
2. (a) The inventory has been physically verified during the year by the management at all its locations, except stocks lying with third parties and in transit, which have been verified with reference to correspondence of third parties or subsequent receipt of goods. 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) As informed to us, the Company has not granted any loan, secured or unsecured, to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b) to (d) of the Order are not applicable.
- (b) The company has taken loans (including public deposits) from two directors and four relatives of the directors covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year in respect of such parties and the year end balance of such loans are ₹ 196.00 lacs and ₹ 19.00 lacs respectively.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms & conditions on which loans have been taken are not, prima facie, prejudicial to the interest of the Company.
- (d) In our opinion and according to the information and explanations given to us, the company is regular in repayment of principal together with interest as per terms of arrangement. There is no overdue amount as at the end of the year.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit 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 Companies Act, 1956 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 Companies Act, 1956 and aggregating during the year to rupees five lakhs 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. In respect of fixed deposits accepted from the public, the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975 have been complied with. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or RBI or any Court or any other Tribunal in this regard.
7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business. It needs further improvement in terms of scope and coverage.
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 Companies Act, 1956 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:

Name of the Statute	Nature of Dues	Period to which it pertains	Amount in dispute	Forum where dispute is Pending	Amount Deposited	Matter of dispute
Central Excise Act	Excise Duty	1997-98 and 2004-05	42.34	Hon'ble Punjab & Haryana High Court, Chandigarh	42.34	Difference on account of loose and packed yarn.
	Excise Duty	2004-05	14.75	Joint Secretary, New Delhi	13.85	
	Excise Duty	2009-10	89.07	Chief Commissioner of Central Excise, Ludhiana	–	
	Excise Duty	2009-10	1.82	The Commissioner of Central Excise, Ludhiana	–	
	Excise Duty	2008-09	103.20	The Commissioner of Central Excise, Chandigarh	–	Rebate claim against export
	Excise Duty	2006-09	4.63	The Commissioner of Central Excise, Chandigarh	–	Interest on Cenvat credit taken wrongly duly reversed thereafter.
	Excise Duty	2010-11 2011-12	70.79	Joint Commissioner of Central Excise, Chandigarh	–	Case of demanding refund instead of Cenvat credit.
	Excise Duty	2004-05	28.92	CESTAT, New Delhi	–	Cenvat credit on inputs has been reversed.
	Excise Duty	2009-10	83.45	The Commissioner of Central Excise (Appeal), Chandigarh	–	Case of demanding refund instead of Cenvat credit
Income Tax Act	Income Tax	A.Y. 1998-99 to 2002-03, 2004-05	34.50	CIT (Appeals), Ludhiana	34.10	Disallowance of expenditure under section 80M & 80 HHC.
	Income Tax	A.Y 2003-04 & 2004-05	49.60	ITAT, Chandigarh	30.26	Disallowance of deduction under section 80 HHC.
	Income Tax	A.Y 1992-93 & 93-94	86.63	Hon'ble Supreme Court	82.91	Disallowance on account of taking interest u/s 36 (1) (iii) as revenue expenditure as capital expenditure.
	Income Tax	A.Y 1994-95 & 96-97	122.30	Hon'ble Punjab & Haryana High Court, Chandigarh	–	Disallowance on account of taking interest u/s 36 (1) (iii) as revenue expenditure as capital expenditure.
Punjab General Sales Tax Act	Punjab VAT	2005-06 and 2006-07	1.48	DETC, Patiala	0.38	
	Punjab VAT	2003-04	0.51	Assistant Commissioner Sales Tax, Ludhiana	–	Difference on account of job charges under service tax or excise act.
Wealth Tax Act	Wealth Tax	1997-98	1.98	ITAT, Chandigarh	–	
Finance Act 1994	Service Tax	09/07/04 to 31/03/07	13.52	CESTAT, New Delhi	0.50	

10. The Company has accumulated losses which are less than fifty percent of the net worth as at the end of the financial year. The Company has incurred cash losses in the current financial year but has not incurred 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, we report as follows:

- (a) Amounts due in respect of Term Loans (TL)/Working Capital Term Loans (WCTL) from Banks on account of Principal & Interest aggregating ₹ 6420.04 Lacs (as per detail noted hereunder) were delayed and either paid during the financial year or subsequently. As explained by the management, the delays are attributable due to current year losses on the account of the fluctuations in cotton fibre and yarn prices.

- (b) In respect of other amounts due to Banks aggregating to ₹ 680.64 Lacs (as per details noted hereunder), the payments have been delayed from 1 days to 120 days and are outstanding as on date.

Note: -

1. The details of amount referred to in clause (a) above are as under:

- Allahabad Bank TL, 12 instances of ₹ 159.72 Lacs (₹ 159.72 Lacs during the financial year and ₹ NIL subsequently) with delay ranging from 1 to 94 days.
- Punjab and Sind Bank WCTL, 7 instances of ₹ 87.60 Lacs (₹ 87.60 Lacs during the financial year and ₹ NIL subsequently) with delay ranging from 1 to 87 days.
- Corporation Bank TL, 13 instances of ₹ 194.99 Lacs (₹ 186.33 Lacs during the financial year and ₹ 8.66 Lacs subsequently) with delay ranging from 1 to 6 days.

- Bank of Maharashtra TL, 15 instances of ₹ 746.32 Lacs (₹ 620.83 Lacs during the financial year and ₹ 125.49 Lacs subsequently) with delay ranging from 1 to 138 days.
 - Bank of Baroda TL, 11 instances of ₹ 150.79 Lacs (₹ 140.07 Lacs during the financial year and ₹ 10.72 Lacs subsequently) with delay ranging from 1 to 81 days.
 - Canara Bank TL-1, 14 instances of ₹ 419.66 Lacs (₹ 399.98 Lacs during the financial year and ₹ 19.68 Lacs subsequently) with delay ranging from 1 to 18 days.
 - Canara Bank TL-2, 15 instances of ₹ 156.08 Lacs (₹ 148.72 Lacs during the financial year and ₹ 7.36 Lacs subsequently) with delay ranging from 1 to 18 days.
 - Canara Bank WCTL, 15 instances of ₹ 952.47 Lacs (₹ 921.23 Lacs during the financial year and ₹ 31.24 Lacs subsequently) with delay ranging from 1 to 18 days.
 - Bank of Baroda TL, 6 instances of ₹ 147.98 Lacs (₹ 121.26 Lacs during the financial year and ₹ 26.72 Lacs subsequently) with delay ranging from 1 to 120 days.
 - Jammu and Kashmir Bank TL, 4 instances of ₹ 90.55 Lacs (₹ 90.55 Lacs during the financial year and ₹ Nil subsequently) with delay ranging from 1 to 93 days.
 - United Bank of India TL, 4 instances of ₹ 27.44 Lacs (₹ 18.34 Lacs during the financial year and ₹ 9.10 Lacs subsequently) with delay ranging from 1 to 113 days.
 - State Bank of Patiala TL, 15 instances of ₹ 94.54 Lacs (₹ 90.90 Lacs during the financial year and ₹ 3.64 Lacs subsequently) with delay ranging from 1 to 91 days.
 - State Bank of India WCTL, 16 instances of ₹ 791.66 Lacs (₹ 769.50 Lacs during the financial year and ₹ 22.16 Lacs subsequently) with delay ranging from 1 to 47 days.
 - Punjab National Bank TL, 3 instances of ₹ 194.35 Lacs (₹ 144.57 Lacs during the financial year and ₹ 49.78 Lacs subsequently) with delay ranging from 1 to 126 days.
 - Punjab National Bank WCTL, 11 instances of ₹ 160.13 Lacs (₹ 160.13 Lacs during the financial year and subsequently NIL) with delay ranging from 1 to 29 days.
 - Axis Bank WCTL, 16 instances of ₹ 232.58 Lacs (₹ 228.14 Lacs during the financial year and ₹ 4.44 Lacs subsequently) with delay ranging from 1 to 24 days.
 - Bank of India WCTL, 5 instances of ₹ 44.59 Lacs (₹ 44.59 Lacs during the financial year and ₹ NIL subsequently) with delay ranging from 1 to 88 days.
 - Bank of India TL, 12 instances of ₹ 644.60 Lacs (₹ 644.60 Lacs during the financial year and ₹ NIL subsequently) with delay ranging from 1 to 200 days.
 - United Bank of India TL, 13 instances of ₹ 647.70 Lacs (₹ 614.12 Lacs during the financial year and ₹ 33.57 Lacs subsequently) with delay ranging from 1 to 121 days.
 - State Bank of Patiala TL, 15 instances of ₹ 56.50 Lacs (₹ 55.51 Lacs during the financial year and ₹ 0.99 Lacs subsequently) with delay ranging from 1 to 89 days.
 - State Bank of Patiala TL, 15 instances of ₹ 94.12 Lacs (₹ 92.50 Lacs during the financial year and ₹ 1.62 Lacs subsequently) with delay ranging from 1 to 89 days.
 - State Bank of Patiala WCTL, 15 instances of ₹ 325.67 Lacs (₹ 306.95 Lacs during the financial year and ₹ 18.72 Lacs subsequently) with delay ranging from 1 to 91 days.
2. The Detail of amounts referred to in clause (b) above
- Allahabad Bank TL, 4 instances of ₹ 51.11 Lacs,
 - Punjab and Sind Bank WCTL, 1 instances of ₹ 4.51 Lacs,
 - Bank of Maharashtra TL, 1 instances of ₹ 33.99 Lacs,
 - Bank of Baroda TL, 2 instances of ₹ 21.38 Lacs,
 - Bank of Baroda TL, 2 instances of ₹ 52.80 Lacs,
 - Jammu and Kashmir Bank TL, 2 instances of ₹ 47.44 Lacs,
 - United Bank of India TL, 2 instances of ₹ 17.98 Lacs,
 - State Bank of Patiala TL, 1 instances of ₹ 3.91 Lacs,
 - Bank of India 4 instances of ₹ 64.12 Lacs,
 - Bank of India 3 instances of ₹ 201.18 Lacs,
 - United Bank of India 3 instances of ₹ 169.77 Lacs,
 - State Bank of Patiala 1 instance of ₹ 1.07 Lacs,
 - State Bank of Patiala 1 instance of ₹ 1.74 Lacs,
 - State Bank of Patiala WCTL 1 instance of ₹ 9.64 Lacs.
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 given corporate guarantees for loans taken by others from banks, the terms & conditions of such guarantees are, prima facie, not prejudicial to the interest of the Company.
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 on an overall examination of the balance sheet of the Company, *the funds raised by the Company on short term basis have been applied for long term investment to the extent of ₹ 18,180.55 lacs.*
18. The Company has not made any preferential allotment of shares during the year to any parties or companies 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 has not raised any money through public issues 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, noticed and reported during the year, nor have we been informed of such case by the management.

FOR S.S. KOTHARI MEHTA & CO.

Firm Regn. No.: 000756N

Chartered Accountants

Sd/-

(Arun K. Tulsian)

Partner

M. No. 089907

Place : Ludhiana

Date : 30th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in Lacs)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
1 Shareholder's Funds			
a) Share Capital	3	1,627.75	1,627.75
b) Reserves and Surplus	4	7,752.36	15,975.70
2. Non-Current Liabilities			
a) Long-Term Borrowings	5	20,032.41	21,291.72
b) Deferred Tax Liabilities (Net)	6	–	1,038.45
c) Other Long Term Liabilities	7	28.31	9.06
d) Long Term Provisions	8	150.73	700.07
3. Current Liabilities			
a) Short-Term Borrowings	9	18,617.24	21,558.66
b) Trade Payables	10	2,859.62	2,179.57
c) Other Current Liabilities	11	13,371.88	7,173.71
d) Short-Term Provisions	8	607.16	–
Total Equity & Liabilities		65,047.46	71,554.69
II. ASSETS			
1. Non-Current Assets			
a) Fixed Assets			
Tangible Assets	12	31,679.25	23,763.48
Intangible Assets	12	106.37	129.27
Capital Work in Progress	12	2,156.97	2,955.50
b) Non-Current Investments	13	13,650.48	13,122.48
c) Deferred Tax Assets (net)	6	1,290.85	–
d) Long Term Loans and Advances	14	314.37	–
2. Current Assets			
a) Current Anvestments	13	91.99	137.59
b) Inventories	15	3,101.51	14,439.54
c) Trade Receivables	16	4,614.69	7,343.08
d) Cash and Bank Balances	17	483.50	2,239.86
e) Short-Term Loans and Advances	14	7,557.48	7,423.89
Total Assets		65,047.46	71,554.69
Significant Accounting Policies	2		

The accompanying notes are an integral part of the financial statements.

Signed in terms of our report of even date

 For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

 Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

 Sd/-
Parvinder Singh
Chief Financial Officer

 Sd/-
Sushil Sharma
Company Secretary

 Sd/-
Ajay Chaudhry
Director

 Sd/-
Ashok Oswal
Chairman &
Managing Director

 Place : Ludhiana
Date : 30th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)			
Particulars	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
REVENUE			
I Revenue from operations	18	74,927.60	71,644.39
Less: Excise Duty		(0.30)	(1.61)
II Other Income	19	2,141.71	437.73
III Total Revenue (I +II)		<u>77,069.01</u>	<u>72,080.51</u>
IV EXPENSES:			
Cost of materials consumed	20	54,061.77	48,280.52
Purchase of Stock-in-Trade		1,321.83	1,137.34
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	3,072.15	(3,356.28)
Employee Benefits Expense	22	3,826.25	3,340.93
Finance Costs	23	6,771.95	4,705.97
Depreciation and Amortization Expense	24	2,959.69	2,731.77
Other Expenses	25	15,517.56	11,655.04
Total Expenses (IV)		<u>87,531.20</u>	<u>68,495.29</u>
V Profit/(Loss) before tax (III - IV)		(10,462.19)	3,585.22
VI Tax expense:			
(1) Current tax		3.74	15.25
(2) Deferred tax	6	(2,329.30)	900.00
(3) Previous year adjustment		4.59	-
VII Profit/(Loss) after tax (V-VI)		<u>(8,141.22)</u>	<u>2,669.97</u>
VIII Earning per Equity Share (Par value of ₹ 10/- each)			
(1) Basic (in ₹)	26	(50.12)	20.02
(2) Diluted (in ₹)	26	(50.12)	20.02
Significant Accounting Policies	2		

The accompanying notes are an integral part of the financial statements.
Signed in terms of our report of even date

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Sushil Sharma
Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 30th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	(10,462.19)	3,585.22
Add : Depreciation	2,959.69	2,731.77
Interest Paid	6,771.95	4,705.97
Net Loss on fixed assets sold / discarded	251.67	–
Foreign Currency Monetary Item Translation difference	–	61.76
Sundry Balance written off	8.18	125.24
Less : Dividend received	7.09	36.15
Net Profit on fixed assets sold / discarded	737.26	80.51
Net Profit on Investment sold	768.00	16.03
Interest Received	194.29	155.02
Sundry Balance written back	185.58	3.72
Operating Profit before working capital changes	(2,362.92)	10,918.53
Working capital		
Trade receivables	2,728.39	(3,045.07)
Inventories	11,338.04	(6,499.38)
Loans & advances / Other current assets	(301.99)	(1,459.98)
Trade payable & other liabilities	6,220.09	1,623.98
Cash Generation from operating activities	17,621.61	1,538.08
Tax Paid	31.41	411.02
Net Cash from operating activities	17,653.02	1,949.10
B CASH FLOW FROM INVESTING ACTIVITIES		
Addition in Fixed Assets (net)	(11,383.17)	(3,170.02)
Sale of Fixed Assets	1,814.73	131.41
Dividend Received	7.09	36.15
Purchase of Investments	(528.00)	(18.39)
Interest Received	194.29	155.02
Sale of Investments	45.60	435.35
Net Cash from investing activities	(9,849.46)	(2,430.48)
C CASH FROM FINANCING ACTIVITIES		
Long term borrowings - Term Loans (Net of Repayments)	(491.31)	(2,807.06)
Short term borrowings (working capital)	(2,941.42)	7,046.74
Issue of Share Capital	–	2,040.13
Interest Paid	(6,127.19)	(4,705.97)
Net Cash from financing activities	(9,559.92)	1,573.84
INCREASE IN CASH OR CASH EQUIVALENTS	(1,756.36)	1,092.46
Opening cash or cash equivalents	2,239.86	1,147.40
Closing cash or cash equivalents	483.50	2,239.86

Figures of the previous years have been regrouped and rearranged where ever considered necessary.

Signed in terms of our report of even date

 For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

 Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

 Sd/-
Parvinder Singh
Chief Financial Officer

 Sd/-
Sushil Sharma
Company Secretary

 Sd/-
Ajay Chaudhry
Director

 Sd/-
Ashok Oswal
Chairman &
Managing Director

 Place : Ludhiana
Date : 30th May, 2012

Vardhman Polytex Limited-Notes forming part of Financial Statements

1. BASIC OF PREPARATION

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements have been prepared to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended and as applicable from time to time) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention on Going Concern basis.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS

During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of these financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

2.2 USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

2.3 REVENUE RECOGNITION

SALE OF GOODS

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- (i) Revenue is recognized in respect of export sales on the basis of bill of lading and in respect of domestic sales on dispatch from factory.
- (ii) Inter-Unit sales comprising of sale of yarn from Spinning Unit to Dyeing Unit is reduced from gross turnover in deriving net turnover.
- (iii) Income and Export Incentives / benefits are accounted for on accrual basis and as per principles given under AS-9 - Revenue Recognition.

DIVIDENDS

Revenue in respect of dividends is recognized when the shareholders' right to receive payment is established by the balance sheet date.

2.4 INVENTORIES

- (i) Finished goods and work in progress are valued at lower of historical cost or net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. By products are valued at net realizable value. Cost is determined on a weighted average basis.
- (ii) Stores, Spares and Raw Materials are valued at lower of historical cost or net realizable value. However materials & other items held for use in the production of inventories are not written below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
- (iii) Historical cost is determined on the basis of weighted average method.
- (iv) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.5 INVESTMENTS

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost individually. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments in case of long term investments.

2.6 FIXED ASSETS

Tangible Assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost comprises the purchase price (net of CENVAT / duty credits wherever applicable) and all direct costs attributable to bringing the asset to its working condition for intended use.

Intangible Assets

Capital Expenditure on purchase and development of identifiable non-monetary assets without physical substance is recognized as Intangible Assets in accordance with principles given under AS-26 - Intangible Assets. These are grouped and separately shown under the schedule of Fixed Assets. These are amortized over their respective expected useful lives.

2.7 DEPRECIATION & AMORTIZATION

Depreciation is provided on fixed assets over the useful lives of the assets estimated by the management, which are equivalent to the rates prescribed in Schedule XIV to the Companies Act, 1956 as per the straight line method.

Intangible assets are amortized over a period not exceeding ten years on a straight line basis.

2.8 IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Previously recognised impairment losses are reversed to the extent the recoverable amount exceeds the carrying amount.

2.9 FOREIGN EXCHANGE TRANSACTIONS / TRANSLATION

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

2.10 RESEARCH AND DEVELOPMENT

Revenue Expenditure on research and development including salaries, consumables and power & fuel is charged to Profit and Loss Account under respective heads of expenditure. Capital expenditure is shown as addition to fixed assets.

2.11 EMPLOYEES BENEFITS

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 - "Employee Benefits."

(i) Provident Fund & ESI

The Company makes contribution to statutory provident fund and Employee State Insurance in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948 which is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

(ii) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit / obligation at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses and past service costs. The defined benefit / obligation is calculated at or near the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year to which such gains or losses relate.

(iii) Leave Encashment

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

(iv) Superannuation Benefit

The Company makes contribution to superannuation fund which is a post employment benefit in the nature of a defined contribution plan & contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

(v) Other Short Term Benefits

Expense in respect of other short term benefits is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

2.12 LEASES

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Profit and Loss Account.

2.13 SEGMENT ACCOUNTING & REPORTING

The Company has only one segment of Textile (Yarn) and accordingly the disclosure requirement as prescribed in the Accounting Standard AS -17 on "Segment Reporting" as notified by Companies (Accounting Standard) Rules, 2006 is not applicable.

2.14 TAXES ON INCOME

Tax expense comprises of current and deferred. Provision for Current 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" as notified by Companies (Accounting Standards) Rules, 2006 Deferred Tax Liability/ Asset arising from timing differences between book and income tax profits is accounted for at the current rate of tax to the extent these differences are expected to crystallize in later years. However, deferred Tax Assets are recognized only if there is a reasonable/ virtual certainty of realization thereof. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

2.15 GOVERNMENT GRANT & SUBSIDIES

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

2.16 BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. A contingent liability is recognized for:-

- (i) A present obligation that arises from past events but is not recognized as a provision because either the possibility that an outflow of resources embodying economic benefits will be required to settle the obligation is remote or a reliable estimate of the amount of the obligation cannot be made.
- (ii) A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.
- (iii) Contingent assets are neither accounted for nor disclosed in the financial statements.

2.18 EARNING PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

3. SHARE CAPITAL

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Authorised		
7,00,00,000 (Previous Year 2,14,90,000 Equity Shares of ₹10/- each)	7,000.00	2,149.00
– (Previous Year 1,000 Redeemable Cumulative Preference Shares of ₹ 100/- each)	–	1.00
– (Previous Year 8,50,000 Redeemable Non Cumulative Preference Shares of ₹ 100/- each)	–	850.00
TOTAL	7,000.00	3,000.00
Issued, Subscribed and Paid-up		
1,62,42,957 (Previous Year 1,62,42,957 Equity Shares of ₹ 10/- each)	1,624.30	1,624.30
Forfeited Shares	3.45	3.45
TOTAL	1,627.75	1,627.75

The Authorised Share Capital of the Company was increased from ₹ 30,00,00,000/- (Rupees Thirty crore only) divided into 2,14,90,000 Equity Shares of ₹ 10/- each, 1,000 Redeemable Cumulative Preference Shares of ₹ 100/- each and 8,50,000 Redeemable Non Cumulative Preference Shares of ₹ 100/- each to ₹ 50,00,00,000/- (Rupees Fifty crore only) divided into 5,00,00,000 Equity Shares of ₹ 10/- each vide shareholders resolution at the Annual General Meeting held on 29.08.2011.

Further, the Authorised Share Capital of the Company was increased from ₹ 50,00,00,000/- (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crores) Equity Shares of ₹ 10/- (Rupees Ten only) each to ₹ 70,00,00,000/- (Rupees Seventy Crores only) divided into 7,00,00,000 (Seven Crores) Equity Shares of ₹ 10/- (Rupees Ten only) each vide shareholders resolution at the Extraordinary General Meeting held on 07.12.2011.

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	2011-12		2010-11	
	No of Shares	Rs / Lacs	No of Shares	Rs / Lacs
Equity Shares				
At the beginning of the year	1,62,42,957	1,624.30	1,26,25,957	1,262.60
Add: Shares Issued during the year	-	-	36,17,000*	361.70
Outstanding at the end of the year	<u>1,62,42,957</u>	<u>1,624.30</u>	<u>1,62,42,957</u>	<u>1,624.30</u>

* Equity shares arising out of conversion of the convertible warrants issued on preferential basis.

(b) Terms/rights attached to Equity Shares

Company has only one class of equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% Equity Shares in the company

Particulars	As at 31.03.2012		As at 31.03.2011	
	No of Shares Held	% holding	No of Shares held	% holding
Equity Shares				
Panchsheel Textile Mfg. & Trdg. Co. (P) Ltd.	44,02,917	27.11	44,02,917	27.11
Swarnim Tie Up (P) Ltd.	14,00,000	8.62	14,00,000	8.62

As per records of the company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(d) Aggregate number of shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date. Nil

4. RESERVES AND SURPLUS

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Capital Subsidy		
Balance as per the last financial statements	95.50	95.50
Add : Addition during the Year	-	-
Closing balance	<u>95.50</u>	<u>95.50</u>
Capital Redemption Reserve		
Balance as per the last financial statements	0.01	0.01
Add : Addition during the Year	-	-
Closing balance	<u>0.01</u>	<u>0.01</u>
Reserve for Bad & Doubtful Debts		
Balance as per the last financial statements	150.00	150.00
Less : Transfer to General Reserve	150.00	-
Closing balance	<u>-</u>	<u>150.00</u>
General Reserve		
Balance as per the last financial statements	10,216.21	10,216.21
Add : Transfer from Reserve for bad & doubtful debts	150.00	-
Closing balance	<u>10,366.21</u>	<u>10,216.21</u>
Amalgamation Reserve		
Balance as per the last financial statements	45.00	45.00
Add : Addition during the Year	-	-
Closing balance	<u>45.00</u>	<u>45.00</u>
Foreign Currency Translation Reserve		
Balance as per the last financial statements	(7.06)	(16.91)
Add : Addition during the Year	16.80	9.85
Closing balance	<u>9.74</u>	<u>(7.06)</u>
Securities Premium Reserve		
Balance as per the last financial statements	5,212.48	3,681.89
Add: Transferred during the year	-	1,827.66
Less: Utilized against Premium/Coupon on FCCB	98.92	297.07
Closing balance	<u>5,113.56</u>	<u>5,212.48</u>
Surplus / (deficit) balance in statement of profit and loss		
Balance as per the last financial statements	263.56	(2,406.41)
Add: Amount transferred from statement of profit and loss	(8,141.22)	2,669.97
Closing balance	<u>(7,877.66)</u>	<u>263.56</u>
TOTAL	<u>7,752.36</u>	<u>15,975.70</u>

5. LONG TERM BORROWINGS

Particulars	(₹ in Lacs)			
	Non-current portion		Current maturities	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Secured				
Term loans				
Rupee Loans from banks	14,379.81	8,514.87	3,060.24	2,785.25
Rupee Loan from Others	713.41	476.13	42.70	23.87
Working Capital Term Loan	4,728.26	6,802.70	2,251.24	1,864.29
Vehicle Loan	150.42	91.06	120.43	69.87
Unsecured				
Loans				
Foreign Currency Convertible Bonds	-	5,349.60	4,323.95	-
From others	-	-	702.00	575.00
Fixed Deposit from Public*	60.51	57.36	1.10	10.65
TOTAL	<u>20,032.41</u>	<u>21,291.72</u>	<u>10,501.66</u>	<u>5,328.93</u>

*FDR from Public includes deposits from directors ₹ 6.50 Lacs (Previous Year ₹ 6.50 Lacs)

Terms of repayment / details of security are as follows:

Rupee Term Loan from Banks

(₹ in Lacs)

Lending institution	Rate of Interest % P.A.	No of Instalments	Annual Repayment Schedule			
			O/s as on 31.03.12	O/s as on 31.03.11	2012-13	
Punjab National Bank	15.25	32 Qtly	4,000.00	-	250.00	500.00 each from 13-14 to 20-21 & 250.00 in 21-22
Bank of Baroda	15.75	32 Qtly	2,000.00	-	125.00	250.00 each from 13-14 to 20-21 & 125.00 in 21-22
Jammu & Kashmir Bank	15.75	32 Qtly	1,800.00	-	0.00	112.50 in 13-14, 225.00 from 14-15 to 21-22 and 112.50 in 22-23
United Bank of India	15.15	32 Qtly	700.00	-	43.75	87.50 each from 13-14 to 20-21 & 43.75 in 21-22
State Bank of Patiala	14.50	8 Qtly	85.22	128.69	42.88	42.88 in 13-14
State Bank of Patiala	14.50	8 Qtly	139.99	211.99	72.00	68.00 in 13-14
State Bank of Patiala	14.50	4 Qtly	249.37	499.99	250.00	
Bank of Maharashtra	16.35	24 Qtly	2,350.13	2,626.05	375.00	375.00 each from 13-14 to 18-19
United Bank of India	16.35	20 Qtly	2,205.00	2,520.00	420.00	420.00 each from 13-14 to 17-18
Canara Bank	12.00	23 Qtly	1,916.92	2,249.90	333.36	333.36 each from 13-14 to 17-18 and 247.12 in 18-19
Canara Bank	15.00	23 Qtly	575.00	675.00	100.00	100 each from 13-14 to 17-18 and 75 in 18-19
Allahabad Bank	17.75	12 Qtly	422.50	520.00	130.00	130.00 each from 13-14 to 14-15
Corporation Bank	16.25	8 Qtly	620.92	931.00	312.00	307.00 in 13-14
Bank of India	15.25	1 Qtly	375.00	937.50	187.50	
Payable on account of default					418.75	
Sub Total			17,440.05	11,300.12	3,060.24	

Working Capital Term Loan

Canara Bank	16.25	13 Qtly	2,272.98	2,800.00	700.00	700.00 each from 13-14 to 14-15 & 175.00 in 15-16
State Bank of India	17.75	12 Qtly	1,500.00	2,000.00	500.00	500.00 each from 13-14 to 14-15
State Bank of Patiala	17.00	12 Qtly	637.50	850.00	212.50	212.50 each from 13-14 to 14-15
Bank of India	15.25	13 Qtly	572.00	654.00	164.00	164.00 each from 13-14 to 14-15 & 80.00 in 15-16
Punjab National Bank	17.00	14 Qtly	572.25	654.00	163.50	163.50 each from 13-14 to 14-15 & 81.75 in 15-16
Punjab and Sind Bank	15.65	12 Qtly	348.76	465.00	116.24	116.24 each from 13-14 to 14-15
Axis Bank	15.75	8 Qtly	332.00	500.00	168.00	164.00 in 13-14
Bank of Baroda	17.00	15 Qtly	744.00	744.00	186.00	186.00 each from 13-14 to 14-15 & 139.50 in 15-16
Payable on account of default					41.00	
Sub Total			6,979.49	8,667.00	2,251.24	
Gross Total			24,419.54	19,967.12	5,311.48	

Term Loan from others

Lending institution	Rate of Interest	No. of Instalments	Annual Repayment Schedule			
			O/s as on 31.03.12	O/s as on 31.03.11	12-13	
Religare Finvest Ltd	15.25	113 Monthly	474.00	500.00	27.54	EMI of ₹ 7.39 Lacs per month till Sept.'2021
Religare Finvest Ltd.	15.25	113 Monthly	282.11	--	15.16	EMI of ₹ 4.59 Lacs per month till Sept.'2021
Total			756.11	500.00	42.70	

Vehicle Loan

Lending institution	Rate of Interest	No. of Instalments	Annual Repayment Schedule				
			O/s as on 31.03.12	O/s as on 31.03.11	12-13	13-14	14-15
HDFC Bank	11.50	24 Monthly	136.38	-	60.55	75.83	
ICICI Bank	10.25	25 Monthly	76.27	77.45	34.96	35.99	5.80
Axis Bank	10.75	36 Monthly	50.30	26.37	17.02	18.77	14.51
Kotak Bank	11.00	6 Monthly	7.90	57.11	7.90		
Total			270.85	160.93	120.43	130.59	20.31

(a) Term loans from Financial Institutions and Banks as stated as above are/shall be secured by way of joint equitable mortgage of all the immovable properties (present and future) of the Company ranking on pari- passu basis and

hypothecation of all movable assets of the Company (except book debts) subject to prior charge of the company's bankers on specified movable assets in respect of working capital borrowings.

- (b) Term Loan from others is guaranteed by promoter company M/s Panchsheel Textile Mfg & Trading Co. Pvt Ltd. along with charge on specific assets.
- (c) All the Term Loans & Working Capital Term Loan are guaranteed by Promoter directors.

The period and amount of default as on the Balance sheet date as under: (₹ in Lacs)

Particulars	Period of default	Principal	Interest accrued and due	Total
As at 31-03-2012	From			
-Secured	01.01.12 to 31.03.12	459.75	593.35	1,053.10

6. DEFERRED TAX (NET)

(₹ in Lacs)

Particulars	As at 31.03.2012	Charge/ (credit) during the year	As at 31.03.2011
Deferred tax liabilities			
Arising on account of Timing difference			
Accumulated Depreciation	2,648.63	(796.03)	3,444.66
Deferred tax assets			
Arising on account of Timing difference			
Unabsorbed Depreciation / Losses and Sec 43B items	(3,939.48)	(1,533.27)	(2,406.21)
Net deferred tax Liability/ (Assets)	(1,290.85)	(2,329.30)	1,038.45

7. OTHER LONG TERM LIABILITIES

(₹ in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Others		
Expense Liability	28.31	9.06
TOTAL	28.31	9.06

8. PROVISIONS

(₹ in Lacs)

Particulars	Long-term		Short-term	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Premium on Redemption of FCCB	-	579.03	575.59	-
Employee benefits	150.73	121.04	31.57	-
TOTAL	150.73	700.07	607.16	-

9. SHORT TERM BORROWINGS

(₹ in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Secured		
Loans repayable on demand		
Working capital loans from banks	16,078.76	16,126.49
Unsecured		
Letter of Credit/ Sale bill discounting with the Banks/FIs	2,538.48	2,150.70
Others	-	3,281.47
TOTAL	18,617.24	21,558.66

- a) Working Capital Loans from Banks are secured by hypothecation of all stocks, present and future of stores, spare parts, packing materials, raw materials, finished goods, goods in transit/process, book debts, outstanding monies receivable, claims, bills etc. and second charge by way of joint equitable mortgage of immovable properties of the Company.
- b) Personal Guarantee has been given by Promoters Mr. Ashok Oswal & Mr. Adish Oswal.

10. TRADE PAYABLES

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Payable to Micro & Small Enterprises	-	-
Payable to other than Micro & Small Enterprises	2,835.50	2,142.76
Trade Deposits & Advances	24.12	36.81
TOTAL	2,859.62	2,179.57

The information as required to be disclosed under the Micro, Small and Medium Enterprises (Development) Act, 2006 ("the Act") has not been received so far, so the disclosure requirement for balance outstanding, interest paid/payable as at the year end as required by the Act has not been given.

11. OTHER CURRENT LIABILITIES

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Current maturities of long-term borrowings* (Note No-5)	10,501.66	5,328.93
Interest accrued and due on long term borrowings	593.35	-
Interest accrued but not due	51.41	-
Creditor for Service & Contracts	99.14	40.35
Security Deposits	80.76	35.46
Unclaimed dividend#	17.80	22.76
Other payables		
Employees Related	491.91	579.89
Statutory Dues	152.51	135.68
Trade Expenses	679.25	595.19
Others	704.09	435.45
TOTAL	13,371.88	7,173.71

* Payable on account of default ₹ 459.75 Lacs (Previous Year Nil).

Investors Education and Protection Fund under Section 205C of Companies Act 1956 will be credited by unclaimed dividend amount expiring on seven years from the dividend declaration, the amount is not due at the year end.

12. FIXED ASSETS

(₹ in Lacs)

Sr. No.	Particulars	Gross Carrying Value				Depreciation/ Amortization				Net Carrying Value	
		As at 01.04.11	Addition during the year	Deduction during the year	As as 31.03.12	As at 01.04.11	Addition during the year	Deduction during the year	As at 31.03.12	WDV as at 31.03.12	WDV as at 31.03.11
I Tangible Assets											
1.	Land (Leased)	171.00	2.07	-	173.07	-	-	-	-	173.07	171.00
2.	Land (Freehold)	1,754.29	268.92	328.16	1,695.05	-	-	-	-	1,695.05	1,754.29
3.	Building	9,159.01	3,821.61	948.43	12,032.19	1,800.46	269.80	101.06	1,969.20	10,062.99	7,358.55
4.	Plant and Equipment	32,455.39	7,762.76	59.10	40,159.05	18,465.31	2,575.39	47.36	20,993.34	19,165.71	13,990.08
5.	Furniture & Fixtures	179.73	29.75	0.54	208.94	114.88	8.79	0.10	123.57	85.37	64.85
6.	Vehicles	526.66	119.16	30.02	615.80	174.13	47.77	23.32	198.58	417.22	352.53
7.	Office Equipment	111.97	13.16	0.16	124.97	39.79	5.39	0.05	45.13	79.84	72.18
	SUB TOTAL (A)	44,358.05	12,017.43	1,366.41	55,009.07	20,594.57	2,907.14	171.89	23,329.82	31,679.25	23,763.48
II Intangible Assets											
8.	Trade Mark (bought out)	3.27	-	-	3.27	2.39	0.33	-	2.72	0.55	0.88
9.	Software (bought out)	323.22	29.99	0.98	352.23	194.83	52.22	0.64	246.41	105.82	128.39
	SUB TOTAL (B)	326.49	29.99	0.98	355.50	197.22	52.55	0.64	249.13	106.37	129.27
III Capital Work-in-progress (Tangible Assets)											
	SUB TOTAL (C)									2,156.97	2,955.50
	TOTAL [A + B + C]	44,684.54	12,047.42	1,367.39	55,364.57	20,791.79	2,959.69	172.53	23,578.95	33,942.59	26,848.25
	(Current Year)										
	(Previous Year)	<u>43,743.98</u>	<u>1,043.18</u>	<u>102.62</u>	<u>44,684.54</u>	<u>18,111.72</u>	<u>2,731.77</u>	<u>51.70</u>	<u>20,791.79</u>	<u>26,848.25</u>	<u>26,460.93</u>

a) The Freehold Land cost is net of subsidy ₹ 16.20 lacs (previous year ₹ 16.20 lacs) received from the State Government freehold land of ₹ 592.59 lacs - (Previous year ₹ 592.59 lacs) pending conveyancing in favour of the company. Lease hold land is on 95 year lease.

- b) Land includes ₹ 22.69 lacs (Previous year ₹ 22.69 lacs) purchased at Nalagarh, pending transfer of title in favour of the company.
- c) Building includes Nil (Previous year ₹ 85.05 lacs) being cost of flat at Delhi, pending transfer of title in favour of the company and ₹ 359.78 lacs (Previous year ₹ 359.78 lacs) being cost of industrial shed at focal point, Ludhiana pending conveyancing in favour of the company.

13. INVESTMENT

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Non-Current Investments		
Other Investment (valued at cost, except for permanent diminution in value)		
Investments in Equity Instruments		
<u>Unquoted-Investment in subsidiary</u>		
<i>Oswal Industrial Enterprises (P) Ltd</i>		
4,50,99,999 (Previous year 4,50,99,999) Equity Shares of ₹10/- each fully paid	4,501.00	4,501.00
<i>Oswal FM Hammerle Textiles Ltd.</i>		
9,12,64,073 (Previous year 8,59,84,073) Equity Shares of ₹10/- each fully paid	9,126.41	8,598.41
<i>FM Hammerle Verwaltung GmbH, Austria</i>	22.54	22.54
(Minimum Registration Capital)		
<i>FM Hammerle Nfg GmbH, Austria (Minimum Registration Capital)</i>	22.54	22.54
Provision for diminution in the value of Investment (#)	(22.54)	(22.54)
Investments in Preference Shares		
<u>Un-Quoted-Investment in subsidiary</u>		
<i>Oswal Industrial Enterprise (P) Ltd.</i>		
4,95,000 (Previous year 4,95,000) Preference Shares of ₹ 100/- each	495.00	495.00
Provision for diminution in the value of Investment (#)	(495.00)	(495.00)
<u>Unquoted -Investment in others</u>		
<i>VKM Colour Spin Limited</i>		
250 (Previous Year 250) Equity shares of ₹ 10/- each fully paid	0.03	0.03
<i>Deluxe Fabrics Limitd</i>		
5000 (Previous Year 5000) Equity Shares of ₹ 10/- each fully paid	0.50	0.50
TOTAL	<u>13,650.48</u>	<u>13,122.48</u>
Current Investments		
Other investments (valued at lower of cost and net realizable value)		
<u>Quoted - Investment in others</u>		
- (Previous year 15,000) Equity Shares of ₹ 10/- each of DCM Ltd.	-	11.43
- (Previous Year 3,000) Equity shares of Re. 1/- each of Sterlite Ind. Ltd.	-	4.94
- (Previous Year 5,000) Equity Shares of ₹ 2/- each of Unitech Ltd.	-	2.02
<u>Unquoted- Investment in Others</u>		
Nifty Linked Fixed Growth Funds	-	10.25
Investment in Mutual Funds	91.99	108.95
TOTAL	<u>91.99</u>	<u>137.59</u>
GROSS TOTAL	<u>13,742.47</u>	<u>13,260.07</u>
Aggregate amount of quoted investments	-	18.39
Market value of quoted investments	-	18.66
Aggregate amount of unquoted investments	13,742.47	13,241.68
Aggregate provision for diminution in value of investments (#)	517.54	517.54

14. LOANS & ADVANCES

(₹ in Lacs)

Particulars	Long-term		Short-term	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Unsecured, considered good unless stated otherwise				
Security deposits	314.37	–	–	–
Advances for goods / services				
Unsecured, considered good	–	–	940.50	1,979.93
Balances with statutory authorities	–	–	1,381.74	1,282.79
Prepaid expenses	–	–	365.48	174.09
Interest Receivable (including TUFs Subsidy)	–	–	376.32	983.91
Direct taxes refundable (net of provisions ₹ 2,998.28 Lacs, previous year ₹ 3,568.96 Lacs)	–	–	561.78	522.01
Application money in Subsidiary pending allotment	–	–	–	528.00
Advance to Subsidiaries	–	–	2,582.71	1,475.79
Export Incentive Receivable	–	–	297.36	86.84
Other Receivable	–	–	1,051.59	390.53
TOTAL	314.37	–	7,557.48	7,423.89

- Based on legal advice, discussions with the solicitors, etc., the management believes that there are fair chances of decisions in the Company's favour in respect of all the items listed above and no value adjustment is considered necessary.
- Direct taxes refundable represent amounts recoverable from the Income Tax Department for various assessment years. In respect of disputed demands, company has filed appeals which are pending at various levels and the company is hopeful of getting the desired reliefs at various forums. Necessary value adjustments shall be made on final settlement by the department.
- Provision for Income Tax for earlier years has been made based on the Tax Liability calculated at prevalent rates.
- Balance with Statutory authorities includes ₹ 142.24 Lacs (Previous Year ₹ 163.83 Lacs) 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.

15. INVENTORIES

(As taken, valued and certified by management) (valued at lower of cost and net realizable value) (₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Raw materials	916.50	9,202.48
Finished goods (Refer Note no. - 21)	1,059.92	4,010.01
Work-in-progress (Refer Note no. - 21)	944.65	1,066.71
Stores and Spares	180.44	160.34
TOTAL	3,101.51	14,439.54

16. TRADE RECEIVABLES

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	754.98	883.96
Doubtful	185.79	–
Less : Provision for Doubtful Debts	(185.79)	–
TOTAL (A)	754.98	883.96
Other receivables		
Unsecured, considered good	3,859.71	6,459.12
Doubtful	–	–
TOTAL (B)	3,859.71	6,459.12
TOTAL (A+B)	4,614.69	7,343.08

17. CASH AND BANK BALANCES

Particulars	(₹ in Lacs)			
	Non-Current		Current	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Cash and cash equivalents				
Cash in hand	–	–	25.52	294.31
Bank Balance in current accounts	–	–	276.64	357.65
Bank Balance in fixed deposit accounts with maturity of upto three months	–	–	–	616.38
Cheques in hand	–	–	18.46	800.00
SUB TOTAL	–	–	320.62	2,068.34
Other bank balances				
Held as margin money	–	6.50	–	–
Fixed Deposits with maturity more than one year*	162.88	165.02	–	–
SUB TOTAL	162.88	171.52	–	–
TOTAL	162.88	171.52	320.62	2,068.34

*Pledged with Bank against Bank Guarantee to Custom Department and others.

18. REVENUE FROM OPERATIONS

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
Sale of products		
Grey Yarn	55,485.28	54,163.74
Dyed Yarn	10,368.53	11,691.24
Garments	542.69	588.46
Trading Goods (Textile goods)	1,525.13	1,189.86
Waste Sale	5,545.62	3,860.43
Sale of Services (Job Work)	9.13	36.34
Other Operating Income (Export Incentives)	1,451.22	114.32
TOTAL	74,927.60	71,644.39

19. OTHER INCOME

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
Interest Income from bank deposits and others	194.29	155.02
Profit from Sale of Investment / Buyback of FCCB liability	768.00	16.03
Profit from Sale of Fixed Assets	737.26	80.51
Dividend Income from current investment	7.09	11.57
Provisions no longer required written back	185.58	3.72
Other Misc. Income	249.49	170.88
TOTAL	2,141.71	437.73

20. COST OF MATERIAL CONSUMED

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
Raw material consumption		
Cotton	44,059.46	34,417.65
Cotton Yarn	2,972.75	5,425.10
Synthetic Fibre	7,029.56	8,437.77
Cost of Material Consumed	54,061.77	48,280.52

The above consumption figures are disclosed on the basis of derived figures and are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

Value of Indigenous & Imported Raw Material Consumption

Particulars	Current Year		Previous Year	
	₹ In Lacs	%	₹ In Lacs	%
Indigenous - Raw Material	53,837.77	99.59	47,707.55	98.81
Imported - Raw Material	224.00	0.41	572.97	1.19
TOTAL	54,061.77	100.00	48,280.52	100.00

21. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Inventories (At close)		
Finished Goods (including waste)	1,059.92	4,010.01
Work-in-progress	944.65	1,066.71
Trading goods	-	-
SUB TOTAL	2,004.57	5,076.72
Inventories (At opening)		
Finished Goods (including waste)	4,010.01	930.79
Work-in-progress	1,066.71	789.65
Trading goods	-	-
SUB TOTAL	5,076.72	1,720.44
(Increase)/Decrease	3,072.15	(3,356.28)

22. EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Salaries and wages	3,413.31	2,984.65
Contribution to provident and other funds	267.05	242.58
Staff welfare	145.89	113.70
TOTAL	3,826.25	3,340.93

23. FINANCE COSTS

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Interest expense		
Term Loans	1,356.68	925.45
Working Capital Borrowings	3,619.51	2,998.59
Other Loans	1,549.81	529.25
Other borrowing costs	130.19	176.14
Fluctuation on Foreign Currency Loan	115.76	76.54
TOTAL	6,771.95	4,705.97

24. DEPRECIATION AND AMORTIZATION

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Depreciation of tangible assets	2,907.14	2,680.89
Amortization of intangible assets	52.55	50.88
TOTAL	2,959.69	2,731.77

25. OTHER EXPENSES

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
Consumption of stores and spare parts	226.56	240.95
Dyes & Chemical	1,083.86	1,214.30
Packing Charges	1,039.67	990.41
Job/Process Charges	89.64	137.90
Power & fuel	6,788.92	5,682.67
Repairs and maintenance		
Plant & machinery	599.72	654.20
Building	42.07	55.97
General	94.35	40.28
Rent	62.24	42.80
Rates and taxes	62.93	37.34
Insurance Charges	64.34	60.73
Travelling Expenses	295.58	185.63
Legal & Professional Expenses	192.33	123.21
Loss on account of un-implemented project	134.27	–
Difference in exchange rates (Net)	1,309.55	(361.79)
Provision for Doubtful debts	185.79	–
Sundry Balances written off	8.18	125.24
Loss on Sale of Fixed Assets	117.40	0.24
Loss on Sale of Raw Material	147.68	–
Selling Commission	926.73	739.08
Delivery Expenses	1,175.80	980.79
Rebate & Discounts	166.30	167.77
Advertisement Cost	1.24	5.35
Bank Charges	319.19	224.69
Miscellaneous expenses	383.22	307.28
TOTAL	15,517.56	11,655.04

PAYMENTS TO THE STATUTORY AUDITORS

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
As Auditor		
Statutory audit	3.86	3.86
Tax Audit	1.38	1.38
Other Services	1.65	1.65
Reimbursement of expenses	1.69	1.81

VALUE OF INDIGENOUS & IMPORTED STORES & SPARES CONSUMPTION

Particulars	(₹ in Lacs)			
	Current Year		Previous Year	
	Amount	%	Amount	%
Indigenous - Stores & Spares	170.92	75.44	185.03	76.79
Imported - Stores & Spares	55.64	24.56	55.92	23.21
TOTAL	226.56	100.00	240.95	100.00

26. EARNINGS PER SHARE

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
The basic and diluted Earning Per Share is as under:		
Net Profit After Tax (₹ in Lacs)	(8,141.22)	2,669.97
Weighted average no. of Equity Shares outstanding (*)	1,62,42,957	1,33,39,193
Basic Earning Per Share (₹)	(50.12)	20.02
Diluted Earning Per Share (₹)	(50.12)	20.02

* There are no dilutive potential equity shares.

Note - The Conversion Price of 2% Foreign Currency Convertible Bonds & Preferential Warrants in the previous year 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 earnings per share.

27. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
(a) Bank Guarantees	17.20	15.00
(b) Claims against the Company not acknowledged as debts	306.28	415.12
(c) Letter of Credit Outstanding (net of document discounted with banks)	–	1,533.13
(d) Bills discounted with bankers	5,858.35	4,421.15
(e) Income Tax demands under appeal	144.00	271.92
(f) Demand of PSEB for voltage surcharge and DSA	255.55	255.55
(g) Subordination letter for not to withdraw the loan from Foreign Subsidiary until Negative equity situation reverses	238.66	238.66
(h) Corporate Guarantee given on behalf of Subsidiary Company "Oswal F. M. Hammerle Textiles Ltd" pursuant to scheme of CDR	8,233.00	8,233.00

28. OBLIGATIONS AND COMMITMENTS OUTSTANDING

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
a) Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	2,081.92	5,793.13
b) Liability on EPCG License pending export fulfillment	5,101.94	–

29. DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE
a) Particulars of foreign currency forward contracts and derivatives outstanding at the Balance Sheet date

Particulars	Currency	As at 31.03.2012		As at 31.03.2011	
		Amount in FC(Mio)	Amount (₹ in Lacs)	Amount in FC(Mio)	Amount (₹ in Lacs)
Debtors (Net of Advances)	USD	22.19	11,202.00	15.25	7,081.50
TOTAL	USD	22.19	–	15.25	–
Option	JPY	146.97	500.00	146.97	500.00
TOTAL	JPY	146.97	–	146.97	–

b) Particulars of foreign currency exposure un-hedged at the balance sheet date

Particulars	Currency	As at 31.03.2012		As at 31.03.2011	
		Amount in FC(Mio)	Amount (₹ in Lacs)	Amount in FC(Mio)	Amount (₹ in Lacs)
Debtors (Net of Advances)	USD	0.79	356.01	0.93	413.55
TOTAL	USD	0.79	–	0.93	–
Loan	USD	8.50	4,323.95	12.00	5,349.60
TOTAL	USD	8.50	–	12.00	–

30. Inventories, loans & advances, trade receivables and other current / non-current assets are reviewed annually and in the opinion of the Management do not have a value on realization in the ordinary course of business, less than the amount at which they are stated in the Balance Sheet.

31. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plan

Contribution to Defined Contribution Plan Recognized as expenses for the year as under:- (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
i) Employer's Contribution to Provident Fund	153.43	141.84
ii) Employer's Contribution to Superannuation Fund	1.64	10.57
iii) Employer's Contribution to Pension Scheme	111.98	90.17

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 obligations.

i) Reconciliation of Opening and Closing Balances of Defined Benefit Obligation (₹ in Lacs)

Particulars	Gratuity Funded Year ended	
	2011-2012	2010-2011
Defined Benefit Obligation at the beginning of the year	294.63	163.70
Current Service Cost	48.01	45.17
Interest Cost	23.67	12.92
Actuarial (Gain) / Loss	5.16	96.14
Benefit Paid	(48.20)	(23.30)
Defined Obligation at year end	323.27	294.63

ii) Reconciliation of Opening and Closing Balances of Fair Value of Plan Assets (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Fair Value of Plan Assets at the beginning of the year	181.17	159.48
Expected Return on Plan assets	21.64	13.07
Actuarial (Gain) / Loss	(1.01)	0.90
Employer Contribution	118.64	7.72
Benefit Paid	-	-
Fair Value of Plan Assets at year end	320.44	181.17

iii) Reconciliation of Fair Value of Assets & Obligations (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Fair Value of Plan Assets at the end	320.44	181.17
Present value of obligation	323.27	294.62
Amount recognized in balance sheet	2.83	113.45

iv) Amount recognized in the statement of Profit & Loss (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Current Service Cost	48.01	45.17
Interest Cost	23.67	12.92
Expected Return on Plan Assets	(21.64)	(13.07)
Actuarial (Gain)/Loss recognized in IVP	6.18	95.24
Amount recognized in the statement of Profit & Loss	56.22	140.26

- v) The Principal assumptions used in determining Gratuity for the Company's plans are shown below :

Particulars	Year ended	
	2011-2012	2010-2011
Discount Rate	8.75%	8.50%
Expected Rate of Return on Assets	9.00%	8.00%
Mortality Rate	LIC 94-96 Ultimate	LIC 94-96 Ultimate
Salary Rise	6.00%	8.00%

- vi) Amount for the Current year and Previous four years in respect of Gratuity are as follows:- (₹ in Lacs)

Particulars	Year ended		
	2011-2012	2010-2011	2009-2010
Defined benefit Obligation	294.62	163.70	144.82
Plan Assets	320.44	181.16	1.59
Surplus / (Deficit)	(2.83)	(113.45)	(4.21)
Experience adjustment on plan assets	(1.01)	0.90	0.74
Experience adjustment on plan liabilities	(5.16)	(96.14)	10.05

Disclosures as required under para 120 (n) in respect of two annual periods in addition to above as required by AS - 15 is not presented as the management considers it impracticable in the absence of requisite information.

32. RELATED PARTY DISCLOSURES

- (i) List of Related Parties and relationships

Particulars	2011-12	2010-11
a) Subsidiary Company	Oswal F.M. Hammerle Textiles Ltd. Oswal Industrial Enterprise Private Limited F M Hammerle Verwaltung GmbH, Austria	Oswal F.M. Hammerle Textiles Ltd. Oswal Industrial Enterprise Private Limited F M Hammerle Verwaltung GmbH, Austria
b) Key Management Personnel (KMP)	Mr. Ashok Oswal Mr. Adish Oswal	Mr. Ashok Oswal Mr. Adish Oswal
c) Relative of KMP	Mrs. Manju Oswal Mrs. Rakhi Oswal Mr. Abhinav Oswal Ms. Aketa Oswal	Mrs. Manju Oswal Mrs. Rakhi Oswal Mr. Abhinav Oswal Ms. Aketa Oswal
d) Enterprise over which KMP is able to exercise significant influence	Panchsheel Textile Mfg & Trading Co. (P) Ltd. Enakshi Investments Private Limited Liberty Mercantile Co.(P)Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments Private Limited Ruby Mercantile Co. Private Limited Boras Investment & Trading Co. (P) Limited Gagan Mercantile Co. Private Limited Pioneer Mercantile India Private Limited Adesh Investment & Trading Co. (P) Limited Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech Pvt. Ltd. Oswal Tradecom Pvt. Ltd. Oswal Holding Pvt. Ltd. Nightangle Dealcom Pvt. Ltd. Alma Assets Consultancy (P) Ltd.	Panchsheel Textile Mfg & Trading Co. (P) Ltd. Enakshi Investments Private Limited Liberty Mercantile Co.(P)Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments Private Limited Ruby Mercantile Co. Private Limited Boras Investment & Trading Co. (P) Limited Gagan Mercantile Co. Private Limited Pioneer Mercantile India Private Limited Adesh Investment & Trading Co. (P) Limited Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech Pvt. Ltd. Oswal Tradecom Pvt. Ltd. Oswal Holding Pvt. Ltd. Nightangle Dealcom Pvt. Ltd. Alma Assets Consultancy (P) Ltd.

(ii) Transactions with related parties during the year:-

(₹ in Lacs)

Particulars	Subsidiary		Key Management Personnel (KMP)		Relatives of Key Management Personnel		Enterprises over which KMP is able to exercise Significant Influence		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Loan/FDR Raised			100.00	185.00	75.00	24.00	100.00	180.00	275.00	389.00
Loan Repaid			100.00	185.00	77.00	20.00	105.00	175.00	282.00	380.00
Sale of Goods / DEP B	17.26	30.71							17.26	30.71
Purchase of Fabric/Bed Sheet	2.89	-							2.89	-
Sale of Real Estate					1,047.18	-			1,047.18	-
Investment in Equity Shares	528.00	-							528.00	-
Application money for Equity Share Capital pending allotment		461.95								461.95
Equity Share Issued							-	669.83	-	669.83
Advance	306.91	(10.76)							306.91	(10.76)
Expense Reimbursement	173.30	156.82							173.30	156.82
Rent Paid			25.82	24.36					25.82	24.36
Interest Income	299.66	338.21							299.66	338.21
Interest Paid			2.26	7.35	1.62	0.42	0.31	7.84	4.19	15.61
Remuneration					11.71	4.60			11.71	4.60
Managerial Remuneration			95.33	71.07					95.33	71.07
OUTSTANDING BALANCES AT YEAR END										
Corporate Guarantee Outstanding	8,233.00	8,233.00							8,233.00	8,233.00
Loan Payable/ Fixed Deposit			6.50	6.50	7.50	9.50	5.00	5.00	19.00	21.00
Investment	13,649.94	13,121.94							13,649.94	13,121.94
Application money for Equity Share Capital pending allotment	-	528.00							-	528.00
Advance	2,565.90	1,475.79							2,565.90	1,475.79

Notes :-

- Loan raised includes transaction with Mr. Ashok Oswal ₹ 100.00 Lacs (Previous Year ₹ 165.00 Lacs & ₹ 20.00 Lacs from Mr. Adish Oswal), ₹ 150.00 Lacs with Mrs. Manju Oswal (Previous Year Nil), ₹ 100.00 Lacs with Alma Assets Consultancy (P) Ltd. (Previous Year ₹ 130.00 Lacs & from Nightangle Dealcom (P) Ltd., ₹ 50.00 Lacs)
- Loan repaid includes transaction with Mr. Ashok Oswal ₹ 100.00 Lacs (Previous Year ₹ 165.00 Lacs & ₹ 20.00 Lacs from Mr. Adish Oswal), ₹ 150.00 Lacs with Mrs. Manju Oswal (Previous Year Nil), ₹ 100.00 Lacs with Alma Assets Consultancy (P) Ltd. (Previous Year ₹ 130.00 Lacs & from Nightangle Dealcom (P) Ltd., ₹ 45.00 Lacs)
- Sale of goods includes transaction with Oswal FM Hammerle Textiles Limited ₹ 17.26 Lacs (Previous Year ₹ 30.71 Lacs)
- Purchase of fabric/bed sheets includes transaction with Oswal F. M. Hammerle Textiles Limited ₹ 2.89 Lacs (Previous Year Nil)
- Sale of Real Estate includes transaction with Mrs. Manju Oswal ₹ 1,047.18 Lacs (Previous Year - Nil)
- Investment in Equity shares includes transactions with Oswal FM Hammerle Textiles Ltd. ₹ 528.00 Lacs (Previous Year Nil)
- Application money for equity share capital pending allotment includes transaction with Oswal FM Hammerle Textiles Limited Nil (Previous Year ₹ 461.95 Lacs)
- Equity Shares issued includes transactions with Alma Assets Consultancy (P) Ltd. Nil (Previous Year ₹ 320.53 Lacs) and with Nightangle Dealcom (P) Ltd. Nil (Previous Year ₹ 349.30 Lacs)
- Advance given includes transactions with Oswal FM Hammerle Textiles Ltd. ₹ 338.45 Lacs (Previous Year ₹ (21.15) Lacs), with Oswal Industrial Enterprises (P) Ltd ₹ (48.34) Lacs, (Previous Year ₹ 17.00 Lacs) and with FM Hammerle Verwaltung GmbH ₹ 16.80 Lacs (Previous Year ₹ 6.61 Lacs)
- Expenses reimbursement includes transactions with Oswal FM Hammerle Textiles Ltd ₹ 173.30 Lacs (Previous Year ₹ 156.82 Lacs)
- Rent paid includes transaction with Mr. Ashok Oswal ₹ 25.82 Lacs (Previous Year ₹ 24.36 Lacs)
- Interest Income includes transaction with Oswal FM Hammerle Textiles Limited ₹ 299.66 Lacs (Previous Year ₹ 338.21 Lacs)
- Interest paid includes transaction with Mr. Ashok Oswal ₹ 2.26 Lacs (Previous Year ₹ 7.23 Lacs), Mrs. Manju Oswal ₹ 1.37 Lacs (Previous Year Nil) and Nil (Previous Year ₹ 5.38 Lacs with Alma Assets Consultancy (P) Ltd. and ₹ 2.47 Lacs with Nightangle Dealcom (P) Ltd.)
- Remuneration includes transaction with Mr. Abhinav Oswal ₹ 11.71 Lacs (Previous Year ₹ 4.60 Lacs)
- Managerial Remuneration includes transaction with Mr. Ashok Oswal ₹ 48.15 Lacs (Previous Year ₹ 43.52 Lacs) and Mr. Adish Oswal ₹ 47.18 Lacs (Previous Year ₹ 27.55 Lacs)

33. The Company has only one segment of Textile and accordingly the disclosure requirement as prescribed in the Accounting Standard AS -17 on "Segment Reporting" as notified by Companies (Accounting Standard) Rules, 2006 is not applicable.

34. a) Value of imports calculated on CIF basis in respect of: (Accrual Basis)

(₹ in Lacs)

Particulars	Year ended	
	31.03.2012	31.03.2011
Raw materials	224.00	572.97
Components & spare parts	191.61	213.43
Capital Goods	2,309.17	147.37
TOTAL	2,724.78	933.77

b) Expenditure in foreign currency on account of: (Accrual basis)

(₹ in Lacs)

Particulars	Year ended	
	31.03.2012	31.03.2011
Commission, Consultancy, Travelling, Interest and Others	483.42	375.02

35. EARNINGS IN FOREIGN CURRENCY

(₹ in Lacs)

Particulars	Year ended	
	31.03.2012	31.03.2011
Export of goods calculated on FOB basis	28,552.59	21,276.44

36. In view of the current year losses on account of fluctuation in cotton fibre and cotton yarn prices during the year under audit, the Company has faced the stretched liquidity during the period. In order to correct the scenario, the Company has requested its lenders for the overall restructuring of its debts through CDR mechanism with cutoff date as on 31.12.2011. Accordingly, the Canara Bank has referred the case to CDR cell on 30.04.2012, being the Lead Bank."
37. There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)-29 'Provisions, Contingent Liabilities & Contingent Assets' as it is not probable that an outflow of resources embodying economic benefits will be refunded.
38. 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) Millions in the course of International Offerings. The expenses incurred & Premium payable on the redemption of such bonds has been adjusted with Share Premium reserves in accordance with the provisions of Section 78 of the Companies Act, 1956.
39. The Company is paying rentals for office premises taken on rent which are not in the nature of lease agreements. Therefore, disclosure requirements of Accounting Standard AS-19 are not applicable.
40. In accordance with the provisions of Accounting Standard on Impairment of Assets, (AS-28), the management has made assessment of assets in use & considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.
41. Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date attached

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For Vardhman Polytex Limited

Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Sushil Sharma
Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 30th May, 2012

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
OF VARDHMAN POLYTEX LIMITED AND ITS SUBSIDIARIES

To
The Board of Directors,
VARDHMAN POLYTEX LIMITED

We have audited the attached Consolidated Balance Sheet of VARDHMAN POLYTEX LIMITED ("the Company") and its subsidiaries (collectively referred to as "the Group") as at March 31, 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding subsidiaries. Our responsibility is to express an opinion on these financial statements based on our audit.

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 prepared, in all material respects, in accordance with identified financial reporting framework and 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the separate financial statements of a subsidiary, F.M. Hammerle Verwaltungs GmbH, Austria whose financial statements reflect total assets of ₹ 198.72 Lacs as at 31st March, 2012 (Previous year ₹ 208.41 Lacs) and total revenues of ₹ 51.46 Lacs (Previous year ₹ 154.27 Lacs) for the year then ended. The said financial statements of F.M. Hammerle Verwaltungs GmbH, which were furnished to us were certified by the management and were unaudited.

We also did not audit the financial statements of a subsidiary, Oswal Industrial Enterprise Private Limited, (Formerly known as Oswal Retail Private Limited) reflecting total assets of ₹ 290.10 Lacs as at 31st March, 2012 (Previous year ₹ 170.91 Lacs) and total revenues

of ₹ 1,278.77 Lacs (Previous year ₹ 150.58 Lacs) for the period then ended which have been audited by other auditors whose report have been furnished to us by the management and our opinion is based solely on the report of the other auditor.

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 Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended) and on the basis of the separate audited and management certified financial statements of the subsidiaries included in the Consolidated Financial Statements.

Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, 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:

- in the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March, 2012;
- in the case of Consolidated Statement of Profit & Loss, of the loss of the Group for the year ended on that date; and
- in the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

Sd/-
(Arun K. Tulsian)

Place : Ludhiana
Dated : 30th May, 2012

Partner
Membership No. 89907

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in Lacs)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds			
a) Share Capital	3	1,627.75	1,627.75
b) Reserves and Surplus	4	1,947.80	11,707.66
2. Minority Interest			
		181.48	588.00
3. Non-Current Liabilities			
a) Long-Term Borrowings	5	33,763.29	36,581.63
b) Deferred Tax Liabilities (Net)	6	-	1,038.45
c) Other Long Term Liabilities	7	28.31	9.06
d) Long Term Provisions	8	236.60	885.03
4. Current Liabilities			
a) Short-Term Borrowings	9	20,126.31	23,134.54
b) Trade Payables	10	4,155.48	3,699.75
c) Other Current Liabilities	11	15,521.31	7,508.13
d) Short-Term Provisions	8	620.37	1.34
Total Equity & Liabilities		<u>78,208.70</u>	<u>86,781.34</u>
II. ASSETS			
1. Non-Current Assets			
a) Fixed Assets			
Tangible Assets	12	47,983.79	40,732.41
Intangible Assets	12	1,763.62	2,045.93
Capital Work in Progress	12	2,157.60	3,034.26
		<u>51,905.01</u>	<u>45,812.60</u>
b) Goodwill on Consolidation		5,666.69	5,352.20
c) Non-Current Investments	13	0.53	0.53
d) Deferred Tax Assets (net)	6	1,290.85	-
e) Long Term Loans and Advances	14	414.55	52.27
f) Other Non-Current Assets	17	271.21	262.21
2. Current Assets			
a) Current Investments	13	91.99	137.59
b) Inventories	15	5,106.44	17,564.37
c) Trade Receivables	16	6,420.25	8,948.53
d) Cash and Bank Balances	17	877.07	1,647.85
e) Short-term Loans and Advances	14	6,164.11	7,003.19
Total Assets		<u>78,208.70</u>	<u>86,781.34</u>
Significant Accounting Policies	1		

The accompanying notes are an integral part of the financial statements

Signed in terms of our report of even date

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Sushil Sharma
Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 30th May, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)			
Particulars	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
REVENUE			
I Revenue from operations	18	85,494.44	80,425.24
Less: Excise Duty		(0.30)	(1.61)
II Other Income	19	2,234.03	520.91
III Total Revenue (I +II)		<u>87,728.17</u>	<u>80,944.54</u>
IV EXPENSES:			
Cost of materials consumed	20	58,607.07	53,465.65
Purchase of Stock-in-Trade		2,424.48	1,219.97
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	3,444.06	(4,340.39)
Employee Benefits Expense	22	5,174.69	4,447.06
Finance Costs	23	8,079.50	5,382.99
Depreciation and Amortization Expense	24	4,485.93	4,250.39
Other Expenses	25	18,194.98	14,199.79
Total Expenses (IV)		<u>1,00,410.71</u>	<u>78,625.46</u>
V Profit /(Loss) before tax (III - IV)		(12,682.54)	2,319.08
VI Tax expense:			
(1) Current tax		4.89	16.30
(2) Deferred tax	6	(2,329.30)	900.00
(3) Previous year adjustment		4.59	-
VII Profit/(Loss) after tax (V-VI)		<u>(10,362.72)</u>	<u>1,402.78</u>
VIII Less : Minority Interest in Income of Subsidiaries		(406.52)	(222.25)
IX Income attributable to Consolidated Group (VII-VIII)		(9,956.20)	1,625.03
X Less : Transfer to Goodwill against Pre-acquisition losses		(314.49)	-
Amount transfer to Balance Sheet (IX-X)		<u>(9,641.71)</u>	<u>1,625.03</u>
XI Earning per Equity Share: (Par value of ₹ 10/- each)			
(1) Basic	26	(59.36)	12.18
(2) Diluted	26	(59.36)	12.18
Significant Accounting Policies	1		

The accompanying notes are an integral part of the financial statements

Signed in terms of our report of even date

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Sushil Sharma
Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 30th May, 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	(12,682.54)	2,319.08
Add: Depreciation	4,485.93	4,250.39
Interest Paid	8,079.50	5,382.99
Net Loss on fixed assets sold / discarded	251.67	-
Foreign Currency Monetary Item Translation difference	1,425.31	(273.54)
Sundry Balance written off	8.18	125.24
Less: Dividend received	7.09	11.57
Net Profit on fixed assets sold / discarded	737.26	80.51
Net Profit on Investment sold	768.00	16.03
Interest Received	194.80	183.01
Sundry Balance written back	185.58	10.91
Operating Profit before working capital changes	(324.68)	11,502.13
Working Capital		
Trade receivables	2,528.28	(4,278.74)
Inventories	12,457.93	(8,317.67)
Loans & advances / Other current assets	459.63	(1,226.79)
Liabilities and provisions	6,230.22	1,715.12
Cash Generation from operating activities	21,351.38	(605.95)
Tax Paid	31.41	409.97
Net Cash from operating activities	21,382.79	(195.98)
B CASH FLOW FROM INVESTING ACTIVITIES		
Addition in Fixed Assets (net)	(11,772.77)	(3,236.65)
Sale of Fixed Assets	1,680.02	141.44
Dividend Received	7.09	11.57
Interest Received	194.80	183.01
Purchase of Investments	-	(18.39)
Sale of Investments/Liabilities	813.60	435.35
Net Cash from investing activities	(9,077.26)	(2,483.67)
C CASH FROM FINANCING ACTIVITIES		
Long term borrowings - Term Loans (Net of Repayments)	(2,818.34)	(2,198.17)
Short term borrowings (working capital)	(3,008.23)	8,362.03
Issue of Share Capital	-	2,040.13
Interest Paid	(7,249.75)	(5,382.99)
Net Cash from financing activities	(13,076.32)	2,821.00
INCREASE IN CASH OR CASH EQUIVALENTS	(770.78)	141.35
Opening cash or cash equivalents	1,647.85	1,506.50
Closing cash or cash equivalents	877.07	1,647.85

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

Signed in terms of our report of even date

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

Sd/-
(Arun K. Tulsian)
Partner
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Chief Financial Officer

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Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 30th May, 2012

Vardhmān Polytex Limited - Consolidated

Consolidated Financial Statements - Notes forming part of the Financial Statements

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Vardhman Polytex Ltd. has prepared Consolidated Financial Statements by consolidating its Accounts with those of its following subsidiaries as on 31.03.2012, in accordance with Accounting Standard 21 (Consolidated Financial Statements) notified by Companies (Accounting Standards) Rules 2006.

Name of Subsidiaries	Country of Incorporation	% Shareholding/Voting Power as on 31st March 2012
Oswal FM Hämmerle Textiles Ltd	India	82.76%
Oswal Industrial Enterprise (P) Ltd (Formerly : Oswal Retail (P) Ltd)	India	100.00%
F. M. Hämmerle Verwaltungs GmbH	Austria	100.00%

2. i) 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.
- ii) Foreign Subsidiary- Operations of Foreign Subsidiary has been considered by Management as 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.
- iii) 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 from the policies followed by the Holding Company. The Notes on accounts and policies followed by Subsidiary and Holding Company are disclosed in their respective financial statements.
- iv) Figures pertaining to the Subsidiary Companies have been reclassified wherever necessary to bring them in the line with parent Company's Financial Statements.

3. SHARE CAPITAL

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Authorised		
7,00,00,000 (Previous Year 2,14,90,000 Equity Shares of ₹ 10/- each)	7,000.00	2,149.00
– (Previous Year 1,000 Redeemable Cumulative Preference Shares of ₹ 100/- each)	–	1.00
– (Previous Year 8,50,000 Redeemable Non Cumulative Preference Shares of Rs 100/- each)	–	850.00
TOTAL	7,000.00	3,000.00
Issued, Subscribed and Paid-up		
1,62,42,957 (Previous Year 1,62,42,957 Equity Shares of ₹ 10/- each)	1,624.30	1,624.30
Forfeited Shares	3.45	3.45
TOTAL	1,627.75	1,627.75

The Authorised Share Capital of the Company was increased from ₹ 30,00,00,000/- (Rupees Thirty crore only) divided into 2,14,90,000 Equity Shares of ₹ 10/- each, 1,000 Redeemable Cumulative Preference Shares of ₹ 100/- each and 8,50,000 Redeemable Non Cumulative Preference Shares of ₹ 100/- each to ₹ 50,00,00,000/- (Rupees Fifty crore only) divided into 5,00,00,000 Equity Shares of ₹ 10/- each vide shareholders resolution at the Annual General Meeting held on 29.08.2011.

Further, the Authorised Share Capital of the Company was increased from ₹ 50,00,00,000/- (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crores) Equity Shares of ₹ 10/- (Rupees Ten only) each to ₹ 70,00,00,000/- (Rupees Seventy Crores only) divided into 7,00,00,000 (Seven Crores) Equity Shares of ₹ 10/- (Rupees Ten only) each vide shareholders resolution at the Extraordinary General Meeting held on 07.12.2011.

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	2011-12		2010-11	
	No of Shares	₹ in Lacs	No of Shares	₹ in Lacs
Equity Shares				
At the beginning of the year	1,62,42,957	1,624.30	1,26,25,957	1,262.60
Add: Shares Issued during the year	-	-	36,17,000*	361.70
Outstanding at the end of the year	1,62,42,957	1,624.30	1,62,42,957	1,624.30

* Equity shares arising out of conversion of the convertible warrants issued on preferential basis.

(b) Terms/rights attached to Equity Shares

Company has only one class of equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% Equity Shares in the company

Particulars	As at 31.03.2012		As at 31.03.2011	
	No of Shares Held	% holding	No of Shares held	% holding
Equity Shares				
Panchsheel Textile Mfg. & Trdg. Co. (P) Ltd.	44,02,917	27.11	44,02,917	27.11
Swarnim Tie Up (P) Ltd.	14,00,000	8.62	14,00,000	8.62

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(d) Aggregate number of shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date. Nil

4. RESERVES AND SURPLUS

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Capital Subsidy		
Balance as per the last financial statements	317.70	344.68
Less : Transfer to Statement of Profit & Loss	26.98	26.98
Closing balance	290.72	317.70
Capital Redemption Reserve		
Balance as per the last financial statements	0.01	0.01
Add : Addition during the Year	—	—
Closing balance	0.01	0.01
Reserve for Bad & Doubtful Debts		
Balance as per the last financial statements	150.00	150.00
Less : Transfer to General Reserve	150.00	—
Closing balance	—	150.00
General Reserve		
Balance as per the last financial statements	10,216.21	10,216.21
Add : Transfer from Reserve for bad & doubtful debts	150.00	—
Closing balance	10,366.21	10,216.21
Amalgamation Reserve		
Balance as per the last financial statements	45.00	45.00
Add : Addition during the Year	—	—
Closing balance	45.00	45.00
Foreign Currency Translation Reserve		
Balance as per the last financial statements	(2.45)	(5.25)
Add : Addition during the Year	2.75	2.80
Closing balance	0.30	(2.45)
Securities Premium Reserve		
Balance as per the last financial statements	5,212.48	3,681.89
Add: Transferred during the year	—	1,827.66
Less: Utilized against Premium/Coupon on FCCB	98.92	297.07
Closing balance	5,113.56	5,212.48
Surplus / (deficit) balance in statement of profit and loss		
Balance as per the last financial statements	(4,231.29)	(5,856.32)
Add: Amount transferred from statement of profit and loss	(9,641.71)	1,625.03
Closing balance	(13,868.00)	(4,231.29)
TOTAL	1,947.80	11,707.66

Vardhmān Polytex Limited - Consolidated

5. LONG TERM BORROWINGS

(₹ in Lacs)

Particulars	Non-Current portion		Current maturities	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Secured				
(a) Term loans				
Rupee Loans from banks	27,607.10	22,658.78	3,992.12	2,985.25
Rupee Loan from Others	713.41	476.13	42.70	23.87
Funded Interest Term Loan	–	646.00	646.00	–
Working Capital Term Loan	4,728.26	6,802.70	2,251.24	1,864.29
Vehicle Loan	154.01	91.06	122.13	69.87
Unsecured				
(a) Loans				
Foreign Currency Convertible Bonds	–	5,349.60	4,323.95	–
From others	500.00	500.00	702.00	575.00
Fixed Deposit from Public*	60.51	57.36	1.10	10.65
TOTAL	33,763.29	36,581.63	12,081.24	5,528.93

*FDR from Public includes deposits from directors ₹ 6.50 Lacs (Previous Year ₹ 6.50 Lacs)

(A) Terms of repayment / details of security of holding company is as follows:

Rupee Term Loan form Banks

(₹ in Lacs)

Lending institution	Rate of Interest % P.A.	No of Instalments	Annual Repayment Schedule			
			O/s as on 31.03.12	O/s as on 31.03.11	12-13	
Punjab National Bank	15.25	32 Qtly	4,000.00	-	250.00	500.00 each from 13-14 to 20-21 & 250.00 in 21-22
Bank of Baroda	15.75	32 Qtly	2,000.00	-	125.00	250.00 each from 13-14 to 20-21 & 125.00 in 21-22
Jammu & Kashmir Bank	15.75	32 Qtly	1,800.00	-	0.00	112.50 in 13-14, 225.00 from 14-15 to 21-22 and 112.50 in 22-23
United Bank of India	15.15	32 Qtly	700.00	-	43.75	87.50 each from 13-14 to 20-21 & 43.75 in 21-22
State Bank of Patiala	14.50	8 Qtly	85.22	128.69	42.88	42.88 in 13-14
State Bank of Patiala	14.50	8 Qtly	139.99	211.99	72.00	68.00 in 13-14
State Bank of Patiala	14.50	4 Qtly	249.37	499.99	250.00	
Bank of Maharashtra	16.35	24 Qtly	2,350.13	2,626.05	375.00	375.00 each from 13-14 to 18-19
United Bank of India	16.35	20 Qtly	2,205.00	2,520.00	420.00	420.00 each from 13-14 to 17-18
Canara Bank	12.00	23 Qtly	1,916.92	2,249.90	333.36	333.36 each from 13-14 to 17-18 and 247.12 in 18-19
Canara Bank	15.00	23 Qtly	575.00	675.00	100.00	100 each from 13-14 to 17-18 and 75 in 18-19
Allahabad Bank	17.75	12 Qtly	422.50	520.00	130.00	130.00 each from 13-14 to 14-15
Corporation Bank	16.25	8 Qtly	620.92	931.00	312.00	307.00 in 13-14
Bank of India	15.25	1 Qtly	375.00	937.50	187.50	
Payable on account of default					418.75	
SUB TOTAL			17,440.05	11,300.12	3,060.24	
Working Capital Term Loan						
Canara Bank	16.25	13 Qtly	2,272.98	2,800.00	700.00	700.00 each from 13-14 to 14-15 & 175.00 in 15-16
State Bank of India	17.75	12 Qtly	1,500.00	2,000.00	500.00	500.00 each from 13-14 to 14-15
State Bank of Patiala	17.00	12 Qtly	637.50	850.00	212.50	212.50 each from 13-14 to 14-15
Bank of India	15.25	13 Qtly	572.00	654.00	164.00	164.00 each from 13-14 to 14-15 & 80.00 in 15-16
Punjab National Bank	17.00	14 Qtly	572.25	654.00	163.50	163.50 each from 13-14 to 14-15 & 81.75 in 15-16
Punjab and Sind Bank	15.65	12 Qtly	348.76	465.00	116.24	116.24 each from 13-14 to 14-15
Axis Bank	15.75	8 Qtly	332.00	500.00	168.00	164.00 in 13-14
Bank of Baroda	17.00	15 Qtly	744.00	744.00	186.00	186.00 each from 13-14 to 14-15 & 139.50 in 15-16
Payable on account of default					41.00	
SUB TOTAL			6,979.49	8,667.00	2,251.24	
GROSS TOTAL			24,419.54	19,967.12	5,311.48	

Term Loan from others

(₹ in Lacs)

Lending institution	Rate of Interest	No of Instalments	Annual Repayment Schedule			
			O/s as on 31.03.12	O/s as on 31.03.11	12-13	
Religare Finvest Ltd	15.25	113 Monthly	474.00	500.00	27.54	EMI of ₹ 7.39 Lacs per month till Sep'2021 EMI of ₹ 4.59 Lacs per month till Sep'2021
Religare Finvest Ltd.	15.25	113 Monthly	282.11	-	15.16	
TOTAL			756.11	500.00	42.70	

Vehicle Loan

Lending institution	Rate of Interest	No of Instalments	Annual Repayment Schedule				
			O/s as on 31.03.12	O/s as on 31.03.11	12-13	13-14	14-15
HDFC Bank	11.50	24 Monthly	136.38	-	60.55	75.83	
ICICI Bank	10.25	25 Monthly	76.27	77.45	34.96	35.99	5.80
Axis Bank	10.75	36 Monthly	50.30	26.37	17.02	18.77	14.51
Kotak Bank	11.00	6 Monthly	7.90	57.11	7.90	-	-
TOTAL			270.85	160.93	120.43	130.59	20.31

- (a) Term loans from Financial Institutions and Banks as stated as above are/shall be secured by way of joint equitable mortgage of all the immovable properties (present and future) of the Company ranking on pari- passu basis and hypothecation of all movable assets of the Company (except book debts) subject to prior charge of the company's bankers on specified movable assets in respect of working capital borrowings.
- (b) Term Loan from others is guaranteed by promoter company M/s Panchsheel Textile Mfg & Trading Co. Pvt Ltd. along with charge on specific assets.
- (c) All the Term Loans & Working Capital Term Loan are guaranteed by Promoter directors.

The period and amount of default as on the Balance sheet date as under:

Particulars	Period of default	Principal	Interest accrued and due	Total
As at 31-03-2012				
-Secured	From 01.01.12 to 31.03.12	459.75	593.35	1,053.10

- (B) Terms of repayment / details of security of Subsidiary Company is as follows:

- i) From Banks - Term loans / FITL

(₹ in Lacs)

Lending institution	Rate of interest	No of instalments	Annual Repayment Schedule						
			Outstanding as at 31.03.2012	Outstanding as at 31.03.2011	12-13	13-14 to 16-17	17-18 to 18-19	19-20	
State Bank of India	Base Rate + 1.40% i.e. 11.40%	32-Quarterly	6,907.26	7,055.00	462.00	722.00	1,292.00	1,022.00	
State Bank of Patiala		32-Quarterly	4,836.34	4,903.01	308.00	481.32	861.01	881.03	
State Bank of Mysore		32-Quarterly	2,352.57	2,385.90	154.00	240.68	430.32	379.32	
State Bank of India (FITL)		1 Bullet Repayment	324.00	324.00	324.00				
State Bank of Patiala (FITL)		1 Bullet Repayment	215.00	215.00	215.00				
State Bank of Mysore (FITL)		1 Bullet Repayment	107.00	107.00	107.00				
State Bank of India (II)		32-Quarterly	63.00			7.88	13-14 to 19-20 7.88		
Vehicle Loan			36 Monthly	5.28		1.70	13-14 to 14-15 1.70	15-16 0.18	
TOTAL			14,810.45	14,989.91	1,579.58				

- a) Term loans from Financial Institutions and Banks as stated above are/shall be secured by way of joint equitable mortgage of all the immovable properties (present and future) of the Company ranking on pari- passu basis and hypothecation of all movable assets of the Company (except book debts).
- b) Corporate Guarantee has been given by Vardhman Polytex Limited, Holding Company.
- c) Personal Guarantee has been given by Promoters Mr. Ashok Oswal & Mr. Adish Oswal.
- d) Collateral Security of Residential flat situated at Vasant Vihar, Delhi held in the name of Mr. Ashok Oswal.
- e) Vehicle loan is secured against respective vehicle.

6. DEFERRED TAX (NET)

Particulars	(₹ in Lacs)		
	As at 31.03.2012	Charge/ (credit) during the year	As at 31.03.2011
Deferred tax liabilities			
Arising on account of Timing difference			
Accumulated Depreciation	5,458.74	26.81	5,431.93
Deferred tax assets			
Arising on account of Timing difference			
Unabsorbed Depreciation / Losses and Section 43B items	(6,749.59)	(2,356.11)	(4,393.48)
Net deferred tax Liability/ (Assets)	<u>(1,290.85)</u>	<u>(2,329.30)</u>	<u>1,038.45</u>

7. OTHER LONG TERM LIABILITIES

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Others		
Expense Liability	28.31	9.06
TOTAL	<u>28.31</u>	<u>9.06</u>

8. PROVISIONS

Particulars	(₹ in Lacs)			
	Long-term		Short-term	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Premium on Redemption of FCCB	-	579.03	575.59	-
Employee benefits	236.60	306.00	44.78	1.34
TOTAL	<u>236.60</u>	<u>885.03</u>	<u>620.37</u>	<u>1.34</u>

9. SHORT TERM BORROWINGS

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Secured		
Loans repayable on demand		
Working capital loans from banks	17,574.20	17,587.03
Unsecured		
Letter of Credit/ Sale bill discounting with the Banks/Fls	2,538.48	2,150.70
Others	13.63	3,396.81
TOTAL	<u>20,126.31</u>	<u>23,134.54</u>

- Working Capital Loans from Banks are secured by hypothecation of all stocks, present and future of stores, spare parts, packing materials, raw materials, finished goods, goods in transit / process, book debts, outstanding monies receivable, claims, bills etc. and second charge by way of joint equitable mortgage of immovable properties of the Company.
- Personal Guarantee has been given by Promoters Mr. Ashok Oswal & Mr. Adish Oswal.
- Corporate Guarantee has been given by holding company for Working Capital Loan from Banks availed by a subsidiary company Oswal F. M. Hammerle Textiles Limited of ₹ 15.00 Crores
- Collateral Security of Residential flat situated at Vasant Vihar, Delhi held in the name of Mr. Ashok Oswal.

10. TRADE PAYABLES

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Payable to Micro & Small Enterprises	-	-
Payable to Other than Micro & Small Enterprises	4,131.36	3,662.94
Trade Deposits & Advances	24.12	36.81
TOTAL	<u>4,155.48</u>	<u>3,699.75</u>

The information as required to be disclosed under The Micro, Small and Medium Enterprises (Development) Act, 2006 ("the Act") has not been received so far, so the disclosure requirement for balance outstanding, interest paid/payable as at the year end as required by the Act has not been given.

11. OTHER CURRENT LIABILITIES

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
Current maturities of long-term borrowings* (Note No-5)	12,081.24	5,528.93
Interest accrued and due on long term borrowings	737.84	–
Interest accrued but not due	91.91	–
Creditor for Service & Contracts	99.14	40.35
Security Deposits	95.21	53.55
Unclaimed dividend#	17.80	22.76
Other payables		
Employees Related	562.39	629.39
Statutory Dues	174.44	178.51
Trade Expenses	683.22	599.91
Others	978.12	454.73
TOTAL	15,521.31	7,508.13

* Payable on account of default ₹ 459.75 Lacs (Previous Year Nil)

Investors Education and Protection Fund under Section 205C of Companies Act 1956 will be credited by unclaimed dividend amount expiring on seven years from the dividend declaration, the amount is not due at the year end.

12. FIXED ASSETS

Sr. No.	Particulars	Gross Carrying Value			Depreciation/ Amortization				Net Carrying Value		
		As at 01.04.11	Addition during the year	Deduction during the year	As as 31.03.12	As at 01.04.11	Addition during the year	Deduction during the year	As at 31.03.12	WDV as at 31.03.12	WDV at 31.03.11
I	Tangible Assets										
1.	Land (Leased)	467.18	–	–	467.18	12.43	2.48	–	14.91	452.27	454.75
2.	Land (Freehold)	1,694.25	270.99	328.16	1,637.08	–	–	–	–	1,637.08	1,694.25
3.	Building	15,861.87	3,872.36	948.43	18,785.80	2,372.29	478.07	101.06	2,749.30	16,036.50	13,489.57
4.	Plant and Equipment	45,625.05	8,211.76	59.10	53,777.71	21,171.19	3,601.24	47.36	24,725.07	29,052.64	24,453.86
5.	Furniture & Fixtures	347.48	103.00	0.54	449.94	170.35	18.91	0.10	189.16	260.78	177.13
6.	Vehicles	558.16	131.17	30.02	659.31	187.55	51.31	23.32	215.54	443.77	370.61
7.	Office Equipment	137.26	15.21	0.16	152.31	45.02	6.59	0.05	51.56	100.75	92.24
	SUB TOTAL (A)	64,691.25	12,604.49	1,366.41	75,929.33	23,958.83	4,158.60	171.89	27,945.54	47,983.79	40,732.41
II	Intangible Assets (Brought out)										
8.	Trade Mark	2,615.83	10.63	–	2,626.46	783.06	247.75	–	1,030.81	1,595.65	1,832.77
9.	Software	487.59	34.30	0.98	520.91	274.43	79.58	1.07	352.94	167.97	213.16
	SUB TOTAL (B)	3,103.42	44.93	0.98	3,147.37	1,057.49	327.33	1.07	1,383.75	1,763.62	2,045.93
III	Capital Work-in-progress										
	SUB TOTAL (C)										
	Total [A + B + C]	67,794.67	12,649.42	1,367.39	79,076.70	25,016.32	4,485.93	172.96	29,329.29	51,903.01	45,812.60
	(Current Year)										
	(Previous Year)	<u>66,491.61</u>	<u>1,423.07</u>	<u>119.69</u>	<u>67,794.99</u>	<u>20,824.82</u>	<u>4,250.39</u>	<u>57.98</u>	<u>25,017.23</u>	<u>45,812.60</u>	<u>46,893.75</u>

a) The Freehold Land cost is net of subsidy ₹ 16.20 lacs (previous year ₹ 16.20 lacs) received from the State Government freehold land of ₹ 592.59 lacs - (Previous year ₹ 592.59 lacs) pending conveyancing in favour of the company.

b) Land includes ₹ 22.69 lacs (Previous year ₹ 22.69 lacs) purchased at Nalagarh, pending transfer of title in favour of the company.

c) Building includes Nil (Previous year ₹ 85.05 lacs) being cost of flat at Delhi, pending transfer of title in favour of the company and ₹ 359.78 lacs (Previous year ₹ 359.78 lacs) being cost of industrial shed at Focal Point, Ludhiana pending conveyancing in favour of the company.

d) Lease hold land is on a 95 years lease.

13. INVESTMENT

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Non-Current Investments		
Other Investment (valued at cost, except for permanent diminution in value)		
<i>Investments in Equity Instruments</i>		
<i>Unquoted - Investment in others</i>		
<i>VKM Colour Spin Limited</i>		
250 (Previous Year 250) Equity shares of ₹ 10/- each fully paid	0.03	0.03
<i>Deluxe Fabrics Limited</i>		
5,000 (Previous Year 5,000) Equity Shares of ₹ 10/- each fully paid	0.50	0.50
TOTAL	0.53	0.53
Current Investments		
Other investments (valued at lower of cost and net realizable value)		
<i>Quoted - Investment in others</i>		
- (Previous year 15,000) Equity Shares of ₹ 10/- each of DCM Ltd.	-	11.43
- (Previous Year 3,000) Equity shares of ₹ 1/- each of Sterlite Ind. Ltd.	-	4.94
- (Previous Year 5,000) Equity Shares of ₹ 2/- each of Unitech Ltd.	-	2.02
<i>Unquoted- Investment in Others</i>		
Nifty Linked Fixed Growth Funds	-	10.25
Investment in Mutual Funds	91.99	108.95
TOTAL	91.99	137.59
GROSS TOTAL	92.52	138.12
Aggregate amount of quoted investments	-	18.39
Market value of quoted investments	-	18.66
Aggregate amount of unquoted investments	92.52	119.73

14. LOANS & ADVANCES

(₹ in Lacs)

Particulars	Long-term		Short-term	
	As at	As at	As at	As at
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Unsecured, considered good unless stated otherwise				
Security deposits	404.91	46.07	-	16.45
Advances for goods / services				
Unsecured, considered good			1,098.80	2,109.53
Balances with statutory authorities			1,519.01	1,476.78
Prepaid expenses			368.40	190.64
Interest Receivable (including TUFs Subsidy)			860.71	1,937.27
Direct taxes refundable (net of provisions ₹ 2,998.28 Lacs, previous year Rs 3,568.96 Lacs)	9.64	6.20	589.52	549.51
Export Incentive Receivable			435.39	171.60
Other Receivable			1,292.28	551.41
TOTAL	414.55	52.27	6,164.11	7,003.19

- Based on legal advice, discussions with the solicitors, etc., the management believes that there are fair chances of decisions in the Company's favour in respect of all the items listed above and no value adjustment is considered necessary.
- Direct taxes refundable represent amounts recoverable from the Income Tax Department for various assessment years. In respect of disputed demands, company has filed appeals which are pending at various levels and the company is hopeful of getting the desired reliefs at various forums. Necessary value adjustments shall be made on final settlement by the department.
- Provision for Income Tax for earlier years has been made based on the Tax Liability calculated at prevalent rates.
- Balance with Statutory authorities include ₹ 142.24 Lacs (Previous Year ₹ 163.83 Lacs) 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.

15. INVENTORIES

(As taken, valued and certified by management) (valued at lower of cost and net realizable value) (₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Raw materials [Includes material in transit ₹ 18.81 Lacs; Previous year: ₹ 202.55 lacs]	1,158.58	10,064.47
Finished goods (Refer Note no. - 21)	1,811.77	4,630.11
Work-in-progress (Refer Note no. - 21)	1,642.71	2,264.92
Stores and Spares [Includes stores in transit ₹ 3.78; Previous year: ₹ 135.89 lacs]	409.95	512.38
Stock in Trade	83.43	92.49
TOTAL	5,106.44	17,564.37

16. TRADE RECEIVABLES

(₹ in Lacs)

Particulars	As at	As at
	31.03.2012	31.03.2011
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	1,130.70	941.58
Doubtful	185.79	-
Less : Provision for Doubtful Debts	(185.79)	-
TOTAL (A)	1,130.70	941.58
Other receivables		
Unsecured, considered good	5,289.55	8,006.95
Doubtful	-	-
TOTAL (B)	5,289.55	8,006.95
TOTAL (A+B)	6,420.25	8,948.53

17. CASH AND BANK BALANCES

(₹ in Lacs)

Particulars	Non-current		Current	
	As at	As at	As at	As at
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Cash and cash equivalents				
Cash in hand	-	-	42.01	313.08
Bank Balance in current accounts	-	-	290.81	536.57
Bank balance in fixed deposit accounts with maturity of up to three months	-	-	-	616.38
Cheques in hand	-	-	374.96	10.30
SUB TOTAL	-	-	707.78	1,476.33
Other bank balances				
Held as margin money	-	6.50	-	-
Fixed Deposits with maturity more than one year*	440.50	427.23	-	-
SUB TOTAL	440.50	433.73	-	-
Less: Amount disclosed under the head "other non current assets"	271.21	262.21	-	-
TOTAL	169.29	171.52	707.78	1,476.30

*Pledged with Bank against Bank Guarantee to Custom Department and others.

18. REVENUE FROM OPERATIONS

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Sale of products		
Grey Yarn	55,485.28	54,163.74
Dyed Yarn	10,368.53	11,691.24
Fabric	9,044.30	8,553.60
Garments	542.69	588.46
Trading Goods (Textile goods)	2,789.69	1,304.38
Waste Sale	5,590.78	3,888.70
Sale of Services (Job Work)	69.22	41.97
Other Operating Income (Export Incentives)	1,603.95	193.15
TOTAL	85,494.44	80,425.24

19. OTHER INCOME

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Interest Income from bank deposits and others	194.80	183.01
Profit from Sale of Investment / Buyback of FCCB liability	768.00	16.03
Profit from Sale of Fixed Assets	737.26	80.51
Dividend Income from current investment	7.09	11.57
Income Recognized under Government Grant	26.98	26.98
Provisions no longer required written back	185.58	10.91
Other Misc. Income	314.32	191.90
TOTAL	2,234.03	520.91

20. COST OF MATERIAL CONSUMED

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Raw material consumption		
Cotton	44,059.46	34,417.65
Cotton Yarn	6,677.13	9,636.14
Synthetic Fibre	7,029.57	8,437.77
Dyes & Chemical	840.91	974.09
Cost of Material Consumed	58,607.07	53,465.65

The above consumption figures are disclosed on the basis of derived figures and are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

Value of Indigenous & Imported Raw Material Consumption

Particulars	Current year		Previous year	
	₹ in Lacs	%	₹ in Lacs	%
Indigenous - Raw Material	58,304.21	99.48	52,789.24	98.73
Imported - Raw Material	302.86	0.52	676.41	1.27
TOTAL	58,607.07	100.00	53,465.65	100.00

21. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Inventories (At close)		
Finished Goods (including waste)	1,811.77	4,630.11
Work-in-progress	1,642.71	2,264.92
Trading goods	8.20	11.71
TOTAL	3,462.68	6,906.74
Inventories (At opening)		
Finished Goods (including waste)	4,630.11	1,123.76
Work-in-progress	2,264.92	1,430.46
Trading goods	11.71	12.13
TOTAL	6,906.74	2,566.35
(Increase)/Decrease	3,444.06	(4,340.39)

22. EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Salaries and wages	4,637.96	4,002.50
Contribution to provident and other funds	345.63	307.67
Staff welfare	191.10	136.89
TOTAL	5,174.69	4,447.06

23. FINANCE COSTS

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Interest expense		
Term Loans	2,237.15	1,432.01
Working Capital Borrowings	4,067.97	3,371.70
Other Loans	1,612.75	531.29
Other borrowing costs	145.40	198.76
Fluctuation on Foreign Currency Loan	115.76	76.54
Interest Income (FDRs & Others)	(99.53)	(227.31)
TOTAL	8,079.50	5,382.99

24. DEPRECIATION AND AMORTIZATION

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Depreciation of tangible assets	4,158.60	3,929.66
Amortization of intangible assets	327.33	320.73
TOTAL	4,485.93	4,250.39

25. OTHER EXPENSES

(₹ in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Consumption of stores and spare parts	306.69	304.66
Dyes & Chemical	1,083.86	1,214.30
Packing Charges	1,101.43	1,034.73
Job/Process Charges	194.99	229.99
Power & fuel	7,724.46	6,611.51
Repairs and maintenance		
Plant & machinery	805.56	822.52
Building	48.32	63.30
General	158.47	42.32
Contractual Labour	111.47	117.60
Water Charges	110.16	156.41
Rent	83.64	58.88
Rates and taxes	76.93	43.93
Insurance Charges	80.51	72.94
Travelling Expenses	379.40	315.10
Legal & Professional Expenses	258.61	185.70
Loss on account of un-implemented project	134.27	-
Difference in exchange rates (Net)	1,309.55	(350.08)
Provision for Doubtful debts	185.79	-
Sundry Balances written off	8.18	125.24
Loss on Sale of Fixed Assets	117.40	2.33
Loss on Sale of Raw Material	147.68	-
Selling Commission	1,032.66	774.48
Delivery Expenses	1,321.76	1,070.66
Rebate & Discounts	260.12	169.58
Cost of Samples	208.87	295.14
Advertisement Cost	35.66	27.51
Bank Charges	371.32	275.57
Miscellaneous expenses	537.22	535.47
TOTAL	18,194.98	14,199.79

PAYMENTS TO THE STATUTORY AUDITORS

Particulars	(₹ in Lacs)	
	Year ended 31.03.2012	Year ended 31.03.2011
As Auditor		
Statutory audit	5.24	5.24
Tax Audit	1.66	1.66
Other Services	1.65	1.65
Reimbursement of expenses	2.01	1.99

VALUE OF INDIGENOUS & IMPORTED STORES & SPARES CONSUMPTION

Particulars	(₹ in Lacs)			
	Current Year		Previous Year	
	₹ in Lacs	%	₹ in Lacs	%
Indigenous - Stores & Spares	233.17	76.03	236.85	77.74
Imported - Stores & Spares	73.52	23.97	67.81	22.26
TOTAL	306.69	100.00	304.66	100.00

26. EARNINGS PER SHARE

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
The basic and diluted Earning Per Share is as under:		
Net Profit After Tax (₹ in Lacs)	(9,641.71)	1625.03
Weighted average no. of Equity Shares outstanding (*)	1,62,42,957	1,33,39,193
Basic Earning Per Share (₹)	(59.36)	12.18
Diluted Earning Per Share (₹)	(59.36)	12.18

* There are no dilutive potential equity shares.

Note - The Conversion Price of 2% Foreign Currency Convertible Bonds & Preferential Warrants in the previous year 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 earnings per share.

27. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF

Particulars	(₹ in Lacs)	
	As at 31.03.2012	As at 31.03.2011
(a) Bank Guarantees	389.61	308.76
(b) Claims against the Company not acknowledged as debts	306.28	415.12
(c) Letter of Credit Outstanding (net of document discounted with banks)	—	1,533.13
(d) Bills discounted with bankers.	6,298.45	4,421.15
(e) Income Tax demands under appeal	144.00	271.92
(f) Demand of PSEB for voltage surcharge and DSA	255.55	255.55
(g) Subordination letter for not to withdraw the loan from Foreign Subsidiary until Negative equity situation reverses	238.66	238.66
(h) Corporate Guarantee given on behalf of Subsidiary Company "Oswal F.M. Hammerle Textiles Ltd" pursuant to scheme of CDR	8,233.00	8,233.00

28. OBLIGATIONS AND COMMITMENTS OUTSTANDING

(₹ in Lacs)

Particulars	As at	
	31.03.2012	31.03.2011
(a) Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	2,107.26	5,793.13
(b) Liability on EPCG License pending export fulfillment	5,192.59	110.90

29. DERIVATIVE INSTRUMENTS AND UN-HEDGED FOREIGN CURRENCY EXPOSURE

(a) Particulars of foreign currency forward contracts and derivatives outstanding at the Balance Sheet date

Particulars	Currency	As at 31.03.2012		As at 31.03.2011	
		Amount in FC(Mio)	Amount (₹ in Lacs)	Amount in FC(Mio)	Amount (₹ in Lacs)
Debtors(Net of Advances)	USD	22.19	11,202.00	15.25	7,081.50
TOTAL	USD	22.19	-	15.25	-
Option	JPY	146.97	500.00	146.97	500.00
TOTAL	JPY	146.97	-	146.97	-

(b) Particulars of foreign currency exposure un-hedged at the balance sheet date

Particulars	Currency	As at 31.03.2012		As at 31.03.2011	
		Amount in FC	Amount (₹ in Lacs)	Amount in FC	Amount (₹ in Lacs)
Debtors (Net of Advances) (Mio)	USD	1.31	613.59	2.19	969.06
TOTAL	USD	1.31	-	2.19	-
Debtors (Net of Advances)	Euro	5,21,789	336.23	-	-
TOTAL	Euro	5,21,789	-	-	-
Debtors (Net of Advances)	GBP	3,878.04	2.90	-	-
TOTAL	GBP	3,878.04	-	-	-
Loan (Mio)	USD	8.50	4,323.95	12.00	5,349.60
TOTAL	USD	8.50	-	12.00	-

30. Inventories, loans & advances, trade receivables and other current / non-current assets are reviewed annually and in the opinion of the Management do not have a value on realization in the ordinary course of business, less than the amount at which they are stated in the Balance Sheet.

31. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plan

Contribution to Defined Contribution Plan Recognized as expenses for the year as under:- (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
i) Employer's Contribution to Provident Fund	226.66	203.47
ii) Employer's Contribution to Superannuation Fund	3.53	11.55
iii) Employer's Contribution to Pension Scheme	115.44	92.66

Holding Company

Defined Benefit Plan

The Employee's 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 obligations.

i) Reconciliation of Opening and Closing Balances of Defined Benefit Obligation (₹ in Lacs)

Particulars	Gratuity Funded Year ended	
	2011-2012	2010-2011
Defined Benefit Obligation at the beginning of the Year	294.63	163.70
Current Service Cost	48.01	45.17
Interest Cost	23.67	12.92
Actuarial (Gain) / Loss	5.16	96.14
Benefit Paid	(48.20)	(23.30)
Defined Obligation at year end	323.27	294.63

ii) Reconciliation of Opening and Closing Balances of Fair Value of Plan Assets (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Fair Value of Plan Assets at the beginning of the year	181.17	159.48
Expected Return on Plan assets	21.64	13.07
Actuarial (Gain) / Loss	(1.01)	0.90
Employer Contribution	118.64	7.72
Benefit Paid	—	—
Fair Value of Plan Assets at year end	320.44	181.17

iii) Reconciliation of Fair Value of Assets & Obligations (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Fair Value of Plan Assets at the end	320.44	181.17
Present value of obligation	323.27	294.62
Amount Recognized in balance sheet	2.83	113.45

iv) Amount recognized in the statement of Profit & Loss (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Current Service Cost	48.01	45.17
Interest Cost	23.67	12.92
Expected Return on Plan Assets	(21.64)	(13.07)
Actuarial (Gain)/Loss recognized in IVP	6.18	95.24
Amount recognized in the statement of Profit & Loss	56.22	140.26

v) The Principal assumptions used in determining Gratuity for the Company's plans are shown below

Particulars	Year ended	
	2011-2012	2010-2011
Discount Rate	8.75%	8.50%
Expected Rate of Return on Assets	9.00%	8.00%
Mortality Rate	LIC 94-96 Ultimate	LIC 94-96 Ultimate
Salary Rise	6.00%	8.00%

vi) Amount for the Current year and Previous four years in respect of Gratuity are as follows:- (₹ in Lacs)

Particulars	Year ended		
	2011-2012	2010-2011	2009-2010
Defined benefit Obligation	294.62	163.70	144.82
Plan Assets	320.44	181.16	1.59
Surplus / (Deficit)	(2.83)	(113.45)	(4.21)
Experience adjustment on plan assets	(1.01)	0.90	0.74
Experience adjustment on plan liabilities	(5.16)	(96.14)	10.05

Disclosures as required under para 120 (n) in respect of two annual periods as requires by AS-15 is not presented as the management considers it impracticable in the absence of requisite information.

Subsidiary Company -

DEFINED BENEFIT PLAN

The Employee's Gratuity Plan for the company is a Defined Benefit Plan where the annual contribution on the Actuarial Valuation is 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.

i) Reconciliation of Opening and Closing Balances of Defined Benefit Obligation (₹ in Lacs)

Particulars	Gratuity Funded Year ended	
	2011-2012	2010-2011
Defined Benefit Obligation at the beginning of the year	45.33	14.30
Current Service Cost	14.38	15.28
Interest Cost	3.88	1.22
Actuarial (Gain) / Loss	(6.19)	14.54
Benefit Paid	2.10	–
Defined Obligation at year end	55.30	45.34

ii) Reconciliation of fair Value of Assets & Obligations (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Fair Value of Plan Assets at the end	–	–
Present value of obligation	55.30	45.34
Amount Recognized in balance sheet	55.30	45.34

iii) Amount recognized in the statement of Profit & Loss (₹ in Lacs)

Particulars	Year ended	
	2011-2012	2010-2011
Current Service Cost	14.37	15.28
Interest Cost	3.88	1.22
Actuarial (Gain)/Loss recognized in IVP	(6.19)	14.54
Expenses recognized in the Statement of Profit & Loss	12.06	31.04

iv) The Principal assumptions used in determining Gratuity for the Company's plans are shown below

Particulars	Year ended	
	2011-2012	2010-2011
Discount Rate	8.75%	8.50%
Expected Rate of Return on Assets	NA	NA
Mortality Rate	LIC 94-96	LIC 94-96
Salary Rise	8.00%	8.00%

v) Amount for the Current Year and Previous year in respect of Gratuity are as follows:-

Particulars	Year ended	
	2011-2012	2010-2011
Defined benefit Obligation	45.33	14.30
Plan Assets	–	–
Surplus / (Deficit)	55.30	45.34
Experience adjustment on plan assets	(6.19)	14.54
Experience adjustment on plan liabilities	–	–

Disclosures as required under para 120 (n) in respect of two annual periods as requires by AS-15 is not presented as the management considers it impracticable in the absence of requisite information.

32. RELATED PARTY DISCLOSURES

(i) List of Related Parties and relationships

Particulars	2011-12	2010-11
a) Subsidiary Company	Oswal F.M. Hammerle Textiles Ltd. Oswal Industrial Enterprise Private Limited F M Hammerle Verwaltung GmbH, Austria	Oswal F.M. Hammerle Textiles Ltd. Oswal Industrial Enterprise Private Limited F M Hammerle Verwaltung GmbH, Austria
b) Key Management Personnel	Mr. Ashok Oswal Mr. Adish Oswal	Mr. Ashok Oswal Mr. Adish Oswal
c) Relative of KMP	Mrs. Manju Oswal Mrs. Rakhi Oswal Mr. Abhinav Oswal Ms. Aketa Oswal	Mrs. Manju Oswal Mrs. Rakhi Oswal Mr. Abhinav Oswal Ms. Aketa Oswal
d) Enterprise over which KMP is able to exercise significant influence	Panchsheel Textile Mfg. & Trading Co. (P) Ltd. Enakshi Investments Private Limited Liberty Mercantile Co.(P)Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments Private Limited Ruby Mercantile Co. Private Limited Boras Investment & Trading Co. (P) Limited Gagan Mercantile Co. Private Limited Pioneer Mercantile India Private Limited Adesh Investment & Trading Co. (P) Limited Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech Pvt. Ltd. Oswal Tradecom Pvt. Ltd. Oswal Holding Pvt. Ltd. Nightangle Dealcom Pvt. Ltd. Alma Assets Consultancy (P) Ltd.	Panchsheel Textile Mfg & Trading Co. (P) Ltd. Enakshi Investments Private Limited Liberty Mercantile Co.(P)Ltd. Allepy Investment & Trading Co. (P) Ltd. Kent Investments Private Limited Ruby Mercantile Co. Private Limited Boras Investment & Trading Co. (P) Limited Gagan Mercantile Co. Private Limited Pioneer Mercantile India Private Limited Adesh Investment & Trading Co. (P) Limited Calgary Investment & Trading Co. (P) Ltd. Oswal Infratech Pvt. Ltd. Oswal Tradecom Pvt. Ltd. Oswal Holding Pvt. Ltd. Nightangle Dealcom Pvt. Ltd. Alma Assets Consultancy (P) Ltd.

(ii) Transactions with related parties during the year:-

Particulars	(₹ in Lacs)							
	Key Management Personnel (KMP)		Relatives of Key Management		Enterprises over which KMP is able to exercise Significant Influence		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Loan Raised	100.00	185.00	150.00	24.00	100.00	180.00	350.00	389.00
Loan Repaid	100.00	185.00	152.00	20.00	105.00	175.00	357.00	380.00
Sale of Real Estate			1,047.18				1,047.18	
Equity Share Issued						669.83		669.83
Rent Paid	25.82	24.36					25.82	24.36
Interest Paid	2.26	7.35	1.62	0.42	0.31	7.84	4.19	15.61
Remuneration			11.71	4.60			11.71	4.60
Managerial Remuneration	95.33	71.07					95.33	71.07
OUTSTANDING BALANCES AT YEAR END								
Loan Payable / Fixed Deposit	6.50	6.50	7.50	9.50	5.00	5.00	19.00	21.00

Notes :-

- Loan raised includes transaction with Mr. Ashok Oswal ₹ 100.00 Lacs (Previous Year ₹ 165.00 Lacs & ₹ 20.00 Lacs from Mr. Adish Oswal), ₹ 150.00 Lacs with Mrs. Manju Oswal (Previous Year Nil), ₹ 100.00 Lacs with Alma Assets Consultancy (P) Ltd. (Previous Year ₹ 130.00 Lacs & from Nightangle Dealcom (P) Ltd., ₹ 50.00 Lacs)
- Loan repaid includes transaction with Mr. Ashok Oswal ₹ 100.00 Lacs (Previous Year ₹ 165.00 Lacs & ₹ 20.00 Lacs from Mr. Adish Oswal), ₹ 150.00 Lacs with Mrs. Manju Oswal (Previous Year Nil), ₹ 100.00 Lacs with Alma Assets Consultancy (P) Ltd. (Previous Year ₹ 130.00 Lacs & from Nightangle Dealcom (P) Ltd., ₹ 45.00 Lacs)
- Sale of Real Estate includes transaction with Mrs. Manju Oswal ₹ 1,047.18 Lacs (Previous Year - Nil)
- Equity Shares issued includes transactions with Alma Assets Consultancy (P) Ltd. Nil (Previous Year ₹ 320.53 Lacs) and with Nightangle Dealcom (P) Ltd. Nil (Previous Year ₹ 349.30 Lacs)
- Rent paid includes transaction with Mr. Ashok Oswal ₹ 25.82 Lacs (Previous Year 24.36 Lacs)
- Interest paid includes transaction with Mr. Ashok Oswal ₹ 2.26 Lacs (Previous Year ₹ 7.23 Lacs), Mrs. Manju Oswal ₹ 1.37 Lacs (Previous Year Nil) and Nil (Previous Year ₹ 5.38 Lacs with Alma Assets Consultancy (P) Ltd. and ₹ 2.47 Lacs with Nightangle Dealcom (P) Ltd.).
- Remuneration includes transaction with Mr. Abhinav Oswal ₹ 11.71 Lacs (Previous Year ₹ 4.60 Lacs)
- Managerial Remuneration includes transaction with Mr. Ashok Oswal ₹ 48.15 Lacs (Previous Year ₹ 43.52 Lacs) and Mr. Adish Oswal ₹ 47.18 Lacs (Previous Year ₹ 27.55 Lacs)

33. The Company has only one segment of Textile and accordingly the disclosure requirement as prescribed in the Accounting Standard AS -17 on "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 is not applicable.
34. There are no present obligations requiring provisions in accordance with the guiding principles as enunciated in Accounting Standard (AS)-29 "Provisions, Contingent Liabilities & Contingent Assets" as it is not probable that an outflow of resources embodying economic benefits will be required.
35. 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) Millions in the course of International Offerings. The expenses incurred & Premium payable on the redemption of such bonds has been adjusted with Share Premium reserves in accordance with the provisions of Section 78 of the Companies Act, 1956.
36. The Company is paying rentals for office premises taken on rent which are not in the nature of lease agreements. Therefore, disclosure requirements of Accounting Standard AS-19 are not applicable.
37. In accordance with the provisions of Accounting Standard on impairment of Assets, (AS-28), the management has made assessment of assets in use & considering the business prospects related thereto, no provision is considered necessary in these accounts on account of impairment of assets.
38. **Corporate Debt Restructuring - Subsidiary Company Oswal F. M. Hammerle Textiles Limited**
The debt restructuring scheme (the 'Scheme') under CDR Mechanism has been approved and Letter of Approval issued on 9th February, 2011. The Scheme inter-alia includes restructuring of repayment schedule, interest funding, reduction in interest rates and additional security in favour of CDR lenders by pledge of shares of promoters stipulated.
- (i) Master Restructuring Agreement ("MRA") has been executed on 18th March, 2011 with the lenders. The impact in terms of the approved Scheme has been given in final balance sheet.
 - (ii) Interest has been accounted for based upon terms of package/confirmations received from the banks.
 - (iii) The Funded Interest Term Loan (FITL) has been created on certain credit facilities w.e.f. 1st Feb 2010 as per the CDR scheme approved by the CDR EG on 23rd Dec'2010, respective letter of approval dated 9th Feb 2011.
 - (iv) The Credit Facilities/loans under CDR are further secured by unconditional & irrevocable personal guarantee of CMD Mr. Ashok K. Oswal & Director Mr. Adish Oswal and Corporate guarantee of M/s Vardhman Polytex Limited, holding company.
 - (v) Other conditions as stipulated under the Scheme are being complied with.
39. In the Holding Company, in view of the Current year losses on account of fluctuation in cotton fibre and cotton yarn prices during the year, the company has faced the stretched liquidity during the period. In order to correct the scenario, the company has requested its lenders for the overall restructuring of its debt through CDR mechanism with cutoff date as on 31.12.2011. Accordingly, the Canara Bank has referred the case to CDR cell on 30.04.2012, being the lead bank.
40. Till the year ended 31st March, 2011 the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable for preparation and presentation of financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of these financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. Previous year figures have been reclassified to conform to this year's classification.

As per our report of even date attached

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

For VARDHMAN POLYTEX LIMITED

Sd/-
(Arun K. Tulsian)
Partner
M. No. 89907

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Sushil Sharma
Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Place : Ludhiana
Date : 30th May, 2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

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 accounts 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 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 accounts 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 dealt within the books of accounts of the Company
(1)	(2)	(3)	(4)	(5) (₹ in lacs)	(6) (₹ in lacs)	(7) (₹ in lacs)	(8) (₹ in lacs)
OSWAL F. M. HÄMMERLE TEXTILES LIMITED, INDIA	31.03.2012	9,12,64,073 Equity Share of ₹ 10/- each	82.76%	NIL	(1,951.01)	NIL	(1,004.95)
OSWAL INDUSTRIAL ENTERPRISE PRIVATE LIMITED, INDIA	31.03.2012	4,50,99,999 Equity Share of ₹ 10/- each	100%	NIL	156.20	NA	(5.81)
F.M. HÄMMERLE VERWALTUNGS GmbH, AUSTRIA	31.03.2012	Equity of Euro 35,000 (INR 22.54 Lac)	100%	NIL	(20.17)	NIL	(34.25)

Note: There is no material change between the end of financial year of the subsidiaries and of the Company.

STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

(₹ In lacs)

Particulars	Oswal F. M. Hämmerle Textiles Limited		Oswal Industrial Enterprise Private Limited		F. M. Hämmerle Verwaltungs GmbH, Austria	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
(a) Capital	11,028.00	10,500.00	5,005.00	5,005.00	22.54	22.54
(b) Reserves	(8,620.73)	(6,236.22)	(4,874.26)	(5,030.46)	(200.32)	(170.71)
(c) Total Assets	23,238.45	25,421.31	290.10	170.91	198.72	208.41
(d) Total Liabilities	23,238.45	25,421.31	290.10	170.91	198.72	208.41
(e) Details of Investment (Except in case of Investment in the Subsidiaries)	-	-	-	-	-	-
(f) Turnover (Net)	9,245.34	8,643.32	1,270.04	149.01	51.46	19.21
(g) Profit before Taxation	(2,357.53)	(1,227.20)	156.20	(5.81)	(19.02)	(33.20)
(h) Provision for Taxation	-	-	-	-	(1.15)	(1.05)
(i) Profit after Taxation	(2,357.53)	(1,227.20)	156.20	(5.81)	(20.17)	(34.25)
(j) Proposed Dividend (including tax thereon)	-	-	-	-	-	-

Note: In terms of the provision of Section 212 (8) of the Companies Act, 1956 read with General Circular No. 2/2011 dated 08/02/2011, the Company has been granted a general exemption from attaching to the Balance Sheet of the Company, the Accounts and other documents of its Subsidiary Companies. However, the Consolidated Financial Statements of the Company, which include the results of aforesaid Subsidiaries, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for the Company's aforesaid Subsidiaries is also given above. The hard copies of the related detailed information can be sought by any investor of the Company or its Subsidiary on making a written request to the Company in this regard. The Annual Accounts of the aforesaid Subsidiary Companies are also available for inspection by any investor at the Registered Office of the Company and/or its Subsidiaries.

For and on behalf of the Board

Place : Ludhiana
Date : 30th May, 2012

Sd/-
Parvinder Singh
Chief Financial Officer

Sd/-
Sushil Sharma
Company Secretary

Sd/-
Ajay Chaudhry
Director

Sd/-
Ashok Oswal
Chairman &
Managing Director

Financial Highlights for Five Years

(₹ in lacs)

Parameters	2011-12	2010-11	2009-10	2008-09	2007-08
Gross Sales and operating income	74,927.60	71,644.40	52,778.99	42,830.78	37,587.47
FOB Value of Exports	28,552.59	21,276.44	15,070.89	10,269.95	9,210.72
Net Profit	(8,141.22)	2,669.96	(2,238.82)	(772.15)	305.24
Profit before Tax (PBT)	(10,462.19)	3,585.21	(3,069.49)	(754.43)	134.81
Cash Profit (PBT+Dep.- Excep. Items)	(7,502.50)	6,316.97	3,335.15	(560.06)	2,525.30
Gross Block (FA+CWIP)	57,521.54	47,244.73	44,413.90	44,659.29	43,272.51
Net Block (NA+CWIP)	33,942.59	26,452.94	26,302.16	29,158.57	27,460.43
Paid up share capital	1,627.75	1,627.75	1,266.05	1,070.75	1,065.75
Net Worth	9,380.11	17,603.44	13,180.57	14,972.82	15,839.84
Capital Employed	65,047.46	66,821.20	57,258.66	64,115.06	61,843.08
Long Term Debt Equity Ratio	2.14	1.63	1.76	1.17	0.95
Current Ratio	0.45	1.31	1.12	1.02	1.07

EQUITY SHARES DATA FOR FIVE YEARS

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Book Value Per Share (₹)	57.75	108.38	105.20	151.03	159.37
Earning Per Share (₹)					
- Basic	(50.12)	20.02	(20.31)	(7.27)	2.87
- Diluted	(50.12)	20.02	(20.31)	(7.27)	2.87
- Cash	(46.19)	47.36	26.34	(5.27)	23.77
Dividend Per Share (₹)	-	-	-	-	2.00
P/E Ratio	(1.38)	3.25	1.85	(6.15)	34.02
Price to Cash Earning Ratio	(1.50)	1.37	(25.77)	1.65	4.11
Price to Book Value Per Share	1.20	0.60	0.46	0.21	0.61

PANORAMIC VIEW OF LATEST SPINNING PLANT AT NALAGARH (H P)



BOOK POST



if undelivered, please return to:

VARDHMAN POLYTEX LIMITED

Regd. Office: 341K-1, Mundian Khurd,
P.O. Sahabana, Chandigarh Road,
Ludhiana-141123

info@oswalgroup.com
www.oswalgroup.com

VARDHMAN POLYTEX LIMITED

REGD. OFFICE: 341K-1, MUNDIAN KHURD, P.O. SAHABANA, CHANDIGARH ROAD, LUDHIANA - 141 123



PROXY FORM

I/We.....
of.....
in the Districtbeing a Member/Members
of Vardhman Polytex Limited, hereby appoint.....
of.....in the
Districtfailing him/her
.....of.....
.....in the District of
as my/our proxy to vote for me/us on my/our behalf at the 32nd Annual General Meeting of the Company to be held at Registered Office of the
Company situated at 341K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana, at 11.00 a.m., on Saturday, the 29th day of
September, 2012 and at any adjournment thereof.

Signed this.....day of.....2012.

Affix
Revenue
Stamp here

Signature.....
Address.....
Folio No./Client-Id

- NOTES : 1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself.
2. The Proxy form duly signed across Revenue Stamp should reach the Company's Registered Office at least 48 hours before the time
of meeting.

(TEAR HERE)

VARDHMAN POLYTEX LIMITED

REGD. OFFICE: 341K-1, MUNDIAN KHURD, P.O. SAHABANA, CHANDIGARH ROAD, LUDHIANA - 141 123



SUGGESTIONS

In case you have any suggestion for the betterment of your Company, please do write to us.

Suggestion.....

Name.....Folio No./Client-Id
Address.....

Pin Code [] [] [] [] [] []

(TEAR HERE)

VARDHMAN POLYTEX LIMITED

REGD. OFFICE: 341K-1, MUNDIAN KHURD, P.O. SAHABANA, CHANDIGARH ROAD, LUDHIANA - 141 123



ATTENDANCE SLIP

I hereby record my presence at the 32nd Annual General Meeting of the above named Company being held at Registered Office of the Company
situated at 341K-1, Mundian Khurd, P.O. Sahabana, Chandigarh Road, Ludhiana, at 11.00 a.m., on Saturday, the 29th day of September, 2012.

Full Name of the Member (IN BLOCK LETTERS) Signature

Folio No./ Client-Id No. of Shares held.....

Full Name of the Proxy (IN BLOCK LETTERS) Signature

NOTE: Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the
entrance of the meeting hall.

(TEAR HERE)