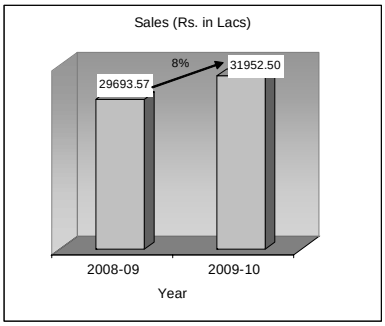
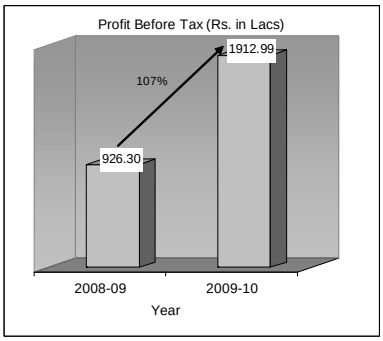
Maharaja Shree UMAID MILLS LIMITED

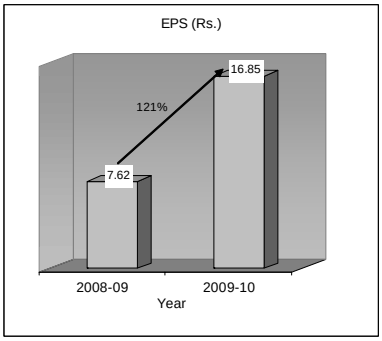
70th ANNUAL REPORT
2009-10

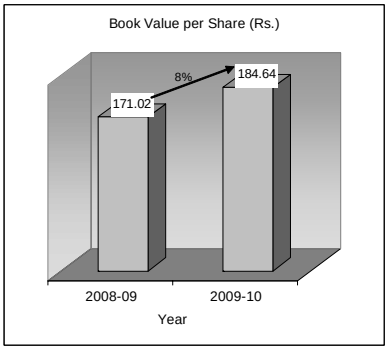
Regd Office: 706, Krishna, 224, AJC Bose Road, Kolkata 700 017
Head Office : Jodhpur Road, Pali 306 401(Rajasthan) INDIA
visit us at : www.msumindia.com

BUILDING STRENGTH









Board of Directors :

Mr. LN BANGUR, *Chairman & Managing Director*

Mr. GOVIND SHARDA, *Executive Director*

Mrs. ALKA BANGUR, *Director*

Mr. SS KOTHARI, *Director*

Mr. CHANDRAVADAN DESAI, *Director*

Mr. AMITAV KOTHARI, *Director*

Mr. AMIT MEHTA, *Director*

Mr. GR AGARWAL, *Director*

Auditors :

M/s BD GARGIEYA & CO., JAIPUR

Bankers :

ICICI BANK LTD.

IDBI BANK LTD.

PUNJAB NATIONAL BANK

STATE BANK OF INDIA

STATE BANK OF BIKANER & JAIPUR

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

CMD's Communiqué

Dear Shareholders,

We have entered into the growth phase wherein our strategy is being implemented in phased manner in terms of consistent value accretion for all the stakeholders.

The year gone by has seen us put up a solid financial performance across our business during the testing time together with signs of a stronger growth coming through in future years. With significant cash flow accruing, the Company would be able to perform at the growth trajectory.

Your Company has made excellent progress in the execution of the first phase of its planned modernisation cum expansion plan while laying out the second phase of implementation on card. The step by step execution of the model would have stronger performance pillars to substantiate its long-term value growth while mitigating the risks.

The Company has created a business model that has focus on continuous acceptance of its products, a strong re-call of the brands while maintaining and developing strong market network. To build upon its strength, the Company has carved out a detailed plan of action to enhance the value addition while balancing the segmental territories in such a manner that mitigates business risks.

We remain committed to position the Company amongst the most valuable textile players in the chosen business verticals. We will continue investment in building capacities and strengthening the value chain.

The year that lies ahead is expected to yield better financial results.

The Company has shown remarkable performance during the worst of the textile industry phase 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.

Warm regards,

LN BANGUR
Chairman and Managing Director

NOTICE is hereby given that the 70th Annual General Meeting of the members of MAHARAJA SHREE UMAID MILLS LIMITED will be held at Club House, The Tollygunge Club Ltd., 120, Deshpran Sasmal Road, Kolkata 700033 on Saturday the 31st day of July, 2010 at 11.00 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, 2010 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 Mr. S.S.Kothari, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Amitav Kothari, 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 in supersession of the resolution passed by the members of the Company at the Annual General Meeting held on 30th Day of August, 2005 and pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, the consent of the Company be and is hereby accorded for empowering the Board of directors of the Company for borrowing from the Company's Bankers or any other bank, financial institutions, bodies corporate(s), persons etc from time to time as the need be for the business of the Company, any sum or sums of money, on such terms and conditions and with or without security as the Board of Directors may think fit, which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the company and its free reserves for the time being, that is to say, reserves not set apart for any specific purpose, provided that the total such borrowings by the Board at any time shall not exceed the limit of Rs.200 Crores (Rupees two hundred crores only)".
7. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:
   "RESOLVED that in supersession of the resolution passed by the members of the Company at the Annual General Meeting held on 30th day of August, 2005 and pursuant to Section 309 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company, the consent of the Company be and is hereby accorded for payment to its Directors (other than Managing/ Wholetime Directors) a commission @ 1% of the net profits of the Company in any financial year to be computed in the manner provided in Section 198(1) of the Companies Act, 1956 and subject to a ceiling of Rs.2.50 lacs in case of each such Director in any financial year".
8. 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 Section 198, 269, 309 and all other applicable provisions, as be applicable, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) read with Schedule XIII of the said Act, the consent of the Company be and is hereby accorded to the increase in remuneration, perquisites, benefits and amenities payable to Mr. Govind Sharda, Wholetime Director of the Company with effect from 11th Aug 2010 for the remaining period of his current tenure, as specified in the Explanatory Statement annexed hereto.

   RESOLVED FURTHER that the Board be and is hereby authorized to do and perform all such acts, deeds and things as it may consider necessary desirable or expedient to give effect to the Resolution".

For and on Behalf of the Board
Govind Sharda
Executive Director

Kolkata
May 22, 2010

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 & 8 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 26th July, 2010 to 31st July, 2010 (both days inclusive).
4. Dividend, when declared, will be payable to those members whose names appear on the Register of Members as on 31st July, 2010.
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

Item No. 6

Under section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Company cannot, except with the consent of the Company in general meeting, borrow money, apart from temporary loans obtained from the company's bankers in the ordinary course of business, including the borrowings for working capital, in excess of the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose. The shareholders at the Annual General Meeting of the Company held on 30th Day of August, 2005 had accorded their consent empowering the Board of Directors to borrow money subject to the condition that total such borrowings shall not exceed Rs.100 crores over and above the aggregate of the paid up capital of the Company and its free reserves.

Keeping in view that for meeting the cost of capital Expenditure Programme/s of any unit/s and/ or for the purposes of business of the Company, and with the efflux of time it may in future be necessary to exceed the limit sanctioned in past by the shareholders at the Annual General Meeting held on 30th Day of August, 2005. The consent of the Shareholders is therefore, sought in accordance with the provisions of Section 293(1)(d) of the Companies Act,1956 to give authority to the Board of Directors enabling the Company to borrow sum or sums of money upto a revised total limit of Rs.200 crores.

The proposed resolution being in the interest of business of the Company, the Board commends the resolution for approval by the members.

None of the Directors of the company are concerned with or interested in this Resolution.

Item No. 7

At the Annual General Meeting of the Company held on 30th Day of August, 2005 the members had through a special resolution approved the payment of remuneration by way of commission @ 1% of net profits subject to the provisions of law in this regard, to non-executive Directors, with immediate effect for a period of five years subject to a ceiling of Rs.2.50 lacs in case of each such Director. Pursuant to provisions of Section 309 (7) of the Companies Act, 1956 the special resolution passed, as aforesaid, shall not remain in force for more than 5 years but may be renewed from time to time by passing special resolution for further period of not more than five years at a time. The validity of the said resolution passed on 30th Day of August, 2005 is upto 29.08.2010 and hence it is required to be renewed.

The Board commends this resolution for approval by members.

All the Directors other than Mr. Govind Sharda, including Mr. LN Bangur being related to the Director Mrs. Alka Bangur are interested in this Resolution since it relates to payment of commission to them.

Item No. 8

The members of the Company, at the Annual General Meeting of the Company held on 30.09.2008, had approved the appointment of Mr. Govind Sharda as Wholetime Director, for a period of 3 years with effect from 11.08.2008, at the terms and conditions as then approved.

The Board of Directors in their meeting held on 22.05.2010 have reviewed the remuneration of Mr. Govind Sharda in the context of the Company's needs in respect of its present and emerging business as well as the enlarging responsibilities and performance under his leadership, general availability of competent professionals for such purposes, their aspirations with the change of times and the present levels of remuneration in vogue for such type of professionals etc.

The revised terms and conditions as recommended by the Remuneration Committee are as follows:

1) The monthly basic salary be revised to a level not exceeding Rs. 150000/- per month with effect from 11th August 2010.

2) The perquisites, benefits and amenities as per the existing entitlement, are to be available to Mr. Govind Sharda on the basis of the revised salary being proposed as above.

3) The other terms and conditions remain same as approved by the members in the Annual General Meeting held on 30.09.2008.

None of the Directors, except Mr. Govind Sharda is concerned or interested in the resolution. Other members of the Board recommend the resolution for approval by the members.

For and on Behalf of the Board
Govind Sharda
Executive Director

Kolkata
May 22, 2010

ANNEXURE – 'A' ATTACHED TO THE NOTICE DATED 22ND MAY, 2010
(as required under clause 49 of the Listing Agreement)

Information on re-appointment of Director

Name	Shri S.S. Kothari	Shri Amitav Kothari
Date of Birth & Age	15.06.1930 80 Yrs.	1.12.1952 57 Yrs.
Qualifications	F.C.A.	M.Com., LL.B., FICA, FCA
Nature of Appointment	Retiring by Rotation and seeking reappointment as a Director	Retiring by Rotation and seeking reappointment as a Director
Expertisement in specific functional areas	A Practicing Chartered Accountant having vast experience in Financial Consultancy as well as in corporate functioning	Banking & Financial Services
Directorship held in other companies as on 31-03-2010 (other than Private Limited Companies/membership of Managing Committees of Chambers of Commerce/ Religious/Professional Bodies)	1. Jay Shree Tea & Industries Ltd. 2. Kriti Industries (India) Ltd.	1. Andrew Yule & Co. Ltd. 2. Kanoria Chemicals & Industries Ltd.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure to present the 70th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2010.

The Financial Results are given hereunder :

(Rs. in Lacs)

Perticulars	**Year ended on 31.03.2010**	Year ended on 31.03.2009
Net Sales / Income	**31952.50**	29693.57
Gross Profit before depreciation and interest	**3710.14**	2587.21
Interest	**611.99**	426.31
Cash Profit before taxes	**3098.15**	2160.90
Depreciation	**1185.16**	1234.60
Profit before taxes	**1912.99**	926.30
Provision for taxes	**457.48**	267.73
Profit after tax for the period	**1455.51**	658.57
Balance brought forward from previous year	**796.97**	376.13
Tax Adjustments for earlier years (net)	**21.92**	(61.38)
Profit available for appropriation	**2274.40**	973.32
Appropriations		
Proposed Dividend	**216.00**	108.00
Tax on Proposed Dividend	**36.71**	18.35
Transferred to General Reserve	**500.00**	50.00
Balance carried to Balance Sheet	**1521.69**	796.97

BUSINESS

With poor off-take in the overseas market, leading to glut in the domestic segment albeit higher prices, the volume growth was insignificant. However, based upon our internal estimates, the Company had moved up in the value chain to confront such adversaries enabling it to register 8% growth in the value terms. Keeping in line with the volatile international market scenario, the Company continues to strengthen its domestic centric marketing to take advantage of upturn in domestic economy.

DIVIDEND

Your Directors are pleased to recommend payment of Rs. 2.50 per equity share (previous year: Rs. 1.25) for the year ended on 31st March, 2010 on the fully paid up shares of Rs. 10 each. The total outgo would be to the tune of Rs. 252.71 lacs (previous year: Rs. 126.35 lacs) including Corporate Dividend Tax. The Company intends to save resources in view of planned expansion/ upgradation of its manufacturing capabilities.

NEW BUSINESS DEVELOPMENT

Your Company has already taken initiatives to move up in the textile value chain. The first phase of modernisation cum expansion plan is under implementation with serious evaluation process having begun for the second phase, which may be undertaken towards the end of the current financial year.

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

SCHEME OF RE-ARRANGEMENT

The detailed scheme of re-arrangement is being validated by the Stock Exchange authorities. We expect the entire re-arrangement and value unlocking to take place in the current financial year.

INVESTMENT IN ASSOCIATE COMPANIES

During the year, your Company has acquired 100% equity of erstwhile Allied Dealcomm Pvt. Ltd., a strategic investment.

Your Company has increased its controlling share from 14.1% to 18.5% by way of enhanced investment in The Andhra Pradesh Paper Mills Ltd (APPML) during their recent Right Issue. The Company is also entitled to exercise options through warrants issued to it along with Rights' subscription.

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
Mr. SS Kothari and Mr. Amitav Kothari retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their appointment at the ensuing Annual General Meeting.

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 the 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 Gargieya & Co., Chartered Accountants (Firm Regn. No.: 001072C) 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 limits prescribed 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 2010, 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 to give a true and fair view of the state of affairs of the Company as at 31st March 2010 and of its profits for the year ending on that date;

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 2010 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
Kolkata — LN Bangur
May 22, 2010 — Chairman and Mg. Director

ANNEXURE 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 2009-2010	Previous Year 2008-2009
A. POWER & FUEL CONSUMPTION :			
(1) Electricity			
a) Own Generation			
(i) Through Diesel Generators			
Units	('000 Units)	**-**	8
Units per Ltr. of Oil		**-**	2.42
Cost/Unit	(Rs.)	**-**	12.61
(ii) Through Furnace Oil Generators			
Units	('000 Units)	**13,461**	27,387
Units per Ltr. of Oil		**4.06**	4.07
Cost/Unit	(Rs.)	**4.69**	4.16
b) Purchased from JVVNL			
(i) Units	('000 Units)	**71,897**	55,928
Total Amount	('000 Rs.)	**3,27,767**	2,48,655
Cost/Unit	(Rs.)	**4.56**	4.45
(2) Coal			
(Used in Boilers for generation of Steam)			
Quantity	(M.T.)	**12,025**	11,930
Total Cost	('000 Rs.)	**58,885**	51,561
Average Rate	(Rs./M.T.)	**4,896.88**	4,321.96
(3) Furnace Oil			
Quantity	('000 Ltrs.)	**3,299**	6,664
Total Amount	('000 Rs.)	**62,561**	1,13,603
Average Rate	(Rs./Ltr.)	**18.96**	17.05
B. CONSUMPTION PER UNIT OF PRODUCTION :			
(1) Electricity (Units)	Fabrics (per '000 Mtrs.)	**7,88.39**	758.59
	Yarn (per M.T.)	**3,136.88**	3,045.57
(2) Coal (M.T.)	Fabrics (per '000 Mtrs.)	**0.48**	0.48
	Yarn (per M.T.)	**0.09**	0.09

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.
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.
2. Total foreign exchange earnings & outgo
   (i) Foreign exchange earnings — Rs. 588.96 Lacs
   (ii) Foreign exchange outgo — Rs. 836.50 Lacs

MANAGEMENT DISCUSSION AND ANALYSIS

We are living through a unique period in economic history. The year began with the deflationary pressure to end with double digit inflation, the safe haven of EU witnessed sovereign financial crisis and the roaring economies of Asia are feared to have got potential to ignite another crisis. At national level, a positive IIP and a robust GDP growth are symptoms of return of buoyancy in the market.

Fiscal 2010 began with shadows of pressurised profits for the textile industry. The year witnessed too many events happening all through the year for the segment with no significant capacities being added. Many of the projects under execution had a planned time over-run confirming the belief that the industry, the largest employer next to agriculture, had uncertainty about the economic revival.

During the year, the Indian Rupee strengthened by almost 15% vis-à-vis USD to reduce the exports value. Towards the end of the year, with the sovereign credit risks looming large in the EU, the off-take in the geographical segment got adversely impacted. Going forward, the overhang of global recession, if continued, would have bearing on exports. However, long term prospects remain intact owing to higher domestic demand supported with a stable and consistently growing economy.

During the previous cotton season, the export of cotton was less than 50% of the preceding year and was expected to support the profitability of the cotton textile sector. With Poor off-take and impact of the recessionary forces continuing, the prices of the processed products were hammered during the initial period of the fiscal. Power cuts in different parts of the country affected the productivity and off-take.

Towards the later half of the current fiscal, with onset of cotton season, and a poor crop and depletion of carry over stock in neighbouring countries, the demand for the cotton as well as yarn increased that had positive impact on the industry. Discretionary measures adopted by neighbouring countries' government enhanced demand for Indian yarn and cotton, enabling the two sectors to register historic highs leading to imposition of export duty on cotton and withdrawal of export incentives on cotton yarn expecting a cool off in the domestic prices. Essentially, the short-sighted may have unexpected implications for the industry. Textile exports during the first 9 months of fiscal 2010 have grown negatively and future growth would be impacted with the 'punitive' measures used towards the end of the fiscal.

With the national economy having grown in the vicinity of 7.5%, the domestic demand remains robust whereas the export market may continue lacklustre performance.

We need to review performance of the Company in this backdrop. The comprehensive report hereunder should be read in conjunction with the audited financial statements and schedules appended thereto for the periods under reference.

The discussion contains some forward looking statements based upon the intent and perception of the management of the Company. However, the actual outcome may be influenced by the external factors.

OPERATIONAL PERFORMANCE FOR THE YEAR

The year gone by, has re-established the strength of the Company in more than a way. The major events that had impacted the outcome during the year are:

Stabilisation of additional weaving facilities while moving into new product segment;

Additional capacities added in value added yarn manufacturing;

Phased replacement of inefficient engineering processes.

The measures would have impact in the following financial year.

INCOME

Sailing through adverse market circumstances for a significant part of the year, the revenues registered growth of 7.6% during the year, growing from Rs. 29,694 lacs to Rs. 31,953 lacs. The volume growth in business was negligible largely due to product mix. The price realisation improved in yarn as well as fabric business. Direct exports were further curtailed during the year owing to economic uncertainty prevalent in the US and EU. However, the Company continues to build the acceptability of its produce in international market through merchant exports.

The bottom wear range was established during the year while value added yarn begun in the market place