

 Maharaja Shree
UMAID MILLS LIMITED



69th ANNUAL REPORT
2008-09

BUILDING STRENGTH

Board of Directors :

SHRI LN BANGUR, *Chairman & Managing Director*
 SHRI GOVIND SHARDA, *Whole-time Director*
 SMT ALKA BANGUR, *Director*
 SHRI SS KOTHARI, *Director*
 SHRI CHANDRAVADAN DESAI, *Director*
 SHRI AMITAV KOTHARI, *Director*
 SHRI AMIT MEHTA, *Director*
 SHRI GR AGARWAL, *Director*

Auditors :

M/s BD GARGIEYA & CO., JAIPUR

Bankers :

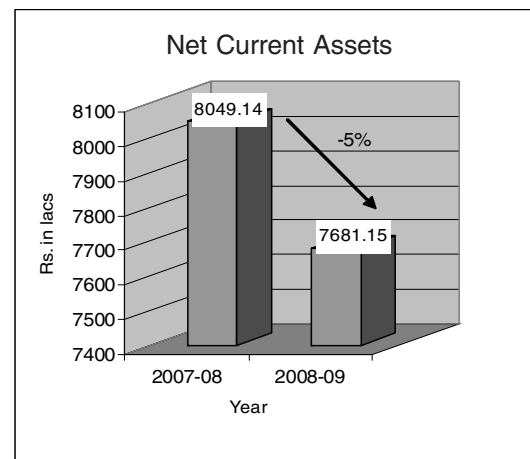
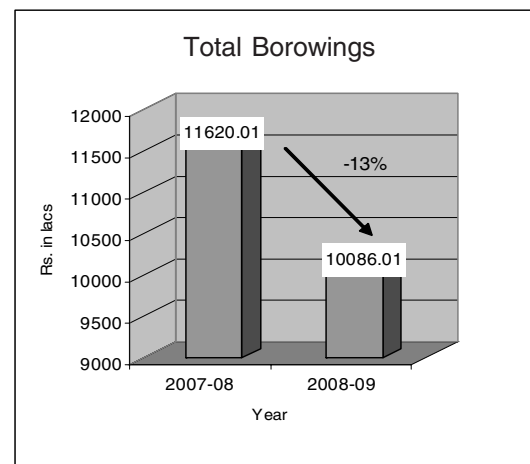
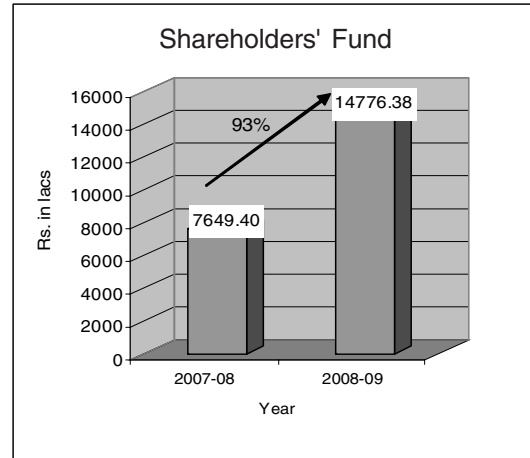
ICICI BANK LTD.
 IDBI BANK LTD.
 PUNJAB NATIONAL BANK
 STATE BANK OF BIKANER & JAIPUR
 STATE BANK OF INDIA
 THE BANK OF RAJASTHAN LTD.

Regd. Office :

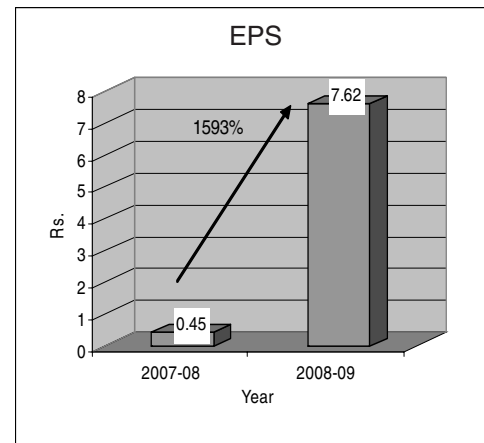
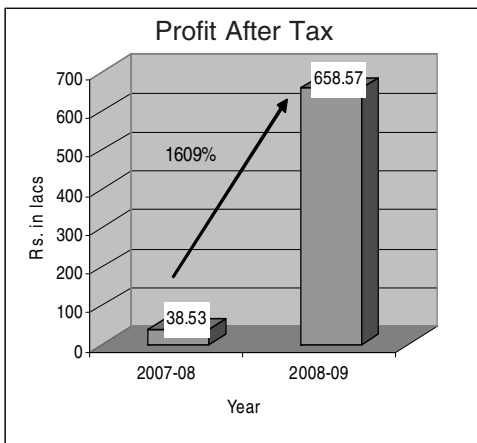
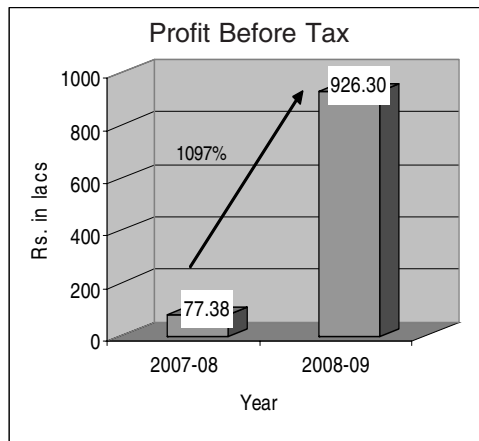
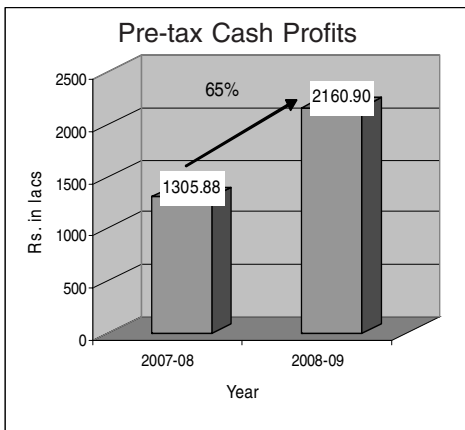
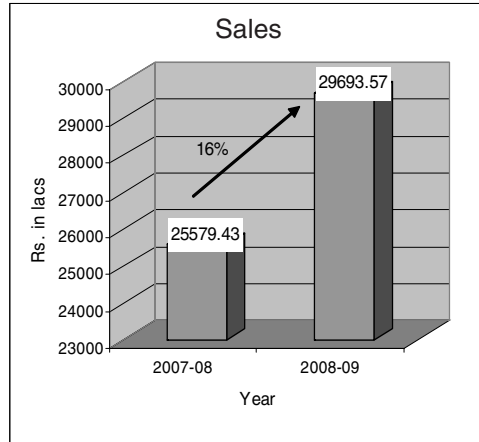
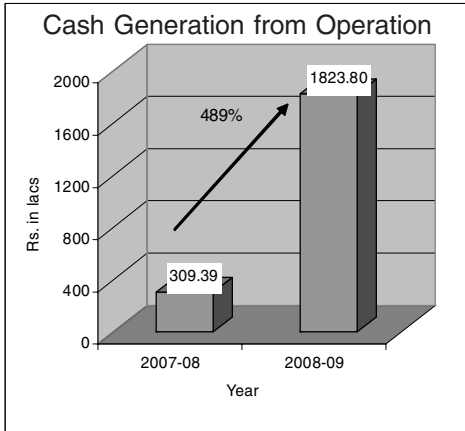
ROOM NO. 706, 7TH FLOOR, "KRISHNA"
 224, AJC BOSE ROAD
 KOLKATA – 700017 (W.B.)

Administrative Office and Works :

PALI (Rajasthan)
 PIN – 306 401



BUILDING HIGHLIGHTS





CMD's Communiqué

We are entering the growth phase wherein our strategy is taking the shape in terms of financial benefits for all the stakeholders.

The year gone by has seen us put up a solid progress across our business together with signs of a stronger growth coming through in future years. It has been one of the landmark years in the Company's growth trajectory with significant achievements endorsing MSUM's reputation as a leading textile player.

Your Company made excellent progress in the execution of the first phase of its planned strategies for growth, operational excellence, financial performance and transformation. This is despite the fact that the global economic turbulence had sent most of the textile players in tail-spin during the previous financial year.

The Company has created a domestic market centric business model that provides a hedge against the international economic volatility. To build upon its strength, the Company has carved out a detailed plan of action to enhance the value addition while balancing the geographical territories in such a manner that mitigates business risks. The step by step execution of the model would have stronger performance pillars to substantiate its long-term growth.

We intend to position the Company amongst the most valuable textile players in the chosen business verticals. We would be investing in creating internal competence to build the organisation to rank amongst the best places to perform.

The year that lies ahead is expected to yield better financial results. We are taking significant initiatives for creating and building larger presence in the value chain of the textile arena.

The Company has gone from strength-to-strength over the past and faces a promising future ahead.

I would like to thank one and all including our investors and other stakeholders for spurring us to perform better and reposing their faith in the Company.

LN BANGUR

Chairman and Managing Director

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 69th Annual General Meeting of the members of MAHARAJA SHREE UMAID MILLS LIMITED will be held at Sitaram Seksaria Auditorium of Bhartiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata-700 017 on Saturday, the 19th day of September, 2009 at 11.30 A.M. to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date.
2. To declare dividend.
3. To appoint a Director in place of Smt. Alka Bangur, who retires by rotation, and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Shri Chandravadan Desai, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the current year and to fix their remuneration.

Special Business

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT Shri Amit Mehta, who was appointed as an Additional Director of the Company with effect from 30th September, 2008 by the Board of Directors under Article 92 of the Article of Association and who ceases to hold office as such Director on the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956; and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT Shri GR Agarwal, who was appointed as an Additional Director of the Company with effect from 27th March, 2009 by the Board of Directors under Article 92 of the Article of Association and who ceases to hold office as such Director on the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956; and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

Kolkata
30th July, 2009

For and on behalf of the Board
Govind Sharda
Whole-time Director

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item Nos. 6 & 7 above is annexed hereto and form part of the Notice.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A Proxy Form in order to be effective, must reach the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Book of the Company will remain closed from Monday, the 14th day of September, 2009 to Saturday, the 19th day of September, 2009 (both days inclusive).
4. Dividend, when declared, will be payable to those members whose names appear in the Register of Members as on 19th day of September, 2009.
5. Information to Shareholders as prescribed in clause 49 of Listing Agreement in respect of appointment/reappointment as Directors, is given at Annexure-A attached to this Notice.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
ANNEXED TO THE NOTICE CONVENING THE 69TH ANNUAL GENERAL MEETING TO BE HELD
ON SATURDAY, THE 19TH DAY OF SEPTEMBER 2009.****Item No. 6**

Shri Amit Mehta has been appointed by the Board, in its meeting held on 30th September, 2008, as an Additional Director in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Article 92 of the Articles of Association of the Company. Shri Amit Mehta holds his office as Additional Director till the ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the candidature of Shri Amit Mehta for appointment as a Director of the Company.

The Board recommends the resolution for approval by the members.

None of the Directors, except Shri Amit Mehta is interested or concerned in the proposed resolution.

Item No. 7

Shri GR Agarwal has been appointed by the Board, in its meeting held on 27th March, 2009, as an Additional Director in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Article 92 of the Articles of Association of the Company. Shri GR Agarwal holds his office as Additional Director till the ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the candidature of Shri GR Agarwal for appointment as a Director of the Company.

The Board recommends the resolution for approval by the members.

None of the Directors, except Shri GR Agarwal is interested or concerned in the proposed resolution.

Kolkata
30th July, 2009

For and on behalf of the Board
Govind Sharda
Whole-time Director

ANNEXURE - 'A' ATTACHED TO THE NOTICE DATED 30TH JULY, 2009
(as required under clause 49 of the Listing Agreement)

Information on appointment/re-appointment of Directors

| Particulars | Re-appointment | | Appointment | |
|---|---|-------------------------|---------------------------------------|--------------------------------------|
| | Name | Name | Name | Name |
| Name | Smt. Alka Bangur | Shri Chandravadan Desai | Shri Amit Mehta | Shri GR Agarwal |
| Date of Birth & Age | 29.11.1954 54 Yrs. | 10.12.1949 59 Yrs. | 08.04.1980 29 Yrs. | 15.08.1945 63 Yrs. |
| Qualifications | M.B.A. | B.Com. | B.Com., M.Com., MIIS, ACTM, ACA | B.Sc., B.Text., M.Tech., PGDBM |
| Expertise in specific functional areas | Industrialist | Financial Management | Business and Financial Management | Textile Technology & Engineering |
| Directorship held in other public companies | 1. The Peria Karamalai Tea & Produce Co. Ltd. 2. The Andhra Pradesh Paper Mills Ltd. | None | MSP Steel & Power Ltd. | None |

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure to present the 69th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March 2009.

The Financial Results are given hereunder :

(Rs. in Lacs)

| Particulars | Year ended on 31.03.2009 | Year ended on 31.03.2008 |
|---|--------------------------------|--------------------------------|
| Net Sales / Income | 29693.57 | 25579.43 |
| Gross Profit before depreciation and interest | 2587.21 | 2136.41 |
| Interest | 426.31 | 830.53 |
| Cash Profit before taxes | 2160.90 | 1305.88 |
| Depreciation | 1234.60 | 1228.50 |
| Profit before taxes | 926.30 | 77.38 |
| Provision for taxes - Current Tax | 382.47 | 18.56 |
| - Fringe Benefit Tax | 4.60 | 5.25 |
| - Deferred Tax | (119.34) | 15.04 |
| Profit after tax for the period | 658.57 | 38.53 |
| Balance brought forward from previous year | 376.13 | 413.41 |
| Profit available for appropriation | 1034.70 | 451.94 |
| Appropriations | | |
| Proposed Dividend | 108.00 | 64.80 |
| Tax on Proposed Dividend | 18.35 | 11.01 |
| Transferred to General Reserve | 50.00 | |
| Taxes of earlier year(s) | 61.38 | |
| Balance carried to Balance Sheet | 796.97 | 376.13 |

Business

The textile industry has not been in the best of the financial shapes during the year under review. However, the strong business associate networking and the brand equity that the

Company has built over the period of last 6 decades has enabled it to have a sustainable market presence with sales volumes having grown by 8% during the period with a better product mix having higher value growth.

The mounting pressure on costs has been confronted with enhanced value addition to register the profitable growth.

Dividend

Your Directors are pleased to recommend payment of dividend of Rs.1.25 per equity share (previous year: Re 0.75) for the year ended on 31st March 2009 on all the fully paid up shares of Rs 10 each. The total outgo would be to the tune of Rs. 126.35 lacs (PY: Rs 75.81 lacs) including Corporate Dividend Tax. The Company intends to save resources in view of planned expansion/upgradation of its manufacturing capabilities.

New Business Development

Existing business of manufacturing yarn and fabrics offer significant growth opportunities, being the backbone of the textile industry. However, an upward movement in the value chain would generate a significantly higher returns to the shareholders over the period of time. Your Company's management team has made a beginning in this regard during the current year.

The Company is also evaluating the proposal of utilising the surplus land available with it in more remunerative manner.

Management Discussion and Analysis

The detailed analysis is appended herewith and form part of the Directors' Report.

Corporate Governance

A compliance report on Corporate Governance has been annexed as part of the Annual Report along with Auditors' Certificate in compliance with Clause 49 of the Listing Agreement with the Stock Exchanges.

Listing / Delisting of the Equity Shares

The equity shares of your Company are listed at Bombay Stock Exchange and the Calcutta Stock Exchange. The annual listing fees have been paid to these Stock Exchanges and there is no intent of the management to delist the shares from either of the Stock Exchanges.

Directors

Shri Amit Mehta and Shri GR Agarwal were appointed as Additional Directors of the Company since the last General Meeting. The Board recommends for their appointment.

Smt. Alka Bangur and Shri Chandravadan Desai retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their appointment at the ensuing Annual General Meeting.

Shri AL Maheshwari resigned as Managing Director and he was relieved from the services of the Company with effect from 11th August 2008. The Board places on record its warm appreciation for the services rendered by him during his tenure.

Public Deposits

There are no public deposits with the Company.

Particulars of Employees

Particulars of employees under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are required to be set out in Annexure to this Report. However, as per the provisions of Section 219(1)(b)(iv) of Companies Act, 1956, the Report and the accounts are being sent to all the members of the Company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary.

Energy Conservation, Technology Absorption and Foreign Earning/Outgo

The information required under the provision of Section 217(1)(e) of the Companies Act is set out in the annexure to the Directors' report.

Auditors

M/s BD Gargjeya & Co., Chartered Accountants who are the Statutory Auditors of the Company, hold office, in accordance with the provisions of the Companies Act, 1956 upto the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for

re-appointment. The Company has received letter from them giving their consent to act as auditors of the Company and stating that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based upon the representations received from the Operating Management, confirm that:

- i. in the preparation of the Annual Accounts for the year ending on 31st March 2009, the applicable accounting standards have been followed and there has been no material departure;
- ii. appropriate accounting policies have been selected by them and applied the same consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and of its profits for the year ending on that date;

Kolkata
13th June 2009

iii. proper and sufficient care has been taken by them for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv. the Annual Accounts for the period ended on 31st March 2009 have been prepared by them on a going concern basis.

Acknowledgement

The Directors express their gratitude to Financial Institutions, Banks and various other agencies for the co-operation extended to the Company. The Directors also take this opportunity to thank all business associates for the confidence reposed by them in the Company. The employees of the Company have contributed significantly to achieve the financial performance. The Directors take this opportunity of thanking them and hope that they will maintain their commitment to excel in the time to come.

For and on behalf of the Board
LN Bangur
Chairman and Managing Director

ANNEXURE - 'A' TO DIRECTORS' REPORT

INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

| A. POWER & FUEL CONSUMPTION : | | Current Year 2008-2009 | Previous Year 2007-2008 |
|--|----------------------|-----------------------------------|----------------------------|
| (1) Electricity | | | |
| a) Own Generation | | | |
| (i) Through Diesel Generators | | | |
| Units | ('000 Units) | 8 | 85 |
| Units per Ltr. of Oil | | 2.42 | 3.48 |
| Cost/Unit | (Rs.) | 12.61 | 9.11 |
| (ii) Through Furnace Oil Generators | | | |
| Units | ('000 Units) | 27,387 | 44,673 |
| Units per Ltr. of Oil | | 4.10 | 4.07 |
| Cost/Unit | (Rs.) | 4.16 | 5.11 |
| b) Purchased from JVVNL | | | |
| (i) Units | ('000 Units) | 55,928 | 34,888 |
| Total Amount | ('000 Rs.) | 2,48,655 | 1,53,878 |
| Cost/Unit | (Rs.) | 4.45 | 4.41 |
| (2) Coal Grade 'B' | | | |
| (Used in Boilers for generation of Steam) | | | |
| Quantity | (Tonnes) | 11,930 | 12,337 |
| Total Cost | ('000 Rs.) | 51,561 | 28,269 |
| Average Rate | (Rs. per Tonne) | 4,321.96 | 2,291.40 |
| (3) Furnace Oil | | | |
| Furnace Oil Quantity | (K. Ltrs.) | 6,664 | 10,963 |
| Total Amount | ('000 Rs.) | 1,13,603 | 2,27,258 |
| Average Rate | (Rs./Ltr.) | 17.05 | 20.73 |
| B. CONSUMPTION PER UNIT OF PRODUCTION : | | | |
| (1) Electricity (Units) | | | |
| | Fabrics | 758.59 | 806.67 |
| | (per Thousand Mtrs.) | | |
| | Yarn | 3,045.57 | 3,048.85 |
| | (per Metric Tonne) | | |
| (2) Coal Grade 'B' | | | |
| | Fabrics | 0.48 | 0.55 |
| | (Tonnes) | | |
| | (per Thousand Mtrs.) | | |
| | Yarn | 0.09 | 0.10 |
| | (per Metric Tonne) | | |

The figures given in Entry 'B' above with regard to consumption of different types of energy/fuel per unit of production are only gross averages and are not comparable from year to year on account of the inherent factors about the denominators used in the prescribed format of the Annexure; and because of such vast number of variables that go into computations as above, variations are inescapable.

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A. RESEARCH AND DEVELOPMENT (R & D) :

- | | |
|--|---|
| 1. Specific areas in which R & D carried out by the Company and benefits derived as a result thereof : | Process control and improving quality standards of the existing products. |
| 2. Future plan of action : | Diversifying into yarns of better value has been in process. |
| 3. Expenditure on R & D : | Not accounted for separately. |

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- | | |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | } The Company is having plans to update the technology of the equipment by continued further modernisation. |
| 2. Benefits derived as a result of the above efforts. | |
| 3. Information regarding Technology imported during last 5 years. | |

C. FOREIGN EXCHANGE EARNINGS & OUTGO :

- | | |
|--|---|
| 1. Activities relating to exports; initiatives taken to increase exports; developments of new export markets for products and services, and export plan: | Management endeavour for selective product quality upgradation continues. |
| 2. Total foreign exchange earnings & outgo | |
| (i) Foreign exchange earnings | Rs. 1745.29 Lacs |
| (ii) Foreign exchange outgo | Rs. 205.59 Lacs |

MANAGEMENT DISCUSSION AND ANALYSIS

The fiscal 2008 started under the shadow of financial debacle in the over grown economies having fall out in the lesser grown economies. With the release of periodic stimulus package coupled with bail out funds, the economies started showing the sign of stagnation towards the end of the fiscal.

The decoupling theory of disassociating the Indian economy with the US economy lived much shorter during the last fiscal with almost all growing economies falling under the clutches of recession or depression, whatever way interpreted.

The Indian economy is expected to have grown a shed below 7%. By all standards, it is a significant achievement and indicates the purchasing power of the national economy. However, it remained a psychological compromise wherein most of the capital expenditure got sub-optimal time overrun. The poor sentiments coupled with frequent pink slips to high profile employment opportunities had set the tone that got alarmed during the last quarter with surfacing of the largest corporate fraud in the Indian history.

Negative tone having been set in the economy, the consumers postponed all their discretionary expenditure, textiles included, and the segment registered slowest growth in last 5 years within the domestic market. Aligned with the recessionary trend and a volatile Indian currency vis-à-vis US Dollar and EU Euro made export growth difficult. To complicate the matter, two of the largest markets for the industrial textile products launched anti-dumping duty on the Indian products to protect their domestic segment.

Cotton was reasonably priced in the beginning of the fiscal but before the cotton season could began, it spiralled to historic high, forcing the policy making authorities to revise the Minimum support price upward. The current cotton season is having the largest purchases by the Government of India enterprises, forcing the user industry to pay much higher prices with no corresponding lift in the output prices and no additional volumes occurring to the industry in view of otherwise recessionary market condition.

The fabric segment, an input for garmenting business, derives its demand from the export segment and with the global melt down, it also went under the pricing and demand pressure.

Most of the textile players have registered it as one of the worst financial year in terms of operational performance. We need to review the performance of the Company in this backdrop. The comprehensive report hereunder should be read in conjunction with the audited financial statements and schedules appended to it for the year ended on 31st March 2009 and a year before.

The discussion contains some forward looking statements based upon intent of the Company. However, the actual outcome could be influenced by the external conditions.

OPERATIONAL PERFORMANCE

The year has seen a change in the business focus where the stress shifted on the value added segment and enlarging the market base. The major events that happened during the year are:

- Got connected to the grid power towards the end of the previous financial year;
- Entered into RMG segment;
- Broadbasing the marketing through additional agents / dealers / merchant exporters;
- Building internal efficiencies through balancing equipment;
- Building production base for fabric business; and
- Enhancement of product range.

REVENUES

The initiatives have enabled your company sail through the tough phase of textile industry. During the year, the total sales value increased by 16%. The volumes of yarn registered growth of 8% whereas the values grew by 16%. The volumes of fabric enhanced by 9% and the values increased by 18%. The industry is reported to have grown negatively YoY basis. A clear shift towards the value addition drive is visible in financial performance.

Building upon the domestic centric market strategy during the tough times, the earnings by way of direct exports were contracted by 43% to ensure remunerative growth.

MAJOR COSTS

Raw Material Costs

Notwithstanding the reduced crop of cotton, the availability of input for cotton textile segment in domestic segment was not reduced due to compensating reduction in export of cotton. However, the prices registered a significant growth with the strategic change inserted through the Government Administered Price leading to historic highs. The average price of clean cotton registered a growth of 15%, though the prices of other manmade fibres were relatively stable with 2% hike, more aligned to crude prices. In absence of compensating increase in sales realisation, the raw material costs increased from 62 % of net sales to 65%. The Company continued to change its product mix to prolong the use of inputs for longer runs leading to better yield of cotton.

Power and Fuel

Having got adequate captive power generation facilities, the Company continued to switch usage of grid power and captive power for optimal costing. During the year, 32.9% (PY 56.2%) of power was generated in-house with balance having been sourced from the State Grid. The consumption per unit of output declined marginally while the price per KWH registered decline of 6%. The cumulative effect of efforts translated in reduction of power and fuel costs from 16% of net sales to 14%.

Manpower Costs

Textile manufacturing is a manpower intensive industry. At the national level, it is the second biggest employer, next to agriculture. Usage of valuable resources through optimal planning and value addition has enabled the Company to reduce the manpower costs by 50 bps at 7%.

Financial Costs

The industry is characterised by seasonality of financing pattern owing to dependence on the crop season of cotton. A prudent application of funding strategy balancing the cost of procurement with

the cost of carrying the inventory has been the mantra irrespective of the cost of borrowing. During the year, while the borrowing costs spiralled apart from re-rating of the textile segment, the total borrowing level reached to the peak in anticipation of higher cotton prices towards the end of the season. However, such costs are partially off-set by the benefits in the business through lowered down input costs in the subsequent period. Overall financial costs were lower at 1% of net sales as compared to 3% in the previous year. In absolute terms, the interest costs almost halved from the previous year.

Profits and Profitability

Profit before taxes jumped from Rs 78 lac (0.30% of net sales) to Rs 926 lacs (3.1% of net sales) during the year. Profit after taxes increased from Rs 39 lac (0.15% of net sales) to Rs 659 lac (2.2% of net sales) during the year.

FINANCIAL CONDITION AND CASH FLOW MANAGEMENT

During the year, the Company scaled its working capital borrowing in anticipation of higher prices of cotton. The overall inventory coverage for cotton decreased marginally in absolute terms but the quality procurement during season is expected to provide competitive edge during the year.

Towards the end of the financial year, the Company extended a liberal credit to its customers leading to higher debtors. However, such increase was off-set by lower processed inventories and liquidation of other loans and advances.

During the year, the Company made investments in the equity and preference share capital of M/s VS Lignite Power Private Limited as part of sourcing of power from the Group Captive Power Plant. The investments would seal the power costs for next 20 years after commencement of supplies and therefore, would have a better return over the period of time.

Following a conservative financial management, the Company has been able to maintain free operational cash flow during the last financial year.

SWOT ANALYSIS

Strengths and Opportunities

The Company is having well established network of distribution of its products across India. Hitherto underdeveloped markets offer great potential for growth.

With the expected growth in the textile industry over the period of time, the futuristic hopes are limited to imaginations.

The manufacturing facilities are situated in the cotton belt to ensure easier and economical sourcing of cotton.

Stiff competition may force closure of inefficient manufacturers. It provides potential for inorganic growth apart from opening up new market segments for the Company.

Challenges and Threats

The prolonged global melt down can generally have negative sentiments about the textile industry. However, being in the initial stage of the textile value chain, the impact would be restricted. Moreover, the employment data indicate a nearby light at the end of the tunnel.

Sourcing of cotton depends upon the monsoon conditions. The past trend has been encouraging. Being part of the agricultural sector, probable restrictions on the exports in case of potential international demand is expected to protect the interest of the industry.

Impact of adverse cross currency ratio could be seen in the off-take by overseas buyers. However, the economic equilibrium provides a balancing opportunity.

OUTLOOK

The Company has implemented its first phase of transformation of business wherein the potential growth drivers have been identified and acted upon. The second phase would be implemented during the course of the current financial year whereas the last phase is expected to be implemented two years hence. The management expects the initiatives to yield the desirable growth in revenues and profits. The de-risking aspect of model is to avoid the adverse impact of the cyclical vagaries associated with the cotton. The Company may benefit from any possible stimulus package that the Government of India may offer to the textile segment, however insignificant it could be.

The Company strongly believes that the textile buoyancy would occur towards the end of 2010 and therefore, it has prepared the business plan keeping in mind the “dry market” conditions. Internal preparedness of the management team for adverse business circumstances has enabled the management overcome the limitations that the textile industry faced in the last financial year. However, the favourable employment statistics from the overseas economies are indicating a quicker recovery in the export segment that would fuel the domestic demand. The Company would stand a beneficiary with any such quick recovery. In order to expand its market size, the Company would introduce new products during the tough economic scenario that would enable it to keep the base ready before the economic recovery.

At the aggregate level, the Company expects the following financial year full of exciting opportunities where the risk-reward matrix may favour those who move following the contrarian approach.

REPORT ON CORPORATE GOVERNANCE

The Directors are pleased to present the Company's Report on Corporate Governance.

Corporate governance is most often viewed as both the structure and the relationships that determine corporate direction and performance. The Board of Directors is typically central to Corporate Governance. Its relationship to the other primary participants, typically shareholders and management, is critical. Additional participants include employees, customers, suppliers, and creditors. The Corporate Governance framework also depends on the legal, regulatory, institutional and ethical environment of the community. Corporate Governance is about working ethically and finding a balance between economic and social goals. It includes the ability to function profitably while obeying laws, rules and regulations.

Corporate Governance is a reflection of our culture, policies, our relationship with stakeholders and society, and our commitment to values.

The Company has been adopting preeminent Corporate Governance policies; practices and ethical principle to ensure the transparency at all level.

Company's Governance Philosophy on Corporate Governance

The philosophy on Corporate Governance of the Company envisages a systemic process of direction and control to enhance its wealth-generating capacity. The Company believes that its operations and actions should meet stakeholders' aspirations as well as societal expectations and enhance the long-term shareholder value. Our governance practices endeavor to sustain trusteeship, transparency, empowerment and ethical corporate control.

Trusteeship believes to protect the right of the entire stakeholders whether large or small.

Transparency believes in appropriate and timely disclosures.

Empowerment believes that performance combined with accountability should improve effectiveness, thereby enhancing shareholder value.

Ethical corporate control believes in setting up perfect values of ethical behaviour, both in internal and external relationships.

The Company's Corporate Governance Framework is based on following principles :

- Constitution of the Board comprise with independent directors and expert professionals;
- Strengthening the Committees of the Board;
- Timely disclosure to all the shareholders;
- Regular review of internal control system; and
- Review of the operations and actions to discharge the social responsibilities .

1. BOARD OF DIRECTORS :

Board Composition

As at 31.03.2009, the Board consists 8 Directors, out of which 4 are Independent Directors. The Composition of Board and category of Directors are as under :

| Name of the Director/Promoter | Category | Directorship in other public limited companies and Committee Membership | | |
|-------------------------------|--------------------------------|---|-------------------------|-----------------------|
| | | Other Directorship | Committee Chairman-Ship | Committee Member-Ship |
| Shri LN Bangur | Promoter–Executive | 11 | 4 | 2 |
| Smt. Alka Bangur | Promoter–Non-Executive | 2 | – | – |
| Shri Chandravadan Desai | Independent–Non-Executive | – | – | – |
| Shri Amitav Kothari | Independent–Non-Executive | 1 | 1 | 1 |
| Shri SS Kothari | Independent–Non-Executive | 2 | 1 | 2 |
| Shri Govind Sharda* | Non-Promoter–Executive | – | – | – |
| Shri Amit Mehta** | Non-Executive, Non-Independent | 1 | – | – |
| Shri GR Agarwal*** | Independent, Non-Executive | – | – | – |

* Appointed as Additional Director w.e.f. 11.08.2008 and as Whole-time Director w.e.f. 30.09.2008

** Appointed as Additional Director w.e.f. 30.09.2008

*** Appointed as Additional Director w.e.f. 27.03.2009

None of Director is related to any other Director except Shri LN Bangur & Smt. Alka Bangur.

2. BOARD MEETING AND PROCEDURE :

The power of decision-making is vested in the body constituted by the shareholders comprises with adequate number of Directors; however some powers can be exercised only after the requisite resolution(s) passed in Shareholders' Meeting in accordance with the provisions of Companies Act, 1956.

Board Meeting is a systematic process that makes the decision making process efficient. The following matters are regular Agenda items of the Board Meeting:

- Working and operations of the business
- Budget and plans
- Annual, half yearly and quarterly financial results
- Declaration of Dividend
- Appointment/Resignation of the managerial persons
- Proposal for borrowings, investments etc.
- Delegation of power and authority.

The Board meets at least once in a quarter. Eight Board Meeting were held during the previous year.

Attendance of Directors at Board Meetings and last Annual General Meeting was as follows :

| Name of Director | No. of Board Meetings Attended | Attendance at the last AGM |
|-------------------------|--------------------------------|----------------------------|
| Shri LN Bangur | 8 | Yes |
| Smt. Alka Bangur | 8 | Yes |
| Shri Chandravadan Desai | 4 | No |
| Shri Amitav Kothari | 7 | Yes |
| Shri SS Kothari | 6 | Yes |

| | | |
|----------------------|---|-----|
| Shri AL Maheshwari* | - | No |
| Shri Govind Sharda** | 3 | Yes |
| Shri Amit Mehta*** | 3 | NA |
| Shri GR Agarwal**** | - | NA |

* Resigned and relieved w.e.f. 11.08.2008

**Appointed as Additional Director w.e.f. 11.08.2008 and as Whole-time Director w.e.f. 30.09.2008

*** Appointed as Additional Director w.e.f. 30.09.2008

****Appointed as Additional Director w.e.f. 27.03.2009

3. DETAILS OF BOARD MEETINGS HELD DURING THE PERIOD :

Eight Board Meetings were held during the year 2008-09, as against minimum requirement of four meetings. The maximum time gap between any such two meetings was not more than three months. The details of the Board Meetings are as under:

| S.No | Date | Place | Board Strength | No. of Director Present |
|------|------------|---|----------------|-------------------------|
| 1 | 30.06.2008 | 7, Munshi Premchand Sarani, Hastings, Kolkata – 700 022 | 6 | 5 |
| 2 | 30.06.2008 | -do- | 6 | 5 |
| 3 | 31.07.2008 | -do- | 6 | 4 |
| 4 | 08.08.2008 | -do- | 6 | 4 |
| 5 | 30.09.2008 | -do- | 6 | 5 |
| 6 | 31.10.2008 | -do- | 7 | 6 |
| 7 | 27.01.2009 | -do- | 7 | 6 |
| 8 | 27.03.2009 | Maharaja Shree Umaid Mills Ltd., Jodhpur Road, Pali – 306 401 (Rajasthan) | 7 | 4 |

4. BOARD COMMITTEES :

Board has constituted three functioning committees in accordance with the provisions of Companies Act, 1956 and Listing Agreement, namely :

- Audit Committee
- Remuneration Committee
- Shareholders'/Investors' Grievance Committee

Details of each committee are provided as under :

(A) Audit Committee :

Composition: The Audit Committee comprises two independent Directors and one non-executive Director, namely Shri GR Agarwal, Shri Amitav Kothari and Smt. Alka Bangur.

Objective : The primary objective of the Committee is to monitor and provide effective supervision of the financial reporting process to ensure reliability and timeliness of disclosures while ensuring integrity and quality of the reports.

Terms of Reference : The Committee interacts with the audit agencies involved in the validation of the financial disclosures and assesses the adequacy of checks and controls in the business. The broader responsibilities of the Committee are as under:

1. Facilitate two-way communication between the auditors and the Board;
2. Assurance to the independence of the auditors by taking suitable steps including appointment, fixation of compensation, removal and defining the audit charter, when required.
3. Review of the quarterly and annual financial statements, whether audited / unaudited or reviewed by the auditors including the approval of the management's discussion and analysis of financial performance and reports forming part of the Directors' report in the Annual Report of the Company. The following points would specifically be approved by the audit committee:
 - a. Review of related party transactions.
 - b. Review of contingent liabilities of the Company that may have significant implications on the financial health of the Company.
 - c. Review the change, if any, in the accounting policies / practices and relevant qualifications / disclosures by the auditors.
 - d. Compliances with the relevant accounting standards.
 - e. Compliances with the stock exchange and legal requirements concerning financial statements.
4. Review, approve and monitor the code of ethics that the senior management and financial personnel of the Company must adhere to.
5. Review and approval of the risk management policy of the Company.
6. Approval of the financial reports / results for consideration of the Board.

Meeting of Audit Committee

The Audit Committee met four times during the year on 30.06.2008, 31.07.2008, 31.10.2008 and 27.01.2009. The attendance of the committee members to these meetings was as follows:

| Name of Director | Status of the Director | No. of Meetings Attended |
|---------------------|------------------------|--------------------------|
| Shri SS Kothari* | Chairman* | 3 |
| Shri GR Agarwal** | Chairman** | - |
| Shri Amitav Kothari | Member | 4 |
| Smt. Alka Bangur | Member | 4 |

*Resigned w.e.f. 27.03.2009

** Appointed w.e.f. 27.03.2009

The Chief Financial Officer (CFO)/Director- Finance is invited in the meeting of Audit Committee.

(B) Remuneration Committee :

Composition :

The Remuneration Committee comprises three Independent Directors, namely Shri SS Kothari – Chairman, Shri Chandravadan Desai and Shri Amitav Kothari.

Terms of Reference :

Remuneration Committee recommends/reviews the remuneration of Executive members of the Board.

Meeting :

The Remuneration Committee met on 8th August 2008. The attendance of the committee members to these meetings was as follows:

| Name of Director | Status of the Director | No. of Meetings attended |
|-------------------------|------------------------|--------------------------|
| Shri SS Kothari | Chairman | 1 |
| Shri Amitav Kothari | Member | 1 |
| Shri Chandravadan Desai | Member | - |

Remuneration Policy :

The Company's remuneration policy is based upon the market phenomena, performance and qualitative appraisal.

Remuneration of Directors :

The Details of Remuneration paid to the Directors during the year are as under :

| Name of Director | Salary to P.F. | Contribution on profits | Commissions & other benefits | Perquisites Fees | Sitting | Total |
|----------------------------|----------------|-------------------------|------------------------------|------------------|---------|-------|
| Shri LN Bangur (CMD) | 26.07 | 3.13 | - | 15.64 | - | 44.84 |
| Smt. Alka Bangur | - | - | 2.50 | - | 0.45 | 2.95 |
| Shri Chandravadan Desai | - | - | 2.50 | - | 0.12 | 2.62 |
| Shri Amitav Kothari | - | - | 2.50 | - | 0.36 | 2.86 |
| Shri SS Kothari | - | - | 2.50 | - | 0.36 | 2.86 |
| Shri AL Maheshwari (MD)* | 7.30 | 0.88 | - | - | - | 8.18 |
| Shri Govind Sharda (WTD)** | 8.68 | 0.69 | - | 3.20 | - | 12.57 |
| Shri Amit Mehta*** | - | - | 1.25 | - | 0.09 | 1.34 |
| Shri GR Agarwal**** | - | - | 0.04 | - | - | 0.04 |

The above amount doesn't include the amount paid/payable towards gratuity/leave encashment, since the periodical provisions are made on actuarial basis for the company as a whole.

* Resigned and relieved w.e.f. 11.08.2008

** Appointed as Additional Director w.e.f. 11.08.2008 and as Whole-time Director w.e.f. 30.09.2008

*** Appointed as Additional Director w.e.f. 30.09.2008

**** Appointed as Additional Director w.e.f. 27.03.2009

(C) Shareholders'/Investors' Grievance Committee :
Composition:

The Shareholders'/Investors' Grievance Committee comprises three Director namely Shri SS Kothari – Chairman, Smt. Alka Bangur and Shri Govind Sharda.

Terms of Reference:

The Shareholders'/Investors' Grievance Committee, inter alia, considers the matter relating to transfer/transmission of Shares, issue of Duplicate Share Certificates, Dematerialization/ Rematerialisation of Shares, redressal of shareholders'/ investors' grievances etc. The committee regular reviews the services provided by Registrars and Transfer Agent to shareholders.

Meeting:

Three meetings of the Committee were held during the financial year 2008-09, i.e. on 30.06.2008, 31.10.2008 and 27.01.2009. The attendance of the committee members to these meetings was as follows :

| Name of Director | Status of the Director | No. of Meetings Attended |
|----------------------|------------------------|--------------------------|
| Shri SS Kothari | Chairman | 2 |
| Smt. Alka Bangur | Member | 3 |
| Shri AL Maheshwari* | Member | - |
| Shri Govind Sharda** | Member | 1 |

* Resigned and relieved w.e.f. 11.08.2008

** Appointed w.e.f. 11.08.2008

5. GENERAL BODY MEETING :
a) Annual General Meeting :

Venue, date, day and time of the Annual General Meetings held during last 3 years are as follow :

| Year | Venue | Date | Time |
|------|--|------------|------|
| 2006 | A-2, Prithviraj Road, C-Scheme, Jaipur-302005 | 16.09.2006 | 4 PM |
| 2007 | A-2, Prithviraj Road, C-Scheme, Jaipur-302005 | 17.09.2007 | 4 PM |
| 2008 | Sitaram Seksaria Auditorium of Bhartiya Bhasha Parishad, 36 A, Shakespeare Sarani, Kolkata-700017 (WB) | 30.09.2008 | 3 PM |

b) Special Resolution(s) passed in previous 3 AGMs

| Date | Matter |
|------------|---|
| 16.09.2006 | Issue of Bonus Shares |
| 30.09.2008 | Appointment of Shri Yogesh Bangur on place of profit u/s 314(1B) of the Companies Act, 1956 |
| 30.09.2008 | Re-appointment of CMD |
| 30.09.2008 | Appointment of Whole-time Director |

c) Details of Extraordinary General Meeting and Resolution passed through Postal Ballot during the year :

There was no Extraordinary General Meeting held during the year 2008-09 and there was no Resolution passed through Postal Ballot in the year 2008-09.

6. DISCLOSURES ON RELATED PARTY TRANSACTION :

During the year there were several related party transactions executed by the Company but none of the transaction was prejudicial to the interest of Company and investors. All the transactions were made on arms length price. The details of transactions are given under "Notes on Accounts – Schedule 17" forming part of the Annual Report.

7. OTHER DISCLOSURE :

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital market, during the last three years

No penalties have been levied or strictures have been passed by SEBI, any of the Stock Exchanges or any other Statutory Authority on any matters relating to capital markets, in the last three years.

8. CEO/CFO CERTIFICATION :

As per the clause 49 of the Listing Agreement, the Chairman & Managing Director Shri LN Bangur being the CEO and the Whole-time Director Shri Govind Sharda being the CFO, have jointly furnished to the Board, the requisite certificate before the meeting of the Board of Directors held on 13th June 2009.

9. MEANS OF COMMUNICATION :

Financial Results

The quarterly and half yearly results are published in one English daily newspaper circulating in whole or substantially the whole of India and in one newspaper published in the language of the region, where the registered office of the Company is situated i.e. Kolkata. The results of the last quarter of the year are, however, published alongwith the Annual Audited Results.

Annual Report

Annual Report containing, inter alia, Audited Annual Accounts, Directors' Report, Management Discussion & Analysis Report, and other relevant/important information is circulated to members and other entitles.

Website

The company website www.msumindia.com displays adequate information and financial Results.

Corporate Filing

Pursuant to clause 52 of the Listing Agreement, Financial Results, Shareholding Patterns etc. are also posted to www.corpfiling.co.in.

E-mail IDs for Shareholders/Investors

Investors may send their query/feedback to compliance@msumindia.com

10. SHAREHOLDERS' INFORMATION :

- a. Company Registration Details The Registered office of the Company has been shifted to Kolkata (West Bengal) from Jaipur (Rajasthan).

- New Corporate Identity Number (CIN) is L17124WB1939PLC128650. Referencing this no., a person can obtain the details about the company with ROC at www.mca.gov.in
- b. Registrar and Transfer Agent (Physical/ Electronic Shares) Maheshwari Datamatics Pvt. Ltd.
6 Mangoe Lane, Surendra Mohan Ghosh Sarani
2nd Floor, Kolkata – 700 001.
Phone: 033-2243-5809/5029 Fax: 033-2248-4787
E-mail ID : mdpl@cal.vsnl.net.in
- c. Date, time and venue of AGM 19th September, 2009 at 11.30 AM at Sitaram Seksaria Auditorium/Conference Room of Bharatiya Bhasha Parishad, 36 A, Shakespeare Sarani, Kolkata-700017
- d. Financial Calendar/
Financial Year 1st April to 31st March every year
- Quarterly Financial reporting Within one month from the end of each quarter except the fourth quarter when Audited Annual Results are published within three months.
- e. Date of Book Closure 14th September, 2009 to 19th September, 2009 (Stock Exchange will be duly notified)
- f. Dividend Payment Within 30 days from 19th September, 2009 (the date of the next AGM), if any, as may be approved by the members of the Company as recommended by the Board.
- g. Share Transfer System Share transfer is normally effected within a period of 15 days from the date of receipt, if all required documentation are submitted. All requests for dematerialisation of shares are processed and confirmation is given to the depositories within 15 days. The Company obtains a certificate of compliance in respect of share transfer from a practicing Company Secretary pursuant to clause 47 (c) of the Listing Agreement.
- h. Stock Code BSE - 530059
CSE - M019
- i. Listing at Stock Exchanges The Bombay Stock Exchange Ltd., Mumbai; and The Calcutta Stock Exchange Association Ltd., Kolkata
- j. Market Price Data The market price and volume of the Company's shares traded in The Bombay Stock Exchange Ltd. (BSE), Mumbai and The Calcutta Stock Exchange Association Ltd. (CSE), Kolkata during the year 2008-09 are as follows :


**Maharaja Shree
UMAID MILLS LIMITED**

| Year 2008-09 | BSE | | CSE* | | VOLUME | |
|-----------------|---------------|--------------|---------------|--------------|---------------|---------------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) | BSE (Nos.) | CSE (Nos.) |
| April | 156.90 | 107.35 | - | - | 14742 | - |
| May | 155.00 | 119.75 | - | - | 28077 | - |
| June | 130.85 | 108.00 | - | - | 11577 | - |
| July | 108.10 | 87.00 | - | - | 6596 | - |
| August | 113.95 | 90.00 | - | - | 2931 | - |
| September | 104.95 | 86.00 | - | - | 9846 | - |
| October | 90.95 | 57.10 | - | - | 26628 | - |
| November | 58.25 | 40.50 | - | - | 3606 | - |
| December | 49.00 | 38.00 | - | - | 9263 | - |
| January | 54.10 | 29.10 | - | - | 38510 | - |
| February | 43.50 | 31.00 | - | - | 9374 | - |
| March | 47.60 | 33.10 | - | - | 4266 | - |

* There was no trading of shares at CSE during the year.

k. Distribution of Shareholding as on 31st March, 2009 :

| No. of shares held | No. of share- holders | % of share- holders | No. of shares held | % of share- holding |
|--------------------|--------------------------|------------------------|-----------------------|------------------------|
| 1 to 1000 | 2,321 | 94.20 | 4,10,251 | 4.75 |
| 1001 to 5000 | 95 | 3.86 | 2,13,553 | 2.47 |
| 5001 to 10000 | 10 | 0.40 | 74,748 | 0.87 |
| 10001 & above | 38 | 1.54 | 79,41,448 | 91.91 |
| Total | 2,464 | 100.00 | 86,40,000 | 100.00 |

i. Categories of share holding as on 31st March, 2009 :

| Share-holders Category | No. of shares held | % of total shares held |
|----------------------------|--------------------|------------------------|
| Promoters & Promoter Group | 72,31,400 | 83.70 |
| FIs | NIL | NIL |
| FIIIs | NIL | NIL |
| Mutual Funds | NIL | NIL |
| Banks | NIL | NIL |
| Corporate Bodies | 6,25,859 | 7.24 |
| NRIs | 11,919 | 0.14 |
| Others | 7,70,822 | 8.92 |
| Total | 86,40,000 | 100.00 |

m. Dematerialisation of Shares : As on 31st March, 2009, 61.54% of the Company's equity shares have been dematerialised. As per directives issued by SEBI, it is compulsory to trade in the Company's equity shares in the dematerialised form with effect from 26.12.2000.

n. Plant Location : Maharaja Shree Umaid Mills Ltd., Jodhpur Road, Pali Marwar - 306401 (Rajasthan)

CEO'S DECLARATION

This is to declare that as a measure of following sound Corporate Governance practices and the requirements of the Listing Agreements, the Company has framed a Code of Conduct to be observed by the members of the Board of Directors and the Functional Heads of the Company.

This is to state that all the members of the Board of Directors and the Functional Heads of the Company have furnished their affirmations for due observance and compliance on their part of the Code of Conduct laid down as above and there is no non-compliance thereof during the year ended 31st March, 2009.

Kolkata
13th June, 2009

LN Bangur
Chairman & Managing Director
CEO

AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Maharaja Shree Umaid Mills Ltd.

We have reviewed the compliance of conditions of Corporate Governance by Maharaja Shree Umaid Mills Ltd. for the year ended 31st March 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement with Stock Exchange have been complied with in all material respect of the Company.

No investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

Kolkata
13th June, 2009

For BD Gargieya & Co.
Chartered Accountants
NK Gupta
Partner
M. No. 72326

AUDITORS' REPORT

To the Shareholders,

We have audited the attached Balance Sheet of MAHARAJA SHREE UMAID MILLS LIMITED, KOLKATA as at 31st March, 2009 and the Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. 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.

1. 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 disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
3. Further to our comments in the annexure referred to in para 2 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts, as required by Law, have been kept by the Company, so far as it appears from our examination of those books;

- c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the mandatory Accounting Standards referred in Section 211(3C) of the Companies Act, 1956;
- e) In our opinion and based on information and explanations given to us, none of the Directors of the Company are prima-facie, as at 31st March, 2009, disqualified from being appointed as Directors of the Company in terms of Section 274(1)(g) of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon and schedule 17, give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009; and
 - ii) in the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B.D. GARGIEYA & CO.
Chartered Accountants
NK Gupta

Kolkata
13th June, 2009

Partner
M. No. 72326

**ANNEXURE REFERRED TO IN PARAGRAPH 2
OF OUR REPORT OF EVEN DATE TO THE
MEMBERS OF MAHARAJA SHREE UMAID
MILLS LIMITED ON THE ACCOUNTS AS AT
AND FOR THE YEAR ENDED 31st MARCH, 2009**

1.
 - i) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - ii) As explained to us fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of three years, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. As informed, no material discrepancies were noticed on such verification.
 - iii) In our opinion there was no substantial disposal of fixed assets, during the year and the going concern status of the company is not affected.
2.
 - i) As explained to us the management has conducted physical verification of inventory at reasonable intervals during the year.
 - ii) In our opinion and according to the information and explanations given to us the procedures of physical verification of inventory followed by the management are, in our opinion and according to information and explanations given to us, reasonable and adequate in relation to the size of the Company and the nature of its business.
 - iii) The Company is maintaining proper records of inventory and as explained to us no material discrepancies were noticed on physical verification of inventory as compared to book records.
3. The Company has not taken or granted, during the year any loan, secured or unsecured, to or from Companies, Firms, or other parties concerned in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and service. During the course of our audit, no major weakness has been noticed in internal control system.
5.
 - i) According to the information and explanations given to us, we are of the opinion that contracts or arrangements referred to in Section 301 of the Act have been entered in the register maintained under that section.
 - ii) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA or any other relevant provision of the Act and rules framed there under, and the directives issued by the Reserve Bank of India.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9.
 - i) According to the records of 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 statutory dues have been generally regularly deposited with the

appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were outstanding at the year end for a period of more than six months from the date they became payable.

- ii) According to the records of the Company and information given to us, the particulars of statutory dues of the Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty, Cess and any other statutory dues which have not been deposited on account of disputes and the forum where the dispute is pending are given hereunder :

| S. No. | Name of the statute | Nature of the Dues | Forum where dispute is pending | Amount (Rs. in Lacs) |
|--------|---------------------|--------------------|--------------------------------|----------------------|
|--------|---------------------|--------------------|--------------------------------|----------------------|

Taxation :

| | | | | |
|------|--|-------------|--------------------------------|--------|
| i. | Income Tax Act, 1961 | Income-Tax | High Court | 23.75 |
| ii. | Income Tax Act, 1961 | Income-Tax | ITAT | 137.57 |
| iii. | Central Excise Act, 1944 | Excise Duty | CESTAT | 169.58 |
| iv. | Central Excise Act, 1944 | Excise Duty | Supreme Court | 11.50 |
| v. | The Rajasthan Tax on Entry of Goods into Local Areas Act, 1999 | Entry Tax | Deputy Commissioner High Court | 16.26 |

Others :

| | | | | |
|------|-------------------------------|----------|---------------------|------|
| i. | Payment of Wages Act, 1936 | Wages | Relevant Authority | 1.78 |
| ii. | Payment of Gratuity Act, 1972 | Gratuity | Relevant Authority | 1.43 |
| iii. | Industrial Dispute Act, 1947 | Wages | Industrial Tribunal | 3.23 |
| iv. | ESI Act, 1948 | ESI | High Court | 4.75 |

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks. There are no debenture holders.

12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. Based on information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.
16. On the basis of an overall examination of the balance sheet and cash flows of the company and the information and explanations given to us, we report that the company has not utilized the funds raised on short-term basis for long term investment.
17. During the year the company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
18. The company did not issue any debentures during the year.
19. The company has not raised any money through a public issue during the year.
20. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For B.D. GARGIEYA & CO.
Chartered Accountants
NK Gupta
Partner
M. No. 72326

Kolkata
13th June, 2009

BALANCE SHEET AS AT MARCH 31, 2009

(Rs. in Lacs)

| | Schedule | As at March 31, 2009 | As at March 31, 2008 |
|--|----------|-------------------------|-------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds : | | | |
| Share Capital | 1 | 864.00 | 864.00 |
| Reserves & Surplus | 2 | 13,912.38 | 6,785.40 |
| | | 14,776.38 | 7,649.40 |
| Deferred Tax Liability | | 576.90 | 696.24 |
| Loan Funds : | | | |
| Secured Loans | 3 | 10,086.01 | 10,122.86 |
| Unsecured Loans | 4 | - | 1,497.15 |
| | | 10,086.01 | 11,620.01 |
| | | 25,439.29 | 19,965.65 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets : | | | |
| Gross Block | 5 | 22,642.44 | 15,916.91 |
| Less : Depreciation | | 9,212.68 | 8,158.85 |
| Net Block | | 13,429.76 | 7,758.06 |
| Capital Work-in-Progress | | 19.98 | 19.25 |
| | | 13,449.74 | 7,777.31 |
| Investments | 6 | 4,308.40 | 4,139.20 |
| Current Assets, Loans & Advances : | | | |
| Inventories | 7 | 6,161.04 | 6,650.50 |
| Sundry Debtors | 8 | 1,746.74 | 1,218.39 |
| Cash & Bank Balances | 9 | 149.52 | 395.67 |
| Loans & Advances | 10 | 1,845.70 | 2,494.61 |
| | | 9,903.00 | 10,759.17 |
| Less : Current Liabilities & Provisions | 11 | 2,221.85 | 2,710.03 |
| Net Current Assets | | 7,681.15 | 8,049.14 |
| | | 25,439.29 | 19,965.65 |
| Significant Accounting Policies and Notes on Accounts | 17 | | |

The Schedules referred to above form part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

| | | | |
|-----------------|---|-----------------------------------|---|
| | | LN Bangur | <i>Chairman & Managing Director Whole-time Director</i> |
| | | Govind Sharda | } <i>Directors</i> |
| | | Alka Bangur | |
| | | C V Desai | |
| | | SS Kothari | |
| | | Amitav Kothari | |
| | | GR Agarwal | |
| Kolkata | For BD Gargieya & Co. Chartered Accountants NK Gupta Partner | Pradeep Soni Company Secretary | |
| 13th June, 2009 | M. No. 72326 | | |

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2009

(Rs. in Lacs)

| | Schedule | Year ended on March 31, 2009 | Year ended on March 31, 2008 |
|--|----------|---------------------------------|---------------------------------|
| INCOME | | | |
| Turnover (Gross) | | 29,818.23 | 25,727.34 |
| Less : Rebates, Discount & Incentive etc. | | 78.56 | 46.45 |
| Less : Excise Duty | | 46.10 | 101.46 |
| Turnover (Net) | | 29693.57 | 25,579.43 |
| Other Income | 12 | 98.27 | 119.49 |
| Increase/(Decrease) in Stocks | 13 | (159.55) | 555.16 |
| | | 29,632.29 | 26,254.08 |
| EXPENDITURE | | | |
| Raw Materials and Other Materials Consumed | | 19,074.78 | 16,311.32 |
| Spare, Accessories and Consumables | | 865.39 | 756.13 |
| Power & Fuel | | 4,149.96 | 4,197.90 |
| Manpower Cost | 14 | 2,024.81 | 1,878.27 |
| Other Expenses | 15 | 930.14 | 974.05 |
| Interest & Finance Cost | 16 | 426.31 | 830.53 |
| | | 27,471.39 | 24,948.20 |
| PROFIT BEFORE DEPRECIATION AND TAXATION | | | |
| | | 2,160.90 | 1,305.88 |
| Depreciation | | 1,234.60 | 1,228.50 |
| Provision for Taxation – Current (incl. Wealth Tax and FBT) | | 387.07 | 23.81 |
| – Deferred | | (119.34) | 15.04 |
| NET PROFIT | | | |
| | | 658.57 | 38.53 |
| Add : Balance brought from last year | | 376.13 | 413.41 |
| PROFIT AVAILABLE FOR APPROPRIATION | | | |
| | | 1,034.70 | 451.94 |
| APPROPRIATIONS | | | |
| Proposed Dividend | | 108.00 | 64.80 |
| Tax on Dividend | | 18.35 | 11.01 |
| Provision for Taxation for earlier years | | 61.38 | - |
| General Reserve | | 50.00 | - |
| Balance carried forward | | 796.97 | 376.13 |
| | | 1,034.70 | 451.94 |
| Basic and Diluted Earnings per Share of Rs. 10 each (Rs.) | | | |
| | | 7.62 | 0.45 |
| Significant Accounting Policies and Notes on Accounts | 17 | | |

The Schedules referred to above form part of the Profit & Loss Account.
This is the Profit & Loss Account referred to in our report of even date.

| | | | |
|----------------------------|---|--|---|
| | | LN Bangur | <i>Chairman & Managing Director Whole-time Director</i> |
| | | Govind Sharda | } <i>Directors</i> |
| | | Alka Bangur | |
| | | C V Desai | |
| | | SS Kothari | |
| | | Amitav Kothari | |
| | | GR Agarwal | |
| | For BD Gargieya & Co. <i>Chartered Accountants</i> NK Gupta <i>Partner</i> | Pradeep Soni <i>Company Secretary</i> | |
| Kolkata 13th June, 2009 | <i>M. No. 72326</i> | | |

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2009

(Rs. in Lacs)

| | For the year ended March 31, 2009 | For the year ended March 31, 2008 |
|--|--------------------------------------|--------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before tax and extraordinary items | 926.30 | 77.38 |
| Adjustments for : | | |
| Depreciation | 1,234.60 | 1,228.50 |
| Income from Investments | (39.51) | (38.49) |
| Interest paid (Net) | 379.27 | 825.21 |
| Profit on sale/scraping of fixed assets | (21.20) | (12.47) |
| | 1,553.16 | 2,002.75 |
| Operating Profit before Working Capital Changes | 2,479.46 | 2,080.13 |
| Adjustments for : | | |
| Trade and other receivables | (657.79) | 62.39 |
| Inventories | 489.46 | (1,510.36) |
| Trade payables | 146.28 | 30.26 |
| | (22.05) | (1,417.71) |
| Cash Generated from Operations | 2,457.41 | 662.42 |
| Interest paid | (373.93) | (205.56) |
| Direct taxes paid | (259.68) | (147.47) |
| | (633.61) | (353.03) |
| Net Cash Flow from Operating Activities | 1,823.80 | 309.39 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of fixed assets & other capital exp. | (272.83) | (1,579.45) |
| Sale/scraping of fixed assets | 43.14 | 18.51 |
| Purchase of Investments | (169.20) | - |
| Interest received | 92.82 | 98.93 |
| Dividend received | 39.51 | 38.49 |
| Net cash used in investing activities | (266.56) | (1,423.52) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Proceeds from Long-term borrowing | - | 820.15 |
| Proceeds from Short-term borrowing | 1,455.02 | 4,075.54 |
| Repayment of Long-term borrowing | (1,491.87) | (615.00) |
| Repayment of Short-term borrowing | (1,497.15) | (3,362.80) |
| Interest paid | (193.93) | (646.41) |
| Dividend and tax thereon paid | (75.46) | (177.10) |
| Net cash used in financing activities | (1,803.39) | 94.38 |
| | (246.15) | (1,019.75) |
| Cash and cash equivalents as at 31.3.2008 | 395.67 | 1,415.42 |
| Cash and cash equivalents as at 31.3.2009 | 149.52 | 395.67 |
| | (246.15) | (1,019.75) |

Note : Figures in bracket represent cash outflows.

For BD Gargieya & Co.
Chartered Accountants
NK Gupta
Partner
Kolkata
13th June, 2009

Pradeep Soni
Company Secretary

LN Bangur
Govind Sharda
Alka Bangur
CV Desai
SS Kothari
Amitav Kothari
GR Agarwal
Chairman & Mg. Director
Whole-time Director
Directors

(Rs. in Lacs)

| SCHEDULE 1 : SHARE CAPITAL | As at March 31, 2009 | As at March 31, 2008 |
|--|---------------------------------|---------------------------------|
| Authorised | | |
| 1,00,00,000 Equity Shares of Rs. 10/- each | 1,000.00 | 1,000.00 |
| | 1,000.00 | 1,000.00 |
| Issued & Subscribed | | |
| 1,60,000 Equity Shares of Rs. 10/- each fully paid-up in cash | 16.00 | 16.00 |
| 84,80,000 Equity Shares of Rs. 10/- each issued as Bonus Shares out of Reserves | 848.00 | 848.00 |
| | 864.00 | 864.00 |

| SCHEDULE 2 : RESERVES & SURPLUS | | |
|--|------------------|----------|
| Capital Reserve | | |
| As per last Balance Sheet | 0.68 | 0.68 |
| Revaluation Reserve | 6,656.14 | - |
| (refer Note 6 of Schedule 17) | | |
| General Reserve | | |
| As per last Balance Sheet | 6,359.99 | |
| Add : Transferred from Profit & Loss A/c | 50.00 | 6,359.99 |
| Stock & Investment | 48.60 | 48.60 |
| (Diminution/Fluctuation in Value) Reserve | | |
| Surplus as per Profit & Loss A/c | 796.97 | 376.13 |
| | 13,912.38 | 6,785.40 |

| SCHEDULE 3 : SECURED LOANS | | |
|-----------------------------------|------------------|-----------|
| Loans From Banks | | |
| - Term Loans | 5,591.03 | 7,082.90 |
| - Working Capital Loans | 4,494.98 | 3,039.96 |
| | 10,086.01 | 10,122.86 |

Term loans are secured by equitable mortgage of Land & Building of the Pali Establishment i.e. the Textile Unit and the Power Generation Unit at Pali; and hypothecation of specific Machineries & Equipments, immovable and movable Assets; and by way second charge on the current assets of the Pali Establishment.

Working Capital Loans are secured by way of hypothecation of Inventories/Book Debts of the Pali Establishment i.e.the Textile Unit and the power Generation Unit at Pali; and by way of second charge on the Fixed Assets of the Pali Establishment as above, ranking pari passu with each other.

| SCHEDULE 4 : UNSECURED LOANS | | |
|-------------------------------------|-------------|----------|
| Short Term Loans from Banks | - | 1,497.15 |
| | 0.00 | 1,497.15 |

| SCHEDULE 5 : FIXED ASSETS | | | | | | | | | | | <i>(Rs. in Lacs)</i> |
|----------------------------------|-----------------------------|---------------------------|----------------------------|------------------------------|-----------------------------|----------------------------------|--------------------|------------------------------|------------------------------|------------------------------|----------------------|
| PARTICULARS | GROSS BLOCK AT COST | | | | DEPRECIATION | | | | NET BLOCK | | |
| | As at 1st April, 2008 | Additions/ Adjustments | Deductions/ Adjustments | As at 31st March, 2009 | Up to 1st April, 2008 | on Deductions/ Adjustments | For The Year | Up to 31st March, 2009 | As at 31st March, 2009 | As at 31st March, 2008 | |
| Land (Free hold) | 4.47 | 6,656.14 | - | 6,660.61 | - | - | - | - | 6,660.61 | 4.47 | |
| Buildings | 671.40 | 7.39 | - | 678.79 | 302.97 | - | 36.20 | 339.17 | 339.62 | 368.43 | |
| Plant & Machinery | 14,889.66 | 225.05 | 176.11 | 14,938.60 | 7,635.79 | 164.30 | 1,177.14 | 8,648.63 | 6,289.97 | 7,253.87 | |
| Electric Installation | 107.09 | - | - | 107.09 | 40.93 | - | 4.11 | 45.04 | 62.05 | 66.16 | |
| Furniture & Fixture | 92.30 | 2.19 | - | 94.49 | 81.18 | - | 1.77 | 82.95 | 11.54 | 11.12 | |
| Equipments | 50.06 | 2.65 | - | 52.71 | 43.67 | - | 2.48 | 46.15 | 6.56 | 6.39 | |
| Vehicles | 101.93 | 34.82 | 26.60 | 110.15 | 54.31 | 16.47 | 12.90 | 50.74 | 59.41 | 47.62 | |
| Total | 15,916.91 | 6,928.24 | 202.71 | 22,642.44 | 8,158.85 | 180.77 | 1,234.60 | 9,212.68 | 13,429.76 | 7,758.06 | |
| Previous Year | 14,240.79 | 1,772.34 | 96.22 | 15,916.91 | 7,020.45 | 90.10 | 1,228.50 | 8,158.85 | 7,758.06 | - | |

Note : Addition / Adjustment of Rs. 6656.14 lacs in the value of land relates to revaluation.

| SCHEDULE 6 : INVESTMENTS | | | | | | | | | | |
|---|-------------------------|--|----------------------|---|---|--|--|--|--|--|
| Previous Year Nos. | Current Year Nos. | | Face Value Rs. | As at March 31, 2009 Rs. in Lacs | As at March 31, 2008 Rs. in Lacs | | | | | |
| (Non-Trade) - Long Term | | | | | | | | | | |
| Ordinary Shares - Quoted: | | | | | | | | | | |
| 36,35,470 | 36,35,470 | 1. Andhra Pradesh Paper Mills Ltd. | 10 | 3,461.94 | 3,461.94 | | | | | |
| 100 | 100 | 2. State Bank of Bikaner & Jaipur | 100 | 0.54 | 0.54 | | | | | |
| 2,02,545 | 2,02,545 | 3. The Peria Karamalai Tea & Produce Co. Ltd. | 10 | 177.03 | 177.03 | | | | | |
| | | | | 3,639.51 | 3,639.51 | | | | | |
| Ordinary Shares - Unquoted: | | | | | | | | | | |
| 3,90,000 | 3,90,000 | 1. Digvijay Investments Ltd. | 100 | 606.86 | 606.86 | | | | | |
| 2,99,257 | 2,99,257 | 2. Dunbar Mills Ltd. (In liquidation) | 10 | 37.09 | 37.09 | | | | | |
| 5 | 5 | 3. Jal Mayur Co-operative Housing Society Ltd. | 50 | * | * | | | | | |
| 5 | 5 | 4. The Jewel Crown Co-op. Housing Society Ltd. | 50 | * | * | | | | | |
| - | 5,77,778 | 5. VS Lignite Power (P) Ltd. | 10 | 57.78 | - | | | | | |
| | | | | 701.73 | 643.95 | | | | | |
| Preference Shares - Unquoted: | | | | | | | | | | |
| 11,512 | 11,512 | 1. The Fort William Industries Ltd. | 100 | 11.51 | 11.51 | | | | | |
| - | 11,14,222 | 2. VS Lignite Power (P) Ltd. | 10 | 111.42 | - | | | | | |
| | | | | 122.93 | 11.51 | | | | | |
| | | | | 4,464.17 | 4,294.97 | | | | | |
| <i>Less : Provision for Diminution in value of Investment</i> | | | | 155.77 | 155.77 | | | | | |
| | | | | 4,308.40 | 4,139.20 | | | | | |
| Aggregate Book Value of Quoted Investments (Net) | | | | 3,483.74 | 3,483.74 | | | | | |
| Aggregate Book Value of Unquoted Investments | | | | 824.66 | 655.46 | | | | | |
| | | | | 4,308.40 | 4,139.20 | | | | | |
| Market Value of Quoted Investments | | | | 1,457.42 | 3,294.72 | | | | | |

* The value of these two items after rounding off is below the reportable figures hence ignored.

| SCHEDULE 7 : INVENTORIES | As at March 31, 2009 Rs. in Lacs | As at March 31, 2008 Rs. in Lacs |
|---|---|---|
| (As Valued & Certified by the Management) | | |
| Finished Goods | 771.60 | 964.11 |
| Stock-in-Process | 593.68 | 560.72 |
| Raw Materials | 4,518.63 | 4,721.11 |
| Stores, Spare parts & Fuel | 270.25 | 397.24 |
| Scrap Materials | 6.88 | 7.32 |
| | <u>6,161.04</u> | <u>6,650.50</u> |

| SCHEDULE 8 : SUNDRY DEBTORS | | |
|------------------------------------|------------------------|-----------------|
| (Unsecured and Considered good) | | |
| Over six months | 16.95 | 12.83 |
| Others | 1,729.79 | 1,205.56 |
| | <u>1,746.74</u> | <u>1,218.39</u> |

| SCHEDULE 9 : CASH & BANK BALANCES | | |
|--|----------------------|---------------|
| Cash in hand | 12.43 | 22.45 |
| Balance with Scheduled Banks | | |
| Current Accounts | 118.77 | 57.91 |
| Fixed Deposit Accounts | 13.51 | 312.63 |
| Balance with Others | | |
| Current Account with The Pali Urban Co-op. Bank Ltd., Pali (Maximum Balance during the year Rs. 13.86 Lacs) (Previous year Rs. 20.51 Lacs) | 4.81 | 2.68 |
| | <u>149.52</u> | <u>395.67</u> |

| SCHEDULE 10 : LOANS & ADVANCES | | |
|---|------------------------|-----------------|
| (Unsecured and considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 1,079.12 | 897.97 |
| Advance Payment for Taxation | 563.77 | 1,343.65 |
| Balance with Customs, Central Excise Authorities, etc. | 201.03 | 252.74 |
| Interest accrued/receivable | 1.78 | 0.25 |
| | <u>1,845.70</u> | <u>2,494.61</u> |

| SCHEDULE 11 : CURRENT LIABILITIES & PROVISIONS | As at March 31, 2009 Rs. in Lacs | As at March 31, 2008 Rs. in Lacs |
|---|---|---|
| A. Current Liabilities | | |
| Creditors for goods supplied | | |
| Due to Small Scale Industrial Undertakings | 23.48 | 11.32 |
| Others | 356.35 | 106.95 |
| Other Liabilities | 1,063.81 | 1,184.64 |
| Interest accrued but not due on Loans | – | 94.24 |
| Unclaimed Dividends | 2.59 | 2.24 |
| | 1,446.23 | 1,399.39 |
| B. Provisions | | |
| Provision for Taxation | 553.89 | 1,145.00 |
| Proposed Dividends | 108.00 | 64.80 |
| Tax on Proposed Dividend | 18.35 | 11.01 |
| Provision for Gratuity & Leave Encashment | 95.38 | 89.83 |
| | 775.62 | 1,310.64 |
| | 2,221.85 | 2,710.03 |

| SCHEDULE 12 : OTHER INCOME | Year ended March 31, 2009 Rs. in Lacs | Year ended March 31, 2008 Rs. in Lacs |
|--|--|--|
| Profit on Sale/Scrapping of Fixed Assets | 21.32 | 13.49 |
| Dividend on Ordinary Shares (Long Term Investments) | 39.51 | 38.49 |
| Miscellaneous Income | 37.44 | 67.51 |
| | 98.27 | 119.49 |

| SCHEDULE 13 : INCREASE/(DECREASE) IN STOCKS | | |
|--|-----------------|-----------------|
| Opening Stock | | |
| Finished Goods | 964.11 | 613.09 |
| Stock-in-Process | 560.72 | 356.58 |
| | 1,524.83 | 969.67 |
| Closing Stock | | |
| Finished Goods | 771.60 | 964.11 |
| Stock-in-Process | 593.68 | 560.72 |
| | 1,365.28 | 1,524.83 |
| Increase/(Decrease) | (159.55) | 555.16 |

| SCHEDULE 14 : MANPOWER COST | Year ended March 31, 2009 Rs. in Lacs | Year ended March 31, 2008 Rs. in Lacs |
|--|--|--|
| Salaries, Wages, Bonus & Allowances | 1,778.85 | 1,660.47 |
| Contribution to Provident & others funds | 208.43 | 194.94 |
| Employees Welfare Expenses | 37.53 | 22.86 |
| | <u>2,024.81</u> | <u>1,878.27</u> |

| SCHEDULE 15 : OTHER EXPENSES | | |
|--|----------------------|---------------|
| Repairs to Buildings | 118.02 | 89.90 |
| Repairs to Machinery | 103.60 | 105.71 |
| Other Repairs & Maintenance | 60.89 | 55.86 |
| Pollution Control Expenses | 35.11 | 20.92 |
| Commission & Brokerage on Sales | 150.20 | 139.40 |
| Selling & Distribution Expenses | 283.80 | 361.05 |
| Insurance Charges | 14.11 | 13.50 |
| Loss on Sale/Scrapping of Fixed Assets | 0.12 | 1.02 |
| Miscellaneous Expenses | 148.80 | 173.37 |
| Rent | 3.36 | 4.37 |
| Rates & Taxes | 9.96 | 7.35 |
| Donation & Charity | 0.99 | 0.42 |
| Payment to Auditors | 1.18 | 1.18 |
| | <u>930.14</u> | <u>974.05</u> |

| SCHEDULE 16 : INTEREST AND FINANCE COST | | |
|--|----------------------|---------------|
| On Long Term Loans | 125.66 | 714.68 |
| On Other borrowings | 347.96 | 198.91 |
| | 473.62 | 913.59 |
| <i>Less : Received</i> | 94.35 | 88.38 |
| | 379.27 | 825.21 |
| Finance Charges | 47.04 | 5.32 |
| | <u>426.31</u> | <u>830.53</u> |

SCHEDULE 17
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Significant Accounting Policies and Practices:

- A. Recognition of Income & Expenditure
Revenues/Incomes and Costs/Expenditures are generally accounted for on accrual basis, as these are earned or incurred. Cenvat as availed of is taken into account. Any subsidy, DEPB, Duty Drawback and rebate etc. under any Government schemes including TUFS is recognized and accounted for as and when received.
- B. Fixed Assets
Fixed Assets (except for Land which is at revalued figure) are stated at cost (Net of Cenvat) of acquisition or construction including other expenses relating to installation.
- C. Depreciation
Depreciation has been provided for at the rates in force from time to time as per the Schedule XIV of the Companies Act, 1956 as under-
- (i) On Plant & Machinery and Electric Installation added upto 31.12.1979 - on the written down value method and on additions from 01.01.1980 onwards - on straight line method.
 - (ii) On all other items of Fixed Assets - on the written down value method. No Depreciation is charged on land.
- D. Investments
Investments are classified as Current and Long Term. The current investments are stated at lower of the costs or fair value. Long Term investments are stated at cost. Suitable provisions are made / reserves created to recognize a non-temporary decline in the value of such investments.
- E. Inventories
Raw Materials and Finished Goods are valued at cost or Net realisable value whichever is lower; Stock in Process are valued at cost depending upon the stage of completion ; Stores & Spare Parts and Fuel are valued at cost ; and scrap materials are valued at net realizable value. The cost is determined using specific identification cost method for Raw Materials and weighted average cost method for Stores & Spare Parts and Fuel.
- F. Gratuity and Leave encashment
Liabilities for the gratuity and leave encashment are evaluated at the year end by Actuary and the incremental amount of these liabilities is charged to the Income statement for the period.
- G. Foreign Currency Transactions
Transactions denominated in Foreign currencies are recorded at the exchange rate prevalent on the date of transaction. Export sales are recorded at the custom notified exchange rates.
Monetary items denominated in foreign currencies are re-stated at the year end rates or forward exchange contract rates, as the case may be.
Non-monetary foreign currency assets are carried at cost.
No transaction took place during the year wherein the exchange rate difference arose for the acquisition of fixed assets.
- H. Borrowing Costs
Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. The basis of working out the borrowing costs is weighted average rate applicable to the borrowing of the Company that are outstanding during the period except where specific identification exists. All other borrowing costs are recognized as an expense in the period of accrual.

| | 2008-09 | 2007-08 |
|--|----------------|---------|
| | (Rs. in Lacs) | |
| 2. Estimated amount of contracts on Capital Accounts remaining to be executed and not provided for (net of advances) | 1263.44 | 1257.82 |
| 3. Other Contingent Liabilities, provision whereof is considered not necessary: | | |
| (i) Claims against the Company regarding Labour Claims etc. | 11.19 | 13.31 |
| (ii) Claims against the Company regarding Income-tax Assessment for different years (net of provisions / actual payments) | 161.32 | 137.57 |
| (iii) Claims against the Company regarding Entry Tax liabilities (net of provisions / actual payments) | 125.63 | 91.60 |
| (iv) Claims against the Company regarding Excise Duty Assessment for different years (net of provisions / actual payments) | 169.58 | 3156.41 |

All the above matters when concluded, are unlikely, in the opinion of the management, to result in any material liability and consequent effect on the results of operations and/or financial position of the Company.

| | | |
|---|----------------|---------|
| 4. The Company has export obligations of Rs. 1369.60 lacs (USD 32.91 lacs) against Import Licences taken for import of capital goods under Export Promotion Capital Goods Scheme. | | |
| 5. Deferred Taxation : | 2008-09 | 2007-08 |
| | (Rs. in Lacs) | |
| Deferred Tax Liability on account of accelerated depreciation | 576.90 | 696.24 |

| | | |
|--|--|--|
| 6. Fixed Assets | | |
| The land has been shown at the revalued figure amounting to Rs.6660.61 lacs as against the original cost of Rs.4.47 lacs on the basis of the Valuation Report dated 12.3.2009 of an approved valuer. | | |

The difference of Rs.6656.14 lacs being the excess of market price as per Valuation Report on cost related to land situated at Pali, has been transferred to Revaluation Reserve.

| | | |
|--|--|--|
| 7. Investment | | |
| The Board is of opinion that investments in the shares in Dunbar Mills Ltd. (in liquidation) (unquoted); and in the preference shares of Fort William Industries Ltd., may not have the same value on realisation. As such, entire amount thereof is represented by the Stock & Investment (Diminution/ Fluctuation in Value) Reserve of Rs.48.60 Lacs . | | |

In past, there had been a fall in the value of investment in shares in the Peria Karamalai Tea & Produce Co. Ltd., appearing in the books at Rs. 177.03 lacs as on 31.03.2006. As such the sum of Rs 155.77 lacs, then representing the fall had been provided for in the provision for diminution. However, as the investments in the three Companies, viz. i) The Peria Karamalai Tea & Produce Co. Ltd.; ii) The Andhra Pradesh Paper Mills Ltd.; and iii) Digvijay Investments Ltd., are long term and strategic made out of reserves of the Company, the fluctuations in the values thereof are considered to be of temporary nature, hence no change in the provision for diminution, if any at the end of the year, is considered necessary.

8. a. There are no dues owed by the Company to any Small Scale Industrial Undertaking which exceed Rs. 1 Lac and which are outstanding for more than 30 days.
- b. There are no Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

9. Retirement Benefits

The Company has Defined Contribution Plan for its employee's retirement benefits comprising of Provident Fund, Superannuation Fund, Pension and Employee's State Insurance Fund. The Company and eligible employees make monthly contribution to the Provident Fund trust equal to specified percentage of the covered employees' salary. The interest rate payable by the Provident Fund Trust, to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good any shortfall, if any, between the return from the investments of the trust and the notified interest rates. The Company contributes to Superannuation Fund and Employees' State Insurance Fund and Employees' Pension Scheme 1995 and has no further obligations to the plan beyond its monthly contribution.

The Company has Defined Benefit Plan comprising of Gratuity Fund, Pension Fund, Leave Encashment and Long Term Service Award. The Company contributes to the Gratuity Fund, which is recognised by the Income Tax Authorities and administered thorough its trustees. The liability for the Gratuity and Leave Encashment is determined on the basis of an independent actuarial valuation done at the year-end. The actuarial valuation method used for measuring the liability is the Projected Unit Credit method. The obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of the plan assets is the Company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

10. According to technical assessment, there is no impairment in the carrying cost of cash generating units of the company in terms of Accounting Standard - 28 issued by the Institute of Chartered Accountants of India.
11. Manpower costs include the Managerial Remuneration paid to the Board members as detailed hereunder :

| | 2008-09 | 2007-08 |
|---------------------------------------|----------------|---------|
| | (Rs. in Lacs) | |
| Salaries and House Rent Allowance | 57.69 | 52.95 |
| Contribution to P.F. | 4.70 | 5.01 |
| Other perquisites | 3.20 | 0.66 |
| Commission to Non Executive Directors | 11.29 | - |
| Directors' sitting fees | 1.38 | 1.20 |
| Total | 78.26 | 59.82 |

The above amount doesn't include the amount paid/payable towards gratuity/leave encashment, since the periodical provisions are made on actuarial basis for the company as a whole.

Computation of net profit for the purpose of determining Managerial Remuneration as per Section 349 of the Companies Act, 1956.

| | 2008-09 | 2007-08 |
|---|------------------|-----------|
| | (Rs. in Lacs) | |
| Profit before Tax as per Profit and Loss A/c | 926.30 | 77.38 |
| Add : Managerial Remuneration | 78.26 | 59.82 |
| Loss on Sale of Fixed Assets | 0.12 | 1.02 |
| | 1004.68 | 138.22 |
| Less : Profit on Sale of Fixed Assets | 21.32 | 13.49 |
| Net Profit as per section 349 of the Companies Act, 1956 | 983.36 | 124.73 |
| Commission to Non Executive Directors | 11.29 | - |
| 12. Payments to Auditors | | |
| | 2008-09 | 2007-08 |
| | (Rs. in Lacs) | |
| (i) Audit Fee (Incl. Service Tax) | 0.79 | 0.81 |
| (ii) In Other Capacity: | | |
| (a) Certification of Statements | 0.09 | 0.09 |
| (b) Fee for Tax Audit | 0.11 | 0.11 |
| (iii) Reimbursement of Travelling Expenses | 0.19 | 0.17 |
| 13. Earning per share is calculated by dividing the profit for the respective year attributable to the equity shareholders by the number of equity shares outstanding at the end of the respective year. The numbers used in calculating basic and diluted earnings per equity share are as stated below : | | |
| | 2008-09 | 2007-08 |
| | (Rs. in Lacs) | |
| Profit attributable to equity shareholders (A) | 658.57 | 38.53 |
| Weighted Avg. number of equity shares (Nos.) (B) | 86,40,000 | 86,40,000 |
| Potential dilutive equity shares (Nos.) (C) | Nil | Nil |
| Basic Earning per share (Rs.) (A/B) | 7.62 | 0.45 |
| Diluted Earning per share (Rs.) (A/B+C) | 7.62 | 0.45 |

14. Related party Disclosures:

A. Names of related parties and description of relationship :

| Key Management Personnel | Relatives of Key Management Personnel | Associate Companies /Others |
|---|--|---|
| Shri LN Bangur CMD | Shri Yogesh Bangur President (CA&S) | Andhra Pradesh Paper Mills Ltd. |
| Shri AL Maheshwari MD (Upto 11.08.08) | | The Peria Karamalai Tea & Produce Co. Ltd. |
| Shri Govind Sharda WTD (From 11.08.08) | | Digvijay Investments Ltd. (DIL) Swadeshi Commercial Co. Ltd. |

B. Related Party Transactions Details :

| Perticulars | Key Management Personnel | Relatives of Key Management Personnel | Associate Companies/Others | Total |
|--|--------------------------|---------------------------------------|----------------------------|-------|
| Remuneration | 76.88 | 2.39 | - | 79.27 |
| Purchases of goods/services | - | - | 1.50 | 1.50 |
| Balance receivable/(payable) as at 31st March 2009 | Nil | Nil | Nil | Nil |

15. The Company's business activity (i.e. Textiles) falls within a single primary business segment; and as such the disclosure requirements of the Accounting Standard (AS-17) on Segment Reporting, issued by the Institute of Chartered Accountants of India, in this regard is getting met.

| 16. Additional Information | CURRENT YEAR | | | PREVIOUS YEAR | | |
|--|--------------|------------------|---------------|---------------|------------------|---------------|
| | Spindles | Rotors | Looms | Spindles | Rotors | Looms |
| (a) Quantitative Information | | | | | | |
| (i) Licensed Capacity | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| (ii) Installed Capacity | 1,09,344 | 1,896 | 494 | 1,09,344 | 1,896 | 460 |
| (iii) Production | UoM | | | | | |
| Fabrics ('000 Mtrs.) | | 20,684 | | | 18,657 | |
| Yarn (M.T) | | 22,207 | | | 21,187 | |
| (iv) Stock of Packed Goods | Qty. | Amount | | Qty. | Amount | |
| Opening Stock | | Rs. in Lacs | | | Rs. in Lacs | |
| Fabrics ('000 Mtrs.) | 104 | 26.76 | | 171 | 37.13 | |
| Yarn (M.T.) | 977 | 928.80 | | 621 | 567.00 | |
| Closing Stock | | | | | | |
| Fabrics ('000 Mtrs.) | 446 | 106.02 | | 104 | 26.76 | |
| Yarn (M.T.) | 646 | 648.80 | | 977 | 928.60 | |
| (v) Raw Material Consumed | | | | | | |
| Cotton (M.T.) | 26,006 | 15,471.06 | | 25,375 | 13,150.23 | |
| Man-made Fibre (M.T.) | 2,343 | 2,057.05 | | 2,429 | 2,085.00 | |
| Filament Yarn (M.T.) | 1 | 2.15 | | 3 | 5.04 | |
| | | <u>17,530.26</u> | | | <u>15,240.27</u> | |
| (vi) Turnover (Gross) | | | | | | |
| Fabrics ('000 Mtrs.) | 20,342 | 6,089.19 | | 18,724 | 5,153.58 | |
| Yarn (M.T.) | 22,538 | 23,367.28 | | 20,831 | 20,124.76 | |
| Waste (M.T.) | 2,203 | 361.76 | | 2,730 | 449.00 | |
| | | <u>29,818.23</u> | | | <u>25,727.34</u> | |
| (b) Value of Imports on CIF basis in respect of | | | | | | |
| (i) Components & Spare parts | | 205.59 | | | 85.23 | |
| (ii) Capital Goods | | — | | | 684.61 | |
| (c) Expenditure in Foreign Currency | | | | | | |
| Travelling | | — | | | 1.71 | |
| Commission | | — | | | 8.02 | |
| | | | | | | |
| | | Value | % of Total | Value | % of Total | |
| | | Rs. in Lacs | Consumption | Rs. in Lacs | Consumption | |
| (d) (i) Value of Raw Materials consumed | | | | | | |
| Imported | | — | — | | — | |
| Indigenous | | 17,530.26 | 100.00 | | 15,240.27 | 100.00 |
| Total | | <u>17,530.26</u> | <u>100.00</u> | | <u>15,240.27</u> | <u>100.00</u> |
| (ii) Value of Stores & Spare Parts consumed | | | | | | |
| Imported | | 260.75 | 13.27 | | 80.15 | 4.65 |
| Indigenous | | 1,704.64 | 86.73 | | 1,642.55 | 95.35 |
| Total | | <u>1,965.39</u> | <u>100.00</u> | | <u>1,722.70</u> | <u>100.00</u> |
| (e) Earnings in Foreign Exchange | | | | | | |
| Export of Goods (F.O.B. Value) | | 1,745.29 | | | 3,053.58 | |

17. Previous year figures have been regrouped and rearranged wherever necessary.

18. Information pursuant to Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile

I) **Registration details :**

Registration No. State Code
Balance Sheet
Date Date Month Year

II) **Capital raised during the year: (Amount in Rs. Thousands) :**

Public Issue Right Issue
Bonus Issue Private Placement

III) **Position of mobilization and deployment of funds as on 31.03.2009 (Amount in Rs. Thousands) :**

Total Liabilities Total Assets

Sources of Funds

Paid up capital Reserves and Surplus
Secured Loans Unsecured Loans
Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure

IV) **Performance of Company for the year 2008-09 (Amount in Rs. Thousands) :**

Turnover (Net) Total Expenditure
(Incl. other Income)

(After Adjustment of Stock)

Profit before Tax Profit after Tax
Earning per Share (Rs.) Dividend Rate (%)

V) **Generic Names of Three Principal Products/Services of Company (as per monetary terms) :**

Item Code No (ITC Code)
Product Description

Item Code No (ITC Code)
Product Description

Item Code No (ITC Code)
Product Description

Item Code No (ITC Code)
Product Description

Item Code No (ITC Code)
Product Description

Item Code No (ITC Code)
Product Description

Signatures to Schedules '1' to '17'

For BD Gargieya & Co.
Chartered Accountants
NK Gupta
Partner
Kolkata
13th June, 2009
M. No. 72326

Pradeep Soni
Company Secretary

LN Bangur *Chairman & Managing Director*
Govind Sharda *Whole-time Director*
Alka Bangur
CV Desai
SS Kothari
Amitav Kothari
GR Agarwal *Directors*