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ANNUAL REPORT 2005-2006

Maharaja Shree UMAID MILLS LIMITED

Board of Directors :

SHRI LN BANGUR, *Chairman & Managing Director*
SMT ALKA BANGUR, *Director*
SHRI SS KOTHARI, *Director*
SHRI CHANDRAVADAN DESAI, *Director*
SHRI UTSAV PAREKH, *Director*
SHRI AL MAHESHWARI, *Managing Director*

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 66th Annual General Meeting of the Members of MAHARAJA SHREE UMAID MILLS LTD., will be held at its Registered Office at A-2, Prithviraj Road, Jaipur – 302 005 on Saturday, the 16th day of September, 2006 at 4:00 P.M. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended on 31st March, 2006 and the Balance Sheet of the Company as at that date together with reports of the Directors' and Auditor's thereon.

2. To declare Dividend.

3. To appoint a director in place of Shri Chandravadan Desai, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a director in place of Shri Utsav Parekh, 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 a sum of Rs. 4,32,00,000/- out of General Reserve be and is hereby approved for being transferred to Share Capital Account and to be applied for issue and allotment of 43,20,000 Equity shares of Rs.10/- each by way of Bonus shares to the members of the company who shall be the holders of Equity shares in the Company on a date as the Board of Director may hereinafter determine (the 'Record Date'), in proportion of 1:1 i.e. one new Equity share of Rs.10/- each for every one existing Equity share of Rs.10/- each, held by the members on the Record Date, upon the footing that the said shares be credited as fully paid-up Equity shares and the shareholders concerned shall become entitled thereto for all purposes as their share in the capital.

   RESOLVED FURTHER that the new Equity shares of Rs.10/- each to be allotted as above as Bonus shares shall be subject to the Memorandum of Association and Articles of Association of the Company, and shall rank pari passu in all respects with and carry the same rights as the existing Equity shares.

   RESOLVED FURTHER that no letter of allotment shall be issued to the allottees of the Bonus shares and the Share Certificates in respect of the new Equity shares shall be issued and despatched to the allottees thereof within the period prescribed or that may be prescribed in this behalf from time to time, except that the Bonus shares will be credited to the demat accounts of the allottees who are holding the existing Equity shares in electronic form.

   RESOVED FURTHER that the allotment of the fully paid new Equity shares as Bonus shares if and to the extent those relate to non-resident members of the Company, shall be subject to approval of the Reserve bank of India, under the Foreign Exchange Management Act, 1999, as be necessary.

   RESOLVED FURTHER that for the purposes of giving effect to the resolution, the Board of Directors (including any committee of Directors if and when constituted by the Board for the purpose) be and is hereby authorised to do all such acts, deeds, matters and things as are in accordance with law and as may in their absolute discretion be necessary, expedient, usual

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and proper ; and to settle any question/s or difficulty/ies that may arise with regard to the issue and allotment of the Bonus shares, as they may think fit."

On behalf of the Board
AL Maheshwari
Managing Director

Kolkata
26th July, 2006

NOTES:

1. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is appended herebelow.
2. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company. Proxy Forms is enclosed. Proxy Forms in order to be effective should be duly stamped, completed, signed and deposited at the registered office of the Company not less than 48 hours before the time of commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 30th day of August 2006 to 1st day of September 2006 (both days inclusive).
4. Dividend, when declared, will be payable to those members whose names appear on the Register of Members as on 1st September 2006.
5. Information to shareholders as prescribed in clause 49 of the Listing Agreement in respect of appointment/re-appointment as Directors, is given at Annexure-A attached to this Notice.

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

Item No. 6 (SPECIAL BUSINESS)

With a view to increase the Capital base of the Company inkeeping with the financial profile and overall growth of the Company, the Directors in their meeting held on July 26, 2006 have considered it desirable to recommend issue of Bonus shares in the proportion of 1:1 i.e. One new Equity share of the Company of Rs.10/- each for every one existing Equity share of the Company of Rs.10/- each, held by the Members on a date to be fixed by the Board (being the 'Record Date'), by capitalizing an amount aggregating to Rs. 4,32,00,000/- out of General Reserve Account of the Company to be applied for issue and allotment of 43,20,000 fully paid up Bonus Equity Shares of Rs.10/- each. The said issue of Bonus Shares is being recommended ; and if approved by the members, shall be made in accordance with and subject to the guidelines issued by the Securities and Exchange Board of India, and the provisions contained in the Memorandum and Articles of Association of the Company.

As per Article 137 of the Articles of Association of the Company, it is necessary for the Members to approve the issue of Bonus shares.

It is also necessary to authorise the Board of Directors of the Company to complete all the regulatory formalities in connection with the issue of Bonus shares as prescribed by SEBI, the Stock Exchanges on which the Company's securities are listed and/or any other regulatory authority, from time to time.

The said Bonus Equity Share shall rank pari passu with the existing Equity Shares in all respects including participation at par in any dividend thereon ; and shall also be subject to the Memorandum and Articles of Association of the Company.

A copy of the Memorandum and Articles of Association of the Company are available for inspection, if required, by the Members of the Company at its Registered office between 11.00 am to 1.00 pm on any working day of the Company.

The Directors of the Company may be deemed to be concerned with or interested in the Resolution to the extent of the shares held or to be held by them.

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ANNEXURE - 'A' ATTACHED TO THE NOTICE DATED 26TH JULY, 2006
(as required under clause 49 of the Listing Agreement)

Information on appointment/re-appointment of Directors

Name	Shri Chandravadan Desai	Shri Utsav Parekh
Date of Birth & Age	10.12.1949 57 Yrs.	28.08.1956 50 Yrs.
Qualification	B.Com.	B.Com.
Expertise in Specific functional areas	Financial Consultancy	Financial Services
Directorship held in other companies as on 31.3.2006 (other than Private Ltd. Companies/ Membership of Managing Committees of Chambers of Commerce/Religious Professional Bodies).	Other than Pvt. Ltd. Companies : None	1 SMIFS Capital Markets Ltd. 2 The Sirpur Paper Mills Ltd. 3 Mcnally Bharat Engg. Co. Ltd. 4 Xpro India Ltd. 5 Globsyn Technologies Ltd. 6 SMIFS Capital Services Ltd. 7 Moving Picture Co. (I) Ltd. 8 Lend Lease Co. (I) Ltd. 9 Simoco Telecommunication (South Asia) Ltd. 10 Transceivers India Ltd. 11 McLeod Russell (India) Ltd. 12 Cable Corporation of India Ltd. 13 Salveo Life Sciences Ltd.

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DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended on 31st March, 2006

Dear Shareholders,

Your Directors have pleasure to present their 66th Annual Report and Audited Statements of Accounts for the year ended on 31st March, 2006.

The Operating Results are as follows :

(Rs. in Lacs)

		Year ended on 31.3.2006		Year ended on 31.3.2005
Gross Operating Profit		**2,320.49**		2,131.88
From which are deducted :				
Depreciation	855.97		765.41	
Provision for Taxation – Current	457.28		254.00	
– Deferred	(38.05)	**1,275.20**	78.07	1,097.48
		1,045.29		1,034.40
To which are added :				
Balance brought forward from last year	329.28		344.09	
Excess provision of Income Tax for earlier years written back	3.46		22.92	
Transferred from Stock & Investment Reserve	–	**332.74**	0.28	367.29
Profit available for Appropriation		**1,378.03**		1,401.69
The Directors propose to appropriate the same as under :				
Transfer to General Reserve		**825.00**		900.00
Proposed Dividend		**151.20**		151.20
Tax on Distributed Profit		**21.21**		21.21
Balance carried forward		**380.62**		329.28
		1,378.03		1,401.69

Dividend :

Your Directors are pleased to recommend payment of dividend of Rs. 3.50 (previous year Rs. 3.50) per equity share for the year ended on 31st March, 2006 on the 43,20,000 equity shares of Rs.10/- each.

Management Discussion and Analysis :

On the eve of presenting the annual results as above, the board is pleased to place hereunder a review of Company's performance, the business imperatives, the gist of industry scenario and the

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management perspective of opportunities before the Company.

Industry outlook :

Two successive years of substantially higher levels of domestic cotton crop having been achieved; and tangible indications for future sustainability of growth momentum thereof currently being in sight, the Indian textile industry feels reasonably encouraged to look at its long term prospects in the global textile business with a justifiable optimism. The increasing volume of cotton so available advantageously to the domestic industry, offers bales and cones of opportunities for conversion and meters of avenues for value addition.

The upbeat mood is evident from the pace with which various sectors of the industry have embarked on projects, notably however, mainly during the current couple of years which happen to be the fag-end of Technology Upgradation Fund Scheme (TUFS), unless an extension thereof comes about this time around, when apart from longer equipment lead time, capital costs have already escalated and interest rates have again significantly hardened vis-à-vis the world order. In the present scenario therefore, this would undoubtedly be the most opportune policy decision of the Govt. which would not only go a long way in bracing up the mainstream units but shall truely unfold a saga of growth of this most important Indian industry, who for sure, is the one having potential to be a winner in the emerging global arena, espacially opposite the unstoppable China factor which could never be taken less seriously.

Company Performance and Plans :

Gains of improved operational performance during the year have been decimated by a steep rise in energy costs on account of pressure exerted by the relentlessly escalating international oil prices resulting in a flat earning curve. In the present position, own generation of power from the Heavy Fuel Oil based Gensets, qualitatively dependable though it be, has turned unviable even in comparison to the state power. For the time being therefore nearly half of the current requirement of about 8.5 MW, has already been sourced from the State company on the already existing 11 KV system; and a proposal is being moved for a separate further about 5.00 MW on a new 33 KV line and system to be installed.

Your directors have taken up the Company's third plan for Technology Upgradation leading interalia to capacity expansion by 20160 spindles and 720 OE Rotors, which will enable raise yarn manufacturing capacity from the present about 57 tons a day to nearly 71 tons a day. The plan will take the overall spinning capacity at the present location to 1896 Rotors and 104304 spindles. The augmentation is directed at substantial increase of high quality Combed Hosiery Yarn for international market where Company's yarn has been well received. This innovatively drawn up plan to accommodate substantial capacity mostly within the existing setup, much quicker and at a more moderate cost, has been preferred to the earlier idea of having a whole new unit at the present site.

To meet the situation arising as result of increase in energy costs, the plan includes installation of 12.5 MWe Co-generation Thermal Power Unit based on Rajasthan Lignite in a flexible blend with Indian/ imported coal, with 12 TPH Steam Extraction for Captive use. The overall plan which has been moved for sanction under TUFS, involves outlay of Rs. 104 Crores.

Public Deposits :

The company had Public Deposits aggregating to Rs. 28.42 lacs as on 31st March, 2006. All deposits maturing for repayment upto 31.03.2006 have been duly

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repaid. All the public deposits shall have been repaid by the end of the current year i.e. by 31.03.2007. All the statutory requirements in connection with the Public Deposits, have been and are being duly complied with by the Company.

Corporate Governance :
Your Company has taken adequate steps to ensure that all mandatory provisions of Clause 49 of the Listing Agreement, are complied with. A report on Corporate Governance alongwith Auditor's Certificate on its compliance is included which forms part of the Annual Report.

Director's responsibility statement :
Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, we hereby state and confirm that -

i. in the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
ii. the Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the 31.3.2006 and of its Profit for the year ended on that date;
iii. the Directors have taken proper and sufficient care 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 Directors have prepared the Annual Accounts on a going concern basis.

Particulars as per Section 217 of the Companies Act, 1956 :
Information with respect to conservation of energy, technology absorption, foreign exchange coming and outgo pursuant to section 217(1)(e) of the Companies Act, 1956 is set out in Annexure-A to the report.

The particulars of employees, as require under section 217(2A) of the Companies Act, 1956 are given in a separate statement which is annexed to and forms part of this report as Annexure-B.

Directors :
In accordance with the Articles of Association of the Company, Shri Chandravadan Desai and Shri Utsav Parekh retire by rotation from the Board of Directors, and being eligible offer themselves for re-appointment.

Auditors :
At the forthcoming Annual General Meeting, the Members are requested to appoint Auditors for the current year and fix their remuneration. M/s BD Gargieya & Co., Auditors of the Company, retire and are eligible for reappointment.

Human Resources Development and Acknowledgement :
Industrial relations within the framework of the HRD objectives already stated a couple of years back continued to be peaceful and mutually satisfactory.

Your Directors are pleased to place on record their sincere appreciation for the devoted services of all employees of the Company. Your Directors do express their grateful thanks to the consortium of Banks lead by SBI, IDBI, Govt. Authorities, Shareholders, Deposit holders, Customers, Suppliers and other business associates for their continued co-operation and patronage.

On behalf of the Board
LN Bangur
Chairman & Managing Director

Kolkata
30th June, 2006

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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

		Current Year 2005-2006	Previous Year 2004-2005
A. POWER & FUEL CONSUMPTION :			
(1) Electricity			
Own Generation			
(i) Through Diesel Generators			
Units	('000 Units)	**712**	2,983
Units per Ltr. of Oil		**3.07**	3.30
Cost/Unit	(Rs.)	**8.55**	6.19
(ii) Through Furnace Oil Generators			
Units	('000 Units)	**64,640**	57,278
Units per Ltr. of Oil		**4.04**	4.16
Cost/Unit	(Rs.)	**4.17**	2.89
(2) Coal Grade 'B'			
(Used in Boilers for generation of Steam for steaming Yarn & Fabrics)			
Quantity	(Tonnes)	**7,200**	7,314
Total Cost	('000 Rs.)	**14,371**	14,202
Average Rate	(Rs. per Tonne)	**1,995.97**	1,941.75
(3) Furnace Oil			
Furnace Oil Quantity	(K. Ltrs.)	**15,990**	13,952
Total Amount	('000 Rs.)	**2,69,368**	1,67,394
Average Rate	(Rs./Ltr.)	**16.85**	12.00
B. CONSUMPTION PER UNIT OF PRODUCTION :			
(1) Electricity (Units)	Fabrics (per Thousand Mtrs.)	**773.91**	762.62
	Yarn (per Metric Tonne)	**3,064.25**	3,170.26
(2) Coal Grade 'B' (Tonnes)	Fabrics (per Thousand Mtrs.)	**0.37**	0.39
	Yarn (per Metric Tonne)	**0.07**	0.08

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.

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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 : — The in-house research & development efforts at present are directed to process control and improving quality standards of the existing products through a reasonably equipped Standards Quality Control Cell and a Chemical Laboratory.

2. Future plan of action : — Product upgradation effort in Company's yarn business for 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.
2. Benefits derived as a result of the above efforts.
3. Information regarding Technology imported during last 5 years.

— The Company is having plans to update the technology of the equipment by continued further modernisation.

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. Direct exports as well as deemed exports of yarn are continuing in the current year.

2. Total foreign exchange earnings & outgo (2005-2006)
   - (i) Foreign exchange earnings — Rs. 178.07 Lacs
   - (ii) Foreign exchange outgo — Rs. 308.84 Lacs.

ANNEXURE - 'B' TO DIRECTORS' REPORT
PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956
FORMING PART OF THE DIRECTORS' REPORT

Sl. No.	Name	Designation & Nature of Duties	Remuneration received Rs. in lacs	Qualifications	Experience in years	Date of commencement of employment	Age	Last Employment held Name of Concern (Designation)
1.	Shri Bangur LN	Chairman & Managing Director	45.06	B.Com.	36	11-08-93	57	—

NOTE : Remuneration includes salary, commission, allowances, Company's contribution to Provident Fund, leave travel assistance, reimbursement of medical expenses, leave salary and other perquisites as per Income Tax Rules, but does not include incremental liability of gratuity and encashment of unavailed leave.

On behalf of the Board
LN Bangur
Chairman & Managing Director

Kolkata
30th June, 2006

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