

BOARD OF DIRECTORS

DR. VIJAYPAT SINGHANIA, Chairman Emeritus
 GAUTAM HARI SINGHANIA, Chairman and Managing Director
 B. K. KEDIA
 NANA CHUDASAMA
 ANANT SINGHANIA, (Wholtime Director upto 31-07-2005)
 B. V. BHARGAVA
 U. V. RAO
 I. D. AGARWAL, (Nominee of UTI) (upto 28-02-2006)
 NABANKUR GUPTA
 P. K. BHANDARI, Wholtime Director and Group President

MANAGEMENT EXECUTIVES

GAUTAM HARI SINGHANIA, Chairman and Managing Director
 P. K. BHANDARI, Wholtime Director and Group President
 ALI F. M., President - Delhi Office
 ANIRUDDHA DESHMUKH, President - FMCG & Retail
 HARSHAL JAYAVANT, President - Engineering Business
 MARCEL PARKER, President - HR
 ROBERT LOBO, President - Shirting Fabric Business
 SHREYAS JOSHI, President - Group Apparel
 S. K. SINGHAL, President - Textiles

CHIEF FINANCIAL OFFICER

H. SUNDER, Vice President - Finance

**DIRECTOR - LEGAL
& COMPANY SECRETARY**

R. NARAYANAN

BANKERS

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

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 & SHARE TRANSFER AGENT

MCS LIMITED
 HARMONY, 1ST FLOOR, SECTOR 1, KHANDA
 NEW PANVEL (WEST), DIST. RAIGAD
 MAHARASHTRA, PIN - 410 206

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REPORT OF THE DIRECTORS

TO THE MEMBERS

Your Directors have pleasure in placing before you their 81st Annual Report and Accounts for the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

During the year the gross turnover, net of returns and discounts, increased by 16.17% to Rs.1324.74 crores from Rs.1140.28 crores in the previous year. This was primarily due to higher domestic sales achieved in all the main areas of businesses – textiles, denim and files, as the Company consolidated its position in a buoyant Indian economy. Exports also went up, especially in worsted textiles through the garmenting route.

Profit before tax, prior period adjustments and exceptional items was higher at Rs.173.65 crores as against Rs. 116.50 crores in the previous year.

Net profit, after exceptional items, prior year adjustments, provision for taxes was higher at Rs.121.01 crores as against Rs.83.15 crores last year.

APPROPRIATIONS

An amount of Rs.12.10 crores (Rs.8.31 crores) is credited to the General Reserves. Out of the amount available for appropriation, your Directors recommend a dividend of 50% (40%) on Equity Shares. The dividend tax on the proposed dividend will be Rs.4.30 crores (Rs.3.21 crores).

PERFORMANCE OF DIVISIONS

Textile Division -

The Textile Division reported an excellent performance for the year under review with an increase in sales by 13.45%. In spite of increased competition, the division maintained its leadership position in the domestic market. A number of innovative blends and finishes, including the finest fabric ever made in the world – from 11.8 micron wool, were introduced during the year.

In the export market too, sales increased by 8.71%, a large part of the increase coming through exports of fully factored garments from the company's garmenting subsidiary Silver Spark Apparel Limited, which was set up for the purpose of offering value added solutions to international customers.

Files and Tools Division -

The division continues to remain the market leader in files segment in the domestic market and the largest producer of files in the world. The overall performance of the Division was satisfactory.

The domestic sales of files has gone up by around 12% and drill sales by around 18%, as compared to the previous year. Although there is no growth in volume, the growth in domestic sales is due to better realisations, both for files and drills.

The export sales of files was marginally higher compared to previous year, with drill sales recording growth of 40% over previous year.

The division diversified its product base during the year under review through introduction of hand tools, agri tools etc. response for which has been encouraging.

Denim Division -

Denim industry is witnessing severe price competition both in the international and the domestic markets. A significant amount of capacity has come into production in India, putting pressure on domestic denim prices.

With the capacity increase to 40 million metres per annum, availability of both slasher dyeing and rope dyeing and increased mercerizing facilities, the division is better equipped to offer an ever increasing range of products and finishes to meet the stringent demands of the market.

Cotton prices have stabilized due to a bumper crop and are expected to remain stable over the next few months. Judicious procurement strategy and mixing of different qualities has helped to reduce cotton cost.

During the year, the sales volume rose by 35.37% from 195.81 metres to 265.07 metres and the revenues increased by 32.24% from Rs.222.43 crores to Rs.294.14 crores.

During the year under review, the capacity expansion to 40 million metres per annum was completed.

FINANCE AND ACCOUNTS

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.

JOINT VENTURES

Carded Woollen Project

The Company is setting up a project for manufacture, selling and distribution of woollen fabrics including blankets and shawls in a 50:50 joint venture with Lanificio Fedora SpA, Italy, a internationally reputed woollen fabric manufacturer, through hiving off the Carded Woollen unit of the Company located at Jalgaon in the State of Maharashtra. The project with a production capacity of 25 lac metres per annum has started production. The project will mainly cater to discerning international customers and as well as to the domestic market.

Proposed Joint Venture in Denim

As part of its strategy to take its denim business truly global, the Company recently signed a Memorandum of Understanding (MOU) with UCO NV, Belgium (UCO), a reputed company in Europe in the denim business, having manufacturing facilities in Europe and U.S.A. The MOU envisages a Joint Venture between the Company and UCO to combine the denim businesses of both the companies in a proposed 50:50 Joint Venture Company. The creation of the Joint Venture is subject

to due diligence, necessary statutory and other approvals and signing of definitive agreements. The Joint Venture, when formed, will create a truly transnational denim company with manufacturing facilities in three continents (USA, Europe and Asia) and a worldwide network, able to service customers across the globe close to their markets.

The Company obtained approval of shareholders under Section 293 (1) (a) of the Companies Act, 1956 by Postal Ballot to sell/lease/transfer and/or otherwise dispose of as a going concern by way of slump sale or otherwise, the Denim Division of the Company situated at Village Lohara, District Yavatmal in the State of Maharashtra for the aforesaid purpose.

SHIRTING PROJECT

The project for manufacturing fine cotton shirting fabric being set up by Raymond Zambaiti Private Limited, a 50:50 Joint Venture promoted by the Company and Cotonificio Honegger, a reputed Italian manufacturer is coming up as per schedule. The project when commissioned will supply top quality shirting fabric to premium international customers as also to the apparel brands of the Company's subsidiaries – Manzoni, Park Avenue, Parx (of Raymond Apparel Limited) and Colorplus (of Colorplus Fashions Limited).

AWARDS

Textile Division received the following awards during the year :

National Energy Conservation Award – commendation certificate awarded to Chhindwara Plant by the Ministry of Power, Government of India, in appreciation of the efforts in Energy Conservation in the Textile Sector for the year 2005.

Excellent Industrial Safety Performance Award during the year 2005 by Directorate of Industrial Safety & Health, Thane and Thane Manufacturers' Association, Thane.

Management System Certificate awarded by DET NORSKE VERITAS to Jalgaon Plant for confirming to the Environmental Management System Standard ISO 14001 : 2004.

Files and Tools Division was awarded **All India Certificate of Export Excellence** by Engineering Export Promotion Council in recognition of the Division achieving highest exports amongst the Non-SSI exporters in the panel - Small & Cutting Tools including Engineers Files for the year 2003-04.

EXPORTS

Aggregate exports of all Divisions rose by 3.74% at Rs. 310.71 crores (Rs.299.50 crores).

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

The gross turnover (net of discounts) of the Company was higher by 7.97% at Rs.190.39 crores (Previous Year: Rs.176.34 crores). Profit after tax was at Rs.14.86 crores (Previous Year: Rs. 7.95 crores).

During the year under review, the Company's focus on innovation, differentiation and achieving operational efficiencies has successfully resulted in improved profitability.

With a view to widen the domestic network and enhance the brand experience, the Company opened its own Brand Stores at various places in Metros and Mini Metros at High Streets as well as in Shopping Malls. In the coming years, the Company plans to open more Brand Stores throughout the country.

The Company's continued focus on design and product innovation is expected to help to compete with local and international players in the highly competitive domestic market.

The positive outlook of the market towards ready-to-wear due to changes in lifestyle has created more opportunities for the apparel industry. With a view to cater to the rapidly growing branded kidswear market, the Company plans to launch 'ZAPP' – a premium brand range of kidswear in the current year.

Colorplus Fashions Limited

The Company in its endeavor to maintain its prime position in the premium casual wear, is constantly innovating in terms of style as well as through improved fabric construction in order to set higher benchmark levels. The Company is committed to reducing response time to rapidly changing and emerging business scenarios in India and overseas.

The gross turnover of the Company was higher at Rs.101.88 crores (Previous Year : Rs.90.83 crores). Profit before tax and exceptional items was higher at Rs.25.55 crores (Previous Year : Rs.21.20 crores). Net profit, after prior year adjustments, provision for taxes, was Rs.16.90 crores (Previous Year : Rs.12.94 crores).

Silver Spark Apparel Limited

The gross turnover of the Company was Rs.55.60 crores (Previous Year : Rs.17.60 crores).

The Company incurred a loss of Rs.4.80 crores (Previous Year : Rs.8.79 crores) during the year under review.

The capacity envisaged in the project has been commissioned for both trousers and jackets in the state-of-the-art production facilities at Doddaballapur, Bangalore. Most of the production of the Company is exported to reputed international brands. The Company has gained a reputation for premium quality manufacturing especially in suits and jackets and the outlook for the current year is encouraging with interest shown by well-known foreign brands to outsource their requirements for international markets. Strong emphasis is being placed on operator training to improve operational efficiencies.

Everblue Apparel Limited

The Company started commercial production during the year. The plant is fully integrated with facilities from cutting to washing and finishing.

The Company commissioned different production facilities during the year progressively. These include state-of-the-art equipment like cutting, sewing and washing machines. It has also scrapping and laser finishing facility to cater to the latest fashion needs of the discerning international brands. The Company had to set up its own effluent treatment facilities due to delay in the setting up of the common effluent treatment plant in the apparel park by the Karnataka Government, which delayed start of commercial production.

Operator training, attaining manufacturing consistency, development of samples for the international customers and obtaining compliance certification from them were the main focus areas during the year under review. The Company targets top brands in Europe and US as its customers and the plant has been certified as compliant by many of them.

The Company incurred a loss of Rs.11.96 crores (Previous Year: Loss of Rs.2.61 lacs) during the year under review.

Celebrations Apparel Limited

The Company's shirt plant at Hoskote, Bangalore with an envisaged capacity of one million pieces per annum has been completed and commenced commercial operation from September 1, 2005, with production capacity of 2000 shirts per day.

The gross turnover of the Company was Rs.1.10 crores (Previous Year: Rs.Nil). The Company incurred a loss of Rs.1.51 crores (Previous Year: Rs.0.03 crore).

Hindustan Files Limited

The Company recorded higher production of 10.86 lac doz. (Previous Year: 8.40 lac doz.) files during the year under review. The improved capacity utilisation coupled with control on wastages and second quality percentages enabled the Company to improve its cost competitiveness and profitability.

During the current year, the Company would continue to improve its quality by continuous benchmarking and control the cost. The Company also proposes to improve its manufacturing process using acid free file manufacturing process and tools like Value Stream production process as against the conventional manufacturing process.

The gross turnover of the Company (including job work and sales & services) was higher at Rs.2365.01 lacs (Previous Year : Rs.1904.04 lacs). Profit before Tax was at Rs.173.21 lacs (Previous Year : Rs.156.47 lacs). Profit after Tax was at Rs.156.71 lacs (Previous Year : Rs.145.92 lacs).

JK Talabot Limited

The Company, pursuant to the Joint Venture Agreement dated July 8, 2005 entered into between Raymond Limited and MOB Outillage SA, France (MOB), is in the process of setting up a facility at Chiplun in the State of Maharashtra as a 90:10 joint venture between Raymond and MOB, for manufacture of steel files and rasps, by relocating the files and rasps manufacturing facility of MOB in France to India, at total project cost of Rs.22.04 crores. The project execution is proceeding as planned. The commercial production is expected to commence in May 2006.

The Company incurred a loss of Rs.9.54 lacs during the period under review.

Scissors Engineering Products Limited

As part of Raymond Limited's strategy to tap into the huge potential of auto component sector in India by leveraging the engineering skills in its Files and Tools division, the Company availed of an investment opportunity of acquiring a controlling interest in Ring Plus Aqua Limited engaged in the manufacture of ring gears, shaft bearings, flex plates and pulleys near Sinnar, Nasik. Exports contribute around 61% of the total turnover of Ring Plus Aqua Limited.

The Company incurred a loss of Rs.26.09 lacs during the period under review.

Ring Plus Aqua Limited

The gross turnover (net of discount) of Ring Plus was higher by 15% at Rs.69.68 crores (Previous Year : Rs.60.69 crores). Profit after Tax was at Rs.5.30 crores (Previous Year : Rs.4.17 crores).

The performance of Starter Gear Division continued to be encouraging during the year under review. The sales of gears increased from 11.91 lac nos. to 13.01 lac nos. The value of the gears sold was Rs.41.70 crores as compared to Rs.34.04 crores in the previous year.

The performance of Shaft Bearings Division remained steady during the year under review. Bearing sales have marginally decreased from 21.51 lac nos. to 19.81 lac nos. valued at Rs.21.89 crores as against Rs.22.84 crores in the previous year. Export of Shaft Bearings constituted 82% of the total bearing turnover. USA continued to be the major market for exports. During the year under report, a consignment of shaft bearings was shipped to a new customer in Brazil.

Pashmina Holdings Limited

The Company earned a profit after tax of Rs.55.11 lacs (Previous Year : Profit Rs.32.19 lacs) during the year under review.

Plugin Sales Limited ceased to be a subsidiary of the Company during the year.

Overseas

Jaykayorg AG incurred a loss of SFr. 95,826 (Previous Year : Profit of SFr. 84,731) for the year ended December 31, 2005.

J. K. (England) Limited incurred a loss of Pound Sterling 7,282 (Previous Year : Profit of Pound Sterling 11,940) for the year ended December 31, 2005.

Regency Texteis Portuguesa Limitada, Portugal incurred a loss of Euros 64,884 (Previous Year : Profit of Euros 143,950) for the year ended December 31, 2005.

R & A Logistics INC, USA

The Company, a subsidiary of Ring Plus Aqua Limited set up in the USA to provide better service US based customers, incurred a loss of US \$ 836 (Previous Year : Profit of US \$ 12355) for the year ended December 31, 2005.

Textiles Regency S. L., Spain ceased to be a subsidiary during the year.

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 compliance report on Corporate Governance has been annexed as part of the Annual Report.

DIRECTORS

Shri I. D. Agarwal ceased to be Director of the Company with effect from March 1, 2006 consequent to the withdrawal of his nomination by UTI Asset Management Company Private Limited. The Board places on record its deep appreciation of the invaluable guidance and contribution to the deliberations of the Board by Shri Agarwal during his tenure.

Shri B. V. Bhargava and Shri Anant Singhania, Directors, retire by rotation and, being eligible, offer themselves for reappointment.

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

AUDITORS

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

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 have been followed;
- (ii) the Directors have selected such 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 at the end of the financial year and of the profit of the Company for that period;
- (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;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

STATUTORY INFORMATION

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.

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 along with 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 Gautam Hari Singhania who is related to Dr. Vijaypat Singhania and Shri Anant Singhania. None of the employees hold (by himself or along with his spouse and dependent children) more than two percent of the equity shares of the Company.

The Company has been exempted by the Central Government vide their letter no. 47/15/2006-CL-III dated March 16, 2006 under Section 212 (8) of the Companies Act, 1956 from attaching a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies. However, pursuant to Accounting Standard (AS-21) issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of the subsidiaries.

The Company will make available these documents/details upon request by any member of the Company and its subsidiaries interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the respective registered offices of the Company and its subsidiary companies.

Deposits of Rs.11.55 lacs from 115 depositors which fell due for repayment before the close of the financial year remained unclaimed by the depositors as on March 31, 2006 and have remained unclaimed upto the date of this Report.

WORLD RECORD AND RECOGNITION TO OUR CHAIRMAN EMERITUS

The Board wishes to express its immense pride at the incredible feat achieved by our Chairman Emeritus, Dr. Vijaypat Singhania, in setting a World Record, soaring to a record breaking height of 69,852 feet in a hot air balloon. The Board also congratulates Dr. Vijaypat Singhania on his being conferred with a Padma Bhushan by the President of India. Once again he has inspired all of us at Raymond with his continual quest for excellence.

APPRECIATION

Your Directors express their warm appreciation to all the employees at various Units for their diligence and contribution. Your directors also wish to record their appreciation for the support and co-operation received from the joint venture partners, dealer and agent partners, suppliers and the banks.

For and on behalf of the Board

Gautam Hari Singhania
Chairman and Managing Director

Mumbai: May 4, 2006

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 :

In continuation of our energy conservation efforts, the Company has adopted latest technology available in energy conservation field. Various projects were implemented during this year which resulted in reducing specific energy consumption per metre of production.

Chhindwara unit of the Textile Division received the Certificate of Merit in National Energy Conservation Award from the Ministry of Power, Government of India, for the year 2005.

In Chhindwara unit of the Textile Division consumption has been reduced from 3.75 units/mtr to 3.73 units/mtr. This reduction is achieved inspite of increase in connected load by 1060 KW. This is achieved by better monitoring and control, energy conservation projects like automation of humidification towers, providing variable frequency drives on Top Dyeing machines, Turbo pump motors, replacement of inefficient pumps by energy efficient pumps etc.

The major projects implemented are:

- 1) Installation of inverters on Textool frames.
- 2) Modification of slipping motor of Airconditioning plant by energy efficient motor.
- 3) Improvement in condensate recovery of boiler.
- 4) Walk through 'Energy Audit' of all the plants.

B. Technology Absorption :

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

The R&D Department of Textile Division continues to develop new products and finishes for both domestic and overseas market. The major development during the year involved introduction of machine washable, tumble dryable and total easy care all wool fabric using the super wash wool. Further R&D on superfine wool has led to the development of 230's (finest wool available in the world) suiting fabric. A unique range with speciality fibers including bamboo, wool, linen & polyester blended normal wash fabric has been manufactured and marketed in bulk successfully. A new wool blended suiting fabric using a new type of polyester which can be dyed at a lower temperature has been tried. Additionally, an entirely new range of 75% polyester and 25% viscose blended fabric has been introduced. R&D Department is working on the development of stretch suiting fabric using new type of elastomeric yarn based on polyolefin technology for soft stretch, easy care, better comfort and dimensional stability. Efforts are also directed towards the development of automotive furnishing fabric.

The Files & Tools Division has carried out R & D in the below areas:

- i) Product Development
 - Chainsaw for Export Market with modified cutting parameters and finish.
 - Blanks developed for Export Market which required strict control on some process parameters.
- ii) Energy Conservation
 - Operation of Annealing Furnace - Heat cycle only during 10 p.m. to 6 a.m. (which is low tariff time zone).
 - Conversion of LDO furnace to **Electrical** to save cost.
 - Re-starting Digital Data Recording System to monitor and control Electric energy consumption on various points.
- iii) Process Development
 - Successful implementation of 'Acid Free' on one product value stream. This has improved 'Quality', reduced cost and is an environment friendly process.
 - Automation on Forging machines to reduce manpower cost and improve Quality consistency.

In order to meet the rapidly increasing competition in high fashion global denim market, the Denim Division continuously strives to develop new products with innovation including in fibers like bamboo, linen and wool. The division has also developed over-dyed and tinted denim fabric to cater to the demand from different customers.

(b) Technology Absorption, Adaptation and innovation :

The Textile Division has adopted latest technology in fabric finishing by using new type of scouring & finishing machine using Aero technology.

The Files & Tools Division has commissioned Plant for Rolled Forged Technology from 1st February, 2006. This has resulted in improved efficiency, cost reduction, product improvement and import substitution.

The division has during the year commissioned Caustic Recovery Plant to recover caustic lye from liquid waste arising during the mercerization process. It has also commissioned a Disc and Tube Reverse Osmosis Plant to treat and recover waste water. These measures will result in reduction of consumption of caustic soda and water and will also help control the pollution level.

C. Foreign Exchange Earnings and Outgo :

Textiles exports have shown a growth of 5.5 % in terms of quantity & 8.75% in terms of value over the previous year. We have sustained the growth achieved in the last financial year in spite of stiff competition from China and from other exporters of our country. This has been achieved only with the sole endeavor of constantly servicing the customer with value added products and with the emphasis on enhancing customer base.

Leading brands of US & Europe has been added to our customer's portfolio. Three more overseas retail outlets have been opened during the year, one in Bangladesh & two in UAE.

The Files Division export sales recorded marginal increase of around 3% over previous year. The marginal increase is on account of better Drills sales. The Files sales did not record any value growth in the year under review. Increasing competition from other Indian manufacturers and appreciation of the Indian Rupee specially vis-à-vis the Euro have put pressure on Files volumes and unit realization. The Drills exports recorded growth of around 40% in value and 3% in volume over previous year. The growth in realization, around 36% over previous year inspite of competition from China and European manufacturers, has resulted in improved performance for the Drills Business.

Division's endeavor to improve and consolidate its presence in International Markets continued in the year under review. Division has made entry into some of the new markets in Africa/Asia like Guinea, Lebanon, Syria, Yemen and also in some of the European/Latin American markets like Czech Republic, Estonia, Lithuania, Poland, Netherland, Guyana & West Indies.

In the coming year the division will consolidate in its traditional markets of Africa and Latin America and strengthen its presence in USA and Canada. The division will also try to make entry in CIS markets. Division is also exploring possibilities of co-branding with internationally reputed brands. Division has concluded the joint venture arrangement with MOB Outillage, SA, a well known hand-tool manufacturer of France, for manufacturing steel files and rasps and the factory is expected to start production shortly. This association will help Division to enter some of East European markets as well as provide a good base for export of some of the new products launched in hand-tool, agri tool business segment.

During the Year the Denim Division's exports reached 10.6 million metres (Rs.129.20 crore). The division continues its thrust on exports with plans to tap new markets and strengthen its presence in the existing markets, particularly, by getting nomination from more world-renowned brands. With Rope plant becoming fully operational during the year, the acceptability of division's products to many brands, particularly in the US, will increase. Efforts are being made to enter central and southern American markets.

The particulars regarding foreign exchange earnings and outgo are given in Schedule 16 - Notes forming part of the Accounts.

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/ Steam Turbine)	
	Current Year	Previous Year	Current Year	Previous Year
1. Electricity				
a) Total units (KWH in thousands)				
Textiles	79321	101106	26668	1509
Files & Tools	15671	18244	112	135
Denim	11264	4623	* 48279	* 36491
b) Total Amount (Rupees in lacs)				
Textiles	3000.56	3941.72	1046.58	234.87
Files & Tools	623.69	729.00	11.01	9.89
Denim	405.90	322.75	1540.25	1089.47
c) Units/per Litre of Diesel Oil				
Textiles	—	—	3.02	3.28
Files & Tools	—	—	3.98	3.97
Denim	—	—	3.33	3.21
d) Units/per Kg. of Coal				
Denim	—	—	0.58	0.74
e) Cost per unit (Rs.)				
Textiles	3.78	3.90	3.92	15.56
Files & Tools	3.98	4.00	9.83	7.33
Denim	3.60	6.98	3.19	9.50
* 358.32 lac KWH units generated through steam turbine (Previous year 344.18 lac KWH units)				
		Total Quantity	Total Cost (Rs. Lacs)	Average Rate per Unit (Rs.)
2. Coal (M.T.)				
a) Textile Division				
Current Year		52620	1135.91	2158.72
Previous Year		20583	297.10	1443.44
b) Denim Division **				
Current Year		61266	1230.73	2008.83
Previous Year		21701	342.13	1576.56
3. Furnace Oil (Lac Litres)				
a) Textile Division				
Current Year		58.48	1082.56	18.51
Previous Year		64.18	824.69	12.85
b) Files Division				
Current Year		3.50	59.87	17.11
Previous Year		3.71	42.74	11.52
c) Denim Division				
Current Year		29.48	490.95	16.65
Previous Year		0.25	3.02	12.18
4. Diesel Oil (Lac Litres)				
a) Textile Division				
Current Year		3.38	97.86	28.95
Previous Year		38.19	657.89	17.23
b) Files & Tools Division				
Current Year		3.17	83.03	26.19
Previous Year		3.96	74.50	18.80
c) Denim Division				
Current Year		3.72	137.51	36.97
Previous Year		4.91	119.83	24.41
5. LPG (Kgs.)				
a) Textile Division				
Current Year		47649	19.57	41.07
Previous Year		71205	20.36	28.59
b) Files & Tools Division				
Current Year		30055	14.30	47.58
Previous Year		140416	44.40	31.62
c) Denim Division				
Current Year		143974	56.15	39.00
Previous Year		60970	21.34	35.00

** 52248 MT used for CPP (Previous year 46469 MT)

B. CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Standard (if any)	Current Year	Previous Year
1. Electricity				
a) Fabrics	KWH/Metre	—	4.17	4.66
b) Engineers' Steel Files	KWH/Piece	—	0.26	0.31
c) Denim	KWH/Metre	—	2.14	2.11

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

The Indian economic engine has reached a new level of trajectory with sustainable growth rates above 7%. Huge increases in inbound investment flows from foreign institutional investors are a recognition of the huge potential of our country.

India presently has the most favorable demographics, both in terms of age and incomes. According to the Asian Demographics report, the 20-54 age bracket in India is growing faster than the rest of the population and will represent more than 50% of the population in 2010. This coupled with changing consumption habits and retail lending has fuelled a consumption boom in India. Positive age, income and urbanization trends are likely to result in a growing market for products and services more particularly the lifestyle products.

India is also being increasingly seen as a quality reliable supplier to the world.

The outsourcing wave, initially led by software, is now in textiles and auto components.

SEGMENT ANALYSIS AND REVIEW:

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

A. TEXTILE DIVISION

Industry Outlook

Dismantling of the quota regime (multi fibre agreement) in the textiles and clothing segment has opened up large opportunities for growth in textiles and clothing for India in general and in particular for the Company.

Indian textile and clothing industry is one of the largest in the world. India is one of the few countries that has a presence across the entire value chain of the textiles and apparel business starting from fibre production, spinning, weaving/knitting, processing to garment manufacturing.

The first year of the quota era has seen a number of changes taking place in the textiles and clothing trade. The industry is witnessing realignment in the sourcing strategies of large global retailers and re-orientation of the buyer-supplier relationship. Most of the buyers have moved beyond the basic requirement of price and quality and efficient service and provision of integrated solutions have become clear differentiators.

The Company recognizes the challenges of operating in a quota free world and has positioned itself to take advantage of these opportunities.

The broad thrust of the Company's strategy in the international market is to become a One Stop Shop for premium international customers through:

- having large world class integrated yet flexible manufacturing facilities for different fabrics – wool, cotton and denim;
- setting up state-of-the-art garmenting facilities for the above fabrics to provide garment solutions for integrated service; and
- providing world class design based solutions – setting up of a design studio in Italy under a joint venture with the Italian joint venture partner of fine cotton shirting fabric.

The above capabilities will also help the Company face the competition in the domestic market – from both domestic and international brands – in addition to its strong branding skills and wide marketing network. The Company will invest significantly in the coming years in strengthening its brands and marketing network.

With the large vertically integrated facilities, strong design, product development and branding skills, strong marketing network and a large pool of technical and managerial talent, the Company is well poised to capitalize on the unfolding opportunities in textiles and clothing both in the international markets as well as in the domestic space.

The Company believes that the Government also has a significant role to play in the growth of this industry. The government recognizes the potential of this industry and is taking a number of steps to improve the competitiveness of this industry in the global market.

Opportunities and Threats

The opening of the international markets has thrown a host of opportunities with unique set of challenges. The Company also is now exporting larger volumes of fabric as well as garments which are converted within India. The margins, though, are under pressure due to severe competition from other countries.

The Company will continue to stress on maintaining and further improving quality standards, reducing lead-time in servicing orders, introducing leading edge fashion products to meet the new set of challenges. The competition will not only intensify in the international markets but also in the domestic markets. Various countries, especially the developed nations may, however, increasingly resort to protectionist measures or regional trade agreements to protect their domestic textile & clothing industry, which has been severely impacted by the imports of low cost products from China.

Despite all round positive developments, the Indian textile sector faces a number of challenges, foremost being infrastructure and inflexible labour laws.

Inflow into India of spurious fabric material, counterfeit, fake and misleading selvedge descriptions continues. However, recognizing the threat these spurious imports poses, if continued unchecked, the government has taken a number of steps to check the inflow of such products.

Rising oil prices could result in higher input prices, especially polyester and fuel, and higher inflation which will push up the cost structure.

Performance Highlights

A. TEXTILE DIVISION

Despite the fierce competition in the domestic and international markets, the Division has managed to increase its overall net revenues and profits. During the year, the Division entered into a wage settlement with the workers and staff at its Thane plant.

Market Share and Distribution

Continued revamping and widening of distribution network helped the Division maintain its market share both at home and in the neighbouring countries. The Company has followed a policy of increasing retail penetration to enhance the width and depth of distribution.

Retail Network

The endeavour to increase the Raymond Retail Shop network continues. The Raymond Retail Shop network crossed the 328 mark (including 27 overseas) during the year under review. In addition, plans have been drawn up to ensure brand presence in select malls coming up in and around metro towns.

Overseas Network

With the opening up of the international markets, wider customer base and the ability of the Company to provide factored garments to its customers through its wholly owned subsidiary Silver Spark Apparel Limited, there will be greater focus on exports. However, the margins on export are under pressure due to fierce competition in international market.

Product Development

As a result of consistent product development efforts, various new innovative products were introduced using different fibres & finishes. Major highlights were:

- Expressions : It is a hallmark of product innovation, using innovative fibres like Casein (milk protein), Soya bean, Bamboo, Mohair, Angora, Cashmere, Tencel and Linen.
- La Royale : The finest wool-rich fabric in the world made from ultra-fine 190s wool and extra fine polyester.
- Celestial Collection : Fine wool-rich fabric with superior handle and special enzyme finish.
- Premium Trousering : Introduction of fine poly-wool fabric for round the year wear.
- Super 230s Fabric : The finest fabric in the world made from 11.8 micron wool launched in October, 2005 at the Economic Times Awards.

Raw Material

Wool prices are expected to remain stable in the near future. Polyester fibre prices are presently stable, however any significant change in oil prices can affect polyester prices.

Highlights

Particulars	2005-06	2004-05
Production - Fabric (Lac Metres)	257.80	233.65
Sales Volume - Fabric (Lac Metres)	259.09	242.23
Sales (Incl. export incentives) (Rs. Crores)	859.57	757.62

The Company is in the process of expanding capacity of its Textile Division by setting up a greenfield plant in Vapi, Gujarat. The first phase of 3 million metres has started production, the next phase of 3 million metres will be completed by the end of 2006-07.

The Company has during the year under review, entered into a joint venture (Raymond Fedora Private Limited) with M/s. Lanificio Fedora SpA for Carded Woollen business and has transferred its existing Woollen Division to this new Joint Venture Company. Facilities at this unit are also being expanded for manufacture of new carded woollen products to cater to the export and domestic market.

B. DENIM DIVISION

Industry Outlook, Opportunities and Threats

The Denim industry is currently witnessing a very competitive situation with pressure on prices.

Countries like China, Pakistan and Thailand are very highly competitive.

With significant new capacities coming into production in the country, the domestic market has also been witnessing severe price competition.

Cotton prices have stabilized, aided by a bumper crop and are expected to remain in the current narrow band over the next few months. Judicious procurement strategy and mixing of different qualities has helped to reduce cotton cost.

Performance and Review of Operations

During the year, the capacity expansion from 30 million metres per annum to 40 million metres per annum was completed and came into production in phases during the last quarter of the year.

Both production and turnover increased in line with capacity expansion.

Highlights

Particulars	2005-06	2004-05
Production (Lac Metres)	277.61	194.53
Sales Volume (Lac Metres)	265.07	195.81
Sales (Incl. export incentives) (Rs. Crores)	294.14	222.43

Proposed Joint Venture

Denim being an international business driven by fashion, the Company has been exploring various opportunities, including partnerships with internationally reputed denim companies, to create a global presence for its denim business.

In February, 2006, the Company entered into an MOU with UCO NV, Belgium to form a 50:50 Joint Venture in the Denim business by combining the denim businesses of both parties, subject to due diligence, requisite approvals and definitive agreements. UCO NV is a leading denim player in Europe specially known for color denim, having plants in Belgium, Europe and the USA and a plant under commissioning in Romania.

The proposed Joint Venture, when formed, will create a global capacity of 80 million metres per annum with manufacturing locations in three continents (Europe, US and Asia) and a marketing network spread across the globe. This would be a unique venture with a transnational presence which would help servicing customers close to their markets in three major markets of the world – USA, Europe and Asia.

The design and product development skills of UCO will help the business stay at the forefront of fashion while the cost effective manufacturing abilities of Raymond Denim and upcoming Romanian facility of UCO would increase the cost competitiveness in a fiercely competitive market.

The proposed transaction is expected to be consummated during June – July '06 on receipt of all necessary approvals. The transaction when completed, would involve the Company transferring its denim business under the control of the proposed Joint Venture.

C. FILES & TOOLS DIVISION

The Division is engaged in manufacture and marketing of Steel Files and HSS Cutting Tools (mainly drills). In the current year, the Division has launched a number of new products in the Hand Tools and Agri Tool segments. The Division foresees a good potential for growth in these business segments in coming years.

Industry Outlook

With high levels of automation and availability of alternate tools/products, the usage of files in the developed countries is coming down. Globally, the files business is almost stagnant. The Division is increasing its presence in the international market by leveraging its strong brand image, quality, competitive price and marketing tie-ups, whilst strengthening its already strong presence in the domestic market through quality differentiation and branding.

The prices of major inputs like HSS steel, alloy steel, which are on the rise, have put tremendous pressure on profitability.

Opportunities and Threats

Margins would be under pressure in the current year also owing to stiff rise in cost of major inputs like steel, fuel, power and transportation costs, cheap imports of cutting tools, presence of spurious products in the market, competition from China and local brands.

The Division continues to take steps to counter the rising input cost and domestic competition through cost reduction, improvements in the manufacturing process/practices, effective materials management and research & development efforts. The Division has taken various steps like low cost automation, improving the manufacturing practices by using tools like Kaizen, Value Stream concepts, etc. Labour being one of the major input costs, the Division has continued its manpower rightsizing efforts in the year under review.

The Division is working on best manufacturing practices and benchmarking. It has started acid free files manufacturing process at its plants which has given better quality, finish and ensures pollution free manufacturing process.

During the year under review, the Joint Venture Company under the name 'JK Talabot Limited' with MOB Outillage SA, France (MOB) was formed with 90% equity by Raymond Limited and 10% equity by MOB. MOB is a well known French producer of files and hand tools. The Joint Venture envisages relocating the file manufacturing plant of MOB to India. The plant which is being set up in Chiplun, Maharashtra, is expected to be commissioned in May, 2006.

During the year under review, the Division has launched new products in Hand Tool and Agri Tool segments, for which the response has been encouraging.

The Division's endeavour to improve and consolidate its presence in the International markets continues. The Division has made inroads into some new markets in Africa, Asia, Europe and Latin America.

Apart from its efforts to grow the existing business, the Division has been looking at various opportunities to grow in the larger engineering sector by leveraging its engineering skills. The Division has identified the Indian auto component sector as a very promising growth opportunity in view of its huge potential. During the year, the Company acquired a ring gear and integral shaft bearing manufacturer exporter – Ring Plus Aqua Limited – as a platform to enter this sector.

Performance and Review of Operations

The Division continues to remain the market leader in the files segment in the domestic market and the largest producer of files in the world. Considering the environment, the overall performance of the Division was satisfactory. The domestic