



USHA INTERNATIONAL LTD. *It's a better life*

Directors

Mr. Siddharth Shriram-Chairman
Mr. Sunil Wadhwa-Managing Director
Ms. Chhaya Shriram-Whole time Director

Mr. A.K. Jain

Mr. N.K. Goila

Principal Executives

Executive Director

Mr. S.S. Singhal

Vice Presidents

Mr. P.C. Bhandari

Mr. D.S. Narang

Mr. P. Narayan

Ms. Anju Munjal

Mr. M.R. Singh

Mr. Ajay Gupta

Asstt. Company Secretary

Mr. Amit Chaurasia

Bankers

Bank of Baroda

Auditors

M/s Thakur, Vaidyanath Aiyar & Co.,
Chartered Accountants

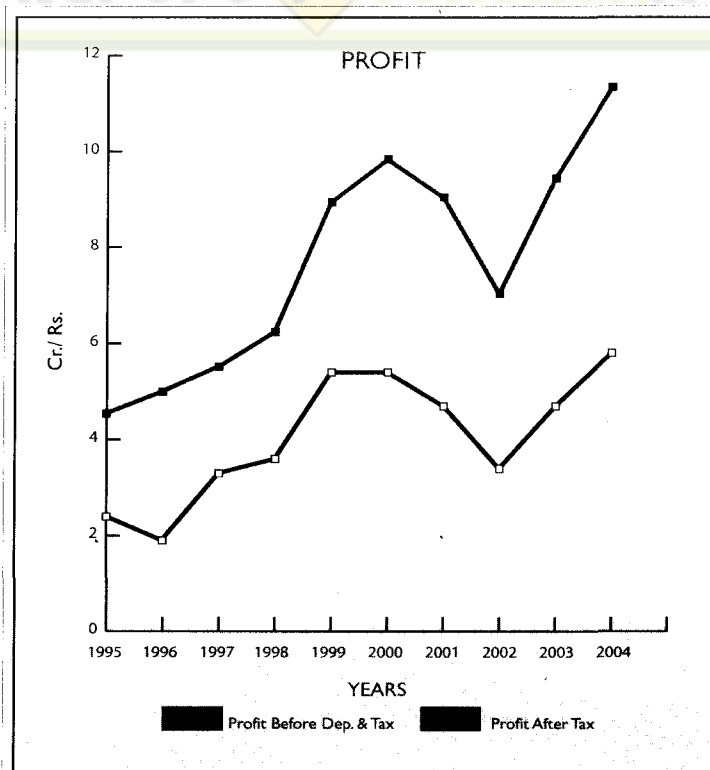
Equity Shares Listed At

Delhi Stock Exchange

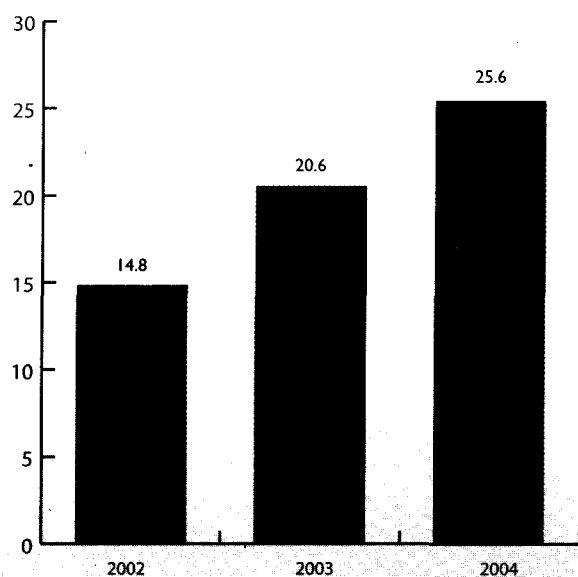
(Annual Listing fee paid for the Year 2004-2005)

Regd. Office

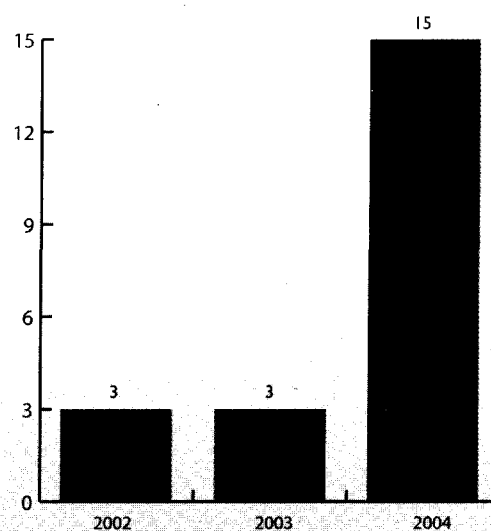
19, Kasturba Gandhi Marg,
New Delhi - 110001



EARNING PER SHARE (Rs.)



DIVIDEND PER SHARE (Rs.)



TEN YEAR FINANCIAL SUMMARY

F.Y.E.MARCH

PARTICULARS	UNIT	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
SALES											
- TOTAL (INCLUDING ORDERS BOOKED ON PRINCIPALS)	Cr/Rs.	447.8	402.7	400.9	410.0	417.2	390.1	344.1	320.0	289.4	247.5
- DIRECT	Cr/Rs.	310.7	275.9	261.7	279.9	281.2	265.1	226.1	229.0	224.4	191.7
PROFIT											
- BEFORE DEP & TAX	Cr/Rs.	11.4	9.5	7.1	9.1	9.9	9.0	6.3	5.7	5.0	4.6
- NET	Cr/Rs.	5.8	4.7	3.4	4.7	5.4	5.4	3.6	3.3	1.9	2.4
SHARE CAPITAL - PAID UP	Cr/Rs.	2.3	2.3	2.3	2.3	2.3	2.3	2.0	1.9	1.9	1.9
NET WORTH	Cr/Rs.	48.1	46.2	42.3	39.6	34.5	30.4	22.0	17.6	14.2	12.8
TOTAL ASSETS	Cr/Rs.	118.9	122.0	121.2	112.7	109.8	93.8	81.7	79.1	68.6	63.6
DIVIDEND-AMOUNT	Lac/Rs.	341.4	68.3	68.3	113.8	113.8	108.3*	48.4*	42.2	42.2	42.2
- RATE	%	150.0	30.0	30.0	50.0	50.0	50.0	25.0	22.5	22.5	22.5
BOOK VALUE PER EQUITY SHARE	Rs.	211.2	202.8	185.9	173.8	151.5	133.4	111.4	94.0	75.8	68.4
EARNING PER EQUITY SHARE	Rs.	25.6	20.6	14.8	20.6	23.9	23.7	18.2	17.7	10.1	12.8

* PRORATA

DIRECTORS' REPORT

The Directors present their 51st Annual Report alongwith audited accounts of the Company for the year ended March 31, 2004.

The Directors are pleased to place on record that the Company made the highest ever gross profit of Rs.11.4 Crores (last year Rs.9.5 Crores) and net profit of Rs.5.8 Crores (last year Rs.4.7 Crores) after meeting steep escalation in the costs of operations.

Accordingly, the Directors recommend a Dividend @ 150% on the Equity Shares. This enhanced rate of Dividend, for this year only, is in celebration of the successful completion of 50 years of existence of your Company.

A sum of Rs. 76.9 Lacs has been transferred to General Reserve.

The Direct Turnover of the Company increased to Rs.310.7 Crores from Rs.275.9 Crores and the Indirect Turnover to Rs.137.1 Crores from Rs.126.8 Crores as compared to last year.

The Company received its first order from Defence for the supply of Trolley Mounted Gensets having highly critical specifications. This entry in the field of Defence purchases makes available to the Company new opportunities of business growth. A part of the order has been executed during the year.

On the Export front, the Company won an export order for 2.25 Lacs fans against stiff competition with several Indian as well as foreign fan manufacturers. A part of the export order has been executed and the balance order would be executed during the current financial year.

Total Exports, including the orders booked on the principals, during the year were Rs.93.2 Crores as against Rs.75.5 Crores during previous year.

Fixed Deposits amounting to Rs. 25.8 Lacs pertaining to 76 depositors remained unclaimed at the close of the year; of these, deposits amounting to Rs. 5.3 Lacs have since been paid / renewed during the current financial year.

The provisions of energy conservation and technology absorption are not applicable to the Company.

The observations of the auditors are self-explanatory and/or suitably explained in various notes to the Accounts.

Information relating to particulars of personnel u/s 217(2A) of the Companies Act, 1956 is annexed and the amount of foreign exchange earned /utilised during the year has been given in the Schedules which form an integral part of the report.

Subject to Shareholders and Central Government's approval, Mr. Sunil Wadhwa has been re-appointed as Managing Director for another period of five years w.e.f. 27.01.2004.

Mr. Deepak Shriram has resigned from the Board of the Company w.e.f. 21.02.2004. The Board places on record its appreciation for the services rendered by Mr. Deepak Shriram during his tenure as member of the Board.

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- (i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgements and estimates made 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) that proper and sufficient care has been taken 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 & detecting frauds and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance and a Certificate from auditors of the Company regarding compliance of conditions of Corporate Governance are annexed herewith and form part of this Report.

The Directors wish to place on record their sincere thanks to the Company's principals, its bankers, dealers and all its business associates for their continued support and record their appreciation of devoted services rendered by all ranks of Company's personnel during the year.

New Delhi
May 4, 2004

On behalf of the Board
SIDDHARTH SHRIRAM
(CHAIRMAN)

ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy

Securities & Exchange Board of India (SEBI) has prescribed mandatory standards of Corporate Governance which have been enshrined in the Listing Agreement with the Stock Exchange.

The Company had initiated good Corporate Governance 'practices' even before it became mandatory and is committed for further improvement by laying emphasis on 'Substance' over the 'Form' and therefore, aims to increase the value for all the Stakeholders. The good Corporate Governance practices form an integral part of Company's governance culture.

Usha's philosophy on Corporate Governance envisages attainment of highest level of transparency, accountability and equity in all facets of its operations and interactions with its Stakeholders, including Shareholders, Employees, the Government and Lenders.

2. Board of Directors

The Company's Board consists of five Directors headed by its non-executive Chairman, Mr. Siddharth Shriram.

Six Board Meetings were held during the year on 20.06.2003, 25.07.2003, 11.08.2003, 27.10.2003, 24.01.2004 and 21.02.2004. The gap between any two Board Meetings did not exceed four months.

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other Public Companies are given below: -

Name	Category	Attendance Particulars		No. of Directorships and Committee Memberships in other Public Companies		
		Board Meeting (Nos.)	Annual General Meeting	Directorships	Committees***	
					Member	Chairman
Mr. Siddharth Shriram	Non-Executive/ Promoter	6	Present	13	3	2
Mr. Sunil Wadhwa	Managing Director	6	Present	-	-	-
Ms. Chhaya Shriram*	Whole time Director/ Promoter	6	Present	1	-	-
Mr. Deepak Shriram**	Non-Executive	5	Present	3	-	1
Mr. A.K.Jain	Non-Executive	5	Present	-	-	-
Mr. N.K.Goila	Non-Executive	3	Present	6	4	-

* Daughter of Mr. Siddharth Shriram.

** Brother of Mr. Siddharth Shriram. Resigned w.e.f. 21.02.04.

*** Consists of Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee.

3. **Audit Committee**

The Company had constituted an Audit Committee. The terms of reference of the Audit Committee broadly are as under: -

- a) Discussions on observations of Statutory Auditors on the Accounts audited by them and the Internal Control Systems.
 - b) Approve Internal Audit Plans.
 - c) Review periodic Internal Audit Reports including Internal Control Systems.
 - d) Appoint Internal Auditors and fix their remuneration.
 - e) Review periodic Financial Results and Financial Statements before their submission to the Board.
- Four Audit Committee Meetings were held during the year on 20.06.2003, 25.07.2003, 27.10.2003 and 24.01.2004.

The composition of the Audit Committee and the meetings attended by the Member Directors are given below: -

Member	Category	Meetings attended
Mr. Siddharth Shriram (Chairman)	Non-Executive	4
Mr. A.K. Jain	Non-Executive	4
Mr. N.K. Goila	Non-Executive	1

4. **Remuneration Committee**

The Remuneration Committee has been constituted to approve and to recommend to the Board of Directors the remuneration payable to Managerial Personnel.

Usha's Remuneration strategy aims at attracting and retaining high caliber talent and therefore, is market led and takes into account the competitive circumstances for leveraging the performance.

The Remuneration Committee comprises of Mr. Siddharth Shriram (Chairman), Mr. A.K.Jain and Mr. N.K.Goila.

During the year, the Committee met once on 24.01.2004 when all the members were present.

The aggregate value of salary and perquisites paid/payable to the Managing Director / Whole time Director for the year ended 31st March'04 is as follows: Mr. Sunil Wadhwa, Managing Director - Rs. 86.99 Lacs and Ms. Chhaya Shriram, Whole time Director - Rs. 48.36 Lacs (inclusive of arrears of Rs. 6.69 Lacs for the year 2002-03). This remuneration does not include contribution towards gratuity since the same is made on global basis. Service Contracts with the Managing and Whole time Director are for five years (notice period-six months) and no severance fee is payable.

The Company pays Sitting Fee to all the Non-Executive Directors for attending the meetings of the Board of Directors and Committees thereof. The Non-Executive Directors are also entitled to Commission @ 1% of net profits. The Sitting Fees and Commission paid /payable to the Non-Executive Directors for the year ended 31st March'04 are as follows: Mr. Siddharth Shriram – Rs. 8.15 Lacs; Mr. Deepak Shriram – Rs. 16,000; Mr. A. K. Jain – Rs. 26,000 and Mr. N.K.Goila – Rs. 36,000.

5. **Share Transfers and Shareholders / Investors Grievances Committee**

The Company has a "Share Transfers and Shareholders / Investors Grievances Committee" which inter alia handles all matters connected with Share Transfers including issue of Duplicate Share Certificates. The

Committee also looks into redressal of Shareholders' complaints like non-registration of transfer of shares and / or non receipt of :

- Dividend.
- Share Certificates after endorsement.
- Bonus Share Certificates, etc.

The composition of the Committee and the meetings attended by the Member Directors are given below: -

Member	Category	Meetings attended
Mr. N.K. Goila (Chairman)	Non-Executive	13
Mr. Siddharth Shriram	Non-Executive	1
Mr. Sunil Wadhwa	Managing Director	3
Ms. Chhaya Shriram	Whole time Director	7
Mr. Deepak Shriram	Non-Executive	3
Mr. A.K. Jain	Non-Executive	3

Mr. Amit Chaurasia, Asstt. Co. Secretary is the Compliance Officer.

Three requests for transfer of five hundred Equity Shares were pending as on 31.03.2004. These have been transferred subsequently within the prescribed time limit.

Shareholders' complaints pending for reply as on 31.3.2004 were nil. However, eight complaints were received and were replied in time during the year.

Company has instituted a Code of Conduct for its Directors, Officers and Designated Employees in accordance with SEBI's Regulations on prevention of insider trading.

6. General Body Meetings

The details of last three Annual General Meetings are as follows: -

Year	Location	Date	Time
2002-2003	Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110 001	11.08.03	11.00 A.M.
2001-2002	Kamani Auditorium, 1, Copernicus Marg, New Delhi – 110 001	02.09.02	11.00 A.M.
2000-2001	FICCI Auditorium, Tansen Marg, New Delhi – 110 001	10.08.01	11.00 A.M.

No Special Resolutions were put through postal ballot during last year.

7. Disclosures

- a) Related party transactions have been disclosed in Para 10 of Schedule 10 (Part – B) of the Balance Sheet for the year 2003-04.
- b) The Company has complied with the requirements of the regulatory authorities on capital markets and no penalties have been imposed or strictures have been passed against the Company during the last three years.

8. **Means of Communication**

Quarterly/Half-yearly results were published in 'The Financial Express' and 'Jansatta' for the information of Shareholders/Investors. Though these results are not sent to the Shareholders individually, these are available at Company's website www.ushainternational.com.

9. **Management Discussion and Analysis Report**

A. **Product categories**

● **Fans**

The fan segment continues to be the mainstay of Usha International's operations. Electric fans contributed to 43% of the direct turnover and 30% of indirect turnover of the Company. The fan industry in India has traditionally been categorised into the 'organised' and the 'SSI' sectors. In the past, the SSI sector has expanded at the expense of the former. However, year 2003-04 witnessed a change in this trend, with the 'organised' sector registering healthy growth, thanks to the introduction of low priced offering by the players in the 'organised' sector. UIL clocked higher than industry average growth in this segment through special marketing initiatives that included:

- Launch of a slew of models in response to customer feedback and market trends.
- Deeper penetration through induction of retail outlets that cater primarily to low price models.
- Widening the distribution footprint to expand the reach and availability of Usha fans.
- A dedicated focus on retailing.

At the top end, Usha is the only brand represented in the 'Super Premium' segment. The Usha Hunter range of quality ceiling fans has carved a niche quite its own in the hotel and hospitality trade and has made successful inroads into upmarket households as well.

With the upturn in the economy, there is increased activity in the housing segment. As a result, the outlook for the fans business is buoyant.

With low priced quality fans, a significant rural thrust is also planned.

● **Sewing Machines**

The sewing machine market continued to remain stagnant. An unprecedented increase in raw material costs resulted in a steep hike in the prices of sewing machines and accessories. This has had an adverse impact on sales during the last quarter of the year.

Despite the trying market conditions, Usha International has achieved a 13% growth by way of volumes and a 22% increase in value terms during the year. In addition, the product group registered its highest ever figures of turnover as well as profit.

The Company successfully launched a new and technologically advanced model in the automatic zig-zag range. In order to cater to differentiated needs of customers, the Company expanded its range of industrial models. Efforts were also made to shove up the availability of the popular Flora model. There was a sustained drive to improve quality and to deliver as per our enhanced standards. Segmentation and focused marketing initiatives helped the Company to build market shares across all the segment.

The year also saw the launch of accessories which included Shuttles, Bobbins and Sew-it-yourself Patterns. The latter is a novel product and has been conceived in response to today's fashion-conscious trends. It is expected to rejuvenate an interest in sewing amongst modern women consumers.

The distribution network was expanded through the appointment of a number of dealers in unrepresented towns. Initiatives like imparting training to newly appointed dealers have increased sales of sewing machines, while also boosting the profit margins of these dealers.

With rural marketing efforts on the anvil, we expect sewing machine marketing to become even more creative and dynamic.

● **Home Appliances**

The Home Appliances market continues to be a hotbed of competitive activity. Not only has there been an increase in the number of new entrants, there has also been the downward pull in prices. While there are but a handful of national players in Home Appliances segment, Usha International is positioned advantageously owing to its country-wide presence and a product range which is the largest in the industry.

The Company focused on areas of strength – Heating Appliances and the Water Heater segment. New introductions included 5 models in the room heating category and 9 in water heating. It has also expanded its presence in the small appliances segment by introducing imported as well as indigenous offerings. 4 new models of Mixer-Grinder have resulted in improved market share in this category.

There is a discernable shift in retail trends across the country. The urban landscape is increasingly dotted with malls and hyper-markets. Perceiving this shift as an emerging opportunity has enabled the Company to establish a presence in large-format stores and at major white goods counters. Penetration was also widened through the appointment of new dealers and redistributors.

We are expecting that a new, long term agreement will be signed with our principals whereby this business activity will see significant expansion. It is also intended to take this business increasingly rural.

● **Power Products**

The Diesel Engine industry witnessed one of its worst seasons this year. Prices of pig iron – a basic raw material as well as a major cost component of engines and pumpsets – almost trebled. While sales of Usha pumpsets were adversely affected, the Company was able to maintain its overall value turnover position, thanks to the wide product portfolio. Impetus in the last year was on boosting sales of Kerosene Pumpsets, Medium-size Generators and through the introduction of lightweight Composite Pumpsets.

On the anvil is the proposed launch of a new range of Submersible Pumps, as well as other models of Pumpsets designed to cater to domestic application. To mitigate the effect of the hike in pig iron prices, the Company is planning to launch new Diesel Engine models with lowest weight-to-power ratio.

The trend in the Inverters segment over the last couple of years indicates a shift in favour of branded offerings. A drop in the prices worked to the benefit of the branded segment and has resulted in all major brands adopting aggressive positions. The Usha Zentra Inverter range is based on microprocessor and single-card technology. For customers, this translates to greater value-for-money. Following a slew of prestigious orders for Inverters from Kochi Refineries (Kerala), ICICI (MP), SBI (Patna and Guwahati) and Galpha Laboratories (Mumbai), the Company has also made a positive impact in the institutional segment.