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ANNUAL
REPORT
2002-2003

Maharaja Shree UMAID MILLS LIMITED

Board of Directors

SHRI LN BANGUR, *Chairman & Managing Director*
SMT. ALKA BANGUR, *Director*
SHRI KISHORE BIYANI, *Director*
SHRI CHANDRAVADAN DESAI, *Director*
SHRI GR AGARWAL, *Director*
SHRI AL MAHESHWARI, *Managing Director*

Vice President (Finance) & Secretary

SHRI ANIL JAIN

Auditors

M/s BD GARGIEYA & CO., JAIPUR

Bankers

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

Regd. Office

A-2, PRITHVIRAJ ROAD,
JAIPUR (Rajasthan)
PIN – 302 005

Administrative Office and Works

PALI (Rajasthan)
PIN – 306 401

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Maharaja Shree
UMAID MILLS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 63rd Annual General Meeting of the members of **MAHARAJA SHREE UMAID MILLS LIMITED** will be held at its Registered Office at A-2, Prithviraj Road, Jaipur - 302 005 on Saturday, the 27th day of September, 2003 at 4.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March 2003 and the Profit & Loss Account for the year ended on that date.
2. To declare Dividend.
3. To appoint a Director in place of Shri Kishore Biyani who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors for the current year and to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED that Shri AL Maheshwari, who was appointed as an Additional Director of the Company with effect from 11th August, 2003 by the Board of Directors 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 u/sec. 257 proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION :

   "RESOLVED that pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, as may be, of the Companies Act, 1956 and pursuant to Schedule XIII to the said Act, the Company hereby accords its approval and consent to the reappointment of Shri LN Bangur as the Chairman & Managing Director of the Company for another period of 5 years with effect from 11th August, 2003 on the terms and conditions including remuneration as set-out in the annexed explanatory statement in respect of this Resolution, with liberty to the Board of Directors (hereinafter referred to as "The Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary in future during the tenure, if and when deemed necessary, the terms and conditions of the said reappointment insofar as these relate to remuneration, subject to the relevant provisions of the law and the conditions and limits specified in Schedule XIII to the Companies Act, 1956, or any amendment thereto from time to time, as may be agreed to between the Board and Shri LN Bangur."

7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION :

   "RESOLVED that pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, as may be, of the Companies Act, 1956 and pursuant to Schedule XIII to the said Act, the Company hereby accords its approval and consent to the appointment of Shri AL Maheshwari as Managing Director of the Company for a period of 5 years with effect from 11th August, 2003 on the terms and conditions including remuneration as set-out in the annexed explanatory statement in respect of this Resolution, with liberty to the Board of Directors (hereinafter referred to as "The Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary in future during the tenure, if and when deemed necessary, the terms and conditions of the said appointment insofar as these relate to remuneration, subject to the relevant provisions of the law and the conditions and limits specified in Schedule XIII to the Companies Act, 1956, or any amendment thereto from time to time, as may be agreed to between the Board and Shri AL Maheshwari."

By Order of the Board
ANIL JAIN
Vice President (Finance) & Secretary

MUMBAI
30th June, 2003

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NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item Nos. 5, 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 Books of the Company will remain closed from 25th day of September 2003 to 27th day of September 2003 (both days inclusive).
4. Dividend, when declared, will be payable to those members whose names appear on the Register of Members as on 27th September 2003.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE CONVENING THE 63RD ANNUAL GENERAL MEETING TO BE HELD ON 27TH SEPTEMBER, 2003.

Item No. 5

Shri AL Maheshwari was appointed Director of the Company and his appointment as Managing Director of the Company for a period of five years with effect from 11th August 1998 was approved in the 58th Annual General Meeting of the Company held on 17th September 1998. Shri AL Maheshwari holds office as Director till his term as Managing Director expires on 10.08.2003. The other members of the Board of Directors considered it desirable that the Company should continue to avail of the services of Shri AL Maheshwari.

In view of the above, Shri AL Maheshwari has been appointed by the Board, in its meeting held on 30.06.2003, as an Additional Director of the Company and as the Managing Director with effect from 11th August, 2003 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 AL Maheshwari shall retain his office as Additional Director till the ensuing Annual General Meeting. A notice u/sec. 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the candidature of Shri AL Maheshwari for appointment as a Director of the Company.

None of the Directors, except Shri AL Maheshwari is interested or concerned in the proposed resolution. Other members of the Board commend, the resolution to be passed.

Item No. 6

Shri LN Bangur was reappointed as the Chairman & Managing Director of the Company in the meeting of the Board held on 30.6.1998 for a term of five years, which was approved by the shareholders in the 58th Annual General Meeting held on 17th September 1998. The said term is expiring on 10.08. 2003.

The members are aware that Shri LN Bangur as industrialist has vast experience in Textile as well as other businesses. Under his stewardship, the Company has been making steady progress and growing from strength to strength.

In the meeting of the Board held on 30th June 2003, members of the Board other than Shri LN Bangur himself, took a view that in the context of the emerging climate for the industry, the Company finds that on the overall the future for itself is full of challenges. In the best interests of the Company therefore the other members of the Board considered it desirable that Shri LN Bangur continues to lead the Company as its Chairman & Managing Director for a further period of 5 years.

The Members of the Board of Directors other than Shri LN Bangur, in the said meeting held on 30th June 2003, have unanimously decided to reappoint Shri LN Bangur as Chairman & Managing Director w.e.f. 11th August, 2003 for a period of 5 years, subject to approval of the members in the ensuing Annual General Meeting. In the said meeting the Board referred to the Remuneration Committee, the matter of determining remuneration of Shri LN Bangur, and submitting its recommendation to the Board of Directors. The Remuneration Committee in its meeting held on 30th June 2003, took the view of the matter and submitted its unanimous recommendation in that regard to the Board of Directors.

The Members of the Board of Directors, other than Shri LN Bangur himself, unanimously then decided that subject to the approval of the members in the ensuing Annual General Meeting, the remuneration as determined by the Remuneration Committee of the Board of Directors and other terms and conditions of reappointment of Shri LN Bangur shall be as setout herein below :

Terms and conditions of reappointment of Shri LN Bangur as the Chairman & Managing Director —

1. Shri LN Bangur shall be responsible for advising and assisting the Board of Directors of the Company in formulation of long term business plans and strategic thrust of the Company, for coordination of key affairs

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of business of the Company externally and where needed internally too; for formulation of and decisions on developmental, diversification and growth plans of the Company including plans for major capital expenditure; for reviewing and monitoring the execution of plans and conduct of overall affairs of the Company; and for all matters of strategic importance.

2. Shri LN Bangur shall have adequate communication facilities and necessary office establishment, appropriate setup and systems built-up, provided to him by the Company, for the purpose of carrying out his above duties. Shri LN Bangur shall have power to visit the Works of the Company, its Registered Office and other offices at various places, to have meetings, deliberations and negotiations with Banks/Institutions, Government Authorities, Trade Associations, Business Dealers and others concerned as and when needed for the purpose of discharging his duties as above.
3. Shri LN Bangur shall generally have all powers in the normal course of business of the Company to deliberate, deal, negotiate, interact and enter into agreements on behalf of the Company with whomsoever concerned, in respect of the business of the Company from time to time, and shall exercise and perform the above and such other powers and duties as the Board of Directors of the Company may, from time to time, subject to the provisions of law and the Articles of Association of the Company, further determine.
4. Shri LN Bangur shall have the necessary powers as the Chairman of the Board of Directors.
5. Shri LN Bangur while being away from his normal place of establishment at Kolkata, shall be responsible to keep appropriate arrangements to keep communication with the Works, Regd. Office, other offices of the Company and others concerned, as be necessary from time to time, for the purpose of discharging his duties.
6. Any actual expenses on travel, staying in hotel etc. and any other expenses incurred by Shri LN Bangur for the purpose of carrying out his duties as above, will be reimbursable to him or payable to the party concerned by the Company.
7. The term of reappointment of Shri LN Bangur as Chairman & Managing Director is for a period of 5 years with effect from 11th August, 2003. This would, however, be determinable with a notice of 90 days from either side.
8. Shri LN Bangur, while he continues to hold the office as Chairman & Managing Director, in his capacity as Director of the Company, shall not be subject to retirement by rotation under section 255 of the Companies Act, 1956, and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of directors or in fixing the number of directors to retire, but he shall ipsofacto and immediately, be liable to cease to be the Chairman & Managing Director, if for any reasons he ceases to hold office as Director of the Company.
9. Since prior to reappointment of Shri LN Bangur in capacity of the Chairman & Managing Director w.e.f. August 11th, 2003, he has remained in the services of the Company, he shall be deemed to be in continuous service of the Company for the purpose of the benefit of Gratuity.
10. So long as Shri LN Bangur continues to hold the office as Chairman & Managing Director of the Company, he shall not be entitled to any sitting fee for attending the meetings of the Board or a Committee, if any, of Directors.
11. The terms and conditions as to remuneration of Shri LN Bangur for his reappointment as Chairman & Managing Director, as determined by the Remuneration Committee of the Board of Directors, are as follows :

    I. **Salary :**
    Rs.1, 20,000/- per month in the scale of Rs.1,20,000/- - 10,000/- - 1,60,000/- (subject to the condition No. 12 stated herein below).

    II. **Perquisites**
    In addition to salary as above but subject to the condition No. 12 stated here below, Shri LN Bangur shall be entitled to perquisites as under :

    (i) Housing - I : The expenditure by the Company on hiring furnished accommodation for the Chairman & Managing Director, if it be so, will be subject to a ceiling of 50% of the salary over & above 10% payable by Shri LN Bangur; or

    Housing - II : In case the accommodation is owned by the Company and provided to Shri LN Bangur, 10% of the salary of Shri LN Bangur shall be deducted by the Company; or

    Housing - III : In case no accommodation is provided by the Company, Shri LN Bangur shall be entitled to House Rent Allowance equal to 50% of the salary as above.

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Explanation : The expenditure, if incurred by the Company, on gas, electricity, water and furnishing, shall be valued as per Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of Shri LN Bangur.

(ii) Medical Reimbursement :
Medical/Hospitalisation Expenses incurred by Shri LN Bangur for himself and his family in the normalcourse; and to the extent not reimbursed to the incumbent by any insurance company, shall be reimbursable to him by the Company, subject to an overall limit up to three months salary over a period of three years. In special circumstances of medical necessities arising during the tenure of reappointment, the Board of Directors of the Company shall have powers to permit reimbursement of such expenses to such higher extent as it may deem fit having regard to the circumstances and subject to the condition No. 12 here below.

(iii) Mediclaim Insurance Premium Reimbursement :
Any sum paid by the incumbent for covering mediclaim insurance for self and eligible members of his family, shall be reimbursable subject to the overall limit specified in item No. (ii) hereinabove.

(iv) Leave Travel Assistance :
Shri LN Bangur will be entitled to LTA for himself and his family once in two years.

(v) Personal Accident Insurance :
Premium not exceeding Rs. 4,000/- per annum will be payable by the Company, if insured.

(vi) The company's contribution to recognised Provident Fund @ 12% or as per Company's rules from time to time and to the extent permissible. The said contribution will not be included in the computation of the ceiling on remuneration.

(vii) Gratuity payable shall be equal to half month's salary for each completed year of service. The same shall not be included in the computation of ceiling on remuneration.

(viii) Leave with full pay and all allowances for any reasons for a total period of 50 days in a year as and when needed by Shri LN Bangur can be availed of. The unavailed leave, if any, at the end of a year will be allowed to be accumulated and carried forward for availment thereof later during the tenure of service or encashment thereof later during or at the end of the tenure. Leave if encashed at the end of the tenure will not be included in the computation of ceiling on remuneration.

(ix) Company's car for use on Company's business and telephone at residence will be provided and will not be considered as perquisites. Any personal long distance calls on telephone and use of the car for any private purpose shall be billed by the Company to Shri LN Bangur.
Explanation : For the purpose of Perquisites, Family means the spouse and the dependent children of Shri LN Bangur.

III. **Commission :**
In addition to salary as per 'I' and Perquisites as per 'II' above, Shri LN Bangur shall be entitled to a commission at the rate of 1% of the net profits of the Company computed in the manner laid down U/sec. 309 (5) of the Companies Act, 1956, restricted, however, to an amount equal to his annual salary as above, and subject to the overall ceiling laid down in sections 198, 269 and 309 of the Companies Act, 1956.

12. The remuneration including salary, commission and perquisites as per condition No. 11 above shall be payable and allowable to Shri LN Bangur subject to the condition that in the case of absence of or inadequacy of profits in any year during the currency of the tenure of Shri LN Bangur as Chairman & Managing Director, the remuneration in such year shall be payable and allowable up to Rs. 1,75,000/- per month, except that when the conditions and procedure prescribed in part II of the Schedule XIII of the Companies Act 1956, is satisfied, in which case the limits specified therein shall apply.

None of the Directors, except Shri LN Bangur himself and his relative Smt. Alka Bangur, is deemed to be concerned with or interested in the aforementioned proposed resolution. Other members of the Board commend to the members of the Company that the reappointment of Shri LN Bangur as Chairman & Managing Director and the terms and conditions of his reappointment as above be approved with or without modification as may be deemed fit.

Item No. 7

Shri AL Maheshwari was appointed as Managing Director of the Company in the meeting of the Board held on 30.6.1998 for a term of five years, which was approved by the shareholders in the 58th Annual General Meeting held on 17th September 1998. The said term is expiring on 10.8.2003.

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In the meeting of the Board held on 30th June 2003, members of the Board other than Shri AL Maheshwari, unanimously took a view that considering the performance of Shri AL Maheshwari uptill now and particularly during his tenure as the Managing Director, and considering the needs of the Company in view of the challenges ahead in its business, it is necessary and desirable that the Company continues to avail the valuable services of Shri AL Maheshwari as Managing Director of the Company for another term of 5 years.

The Members of the Board of Directors other than Shri AL Maheshwari, in the said meeting held on 30th June 2003, have unanimously decided to appoint Shri AL Maheshwari as Managing Director of the Company for a period of 5 years w.e.f. 11th August 2003 subject to approval of the members in the ensuing Annual General Meeting. In the said meeting the Board referred to the Remuneration Committee, the matter of determining remuneration of Shri AL Maheshwari and submitting its recommendation to the Board of Directors. The Remuneration Committee in its meeting held on 30th June 2003, took a view of the matter and submitted its unanimous recommendation in that regard to the Board of Directors.

The Members of the Board of Directors other than Shri AL Maheshwari himself unanimously then decided that subject to the approval of the members in the ensuing Annual General Meeting, the remuneration as determined by the Remuneration Committee of the Board of Directors and other terms and conditions of appointment of Shri AL Maheshwari shall be as setout herein below :

Terms & Conditions of appointment of Shri AL Maheshwari as Managing Director—

1. Shri AL Maheshwari will be responsible for the day to day management of the affairs of the Company subject to superintendence and control, and in accordance with the directions of the Board of Directors; and shall have all powers in the normal course of Company's business to deliberate, deal, negotiate, interact and enter into agreements on behalf of the Company to buy, sell, acquire, transfer any goods, service, equipments, effects and rights and generally to do all such acts, deeds and things in connection with the business of the Company as may be necessary from time to time.
2. Shri AL Maheshwari shall exercise and perform the above and such other powers and duties as the Board of Directors of the Company has already given to him and may, from time to time, subject to the provisions of law and the Articles of Association of the Company, further determine.
3. The term of appointment of Shri AL Maheshwari as Managing Director is for a period of 5 years from 11th August 2003. This would, however, be determinable with a notice of 90 days from either side.
4. Shri AL Maheshwari, while he continues to hold the office as Managing Director, will, in his capacity as director of the Company shall not be liable to retire by rotation, unless it be so required under section 255 of the Companies Act, 1956 at the given point in time in view of the total number of directors on the Board. In that event, he shall be eligible for reelection. Shri AL Maheshwari will ipsofacto and immediately, cease to be the Managing Director of the Company, if for any reasons he ceases to hold office as Director and is not forthwith reappointed as Director. Besides, Shri AL Maheshwari will ipsofacto and immediately, cease to be Director of the Company, if for any reasons he ceases to hold office as Managing Director.
5. Since prior to appointment of Shri AL Maheshwari in capacity of Managing Director w.e.f. August 11th 2003, he has remained in the services of the Company as Managing Director and other capacities, he shall be deemed to be in continuous service of the Company for the purpose of the benefit of Gratuity.
6. Any actual expenses on travel, staying in hotel etc. and any other expenses incurred by Shri AL Maheshwari for the purpose of carrying out his duties as above will be reimbursable to him or payable to the party concerned by the Company.
7. So long as Shri AL Maheshwari continues to hold the office as Managing Director of the Company, he shall not be entitled to any sitting fee for attending the meetings of the Board or a Committee, if any, of Directors.
8. The terms and conditions as to remuneration of Shri AL Maheshwari for his appointment as the Managing Director as determined by the Remuneration Committee of the Board of Directors are as follows :

   I. **Salary :**
   Rs. 88,000/- per month in the scale of Rs. 88,000/- - 7,500/- - 1,18,000/- (subject to the condition No. 9 stated herebelow).

   II. **Perquisites :**
   In addition to salary as above but subject to the condition No.9 stated herebelow, Shri AL Maheshwari shall be entitled to perquisites as under :

   (i) Housing : Accommodation owned by the Company will be provided and 10% of the salary of Shri AL Maheshwari shall be deducted by the Company.

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Explanation : The expenditure incurred by the Company, if any, on furnishing shall be valued as per Income Tax Rules, 1962 and shall be subject to the prescribed ceiling.

(ii) Medical Reimbursement :

Medical/Hospitalisation Expenses incurred by Shri AL Maheshwari for himself and his family in the normal course; and to the extent not reimbursed to the incumbent by any insurance company, shall be reimbursable to him by the Company, subject to an overall limit up to three months' salary over a period of three years. In special circumstances of medical necessities arising during the tenure of appointment, the Board of Directors of the Company shall have powers to permit reimbursement of such expenses to such higher extent as it may deem fit having regard to the circumstances and subject to the condition No. 9 here below.

(iii) Mediclaim Insurance Premium Reimbursement :

Any sum paid by the incumbent for covering mediclaim insurance for self and eligible members of his family, shall be reimbursable subject to the overall limit specified in item No. (ii) hereinabove.

(iv) Leave Travel Assistance :

Shri AL Maheshwari will be entitled to LTA for himself and his family once in two years.

(v) Personal Accident Insurance :

Shri AL Maheshwari will be covered by the Company under group insurance scheme subject to the ceiling of Rs. 4,000/- per annum on the amount of such premium to be paid

(vi) The Company's contribution to Provident Fund @ 12% or to the extent permissible from time to time as per Company's rules. The said contribution will not be included in the computation of the ceiling on remuneration.

(vii) Gratuity payable shall be equal to half month's salary for each completed year of service. The same shall not be included in the computation of ceiling on remuneration.

(viii) Leave with full pay and all allowances for any reasons for a total period of 45 days in a year as and when needed by Shri AL Maheshwari can be availed of. The unavailed leave, if any, at the end of a year will be allowed to be accumulated and carried forward for availment later during the tenure of service or encashment thereof later, during or at the end of the tenure. Leave if encashed at the end of the tenure will not be included in the computation of ceiling on remuneration.

(ix) Company's car for use on Company's business and telephone at residence will be provided and will not be considered as perquisites. Any personal long distance calls on telephone and use of the car for any private purpose shall be billed by the Company to Shri AL Maheshwari.

Explanation : For the purpose of perquisites, Family means the spouse, the dependent children and the dependent parents of Shri AL Maheshwari.

III. **Commission :**

In addition to salary as per "I" and Perquisites as per "II" above, Shri AL Maheshwari shall be entitled to a commission at the rate of 0.50% of the net profits of the Company computed in the manner laid under section 309 (5) of the Companies Act, 1956, restricted to Rs. 3.5 lacs in a year, and subject to the overall ceiling laid down in sections 198, 269 and 309 of the Companies Act, 1956.

9. The remuneration including salary, commission and perquisites as per condition No.8 above shall be payable and allowable to Shri AL Maheshwari subject to the condition that in the case of absence of or inadequacy of profits in any year during the currency of the tenure of Shri AL Maheshwari as Managing Director, the remuneration in such year shall be payable and allowable as given in condition No. 8 above subject to the conditions and procedure prescribed in Part II of the Schedule XIII of the Companies Act, 1956.

None of the Directors, except Shri AL Maheshwari himself, is deemed to be concerned with or interested in the aforementioned proposed resolution. Other members of the Board commend to the members of the Company that the appointment of Shri AL Maheshwari as the Managing Director and the terms and conditions of his appointment as above be approved with or without modification as may be deemed fit.

The Resolution at item No. 6 & 7 along with the terms and conditions of these appointments as setout hereinabove when approved by shareholders in the forthcoming Annual General Meeting, will form contracts of appointment in both the cases between the Company and the respective incumbents, whose consent thereto have already been received.

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The above statement read with Resolutions setout in the notice shall be treated as an abstract of the terms and conditions for the reappointment of the Chairman & Managing Director and the appointment of the Managing Director pursuant to Section 302 of the Companies Act, 1956.

On behalf of the Board
ANIL JAIN
Vice President (Finance) & Secretary

MUMBAI
30th June, 2003

Note : The information to shareholders as prescribed in clause 49 of the Listing Agreement in respect of appointment/reappointment of directors, is given at Annexure A attached to this statement.

Annexure A attached to Explanatory Statement Annexed to the Notice Dated 30th June, 2003 (Information in respect of appointment/reappointment of Directors)

Name	Shri LN Bangur	Shri AL Maheshwari	Shri Kishore Biyani
Date of Birth & Age	26.8.1949 - 54 Yrs.	15.8.1945 - 58 Yrs.	9.8.1961 - 42 Yrs
Qualifications	B.Com.	B.Com., ACA	B.Com., P.G. Dip. in Marketing
Nature of Appointment/ reappointment	Reappointment w.e.f. 11.8.2003 as Chairman and Managing Director	Appointment w.e.f. 11.8.2003 as Managing Director	Retiring by Rotation and seeking reappointment as a Director
Expertise in Specific functional areas	Industrialist Chairman and Managing Director of the Company since 11.8.1993	Executive Whole time Director of the Company since 11.8.1993. Earlier held various Positions in the Company	Retail Marketing
Directorship held in other companies as on 31.3.2003 (Other than Private Limited companies/membership of Managing Committees of Chambers of Commerce/Religious/ Professional Bodies)	1. Andhra Pradesh Paper Mills Ltd.* 2. Digvijay Investments Ltd.** 3. M.B. Commercial Co. Ltd. 4. The Peria Karamalai Tea & Produce Co. Ltd. 5. Shree Krishna Agency Ltd. 6. Sri Vithoba Investments Ltd. 7. The Swadeshi Commercial Co. Ltd. 8. Amalgamated Development Ltd. 9. Placid Ltd. 10. The Kishore Trading Co. Ltd. 11. The General Investment Co. Ltd. 12. Samay Books Limited	—	1. Pantaloon Retail (India) Ltd. 2. PFH Mall & Retail Management Ltd. 3. Pantaloon Retail Technologies Ltd. 4. PFH Entertainment Ltd. 5. Rupa & Company Ltd.

* Investors Grievance Committee Member also.

** Audit Committee Member also.

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Maharaja Shree
UMAID MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended on 31st March, 2003

Dear Shareholders,

Your Directors are pleased to submit their 63rd Annual Report and Audited Statements of Accounts for the year ended on 31st March, 2003.

The Operating Results are as follows :

(Rs. in Lacs)

		Year ended on March 31, 2003	Year ended on March 31, 2002
Gross Operating Profit		**1,706.86**	1,062.65
From which are deducted :			
Depreciation	**598.55**		494.36
Provision for Taxation – Current	**128.00**		44.00
– Deferred	**79.99**	**806.54**	114.24
		900.32	410.05
To which are added :			
Balance brought forward from last year	**197.83**		409.55
Provision for taxation (prior years) written back	**0.36**	**198.19**	(03.57)
		1,098.51	816.03
Which the Directors propose to appropriate and dealwith as under :			
Proposed Dividend on 43,20,000 Equity Shares @ Re. 2 per share	**86.40**		43.20
Tax on Distributed Profit	**11.07**		—
Transfer to General Reserve	**775.00**	**872.47**	575.00
Balance carried forward to next year		**226.04**	197.83

In a muted economic environment, going for the industry continued to be generally tough. The board is pleased to present herebelow the management review, discussions, analysis and perspective.

Operations

Relentless endeavour of asset harnessing, ongoing efforts for removal of cost disadvantages and strengthening of bottomlines in key areas of operations, prudent raw material inventory policy in the given internationally volatile market conditions in cotton trade, focused technological upgradation of yarn manufacturing capacities; and sustained consolidation of corporate finances, have enabled the company return better performance on the overall for the year under review. Growth and Developmental efforts are concentrated on Yarn business while the Fabric business of the present type is being maintained with no significant fresh infusion. Product/Market development exercises and search for avenues of value addition continue.

Cotton year 2002-2003 being the year of lowest domestic output in the recent years, the carryover stocks have bottomed out with prices soaring near all time high. This will create pressure on margins in the current year.

Industry Overview

Present day Textile spectrum has a multi-sector, multi-segment, multi-product, multi-stage and multi-process outlook covering numerous activity modules, technologies and business formats of the industry having diverse structural matrix and complex value chain.

Commensurate with i) the reality that for every class of people clothing is next only to food in terms of basic human needs; ii) the challenge that in the emerging new global commercial order, the function of catering such a need of one billion domestic mass which hithertofore has

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been the near exclusive domain of the domestic industry should be fortified in the first place; iii) the objective that textiles should retain the position of being the present and potential largest foreign exchange earner; and iv) the imperative need that the vast employment in this activity should be maintained, the industry is of no mean importance to the economy of the country.

Risk Perceptions and Concerns

Soon enough from January 2005, the industry shall find itself in a new economic regime in which it shall neither have protective tariff walls nor any quota barriers. Amidst opportunities and threats galore then, the competitiveness of typical unit groups of the industry and that of every individual unit will be put to an inescapable ultimate fitness test in the market place.

The chronic malady of low per acre yield, endemic to cotton cultivation in our country, is leading to a larger dependence on imports as is quite trendy over the recent years. This for sure, has to be a serious policy level concern as it would imply losing a legitimate traditional bottom-line for the industry in the arena of global textile trade.

It is time too for the fiscal policy framers to appreciate that the only effective way to combat menace of foreign powers' foray in the large domestic middle class textiles market, is to leverage the improved technological competence being gained by the industry, with a determined bid once again to wish away the irrational system of differential duty imposts in respect of the pseudo smallscale or non-power sector in one or the other form, barring genuine handloom outfits.

Company Positioning

Within the above broad scan of the given industry scenario, the management believes that technologically and generally, the company is reasonably well poised to aspire for a place in the upper quartile of the industry segment to which it belongs; and to attain a stronger base as to its future.

Following a modest but safe and steady path, the company is through from the resurgence and consolidation phase. Its diversified Yarn business now forms 75% proportion of the whole and shall be its future mainstay. The stage is set and beginning has been made for on floor and at field further efforts for quality upgradation and developmental thrust in marketing. Asset sweating emphasis in case of its Fabric business in the existing limited varieties does continue to contribute reasonably. The management, however, is considering options for diversification thereof through value addition route with captive use of a part of yarn volume which should mean synergic advantage inuring to the company.

Human Resources Development and Relations

Need of Training for Formation/Reformation of Work practices and Working habits, Skill development and orientation for desirable Work Culture/Efficiency in our kind of basically old establishment, is enormous and continuous. The policy bedrock for dealing with this most important and most sensitive function comprises of Appropriate remuneration package inkeepingwith industry practices, confidence building through transparency; direct two way mass/personal communication; counselling; persuasion; grievance redressal, and Bipartite Conciliations as and when needed. The overriding generally considerate outlook is that of Welfare with emphasis on desirable Work Discipline and Productivity. Genuine Internal Leadership with no outside interference is encouraged. Employees Health and Safety are the prime concerns of management. The need for raising effectiveness of Managerial and Executive level Shop-floor and other personnel on their respective functions through re-orientation efforts is even greater. Sustained management efforts in this behalf are continuously made.

Industrial Relations continue to be peaceful and mutually satisfactory. The number of people employed as on 31.03.2003 are around 2090 on workers rolls and 185 on staff rolls.

Statutory Information

Information as required under the Companies Act with regard to energy conservation, technology absorption, foreign exchange earnings/outgo and employees are given in the Annexures hereto which form part of this report.

Public Deposits

The company had Public Deposits aggregating to Rs. 216.03 lacs as on 31st March, 2003. All

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