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Raymond LIMITED

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## SUBSIDIARY COMPANIES



## BOARD OF DIRECTORS

VIJAYPAT SINGHANIA, *Chairman Emeritus*
GAUTAM HARI SINGHANIA, *Chairman and Managing Director*
MINOO R. SHROFF, *Vice Chairman*
B. K. KEDIA
NANA CHUDASAMA
B. V. BHARGAVA
U. V. RAO
I. D. AGARWAL *(Nominee of UTI )*
NABANKUR GUPTA, *Wholetime Director and Group President*
AKSHAY SINGHANIA, *Wholetime Director*
ANANT SINGHANIA, *Wholetime Director*
P.K. BHANDARI, *Wholetime Director and Deputy Group President (from April 24, 2003)*

### MANAGEMENT EXECUTIVES

GAUTAM HARI SINGHANIA, *Chairman and Managing Director*
NABANKUR GUPTA, *Wholetime Director and Group President*
AKSHAY SINGHANIA, *Wholetime Director*
ANANT SINGHANIA, *Wholetime Director*
P. K. BHANDARI, *Wholetime Director* and *Deputy Group President*
F. M. ALI, *President (Delhi Office)*
V. K. BHARTIA, *President (Corporate)*
AJIT MANTAGANI *President (Denim)*
S. K. GUPTA, *Vice President (Textile)*
S. K. KAUL, *Vice President (Files & Tools)*
R. P. NANGALIA, *Vice President (Finance)*
MARCEL PARKER, *Vice President (HR)*
S. K. SINGHAL, *Vice President (Projects)*
ANIRUDDHA DESHMUKH, *Executive Director (J.K. Ansell Limited)*
K. G. JAIN, *Executive Director (Files & Tools)*
R. A. PRABHUDESAI, *Executive Director (Finance)*

### GENERAL MANAGER - LEGAL & COMPANY SECRETARY

R. NARAYANAN

### BANKERS

BANK OF INDIA
CENTRAL BANK OF INDIA
STANDARD CHARTERED BANK LTD.
STATE BANK OF INDIA
BANK OF MAHARASHTRA
THE HONGKONG & SHANGHAI BANKING CORPORATION LTD.
BANK OF AMERICA
CITIBANK N.A.
HDFC BANK LTD.

### AUDITORS

DALAL & SHAH
Chartered Accountants

### INTERNAL & OPERATIONAL AUDITORS

MAHAJAN & AIBARA
Chartered Accountants

### REGISTERED OFFICE

PLOT NO. 156/H. No. 2, VILLAGE ZADGAON
RATNAGIRI - 415 612 (MAHARASHTRA)

### REGISTRAR AND SHARE TRANSFER AGENTS

MCS LIMITED
Sri Venkatesh Bhavan
Plot No. 27, Road No. 11, MIDC, Andheri (East),
Mumbai - 400 093.

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Raymond LIMITED

# REPORT OF THE DIRECTORS

**TO**

**THE MEMBERS**

Your Directors have pleasure in placing before you their 78th Annual Report and Accounts for the year ended March 31, 2003.

**OPERATIONAL OVERVIEW**

The year under review witnessed stagnant domestic demand and difficult international market. Domestic market was affected by poor monsoon and the drought in several parts of India particularly Northern and parts of Western India resulting in stagnant demand. Rising oil prices also put pressure on the cost of production. Despite sluggish market and stiff competition, the Board considers the overall performance reasonably satisfactory.

The gross turnover was higher at Rs.1016.87 crores (Rs.980.74 crores). Profit before tax and exceptional items was higher at Rs.131.19 crores (Rs.112.76 crores). Net profit, after provision for prior year adjustments, income and wealth taxes, was Rs.90.25 crores (Rs.81.13 crores).

**APPROPRIATIONS**

An amount of Rs. 3.75 crores (Rs.0.80 crores) is credited to the Debenture Redemption Reserve and Rs. 67.00 crores (Rs.40.17 crores) is credited to the General Reserves. Out of the amount available for appropriation, your Directors recommend a dividend of 45% (45%) on Equity Shares. The dividend tax on the proposed dividend will be Rs. 3.54 crores (Rs. Nil).

**PERFORMANCE OF DIVISIONS**

**Textile Division -**

Despite sluggish domestic demand, the Division could maintain its growth through product development, marketing initiatives aided by extensive distribution network. The exports showed a significant improvement over the last year recording a growth of 24 %.

**Files and Tools Division –**

The Files and Tools Division has recorded marginal growth in domestic sales and marginal decline in exports. The Division continues to be world's largest producer of files and also the leader in domestic market. Despite stagnant global growth rate in files business, the Division has turned out satisfactory results.

**Denim Division -**

The Denim Division has fared well owing to richer product mix, higher volumes, lower cotton prices leading to improved operating margins. The Division has expanded its production capacity from 10 million metres to 20 million metres in two phases. The benefits of first phase of expansion by 5 million metres were available for the part of the year, whereas the second phase of expansion by 5 million metres was completed in March 2003. Full benefits of both phases of expansion will be available in the current year.

**FINANCE AND ACCOUNTS**

During the year, the Company successfully raised non-convertible Debentures of Rs.50 crores at competitive rate to augment its long term working capital requirements. CRISIL assigned the rating of 'AA+' to the Debentures.

Your Directors certify that the funds raised by the issue of Debentures were used for the purpose for which they were raised.

The observations made by the Auditors in their Report has been clarified in the relevant notes forming part of the Accounts, which are self explanatory.

**AWARDS**

**Textile Division** received the following awards during the year:

**Businessworld Award 2003** for **'The Most Respected Company'** in the Ready-mades and Textile Category.

**Raymond Apparel Limited,** a wholly owned subsidiary of the Company was also conferred **Images Fashion Awards 2003** for **'The Most Admired Apparel Company of the Year'** with their brand **'Park Avenue'** winning the **'Best Suit Brand'** and **'Best Trouser Brand'.**

National Energy Conservation Awards by Ministry of Power, Government of India - First Prize in recognition of the achievements in Energy Conservation in the Textile Sector for the year 2002 to Thane Plant and Second Prize to Chhindwara Plant.

**EXPORTS**

Aggregate exports of all Divisions was higher at Rs. 192.53 crores (Rs.182.58 crores).

**ACQUISITION**

**Textile -**

During the year under review, the Company acquired 74.1 % of the equity shareholding of ColorPlus Fashions Limited ('ColorPlus'), a company having its garment manufacturing factory in Chennai, Tamil Nadu and well established distribution network of 125 outlets across 60 cities in the country, making it a subsidiary, with effect from February 21, 2003. 'ColorPlus' is a leading premium menswear



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apparel brand with strong brand equity and growth driven by product quality and innovation. The acquisition enabled the Company to acquire a premium garment brand with a track record of premium pricing and significant growth and would lead to premium positioning of ColorPlus synergistic with that of the Company. Further 24.9 % of the equity shareholding of 'ColorPlus' would be acquired by May 31, 2006.

### CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard AS-21 prescribed by The Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries is annexed to this Report.

### SUBSIDIARIES

**Domestic**

**Raymond Apparel Limited**

Total income increased to Rs. 172.48 crores (Rs.148.11 crores) and profit after tax was higher at Rs. 6.47 crores (Rs.1.10 crores).

**Hindustan Files Limited** incurred a loss of Rs. 253.10 Lakhs (Loss of Rs.97.01 Lakhs). The production activity of Hindustan Files Limited at its steel files manufacturing unit at Kolkata, which was acquired from HGI Industries Limited during the previous year, is gradually stabilising and it is expected that the product quality of desired level would be achieved in the current year.

The net worth of the Company has eroded more than 50 %, rendering the Company to a status of a Potentially Sick Industrial Company under Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985, for which the Company is taking necessary steps under the said Act.

**ColorPlus Fashions Limited** recorded a total income of Rs.66.08 crores (Rs.50.60 crores) and the profit after tax was significantly higher at Rs.8.68 crores (Rs.4.68 crores).

**Pashmina Holdings Limited** incurred a loss of Rs. 6.39 Lakhs (Profit of Rs.7.19 Lakhs).

**Raymond Infotech Limited** incurred a loss of Rs.1.81 Lakhs (Loss of Rs.4.11 lakhs).

**Raymond Technology Solutions Limited** incurred a loss of Rs.3,000 (Loss of Rs.2,000).

**Overseas**

**Jaykayorg AG** fared well and made a net profit of SFr. 151,039 (SFr. 7,06,079).

**J. K. (England) Limited** made a net profit of Pound Sterling 49,136 (Pound Sterling 6,558).

**Regency Texteis Portuguesa, Limitada, Portugal** made a net profit of Euros 26,983 (Profit of Euros 168,970).

**Textiles Regency, Sociedad Limitada, Spain** incurred a loss of Euros 46,488 (Loss of Euros 50,968).

### CORPORATE GOVERNANCE

Your Company attaches considerable significance to good Corporate Governance as an important step towards building investor confidence, improve investors' protection and maximise long term shareholder value. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

### DIRECTORS

The Board reappointed Shri Akshay Sighania as Wholetime Director of the Company for a period of five years with effect from April 6, 2003, subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The Board appointed Shri P. K. Bhandari, Deputy Group President as an Additional Director and Wholetime Director of the Company for a period of five years with effect from April 24, 2003, subject to the approval of the members of the Company at the ensuing Annual General Meeting. The Company has received notice from a member under Section 257 of the Companies Act, 1956 together with requisite deposit, proposing Shri P. K. Bhandari as a candidate for the office of Director, subject to retirement by rotation.

Shri Nabankur Gupta and Shri Anant Singhania, retire by rotation and, being eligible, offer themselves for reappointment.

Appropriate resolutions for the reappointment/appointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board commends for your approval.

Shri Minoo R. Shroff, Vice Chairman who retires by rotation and is eligible for reappointment, does not seek re-election. The Board places on record its deep appreciation of the invaluable guidance and advice rendered by Shri Minoo R. Shroff during his tenure with the Company.

### AUDITORS

Messrs. Dalal & Shah, Chartered Accountants, Statutory Auditors, retire and are eligible for reappointment. You are requested to appoint Auditors.



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**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

(i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed;

(ii) the Directors had selected such accounting policies and applied them 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 at the end of the financial year and of the profit of the Company for that period;

(iii) the Directors had 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;

(iv) the Directors had prepared the annual accounts on a going concern basis.

**STATUTORY INFORMATION**

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956, are given in a separate Annexure to this Report. This Annexure is not being sent alongwith this Report to the members of the Company in line with the provisions of Section 219 (1) (b) (iv) of the said Act. Members who are interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company. None of the employees listed in the said Annexure is a relative of any Director of the Company except for Shri Vijaypat Singhania, Shri Gautam Hari Singhania, Shri Akshay Singhania and Shri Anant Singhania who are related to each other. None of the employees hold (by himself or alongwith his spouse and dependent children) more than two percent of the equity shares of the Company.

Information pursuant to sub-section 1 (e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure 1 to this Report.

Fixed Deposits accepted from the shareholders and the public stood at Rs. 15.06 crores at the close of the financial year. Deposits of Rs. 73.08 lakhs from 728 depositors which fell due for repayment before the close of the financial year remained unclaimed by the depositors as on March 31, 2003 and of these, deposits of Rs. 11.81 lakhs from 106 depositors were subsequently repaid, leaving a balance of Rs. 61.27 lakhs from 622 depositors unclaimed upto the date of this Report.

**APPRECIATION**

Your Directors express their warm appreciation to all the employees at various Units for their diligence and contribution.

For and on behalf of the Board

**Gautam Hari Singhania**
**Chairman and Managing Director**

Mumbai, April 24, 2003
(figures in brackets pertain to 2001-2002)



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## ANNEXURE (1) TO THE DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**A. Conservation of Energy :**

The Company has given utmost importance to Energy Conservation. The Company has always given top priority for minimisation of energy consumption by putting continuous efforts towards optimisation of operating and processing parameters, upgradation of plant equipments, improving power factor, energy audits, etc. In most of the plants, the Company has achieved the power factor near unity. Thane unit of Textile Division has received first prize for National Energy Conservation Award from Ministry of Power, Government of India, for consecutive three years 2000, 2001 and 2002. Some of the major measures, which have contributed towards energy savings are as given below:

1) Installation of sonic soot blowers for soot removal in Boiler.

2) Increase in pump efficiency by ceramic resurfacing of volute and impeller of pump.

3) Installation of variable speed drives on auto winding machines.

4) Replacement of slip ring motor with high efficiency squirrel case motor on compressors.

5) Installation of high efficiency burner for Thermic Fluid Heater.

**B. Technology Absorption :**

**(a) Research and Development ( R & D) :**

The R&D Department of Textile Division continues to develop new products and finishes for the market. All wool, light weight, fine count suiting based on Superfine 200's Wool was produced during the year. Machine washable 100% wool fabric has been developed.

The Files & Tools Division has developed new type of Half Round File Cutting machine for better quality and productivity. The Division developed knife-sharpening file in the current year. The Rolling Mill modifications to produce better profiles of file steel, improvement in tooth geometry of the file, automation in finishing operation to improve productivity are some of the product and process development activities carried out by the Division.

The Denim Division has engaged a fabric designer of international repute to strengthen the product development work. New machines like stenter, mercerizer, overdyeing equipment and slub attachment on open end frames installed for new product development with focus on value addition and flexible manufacturing system.

**(b) Technology Absorption, Adaptation and innovation :**

Textile Division has adopted latest technology like Automatic Healding machine. The Division is also implementing SCM solutions to improve production planning and timely deliveries to customers.

The Files & Tools Division has developed new innovative method like Kaizen to improve performance, quality and productivity.

The Denim Division has installed the state of art dyeing machinery and Auto Pilot Dosing System. The new indigo dyeing range has online monitoring and correction of "pH" by injecting precise quantity of chemicals. This system is adopted for the first time in India. Innovative processes developed for manufacturing fancy yarn cost effectively from OE yarn plant.

**C. Foreign Exchange Earnings and Outgo :**

Exports of Textile Division recorded a 23% growth over previous year. The Division has been successful in achieving a major breakthrough in USA and in entering new markets of CIS countries in the current year. The Division has opened three more retail outlets, one each in Saudi Arabia, Bahrain and Bangladesh, making the total overseas retail shops to eighteen.

The Files & Tools Division exports were marginally lower during the year compared to previous year, mainly due to depressed global market conditions and competition from China in drill market segment. The Division is now strategically focussing its efforts to improve the international presence by appointing overseas agents and also by developing markets in high potential areas like Latin America, CIS countries, USA and China.

The Denim Division exports were marginally lower compared to previous year. The initiatives have been taken to increase the exports by appointing new agents/distributors in Turkey, Hongkong, EU, USA and Sri Lanka and by interacting with worldwide brands like Levi's and Gap for promoting our fabric and to develop our business.

The particulars regarding foreign exchange earnings and outgo are given in Schedule 18 – Notes forming part of the Accounts at Note Nos. 11, 12 and 13.



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## Form 'A'

[Forming part of Annexure (1)]

## DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

### A. POWER AND FUEL CONSUMPTION

| | Purchased | | Own generation (through Diesel Generator) | |
|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year |
| 1. Electricity | | | | |
| a) Total units (KWH in thousands) | | | | |
| Textile | 91832 | 91229 | 16063 | 18443 |
| Files & Tools | 18639 | 18848 | 245 | 342 |
| Denim | 24774 | 19440 | 1618 | 990 |
| b) Total Amount (Rupees in lacs) | | | | |
| Textile | 3598.25 | 3634.27 | 861.86 | 905.75 |
| Files & Tools | 773.58 | 790.53 | 16.46 | 24.45 |
| Denim | 842.43 | 669.69 | 112.45 | 62.51 |
| c) Units/per Litre of Diesel Oil/ LDO | | | | |
| Textile | - | - | 3.76 | 3.22 |
| Files & Tools | - | - | 2.27 | 2.81 |
| Denim | - | - | 3.56 | 3.60 |
| d) Cost per unit (Rs.) | | | | |
| Textile | 3.92 | 3.98 | 5.37 | 4.91 |
| Files & Tools | 4.15 | 4.19 | 6.72 | 7.15 |
| Denim | 3.40 | 3.44 | 6.95 | 6.31 |

Note : No electricity is generated through steam turbines.

| | | Total Quantity | Total Cost Rs. Lacs | Average Rate per Unit Rupees |
|---|---|---|---|---|
| 2. Coal (M.T.) | | | | |
| a) Textile Division | Current Year | 21247.00 | 300.82 | 1415.82 |
| | Previous Year | 21011.00 | 288.38 | 1372.52 |
| b) Denim Division | Current Year | 8611.00 | 128.54 | 1492.70 |
| | Previous Year | 7178.00 | 89.10 | 1442.36 |
| 3. Furnace Oil (Lac Litres) | | | | |
| a) Textile Division | Current Year | 73.07 | 839.00 | 11.48 |
| | Previous Year | 79.04 | 742.70 | 9.40 |
| b) Files & Tools Division | Current Year | 4.24 | 50.29 | 11.86 |
| | Previous Year | 3.18 | 31.42 | 9.88 |
| 4. Diesel Oil (Lac Litres) | | | | |
| a) Textile Division | Current Year | 7.58 | 147.59 | 19.47 |
| | Previous Year | 49.18 | 771.69 | 15.69 |
| b) Files & Tools Division | Current Year | 1.08 | 17.92 | 16.59 |
| | Previous Year | 1.05 | 17.22 | 16.40 |
| c) Denim Division | Current Year | 4.54 | 84.34 | 18.58 |
| | Previous Year | 2.75 | 44.53 | 16.19 |
| 5. LPG (Kgs.) | | | | |
| a) Textile Division | Current Year | 43665.00 | 11.98 | 27.44 |
| | Previous Year | 102900.00 | 24.58 | 23.89 |
| b) Files & Tools Division | Current Year | 137655.00 | 38.53 | 27.99 |
| | Previous Year | 188438.00 | 43.95 | 23.32 |
| c) Denim Division | Current Year | 43571.00 | 15.25 | 35.00 |
| | Previous Year | 46026.00 | 11.38 | 24.72 |
| 6. LDO (Lac Ltrs.) | | | | |
| a) Textile Division | Current Year | 35.16 | 533.16 | 15.16 |
| | Previous Year | 8.03 | 103.89 | 12.94 |
| b) Files & Tools Division | Current Year | 4.48 | 66.81 | 14.91 |
| | Previous Year | 4.95 | 71.97 | 14.55 |

### B. CONSUMPTION PER UNIT OF PRODUCTION

| | Unit | Standard (if any) | Current Year | Previous Year |
|---|---|---|---|---|
| 1. Electricity | | | | |
| a) Fabrics | KWH/Metre | – | 4.38 | 4.18 |
| b) Engineers' Steel Files | KWH/Piece | – | 0.35 | 0.36 |
| c) Denim | KWH/Metre | – | 2.08 | 1.86 |



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# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The year under review witnessed stagnant domestic demand and difficult international market. Domestic market was affected by poor monsoon and the drought in several parts of India particularly Northern and parts of Western India resulting in stagnant demand. Rising oil prices also put pressure on the cost of production. Despite sluggish market and stiff competition, the Board considers the overall performance reasonably satisfactory.

The gross turnover was higher at Rs. 1016.87 crores (Rs.980.74 crores). Profit before tax and exceptional items was substantially higher at Rs. 131.19 crores (Rs.112.76 crores). Net profit, after provision for prior year adjustments, income and wealth taxes, was Rs. 90.25 crores (Rs.81.13 crores).

## SEGMENT ANALYSIS AND REVIEW

The key business segments of the Company are Textile, Denim and Files & Tools Divisions.

### A. TEXTILE DIVISION

#### Industry Scenario & General Outlook

Textile Sector continues to be in the grip of stagnant domestic demand and falling prices in the international market. Proposed imposition of Value Added Tax (VAT) has created further uncertainties. Textile Industry is going through uncertainties owing to proposed VAT, which alongwith the additional tax burden on inter-state movement of goods is likely to hit wholesale trade and will have cascading effect on the ultimate consumer prices. Unprecedented hike in raw wool prices could also, in the short run, put pressure on the margins.

The Division is, however, optimistic about sailing through the crisis and sustaining operational levels on the inherent strength of its product-development, world-class manufacturing, marketing and brand-building capabilities coupled with on-going cost reduction drive.

#### Performance Highlights

Despite sluggish markets and sudden impact on the last quarter's shipments on account of Iraq-war as well as unclear VAT laws, the Division could maintain its growth through a series of product development and marketing initiatives. Though overall production in metres declined owing to introduction of finer fabric qualities, higher sales volume and realisation fuelled the top-line growth.

#### MARKET SHARE AND DISTRIBUTION

Brand further consolidated and improved its market share both at home as well as in the neighbouring SAARC and Middle East regions.

#### RETAIL NETWORK

Distribution network was also further strengthened for greater market penetration. In addition to appointing a number of new wholesale and general retail dealers, 15 new Raymond Shops (including 3 overseas) were also added to the network during the year taking the aggregate to 286. This network continues to represent the largest retailing space occupied by any single brand in the country. The Company has drawn up aggressive plans to accelerate growth in this sector starting from ensuing festival season.

#### OVERSEAS MARKET

Despite stiff competition, export earnings were higher at Rs.74.68 crores compared to Rs.60.20 crores in the previous year. Though export volumes are expected to grow in the current year, there could be some pressure on the value realisation especially in view of recent downward revision of DEPB rates.

#### PRODUCT DEVELOPMENT

Product development efforts were directed towards introducing value-added finer qualities leading to higher realisation. Various premium price collections introduced during the year were well accepted, generating encouraging demand in the market place.

A few qualities under premium light weight category, high-performance fabric like natural-stretch, machine-washable all-wool and travel-friendly high-twist qualities were also well received by the market. Super 200'S wool suit lengths were introduced for the first time in India through select outlets. With this Raymond joins the elite club of three other manufacturers in the world known for producing such fine suiting.

#### RAW MATERIAL

Raw-wool prices continued to rise and touched all time high, especially in the medium micron category, constituting major consumption. Though the additional burden through sufficient forward purchase of raw-wool, full impact thereof would be reflected in the current year. Rising trend price of man-made fibre has also started adding to this burden.

While raw material prices should stabilise in due course, necessary efforts are afoot to minimise the impact through a series of cost reduction and product development initiatives undertaken by the Company.



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### MODERNISATION AND INTERNAL CONTROL SYSTEMS

Capital expenditure of Rs.17.56 crores was incurred during the year for up-grading technical facilities to world-class standards. Cost control measures, with special emphasis on major cost drivers have been firmly implemented. Adequate internal control systems on operations of all functional areas are in place. A new project for re-architecturing of Supply Chain Management System (SCM) initiated during the year is slated for completion by year-end.

In recognition of the achievements in Energy Conservation, Government of India awarded First Prize to Thane Plant for the third successive year, and Second Prize was awarded to Chhindwara Plant. Chhindwara unit was also accredited by Det Norske Veritas (DNV) of Netherlands for conforming to Environmental Management System Standards under ISO 14001.

### HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Industrial relations were cordial in all the three plants without any disruption of manufacturing activities whatsoever. Training programmes directed towards skill upgradation and team building endeavours have been commenced.

### IMPLICATIONS OF UNION BUDGET & EXIM POLICY

The budget proposals for the year 2003-2004 provide for lowering of additional excise duty in lieu of sales-tax on fibre as well as import duty on raw-wool. However, uncertainty about introduction of VAT and its modalities continue to affect the business. DEPB and import duty on related items have also been scaled down, actual impact of which will be reflected in the current year.

**Highlights**

| Particulars | 2002-03 | 2001-02 |
|---|---|---|
| Production (Lac mtrs)<br>Fabric | 232.04 | 247.93 |
| Sales (Lac mtrs)<br>Fabric | 233.28 | 233.06 |
| Sales & Services (Rs. Crores)<br>Including Export Incentives | 742.45 | 714.56 |

### B. DENIM DIVISION

#### Industry Outlook, Opportunity and Threats

The buoyancy in the market for denim witnessed in the previous year, continued strongly during 2002-03. Denim industry in Asia, including in Turkey and China, is benefiting from reduction of effective capacities in North America. and Mexico.

The trend towards finer, softer and differentiated denims has intensified during the year. This has necessitated investments in specialised spinning and processing equipment to make a wider variety of denims.

The cotton prices, which have risen sharply during the year, are ruling at 60% - 70% higher than the 20 year low reached in the previous year. The Company plans to tackle the increased cotton prices, which are likely to be firm, by judicious cotton coverage, mix and moving up the value chain of the product mix. The margins are likely to be under considerable pressure during the year 2003-04, as compared to the previous year.

#### Performance and Review of Operations

During the year under review the Division expanded its production capacity from 10 million metres to 20 million meters in two phases. The performance for the year reflects the effect of first phase of expansion upto 15 million metres partially, while the effect of second phase (from 15 million to 20 million metres) will be reflected in the next year. The operating margin has improved as a result of lower cotton prices, richer product mix and higher volumes.

**Highlights**

| Particulars | 2002-03 | 2001-02 |
|---|---|---|
| Production (Lac Metres) | 127.11 | 104.66 |
| Sales Volume (Lac Metres) | 123.89 | 104.39 |
| Sales (incl. Export Incentives) (Rs. Crores) | 134.41 | 115.13 |

### C. FILES & TOOLS DIVISION

The Division is engaged in the manufacture and marketing of Steel Files and HSS Cutting Tools, comprising mainly of drills.

#### Industry Outlook

The global growth rate in the files business is almost stagnant with usage of files in industrial sectors in developing countries gradually coming down. Despite the recessionary industrial trend globally, the Division has recorded marginal growth in sales in the domestic market over previous year in terms of value and volume. However, due to competition of cheap exports from China, in files and drills segment, the Division recorded a marginal decline in export sales as compared to the previous year.



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### Opportunity and Threats

Margins are likely to be under pressure in the current year, owing to the global economic recession, Iraq war, rising prices of major inputs like steel, fuel, electricity, labour, cheap imports and uncertainty over introduction of VAT and growing competition. The Division is taking appropriate steps to meet the rising costs by effecting cost reduction on all fronts to maintain cost and competitiveness in domestic and overseas markets. Simultaneously export markets / customers are being developed in African countries, South East Asia and China.

### Performance and Review of Operations.

The Division continues to be the largest producer of files in the world and also the market leader in the domestic market. The overall increase in domestic sales of files as compared to previous year, is marginal. The domestic sale of drills recorded a growth of 12 % in volume and 20 % growth in value. The export sales suffered a setback in files and drills business, basically due to cheap exports from China.

The overall performance of the Division, despite the shortfall in export sales, has been satisfactory.

## CAUTIONARY STATEMENT

*Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.*

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# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Corporate Governance is crucial to the very existence of a company as it builds confidence and trust, which eventually leads to a more stable and sustained resource flows and long-term partnership with its investors and other stakeholders. The importance of Corporate Governance lies in the contribution it makes to the overall growth and direction of the business, management accountability and transparency and above all, equitable treatment for its stakeholders. The detailed report on implementation by the Company, of the Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges, is set out below :

## A. MANDATORY REQUIREMENTS

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Raymond Limited's philosophy on good Corporate Governance envisages a combination of business practices that result in enhancement of the value of the Company to the shareholders and simultaneously enable the Company to fulfill its obligations to other stakeholders such as customers, employees, vendors, dealers, financiers and to the society at large. Your Company firmly believes that such practices are founded upon the core values of transparency, professionalism, empowerment, equity and accountability. Your Company makes best endeavours to uphold and nurture these core values in all facets of its operations and aims to increase and sustain its corporate value through growth and innovation. In the last Annual Report, the Company had outlined the procedures and practices of Corporate Governance that are followed at Raymond and the steps taken to ensure transparency and accountability. Your Company continues to follow procedures and practices in conformity with the Code of Corporate Governance enshrined in the Listing Agreement.

### 2. BOARD OF DIRECTORS :

**COMPOSITION AND CATEGORY**

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management, legal and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors, meets with the requirements of Clause 49 (I) (A) of the Listing Agreement.

The present strength of the Board of Directors is eleven, whose composition is given below :

- three promoter, Executive Directors
- one promoter, Non-Executive Director
- one non-promoter, Executive Director
- one independent, Non-executive, nominee Director representing Unit Trust of India as investors.
- five independent, Non-executive Directors

None of the Directors on the Board is a member on more than ten Committees and Chairman of more than five Committees as per Clause 49 (IV) (B) across all companies in which they are Directors. There was no change in the composition of the Board of Directors during the year under review.

The composition of the Board of Directors and also the number of other Board of Directors or Board Committees of which he is a member/Chairman are as under :

| Name of Director | Category of Directorship | Directorship in other companies(*) | No. of Board Committees (other than Raymond Limited) in which Chairman/Member | |
|---|---|---|---|---|
| | | | Chairman | Member |
| Shri Vijaypat Singhania<br>Chairman Emeritus | Promoter,<br>Non-Executive | 9 | Nil | Nil |
| Shri Gautam Hari Singhania<br>Chairman and Managing Director | Promoter,<br>Executive | 11 | Nil | Nil |
| Shri Minoo R. Shroff<br>Vice Chairman | Independent,<br>Non-Executive | 10 | 4 | 6 |
| Shri B. K. Kedia | Independent,<br>Non-Executive | 10 | Nil | Nil |
| Shri Nana Chudasama | Independent,<br>Non-Executive | 5 | Nil | Nil |
| Shri B. V. Bhargava | Independent,<br>Non-Executive | 8 | 5 | 5 |
| Shri U. V. Rao | Independent,<br>Non-Executive | 7 | 3 | 9 |
| Shri I. D. Agarwal<br>(nominee of Unit Trust of India) | Independent,<br>Non-Executive | 4 | Nil | Nil |
| Shri Nabankur Gupta<br>Wholetime Director and Group President | Non-Promoter,<br>Executive | 1 | Nil | Nil |
| Shri Akshay Singhania<br>Wholetime Director | Promoter,<br>Executive | 1 | Nil | Nil |
| Shri Anant Singhania<br>Wholetime Director | Promoter,<br>Executive | 2 | Nil | Nil |

(*) – excludes Alternate Directorships, Directorships in Indian Private Limited Companies, and membership of Managing Committees of various bodies.



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