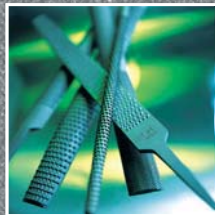


Raymond

ANNUAL REPORT 2010-2011



Raymond



In 2010-11, Raymond won several prestigious awards including the Economic Times Brand Equity's Most Trusted Brand Award in the Textiles Industry, Business World's Most Respected Textile Company in India and the National Energy Conservation Award in the Textile Sector for the Jalgaon unit.

CHAIRMAN EMERITUS : DR. VIJAYPAT SINGHANIA

BOARD OF DIRECTORS

GAUTAM HARI SINGHANIA, Chairman and Managing Director

DR. VIJAYPAT SINGHANIA, Chairman Emeritus

I. D. AGARWAL

NABANKUR GUPTA

P. K. BHANDARI

SHAILESH V. HARIBHAKTI

PRADEEP GUHA

AKSHAY CHUDASAMA (w.e.f. 21.04.2011)

BOMAN R. IRANI (w.e.f. 21.04.2011)

MANAGEMENT EXECUTIVES

GAUTAM HARI SINGHANIA, Chairman and Managing Director

ANIRUDDHA DESHMUKH, President – Textiles & FMCG

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.L. POKHARNA, President – Commercial

DIRECTOR – SECRETARIAL & COMPANY SECRETARY

THOMAS FERNANDES

BANKERS

BANK OF INDIA

BANK OF MAHARASHTRA

CENTRAL BANK OF INDIA

CITIBANK N.A.

HDFC BANK LIMITED

IDBI BANK 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

LINK INTIME INDIA PRIVATE LIMITED

C-13, PANNALAL SILK MILLS COMPOUND, L.B.S MARG,

BHANDUP (WEST),

MUMBAI - 400 078.

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TEN YEAR HIGHLIGHTS

(Rupees in Lacs)

	2010-11	*2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
INCOME										
Sales and Other Income	157270	142706	147780	146015	137497	140637	122639	116853	109588	103208
% Increase/(Decrease)	10.21	(3.43)	1.2	6.2	(2.2)	14.7	4.9	6.6	6.2	(29.9)
Gross Profit/(Loss) before interest and depreciation	5277	22938	(12373)	22287	34840	27170	18442	27305	21820	18844
As % of Sales and Other Income	3.4	16.1	(8.4)	15.3	25.3	19.3	15.0	23.4	19.9	18.3
Net Profit/(Loss) after Tax	(10487)	2637	(27040)	6612	20125	12229	7682	13184	9143	8364
ASSETS EMPLOYED										
Net Fixed Assets	95972	98206	106115	73311	76174	84512	57563	42122	40602	37857
Investments	74013	89179	88859	104730	98448	73660	73428	71587	61231	58766
Net Current Assets	59516	57282	57155	58543	45343	44013	42083	44381	46623	50263
Total	229500	244667	252129	236584	219965	202185	173074	158090	148456	146886
% Increase/(Decrease)	(6)	(3)	7	8	9	17	9	6	1	5
EQUITY FUNDS AND EARNINGS										
Shareholders' Funds:										
Shareholders' Investments	1885	1885	1885	1885	1885	1885	1885	1885	1885	1885
Bonus Shares	4253	4253	4253	4253	4253	4253	4253	4253	4253	4253
Reserves	100420	111153	106560	133690	129478	112857	104256	98717	89297	83388
Total	106558	117291	112698	139828	135616	118995	110394	104855	95435	89526
Contribution to Country's Exchequer	3528	3798	7144	7998	10306	11011	10031	17672	17096	17410
Per Equity Share of Rs.10:										
Book Value	173.6	191.1	187.0	231.2	220.9	193.9	179.9	170.8	155.5	145.9
Earnings	(16.3)	4.1	(44.2)	11.8	32.9	19.7	13.6	21.6	14.7	14.4
Dividend	1.0	Nil	Nil	2.5	5.0	5.0	4.0	5.5	4.5	4.5

* Figures are stated as per the Annual Report of 2009-10

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

DEAR MEMBERS,

Your Directors are pleased to present their 86th report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended March 31, 2011.

1. CORPORATE OVERVIEW

Raymond Limited is India's leading Textile and Branded clothing Company with interests in 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

With the economic revival gathering momentum, a clutch of growth trajectory initiatives enabled your Company to deliver positive growth and further consolidate its leadership in its core businesses. FY 2011 has been both challenging and momentous for your Company. The resilience and inherent strength of your Company's superior technology-based manufacturing, deep pan-India retail network accompanied by strong and successful brands were the key-drivers that enabled your Company to deliver better performance with improvements across key parameters in FY 2011.

A significant development during the year under review has been the amicable solution arrived by the Company with the Workmen Union at the high-cost Thane Textile factory. The Voluntary Separation Scheme package of Rs. 238 crore was signed in October 2010 covering over 1850 workers. Your Directors wish to compliment workers of the Thane Unit for the peaceful settlement and wish them and their families all the very best for the future.

The amalgamation of erstwhile Raymond Apparel Limited with Solitaire Fashions Limited during FY 2011 has enabled to optimize operational efficiencies and rationalise costs. As per the approvals granted by the Hon'ble High Courts, Bombay and Madras respectively under Section 391-394 of the Companies Act, 1956 the Assets and Liabilities of erstwhile Raymond Apparel Limited have been transferred to Solitaire Fashions Limited with effect from April 1, 2009. Subsequently, as per the aforesaid High Courts' Orders, the name of Solitaire Fashions Limited has been changed to Raymond Apparel Limited.

For the Financial Year ended March 31, 2011, the gross turnover of your Company was Rs.1496.53 crore as compared to Rs.1339.37 crore in the previous year. Profit before tax and exceptional items was Rs. 100.02 crore as against Rs.18.88 crore in the previous year. The net loss after exceptional items, prior year adjustments and provision for taxes was of Rs. 100.19 crore as against a net profit of Rs.25.06 crore last year. The loss is on account of the exceptional item of the one-time workers settlement at the Company's Thane Textile Unit amounting to Rs.238 crore. In view of the divestment of Files business effective October 1, 2009, figures of the current periods are not comparable with corresponding figures of previous year.

Your Directors are optimistic that the Company's performance will improve and also observe that the exceptional charge of Rs. 238 crore in the Financial Statements for FY 2011 consequent to the Workers Settlement in Thane has resulted in a Net Loss of Rs.100.19 crore. In view of the good operating profits, your Directors propose to declare dividend out of Reserves by following the Companies (Declaration of Dividend out of Reserves) Rules 1975. Accordingly, an amount of Rs. 27.07 crore has been withdrawn from General Reserves. Out of the amount available for appropriation, your Directors recommend a dividend of 10% aggregating to Rs. 6.14 crore (Previous Year: Nil) on Equity Shares. The dividend tax on the dividend recommended will be Rs.1.00 crore (Previous Year: Nil).

Your Company continues with its task to build business with long-term goals based on its intrinsic strength in terms of its powerful brands, quality manufacturing prowess, distribution strength and customer relationships. Rationalising and streamlining operations to bring about efficiencies and reducing costs will remain top priority.

3. OVERVIEW OF THE ECONOMY

Despite new risks, the global economic recovery is gaining strength and the IMF has projected a 4.5% world growth in 2011 and 2012. While growth in emerging economies remain strong, that in the US and European region is slowly gaining momentum. Some of economies of the developed nations are still a concern with the Euro zone being the most vulnerable as rating agencies continue to downgrade the sovereign rating of many of economies in this region. The natural disaster in Japan, sharp increase in oil prices consequent to the turmoil in the Middle East and North Africa is fuelling uncertainty to the pace of global recovery. Globally, elevated food and commodity prices accompanied by the spike in oil prices have engendered inflation concerns.

The Indian Economy registered improved growth and was amongst the better performers amid emerging market economies. Central Statistical Organization's recent estimated Indian GDP growth rate of 8.6% for 2010-11 is consistent with the RBI's projections for the same period. While the area sown under the Rabi crop is higher than last year which augurs well for agricultural production, the index of industrial production continues to be volatile. The other indicators such as latest Purchasing Managers' Index, direct and indirect tax collections, merchandise exports and bank credit suggest that the growth momentum

persists. However, continuing uncertainty about energy and commodity prices may vitiate the investment climate, posing a threat to the current growth trajectory. Inflation remains a challenge for the Indian Economy and the key risks are tighter monetary conditions and rising prices eating into the consumer's disposable income.

4. ANALYSIS AND REVIEW

Textile Industry Conditions

The Textile industry is one of the largest and most important sectors in the Indian economy in terms of output, foreign exchange earnings and employment. India's Textile industry is one of the leading textile industries in the world. It contributes approximately 14% to India's industrial production, 4% to the GDP and 17% to the country's export earnings. It provides direct employment to over 35 million people and is the second largest provider of employment after the agricultural sector. The industry is expected to grow steadily from its present US\$ 70 billion to US\$ 110 billion by 2015. Textile products including wearing apparel have registered a growth of 4.3% during April-January 2010-11, as per the Index of Industrial Production (IIP) data released by the Central Statistical Organisation.

Notwithstanding signs of recovery from the previous financial crisis, the textile and apparel industry went through a tough year struggling with the surging and fluctuating prices of raw materials. However, the Government is making efforts in boosting the textile industry through various initiatives and investments are increasing steadily. The Ministry of Textiles has sanctioned a total of US\$ 133 million under Technology Upgradation Fund Schemes (TUFs) during September 2010. The industry is expected to continue to grow at a significant rate in the future, as it is fuelled by a strong domestic consumption.

Opportunities and Challenges

The present global economic scenario throws up opportunities for fundamentally strong companies such as your Company. The inherent strength, 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, fiscal tightening, proposed imposition of mandatory levy on branded garments and interest rates are some of the challenges facing the Textile Industry at large.

Overview

The Company is the market leader in the textiles sector in India, has a powerful brand 'Raymond', state-of-the-art manufacturing facilities and a strong all India retail presence in the form of 'The Raymond Shop' ('TRS'). The Company is considered as the most respected company in the Apparel and Textile sector of India. 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

Robust demand conditions in the domestic market facilitated the Company to improve its realisation by passing on the cost increase and improving the product mix. The net sales for Textiles Division were Rs. 1485.43 crore compared to Rs. 1222.93 crore 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 suiting. The Company continued its focus on retail segment expansion during this financial year.

In FY 2011 the Textiles Division's domestic sales were Rs. 1349.03 crore as against Rs.1089.29 crore in FY 2010. During FY 2011 the Company opened 56 new retail stores. The Company continues to be judicious in its selection of store locations.

Export

The Exports market condition were tough during the financial year because of severe competition and continuous increase in the raw material prices resulting in increase in the input costs. The Textile exports for the financial year 2010- 2011 remained flat and were Rs. 136.40 crore as against Rs. 133.64 crore in the previous year.

Raw Material

Wool prices have shown an upward trend in most of the months in the year under review. The Australian Dollar has appreciated against the Indian Rupee and has shown a rising trend over the last 6 months. The Polyester Fibre prices also had an increasing trend during the year under review.

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

Members will recall that in order to optimize operational efficiencies, rationalize cost, enhance synergies of Branded Apparel Business, etc., the erstwhile Raymond Apparel Limited was amalgamated with another subsidiary company namely; Solitaire Fashions Limited and the Scheme of Amalgamation and Arrangement was sanctioned by the Hon'ble High Court of Judicature at Madras and by the Hon'ble High Court of Judicature at Bombay. As part of the Scheme approved by the Hon'ble High Courts and after following the legal process stipulated under Section 21 of the Companies Act, 1956 the name of Solitaire Fashions Limited was changed to Raymond Apparel Limited.

FY 2011 witnessed improvement in customer sentiments with marginal increase in foot-falls. Consequently, the performance of this company was better than the previous year. The gross turnover for the FY 2011 was Rs. 468.79 crore (Previous Year: Rs. 406.29 crore) while the Net Profit after tax was Rs. 22.64 crore (Previous Year: 34.49 crore).

This company has taken many initiatives to consolidate its market leadership, improve profitability, product innovation, appropriate product-price mix and operating efficiencies with a special focus in retail.

Colorplus Fashions Limited

The Company's gross turnover for the year ended March 2011 was Rs. 172.00 crore (Previous Year: Rs. 154.28 crore). The Company had a profit after tax of Rs. 10.38 crore (previous year loss : Rs. 3.40 crore). This Company continues its initiatives at innovation and is a leading player in the premium casual wear segment.

Silver Spark Apparel Limited

The gross turnover of the Company was Rs. 109.36 crore as compared to the previous year Rs. 83.49 crore. The Company had a Profit after Tax of Rs. 5.62 crore (Previous Year: Rs. 3.06 crore).

Celebrations Apparel Limited

The gross turnover of the Company was Rs. 17.17 crore (Previous Year: Rs. 17.42 crore). The Company earned a profit after tax of Rs.0.85 crore (Previous Year Rs. 2.09 crore).

Everblue Apparel Limited

The Company earned a Profit after Tax of Rs.0.82 crore (Previous Year: Rs. 2.15 crore).

Raymond Woollen Outerwear Limited

The gross turnover of the Company, net of returns and discounts was Rs. 50.58 crore (Previous Year: Rs. 46.17 crore). The Company incurred a loss before prior period adjustment of Rs. 4.32 crore (Previous Year: loss Rs. 1.44 crore).

Your Company is in the process of seeking necessary legal approvals from members / others for the amalgamation of this company. This legal process is expected to help improve the capacity of your Company and enhance operational efficiencies.

JK Files (India) Limited

The Company is engaged in manufacturing and marketing of Steel Files. With acquisition of Files & Tools Division of Raymond Ltd., in the previous financial year, this Company added to its portfolio of products to the established business of High Precision Files, HSS Cutting Tools, Power Tools and Hand Tools.

The Company continues to be the market leader in the files segment in the domestic market and the largest producer of Steel Files in the world.

The Export sales of the Company was Rs.100.10 crore compared to Rs.45.72 crore in the corresponding previous year. The Company reported gross turnover of Rs. 272.12 crore for the year under review (Previous Year: Rs.138.66 crore). The profit after tax was Rs.10.91 crore (Previous Year : Rs.4.58 crore). The significant growth during the year is also seen on account of acquisition of Files & Tools business of Raymond Ltd., during second half of previous year. In spite of spiraling inflationary trends and volatile foreign currency, the Company was able to put up a significantly good performance during the year under review. The initiatives taken to improve on time in full (OTIF), customer service, control on cost, productivity, process and control over rejections, effective implementation of Theory of Constraints model, optimizing working capital and aggressive marketing are the factors which have helped the Company to register good performance for the year under review.

The Company has taken conscious efforts towards better environment and safety at all its manufacturing facilities. This company's all manufacturing units now have BS OHSAS 18001:2007 and ISO 14001: 2004 certification.

JK Talabot Limited

The Company manufactures Files and Rasps at its plant located in Chiplun, Ratnagiri District, in the state of Maharashtra. During the year, gross turnover of the Company was at Rs.21.62 crore (Previous Year: Rs. 17.44 crore). The Company recorded Profit after Tax of Rs.1.43 crore (Previous Year: Rs.0.83 crore) during the FY 2011.

The performance of the Company during the year was good, as it continued its initiative on improvement in productivity, quality, and control on costs, working capital, and better capacity utilization through effective implementation of Theory of Constraints model.

Scissors Engineering Products Limited

The Company incurred a loss of Rs.43,666 (Previous Year: loss of Rs.34,631) during the year under review.

Ring Plus Aqua Limited

The gross turnover of the Company was at Rs. 116.55 crore (Previous Year: Rs. 81.74 crore). Profit after Tax was at Rs. 11.29 crore (Previous Year: Rs. 5.08 crore). With significant growth trend in the Auto Industry, the Company crossed the milestone of gross sales turnover of Rs.100 crore during the year under review.

The Gear sales showed significant growth during the year under review and were higher by 58% at Rs. 73.21 crore as compared to Rs. 46.30 crore in the previous year. The export sales have doubled and domestic sales have recorded good growth of around 22% compared to previous year. With growing demand, the Company has decided to augment its capacity by 1.5 million gears during the year under review, to take total Ring Gear capacity to 4.5 million per annum. The capacity expansion is progressing as per schedule and is expected to be complete by September 2011.

The sales for Bearing Division were marginally higher at Rs. 26.55 crore as compared to the previous year when it was Rs. 25.73 crore. USA continued to be the major market for Bearing exports.

Pashmina Holdings Limited

The Company made a profit after tax of Rs 1.99 crore in the FY 2011 as compared to a loss of Rs.0.05 crore in the previous year.

Overseas Companies

Jaykayorg AG recorded a profit of CHF 240,318 (equivalent to Rs.1.15 crore) (Previous Year: loss CHF 743,667 (equivalent to Rs.3.34 crore)) for the year ended December 31, 2010.

Raymond (Europe) Limited recorded a profit of Pound Sterling 19,474 (equivalent to Rs.0.14 crore) (Previous Year: loss Pound Sterling 111,804 (equivalent to Rs.0.84 crore)) for the year ended December 31, 2010.

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\$ 11,111 (equivalent to Rs. 0.04 crore) (Previous Year: profit US\$ 7,239 (equivalent to Rs.0.03 crore)) for the year ended March 31, 2011.

7. PERFORMANCE OF JOINT VENTURES

Raymond UCO Denim Private Limited

During the year under review, the sales turnover of Indian operations, net of returns and discounts recorded a 28% growth to Rs. 596.06 crore including exports of Rs.263.44 crore, as compared to Rs. 466.30 crore including exports of Rs. 226.92 crore for the previous year ended March 31, 2010.

The Company recorded a profit before tax and exceptional items of Rs.6.18 crore as against a loss of Rs 4.27 crore in the previous year ended March 31, 2010.

During the year, Rs. 48.54 crore was invested in its subsidiary from the proceeds of the equity capital subscribed by both the shareholders. The subsidiary has used these funds for repaying its obligations to the European Banks and consequently the corporate guarantee stands discharged. A provision of Rs. 20 crore has been made towards diminution in the value of investment in the books of this Company made in its subsidiary. The previous year had an exceptional gain of Rs. 7.23 crore arising from write back of interest provided on loans and debentures subscribed by one of the shareholders of the Company.

Raymond Zambaiti Limited

The gross turnover of the Company was Rs. 211.76 crore (Previous Year: Rs. 163.20 crore). The Company had a Profit after Tax of Rs. 7.51 crore (Previous Year: Rs. 11.12 crore) during the year ended March 2011. During the year under review, steep increase in cotton prices has impacted the profitability of the Company. This Company is the preferred premium high value shirting supplier to leading domestic brands and has a strong emphasis on quality and innovation.

8. QUALITY & ACCOLADES

Your Company continues to win awards year-on-year. Some notable awards during the year are:

- The Chhindwara unit of the Company won The National Safety Award under Scheme-II and runner up in Scheme-I for the performance year 2008.
- The Vapi Textile Unit has been certified OHSAS 18001:2007 and declared as ISO 14001:2004.
- The Vapi Textile Unit won the 2nd Prize and Jalgaon Textile Unit was awarded Certificate of Merit in Energy Conservation at The National Energy Conservation Awards in the Textile sector on December 14, 2010.

- The Company has recently been adjudged as India's Most Respected Company in the Textile and Apparel sector by Business World.
- The Company bagged the most prestigious award as 'The Franchisor of the Year' at the 'Franchise and Star Retailer Awards' organized by Franchise India.
- The Company has been awarded the SAP Customer Centre of Expertise (CCOE) certification for its SAP operations on November 3, 2010.
- J.K. Files (India) Limited has won for the 4th consecutive year EEPC India Star Performer Award year 2008-09, for the highest engineering exports in Hand Tools (Large Enterprise).

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.

The Gross Consolidated Turnover for the year FY 2011 was Rs.3035.91 crore (Previous Year : Rs.2507.83 crore). The Consolidated Profit before Tax before exceptional items was Rs.198.92 crore (Previous Year: Rs.43.19 crore). The Consolidated Profit after tax for the year was Rs.38.04 crore (Previous Year Loss : Rs.50.15 crore).

10. CORPORATE GOVERNANCE

Your Company continues to be committed to good Corporate Governance aligned with 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

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Nabankur Gupta and Shri Shailesh V. Haribhakti, Directors, retire by rotation at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

Shri Akshay Chudasama and Shri Boman R. Irani, Independent Directors were appointed as Additional Directors of the Company with effect from April 21, 2011. In terms of Section 260 of the Companies Act, 1956, both Shri Chudasama and Shri Irani hold office only upto the date of the ensuing Annual General Meeting. The Company has received requisite notice in writing from members proposing their respective names for the office of Director liable to retire by rotation.

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 as at March 31, 2011 and of the loss of the Company for the year ended on that date;
- 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

Messrs. 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 2011-12. As required under the provisions of the Section 224 (1B) of the Companies Act, 1956, the Company has obtained written confirmation from Messrs. 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 Messrs. R. Nanabhoy & Co., Cost Accountants, as Cost Auditors to audit the cost accounts of the Company for the Financial Year 2011-12. The cost audit report for the Financial year 2009 - 2010 which was due to be filed with the Ministry of Corporate Affairs on September 30, 2010 was filed on August 12, 2010.

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 systems 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 control system 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 to 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 7400 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 in 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 4000 Integrated Livestock Development Centre in Chhattisgarh, Madhya Pradesh, Uttarakhand and Andhra Pradesh; and