



ANNUAL REPORT
2009-2010



Mr. Harshal Jayavant, President - Engineering Business, receiving the **“Star Performer”** Award in Hand Tools in the Large Enterprise category.



Mr. Ashish Grover, VP - Silver Spark Apparel Ltd. receiving **“India’s Best Companies to Work for Women Employees - 2009”** Award.

BOARD OF DIRECTORS

DR. VIJAYPAT SINGHANIA, Chairman Emeritus
GAUTAM HARI SINGHANIA, Chairman and Managing Director
I. D. AGARWAL
NABANKUR GUPTA
P. K. BHANDARI
SHAILESH V. HARIBHAKTI (w.e.f. 15.06.2009)
PRADEEP GUHA (w.e.f. 15.06.2009)

MANAGEMENT EXECUTIVES

GAUTAM HARI SINGHANIA, Chairman and Managing Director
ANIRUDDHA DESHMUKH, President – FMCG & Textiles (Sales & Marketing)
HARSHAL JAYAVANT, President – Engineering Business
H. SUNDER, President – Finance & Chief Financial Officer
K.A. NARAYAN, President – HR
RAKESH PANDEY, President – Retail & Business Development
ROBERT LOBO, President (Operations) – Group Apparel
SHREYAS JOSHI, President – Group Apparel
S.K. SINGHAL, President – Textiles
S.L. POKHARNA, President – Commercial

DIRECTOR – SECRETARIAL & COMPANY SECRETARY

THOMAS FERNANDES

BANKERS

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

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

LINK INTIME INDIA PRIVATE LIMITED
C-13, PANNALAL SILK MILLS COMPOUND, L.B.S MARG,
BHANDUP (WEST),
MUMBAI – 400 078.

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DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

DEAR MEMBERS,

Your Directors are pleased to present their 85th report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended March 31, 2010.

1. CORPORATE OVERVIEW

Raymond Limited is India's leading multi-product conglomerate with interests in textiles, garmenting, apparel, retail, lifestyle brands and engineering (files, tools and auto components) having its corporate headquarters in Mumbai.

The Company prepares its financial statements in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. Overall the financial statements have been prepared on the historical cost basis.

2. FINANCIAL HIGHLIGHTS

In the backdrop of the financial crisis witnessed in the previous financial year and the subsequent fallout, FY 2010 was an extremely challenging year for your Company. However, the resilience and inherent strengths of your Company's brands, quality manufacturing and deep network relationships enabled your Company to weather the downturn and achieve better performance in FY 2010. Your Company continues to be the market leader in its core business. A number of rationalisation and restructuring initiatives were taken during the year under review to further consolidate its strengths and position itself to take advantage of the upturn.

During FY 2010, your Company completed the restructuring exercise of the Files & Tools business by transferring it as a going-concern on a slump sale basis to its wholly owned subsidiary JK Files (India) Limited (formerly known as Hindustan Files Limited) effective October 1, 2009. This restructuring brings together different entities of your Company's Files & Tools businesses into a single legal structure and leverage synergies. In view of this restructuring, the standalone performance of the Company is strictly not comparable with that of the previous year.

The Company closed down the operations at its high cost Thane unit in December 2009. A section of the workers accepted the voluntary retirement scheme and negotiations are on with the balance workers for an amicable settlement. During the year under review, the adverse changes in European market conditions coupled with the bankruptcy of a major customer rendered the operations of the Company's wholly-owned subsidiary-Regency Texteis Portuguesa Limitada (Regency), Portugal, unviable and as a consequence, Regency filed for insolvency. The Company has made a provision of Rs.12.14 crores for diminution in the value of its exposures in Regency.

For the Financial Year ended March 31, 2010, the gross turnover of your Company was Rs.1339.37 crores as compared to Rs.1393.26 crores in the previous year. Profit before tax and exceptional items was Rs.18.88 crores as against a loss of Rs.58.75 crores in the previous year. The net profit, after exceptional items, prior year adjustments and provision for taxes was Rs.25.06 crores as against a net loss of Rs.271.54 crores last year.

In order to conserve the resources of the Company and taking into account the prevailing economic situation, the need of resources for growth, the Board of Directors of the Company have decided not to recommend dividend for the financial year ended March 31, 2010.

Your Company continues with its task to build businesses with long-term goals based on its intrinsic strengths in terms of its powerful brands, quality manufacturing prowess, distribution strengths and customer relationships. To accelerate further value creation, your Company continues to evaluate new areas of growth. The initiatives aimed at rationalising and streamlining operations, to bring about efficiencies and reducing costs, remain top priority.

3. OVERVIEW OF THE ECONOMY

The global economy is showing signs of a turnaround with Asian economies experiencing a relatively stronger rebound. The global economic performance improved during the latter half of the calendar year 2009, prompting the IMF to reduce the projected rate of economic contraction in 2009 from 1.1 per cent to 0.8 per cent in January 2010. Consequently, the IMF also revised the projection of global growth for 2010 from 3.1 per cent to 3.9 per cent. However, significant risks remain: (1) in many economies, the recovery is largely driven by government spending whilst consumer sentiments remain fragile; (2) high levels of global liquidity have led to steep increases in commodity prices; (3) emerging markets are likely to face increased inflationary pressures and (4) developed economies are facing large budget deficits.

There are concerns that the global recovery phase may be fragile, as economies of developed countries, particularly USA and Europe, continue to be beset with the problems of high unemployment, low consumer spending and depressed housing markets. Besides, the recent crisis in Portugal, Ireland, Spain and Greece indicate that there would be many pitfalls along the road to recovery and that normalcy is still some time away.

India's growth-inflation dynamics are in contrast to the overall global scenario. The Indian Economy is recovering steadily from the growth slowdown, but inflationary pressures, triggered by the supply side factors, have developed into a wider inflationary cycle.

Although the growth momentum of the Indian economy was substantially impacted with the onset of the global economic slowdown, the severity of the impact was considerably less when compared to most developed economies. The fiscal and monetary policies implemented by the Government of India helped the economy to weather the downturn phase. The outlook of the Indian economy turned positive towards the end of 2009, driven by the uptrend in industrial production and recuperating consumption and investment demand. The Reserve Bank of India has projected the final real GDP growth for 2009-10 in the range of 7.2 per cent to 7.5 per cent with a forecast of 8.0 per cent for 2010-11.

4. SEGMENT ANALYSIS AND REVIEW

A. TEXTILE DIVISION

Industry Conditions

The Indian Textile Industry is one of the leading textile industries in the world. The textiles and apparels sector is a major contributor to the Indian economy in terms of gross domestic product (GDP), industrial production and the country's total export earnings. India earns about 27 per cent of its total foreign exchange through textile exports. Besides, the Indian Textile industry contributes 14 per cent of the total industrial production of the Country. This sector provides employment to over 35 million people and it is expected that the textile industry will generate new jobs during the ensuing years.

The industry went through a challenging FY 2010, with the global meltdown ravaging economies. The collapse in consumer sentiments, weak exports, noteworthy drop in discretionary spending in textiles/apparels and down trading by the consumers put immense pressure on both the top-line and the bottom-line of textile companies.

Opportunities and Challenges

The present global economic scenario throws up opportunities for fundamentally strong companies such as your Company. The inherent strengths, in the form of strong domain expertise, powerful brand positioning and strength and resilience of the brands, fully integrated state-of-the-art production facilities, cutting-edge technology and unparalleled product innovation capabilities combined with the deep retail market penetration, growth potential of the Tier 3, 4 and 5 towns; provide a highly potent platform to seize opportunities in the form of newer markets, new segments of customers, new channels of distribution, etc.

On the other hand, value buying by consumers, sharp increase in raw material prices, continued weakness in developed geographies, prospect of higher domestic inflation and interest rates are some of the challenges facing the textile industry at large.

Overview

The Company is the market leader in high quality suiting fabrics and is a preferred supplier to leading international and Indian brands. The Company has a powerful brand 'Raymond', state-of-the-art manufacturing facilities and a strong Pan-India retail presence in the form of 'The Raymond Shop' ('TRS'). The Company is on the path to becoming a lifestyle solution for discerning customers with an offering of a range of fabrics, garments and accessories in a premium shopping environment. The Company continues its growth of its retail network of 'TRS' in tier 3, 4 and 5 towns.

Performance Highlights

The performance of the Company improved during the second-half of FY 2010 as demand picked up significantly vis-à-vis the first-half of FY 2010. In spite of the challenging business environment the Company's net sales from the textile division was Rs.1222.93 crores compared to Rs.1137.85 crores in the previous year.

Market Share and Retail Network

The Company is the market leader in India and is considered as one of the most formidable players in the global markets for high-quality suitings.

In FY 2010 the Textile Division domestic sales were Rs.1089.29 crores as against Rs.1027.32 crores in FY 2009. During FY 2010 the Company opened 89 new retail stores. The Company continues to be judicious in its selection of store locations.

Export

Export to the USA improved during FY 2010 vis-à-vis FY 2009. The Textile exports for the FY 2010 were Rs.133.64 crores, as against Rs.110.65 crores in the previous year. Quality, design, new products, higher levels of service to mid-premium and premium customers have resulted in stability of customers internationally and new customers being attracted for an integrated offering.

Raw Material

Wool prices were stable during the year under review as compared to the previous year. However, the Australian Dollar appreciated against the Indian Rupee. Your Company in its pursuit to de-risk dependence on traditional wool sources has developed alternate vendors in other countries. The Polyester fibre prices were generally stable.

B. FILES & TOOLS DIVISION

The Division manufactures and markets Steel Files, HSS Cutting Tools (mainly drills) and merchandising activities mainly in Hand Tools. During the year, the Division further consolidated its position in Cutting Tools and Hand Tools segments.

Industry Outlook

Globally, the Steel Files business registered marginal organic growth in demand. The domestic market for the Company's products improved over the previous year with the Company registering good growth. Although the Company witnessed signs of revival in the world economies for Files and Tools, the markets in Europe and USA, continued to be sluggish.

Performance and Review of Operations (for 6 months ended September 2009)

The Division continues to remain the market leader in the files segment in the domestic market and is amongst the largest producers of Steel Files in the world.

The Export Sales of the Division was Rs.39.26 crores, lower by 27 per cent over the corresponding period in the previous year due to sluggish markets in Europe and USA. The Division reported net sales of Rs.96.52 crores for the six months ended September 2009 (Previous Year: Rs.111.51 crores for the six months ended September 2008).

5. FINANCE AND ACCOUNTS

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

6. PERFORMANCE OF SUBSIDIARY COMPANIES

Domestic

Raymond Apparel Limited

Although the gross turnover of the Company was lower by 5 per cent at Rs.401.56 crores (Previous Year: Rs.421.02 crores), the Profit after tax for the FY 2010 was Rs.5.57 crores (Previous Year: Rs.4.67 crores), registering a year-on-year growth of 19 per cent over the previous year.

The adverse consumer sentiments made the FY 2010 very challenging due to poor retail off take and extended end-of-season sales. Though the Company's top-line performance was impacted, the strength of its brands and several initiatives taken to rationalise stores, reduce operating costs, enhance efficiencies in raw material and packing material usage helped to improve profitability. The Company also successfully implemented Enterprise Resource Planning (ERP) to streamline operations.

Going forward this Company is geared to consolidate and retain the leadership position of its power brands and improve profitability, through continued focus on product innovation, appropriate product-price matrix and operating efficiencies, especially in retail.

In order to optimise operational efficiencies, rationalise cost, etc., this Company and another subsidiary of your Company namely Solitaire Fashions Limited (formerly known as Gas Apparel Limited) is seeking the approvals of the High Court, Bombay and High Court, Madras, respectively under Section 391 – 394 of the Companies Act, 1956 for amalgamation of this Company with Solitaire Fashions Limited. The appointed date of this amalgamation is April 1, 2009. The legal process for the said amalgamation is expected to be completed shortly. This Company shall stand dissolved without winding up, upon completion of the amalgamation. In view of the Petitions pending before the respective High Courts the financial statements of this Company have been prepared and audited for the purpose of enabling your Company to prepare its consolidated financial statements for the FY 2010.

Colorplus Fashions Limited

The Company's turnover for the year ended March 2010 was marginally higher at Rs.154.28 crores (Previous Year: Rs.148.32 crores). The net loss for the year after taxes, was at Rs.3.40 crores (Previous Year: Net loss after taxes and exceptional items Rs.15.05 crores).

The performance of the Company was affected by the adverse consumer sentiments resulting in consumer down trading. In spite of this, the Company continues to be the market leader in the premium casual wear segment. During the year this Company exited from the women's wear and the kids wear segments, as a part of its rationalising initiatives.

With a view to consolidate this subsidiary's market leadership in the premium casual segment, various structural and strategic initiatives are under implementation. The Company is confident that these strategic measures will enable this subsidiary to report improved performance going forward.

Silver Spark Apparel Limited

The gross turnover of the Company was marginally lower at Rs.83.82 crores as compared to the previous year Rs.86.83 crores.

The Company had a Profit after tax of Rs.3.06 crores (Previous Year: Rs.1.81 crores).

The Company was successful in retaining its customers in the domestic and export markets and continues its endeavour to attract new customers. The Company continues to meet the ever increasing quality standards set by reputed national and international brands.

Celebrations Apparel Limited

The gross turnover of the Company was Rs.17.42 crores (Previous Year: Rs.14.29 crores). The Company earned a Profit after tax of Rs.2.09 crores (Previous Year: loss after tax Rs.0.05 crores).

Everblue Apparel Limited

The Company earned a Profit after tax of Rs 2.15 crores (Previous Year: Rs 1.32 crores).

Raymond Woollen Outerwear Limited

The gross turnover of the Company, net of returns and discounts was Rs.46.17 crores (Previous Year: Rs.45.72 crores). The Company recorded a loss after tax of Rs.1.71 crores (Previous Year: loss after tax Rs.1.59 crores).

With focus on product and design development and exploring opportunities in new markets and customers, the Company expects to improve performance.

Solitaire Fashions Limited (formerly known as Gas Apparel Limited)

During the year under review this Company became a subsidiary of your Company with the erstwhile Joint Venture partner Grotto S. p. A., divesting its 50 per cent stake. The gross income of the Company for the current Financial Year March 31, 2010 is Rs.27.90 crores, as against the income of the previous year ended March 31, 2009 which was at Rs.11.99 crores. The Profit after taxation was Rs.16.67 crores as against Loss Rs.50.44 crores in the previous year ended March 31, 2009.

This Company and Raymond Apparel Limited as stated above is seeking the Approvals of the High Court, Madras and High Court, Bombay, respectively under Section 391 – 394 of the Companies Act, 1956. The appointed date of this amalgamation is April 1, 2009. The legal process for the said amalgamation is expected to be completed shortly. Raymond Apparel Limited shall be merged into this Company upon completion of the amalgamation. In view of the petitions pending before the aforesaid Courts the financial statements of this Company have been prepared and audited for the purpose of enabling your Company to prepare its consolidated financial statements for the FY 2010.

JK Files (India) Limited (formerly known as Hindustan Files Limited)

This Company is now the market leader in the files segment in the domestic market and is amongst the largest producer of Steel Files in the world.

The Export Sales of the Company is at Rs.45.72 crores compared to Rs.4.50 crores in the corresponding previous year. The Company reported gross turnover of Rs.138.66 crores for the year under review (Previous Year: Rs.45.79 crores). The Company recorded a Profit after tax of Rs.4.58 crores (Previous Year: Rs.1.31 crores). In spite of global recession and general inflationary trend, the Company registered good performance during FY 2010. Improvements in processes and yields, control over rejections, improvements in through put, control on costs; tight working capital management and focused marketing are the factors, which enabled the Company to boost performance for the year under review.

JK Talabot Limited

The Company manufactures files and rasps at its plant located at Chiplun in Ratnagiri District, in the State of Maharashtra. During the year gross turnover of the Company was at Rs.17.44 crores (Previous Year: Rs.18.85 crores). The Company recorded Profit after tax of Rs.0.83 crores (Previous Year: Rs.2.74 crores) during the FY 2010. The weak export markets affected the performance of the Company.

Scissors Engineering Products Limited

The Company incurred a loss of Rs.34,631 (Previous Year: loss of Rs.25,735) during the year under review.

Ring Plus Aqua Limited

The gross turnover of the Company was at Rs.81.48 crores (Previous Year: Rs.84.56 crores). Profit after tax was at Rs.5.08 crores (Previous Year: Rs.2.94 crores).

Gear sales during the year were Rs.46.30 crores as compared to Rs.54.74 crores in the previous year. The gear sales were lower mainly due to fall in export sale. The Company continued its efforts in developing new markets, making major in-roads into Asian and Latin American markets during the year. In the domestic market the Company was successful in securing orders from new customers.

The performance of the Shaft Bearings Division showed significant growth during the year under review. The Bearings sales were higher by 39 per cent at Rs.25.73 crores as against Rs.18.56 crores in the previous year. USA continues to be the major market for bearing exports.

During the year the Company received quality certification from a top international quality car maker.

Pashmina Holdings Limited

The Company made a loss of Rs 0.05 crores in the FY 2010 as compared to a loss of Rs.0.08 crores in the previous year.

Overseas Companies

Jaykayorg AG incurred a loss of CHF 743,667 (equivalent to Rs.3.34 crores) (Previous Year: loss CHF 883,975 (equivalent to Rs.3.70 crores)) for the year ended December 31, 2009.

Raymond (Europe) Limited (formerly known as J. K. (England) Limited) recorded a loss of Pound Sterling 111,804 (equivalent to Rs.0.84 crores) (Previous Year: profit Pound Sterling 4,084 (equivalent to Rs.0.03 crores)) for the year ended December 31, 2009.

R & A Logistics INC, USA, a subsidiary of Ring Plus Aqua Limited set up in USA to provide better service to US based customers, earned a profit of US \$ 7,239 (equivalent to Rs.0.03 crores) (Previous Year: profit US \$ 1,430 (equivalent to Rs.0.01 crores)) for the year ended March 31, 2010.

7. PERFORMANCE OF JOINT VENTURES

Raymond UCO Denim Private Limited

The Indian operations of the Company continued to be robust and has established its place as a leading denim manufacturer catering to both the domestic overseas markets. The Company recorded a loss after tax of Rs.3.03 crores (Previous Year: loss after tax: Rs.410.54 crores).

The manufacturing facilities at Romania operated below its full capacity due to the recessionary pressures in Europe and working capital constraints. As you are aware the Company has closed its operations in USA and Belgium and the legal process is still on. As a result of the above restructuring, the pressures on the bottom line eased during the year under review.

During the year, the consolidated sales (including services and export incentives) were Rs.522.05 crores, as compared to Rs.713.07 crores for the previous year. The loss for the year after tax and exceptional items was Rs.114.26 crores as compared to Rs.331.29 crores for the previous year ended March 31, 2009.

The financial statements have been prepared by this joint venture company for the purpose of enabling your Company in preparing its consolidated financial statements for the FY 2010.

Raymond Zambaiti Limited

The gross turnover of the Company was Rs.163.20 crores (Previous Year: Rs.131.15 crores). The Company had a Profit after tax of Rs.11.12 crores (Previous Year: Rs.8.61 crores) during the year ended March 2010.

The Company has established itself as a preferred premium high value shirting supplier to top domestic brands through its continuous design and product innovation and strong emphasis on consumer service. The weak European economy affected its exports.

8. QUALITY & ACCOLADES

Your Company continues to win awards year-on-year, some notable awards during the year are:

- Raymond emerged as the top franchise brand in India (amongst 100 brands) – announced at the Inaugural Annual India Franchise Rankings-2010 (awarded by MFV, India);
- The Chhindwara Textile Unit was awarded 'The National Safety Award -2009';
- The Chhindwara Textile Unit was also awarded 'The Certificate of Excellence for National Energy Conservation Award-2009';

- The Thane Textile Unit has been certified OHSAS 18001 and declared as ISO-14001 & ISO-9001;
- JK Files & Tools was awarded All India Export Excellence in the category of 'Star Performer Award Trophy in Hand Tools in the large enterprise category' at the prestigious All India Export Excellence Award (2007-2008);
- Raymond Woollen Outerwear Limited was awarded the First Prize for Energy Conservation in the Textile Sector for the year 2009 by the Union Ministry of Power;
- Raymond Zambaiti Limited, Kolhapur Plant has been declared as an ISO-14001 and certified OHSAS 18001:2007;
- Silver Spark Apparel Limited was selected as one of 'India's Best Companies to Work for Women Employees-2009' by a study conducted by Great Place to Work Institute in partnership with The Economic Times.

9. 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 (including the Joint Ventures) is annexed to this Report.

10. CORPORATE GOVERNANCE

Your Company continues to be committed to good Corporate Governance aligned with the good practices. Your Company is in compliance with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate Report on Corporate Governance along with the Auditors' certificate on compliance with the Corporate Governance as stipulated in Clause 49 is set out in this Annual Report and forms part of this Report.

11. DIRECTORS

Shri U. V. Rao resigned from the Board of Directors of the Company with effect from May 15, 2009. The Board places on record the great zeal and dedication with which Shri Rao served the Company during his long association since September 1994. The Board is deeply grateful for the mature and professional advice and guidance of Shri Rao, from which the Company had immensely benefited and gratefully acknowledges the role of Shri U. V. Rao in building up the Raymond Group to its present enviable stature.

The Shareholders have approved on August 17, 2009 by Postal Ballot the appointment of Shri Gautam Hari Singhania as Chairman and Managing Director and his remuneration, for period of 5 years and 3 years respectively with effect from July 1, 2009.

Shri Shailesh V. Haribhakti and Shri Pradeep Guha, Independent Directors were appointed as Additional Directors of the Company with effect from June 15, 2009.

Shri Desh Deepak Khetrapal was appointed as Wholetime Director of the Company with effect from June 20, 2009. Shri Khetrapal tendered his resignation as Wholetime Director of the Company and the Board accepted the resignation of Shri Khetrapal at its meeting held on April 27, 2010. The Board wishes to place on record its appreciation for the contributions made by Shri Khetrapal during his association with the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri P.K. Bhandari and Shri I. D. Agarwal, Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

12. 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:

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.

13. AUDIT

M/s. Dalal & Shah, Chartered Accountants, who are Statutory Auditors of the Company hold office up to the forthcoming Annual General Meeting and are recommended for re-appointment to audit the accounts of the Company for the Financial Year 2010-11. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from M/s. Dalal & Shah that their appointment if made would be in conformity with the limits specified in the Section.

As per the requirement of Central Government and pursuant to Section 233B of the Companies Act, 1956 your Company carries out an audit of cost records relating to textile division every year. Subject to the approval of the Central Government, the Company has appointed M/s. Nanabhoy & Co., Cost Accountants, as Cost Auditors to audit the cost accounts of the Company for the Financial Year 2010-11.

14. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company believes in formulating adequate and effective internal control systems and implementing the same strictly to ensure that assets and interests of the Company are safeguarded and reliability of accounting data and accuracy are ensured

with proper checks and balances. The Internal control system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements.

The Audit Committee of the Board of Directors, Statutory Auditors and the Business Heads are periodically apprised of the internal audit findings and corrective actions taken.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal controls systems and suggests improvements for strengthening them. The Company has a robust Management Information System which is an integral part of the control mechanism.

15. RISK MANAGEMENT

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates, commodity prices, business risk, compliance risks and people risks.

Foreign Exchange Risk

The Company's policy is to actively manage its long term foreign exchange risk within the framework laid down by the Company's forex policy.

Interest rate risk

Given the interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigating strategy to minimise the interest costs.

Commodity Price Risk

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through forward booking, inventory management, proactive management of vendor development and relationships. The Company's strong reputation for quality, product differentiation and service, the existence of a powerful brand image and a robust marketing network mitigates the impact of price risk on finished goods.

Risk Element in Individual Businesses

Apart from the risks on account of interest rate, foreign exchange and regulatory changes, various businesses of the Company are exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.

Compliance Risks

The Company is exposed to risks attached to various statutes and regulations including the Competition Act. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

People Risks

Retaining the existing talent pool and attracting new manpower are major risks. The Company has initiated various measures such as rollout of strategic talent management system; training and integration of learning activities. The Company has also established 'Raymond Leadership Academy', which helps identify, nurture and groom managerial talent within the Raymond Group to prepare them as future business leaders.

16. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has an innate desire and zeal to contribute towards the welfare and social upliftment of the community. The Company continues to support the following CSR initiatives:

- Smt. Sulochanadevi Singhanian School at Thane, Maharashtra and the Kailashpat Singhanian High School in Chhindwara, M.P., having overall strength of around 6000 students, provide quality education not only to the Raymond employees' children, but also to the children of the local populace;
- Raymond Embryo Research Centre for cattle is a centre set up at Gopalnagar, Bilaspur, Chhattisgarh and its ceaseless efforts and endeavours have made several significant achievements in Embryo transfer. Raymond was the first organisation in India to introduce Embryo Transfer in Sheep;
- J. K. Trust Gram Vikas Yojana (JKTGVY) launched in 1997 helps transfer of the technical expertise gained over three decades to the grass-root level. The mission of this initiative is to significantly improve the quality of life in India's rural areas through a "Cattle Breed Improvement Programme". This initiative operates in a network of over 700 Integrated Livestock Development Centre in Chhattisgarh, Madhya Pradesh, Uttarakhand and Andhra Pradesh; and
- Raymond Rehabilitation Centre has been set-up for the welfare of under-privileged children at Jekegram, Thane. This initiative enables less fortunate children to be self-sufficient in life. The centre provides free vocational training workshops to young boys over the age of 16. The three-month vocational courses comprise of basic training in electrical, air-conditioning & refrigeration, plumbing, etc.

17. ENVIRONMENT AND SAFETY

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

18. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of business. Various HR initiatives are taken to align the HR Policies to the growing requirements of the business.

The Company has a structured induction process at all locations and management development programmes to upgrade skills of managers. Objective appraisal systems based on Key Results Areas (KRAs) are in place for senior management staff. Technical and safety training programmes are given periodically to workers. Industrial relations remained generally cordial.

19. 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.

During the FY 2010, 38 employees employed throughout the year, were in receipt of remuneration of Rs.24 lakhs per annum or more amounting to Rs.2316.08 lakhs and 130 employees employed for part of the FY 2010, were in receipt of remuneration of Rs.2 lakhs per month or more amounting to Rs.1873.83 lakhs. 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. The aforesaid Annexure is also available at the Registered Office of the Company for inspection of members 21 days before the 85th Annual General Meeting.

None of the employees listed in the said Annexure is a relative of any Director of the Company. 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.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet, and Profit and Loss account of our subsidiaries. The Company had applied to the Central Government of India for an exemption from such attachment as the Company presents the audited consolidated financial statements in the Annual Report. The Central Government has granted the Company exemption from complying with Section 212 of the Companies Act, 1956. Accordingly, this Annual Report does not contain the financial statements of these subsidiaries. The Company will make available the audited annual accounts and related information of our subsidiaries, where applicable, upon request by any of its shareholders. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the Registered Offices of the Company and its subsidiary companies.

Fixed Deposits amounting to Rs.95,000 (Rupees Ninety Five Thousand only) from 9 depositors, which remained unclaimed by the depositors as on March 31, 2010 and have remained unclaimed upto the date of this Report.

20. CAUTIONARY STATEMENT

Statement in this Directors' Report & 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.

21. APPRECIATION

Your Directors wish to place on record their appreciation for the contribution made by employees at all levels but for whose hard work, solidarity, and support your Company's achievements would not have been possible. Your Directors also wish to thank our customers, dealers, agents, suppliers, joint venture partners, investors and bankers for their continued support and faith in the Company. We also thank the Central Government, the concerned State Governments and other Government authorities for their support and cooperation.

for and on behalf of the Board

Mumbai, April 27, 2010

Gautam Hari Singhania
Chairman and Managing Director