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U S H A[®]

ANNUAL REPORT 2005

52

YEARS OF PROSPERITY

Usha International Ltd. *It's a better life*



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



Directors

Siddharth Shriram-Chairman
Sunil Wadhwa-Managing Director
Chhaya Shriram-Whole Time Director
A.K.Jain
N.K.Goila

Principal Executives

Executive Director

S.S.Singhal

Vice-Presidents

P.C.Bhandari
D.S.Narang
P.Narayan
Anju Munjal
M.R.Singh
Ajay Gupta
S.B.Khedkar

Company Secretary

Amit Chaurasia

Bankers

Bank of Baroda

Auditors

Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants.

Equity Shares Listed At

Delhi Stock Exchange
(Annual Listing Fee paid for the year 2005-2006)

Regd. Office

19, Kasturba Gandhi Marg
New Delhi-110001

Corporate Office

Plot-3, Institutional Area,
Sector-32, Gurgaon-122 001
Haryana

CHAIRMAN'S MESSAGE



The profits for the year were good, in fact a record. This record was particularly noteworthy because we lost significant business and contribution by the loss of a principal supplier; despite that the team succeeded in achieving this level of profits.

However, one is not satisfied.....Why ?

In today's and tomorrow's world we cannot be satisfied with incrementally improving positions. Unless one grows at a quantum pace to at least achieve a initial level of sales which attracts international attention, one has a risk of setbacks in the long run. This mind set change has settled in and accordingly, several steps are being discussed and some of these are as follows:

1. **BRAND** : The brand name of USHA for sewing machines and electric fans (presently our largest business) is substantially within the control of our company. The coordination with Jay Engineering is near perfect and the manufacturing approach is to bring the customer closer to the manufacturing base.

Brand emphasis must increase in this year; some of the weaknesses in the system have evaporated and as a result we should be able to spend more on brand building in a highly creative and cost effective manner.

2. **SERVICE** : Recognising that once sold products must function trouble free, the most serious attention will begin to be paid to our already successful service plan. Customers are more demanding and need much more satisfaction than heretofore. Therefore, a strong customer sensitive service programme is being put in place and we ask that you test it.
3. **STRATEGY** : While we are intending significant growth in all our businesses, we still need to strategize the particular areas of emphasis and growth whereby our volumes and revenues can take a quantum leap with consequential early impact on the bottom line.
4. **GEOGRAPHY** : In this year UIL plans to expand its divisional offices from only within India to key markets in the immediate region around us to cater to the demand for USHA products and to be closer to the customer. It will be a new learning for us. Our overseas divisional offices were closed down in the sixties.

This progress will also become a channel through which our brand will be further communicated to a newer client base in the Sub-continent, the U.A.E., Africa, Europe and the U.S.A.

5. **HUMAN RESOURCES** : All of these will throw up enormous H R challenges which we are gearing up to face. UIL continues to be a great place to work not only because of outstanding training and development but also for the giving of greater responsibilities early. The expansions will allow these to happen in greater measure.

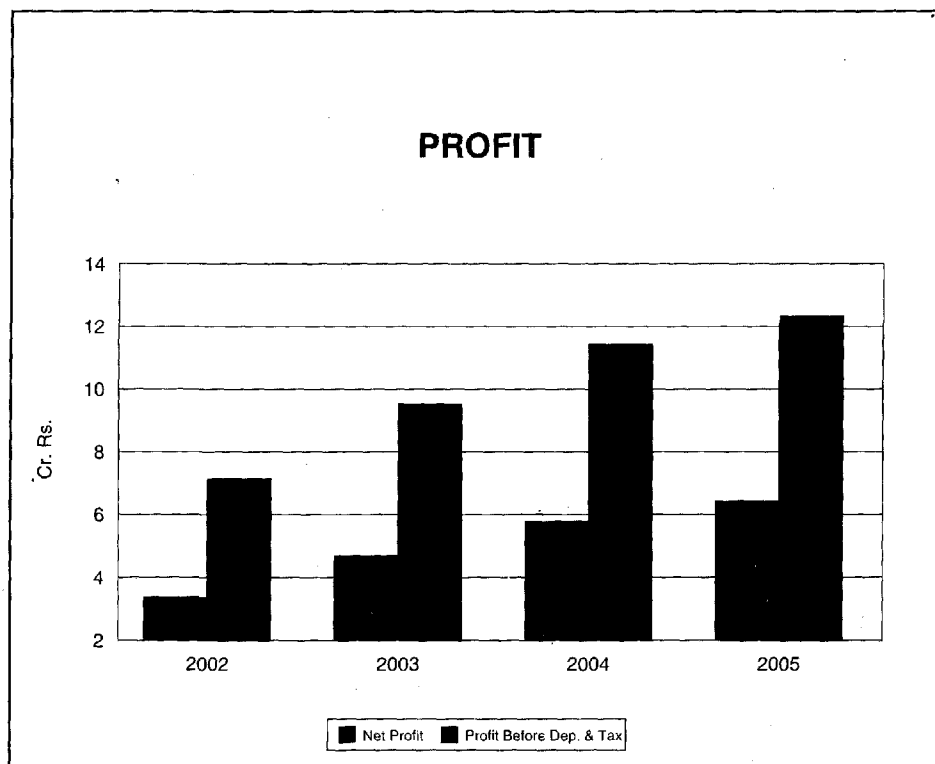
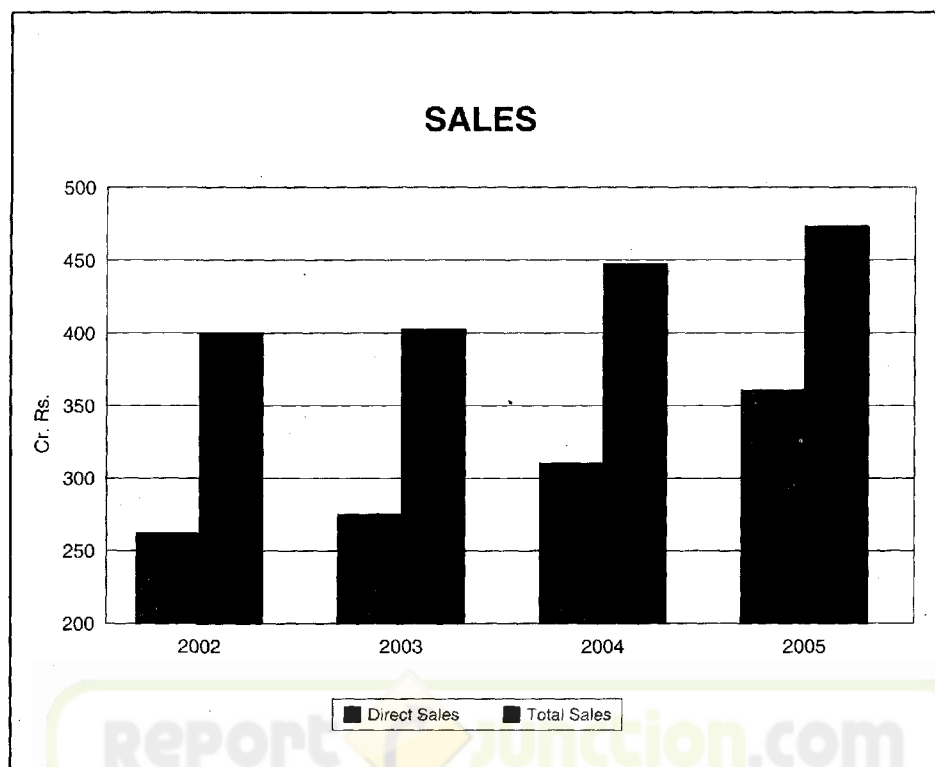
While there are many other initiatives being taken, for commitment purposes, we would particularly like you to ask us yearly what we are doing to return back to society some of the benefits (profits) that society kindly bestows on us by buying our products.

We look to the future with great optimism and joy and we trust that all our stake holders, be they suppliers, dealers, agents, bankers, employees at all levels, or shareholders, will continue to be happy working with us. If we are able to work with the kind of approach we have had last year, one can promise many new and joyous tomorrows.

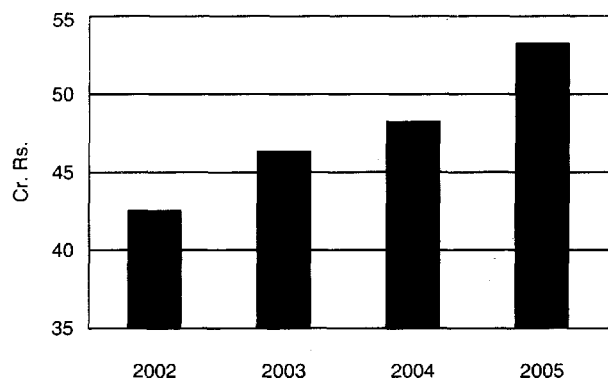
Sincerely,


 (SIDDHARTH SHRIRAM)

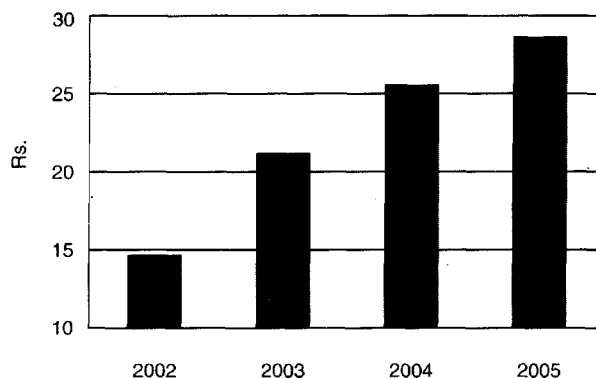
Date: 28th June, 2005



NET WORTH



EARNING PER SHARE



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PARTICULARS	UNIT	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
SALES											
- TOTAL (INCLUDING ORDERS BOOKED ON PRINCIPALS)	Cr/Rs.	473.7	447.8	402.7	400.9	410.0	417.2	390.1	344.1	320.0	289.4
- DIRECT	Cr/Rs.	360.7	310.7	275.9	261.7	279.9	281.2	265.1	226.1	229.0	224.4
PROFIT											
- BEFORE DEP. & TAX	Cr/Rs.	12.3	11.4	9.5	7.1	9.1	9.9	9.0	6.3	5.7	5.0
- NET	Cr/Rs.	6.4	5.8	4.7	3.4	4.7	5.4	5.4	3.6	3.3	1.9
SHARE CAPITAL - PAID UP	Cr/Rs.	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.0	1.9	1.9
NET WORTH	Cr/Rs.	53.1	48.1	46.2	42.3	39.6	34.5	30.4	22.0	17.6	14.2
TOTAL ASSETS	Cr/Rs.	147.0	122.1	122.0	121.2	112.7	109.8	93.8	81.7	79.1	68.6
DIVIDEND											
- AMOUNT	Lac/Rs.	113.8	341.4	68.3	68.3	113.8	113.8	108.3 *	48.4 *	42.2	42.2
- RATE	%	50.0	150.0	30.0	30.0	50.0	50.0	50.0	25.0	22.5	22.5
BOOK VALUE PER EQUITY SHARE	Rs.	233.2	211.2	202.8	185.9	173.8	151.5	133.4	111.4	94.0	75.8
EARNING PER EQUITY SHARE	Rs.	27.95	25.6	20.6	14.8	20.6	23.9	23.7	18.2	17.7	10.1



DIRECTORS' REPORT

The Directors present their 52nd Annual Report alongwith audited accounts of the Company for the year ended on March 31, 2005.

The Directors are pleased to place on record that the Company has made the highest ever gross profit of Rs. 12.3 Crores (last year Rs. 11.4 Crores) and net profit of Rs. 6.4 Crores (last year Rs. 5.8 Crores) after meeting steep escalations in the cost of operations as well as losing a major principal.

The Direct Turnover of the Company increased by Rs. 50 Crores to Rs. 360.7 Crores and the Indirect Turnover declined by Rs. 24.1 Crores to Rs. 113 Crores as compared to last year. However, while Direct Exports increased by Rs. 19 Crores to Rs. 30 Crores, Indirect Exports declined by Rs. 39 Crores to Rs. 44 Crores as compared to last year. The decline in indirect business (domestic) and Indirect Exports is related to the cessation of business with the principals of Auto Products.

The Company's Auto Products business has been restructured and the Company is no longer representing M/s Shriram Pistons & Rings Ltd., M/s Shriram Automotive Products Ltd. and M/s Shriram Alpine Sales Pvt. Ltd.

Thus, 2004-05 has been a good year for your Company both in terms of growth in sales as well as quantum jump in the market share of main product lines, like Electric Fans and Sewing Machines.

A sum of Rs. 63.6 Lac is being transferred to General Reserve.

The Directors have recommended Dividend @ 50 % on the Equity Shares.

Fixed Deposits amounting to Rs. 14.6 Lac pertaining to 56 depositors remained unclaimed at the close of the year; of these, deposits amounting to Rs. 9.6 Lac have since been paid / renewed during the current financial year.

We are happy to announce that we have moved to our own new state of the art modern office building in Sector-32 in Gurgaon, Haryana.

As a measure of expansion/diversification, the Company took over a Water Cooler manufacturing unit from M/s Daikin Air-Conditioning India Pvt. Ltd. on a going concern basis, effective from 25.03.2005 alongwith USHA/SHRIRAM brands for Water Coolers/Air-Conditioners, etc.

As this Industry is not energy intensive, no special measures have been taken for energy conservation and no proposals are under consideration for the same. Particulars of energy consumption in Form 'A' are not required to be provided since the Company is not covered by industries specified in the relevant Schedule. Since the operations were undertaken only from 25.3.2005, no activity relating to Research & Development and Technology absorption, adaptation and innovation took place during the year and thus, the data of technology absorption in Form 'B' is Nil. The information relating to Exports has been given in the Corporate Governance Report attached herewith, which forms an integral part of this Report. The amount of foreign exchange earned / utilised during the year has been given in Notes to the Accounts attached herewith, which form an integral part of this Report.

Particulars of personnel required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the annexed statement which forms an integral part of this Report.

The Company has acquired majority shareholding in the Equity Share Capital of M/s The Jay Engineering Works Ltd. (JEW) and has also acquired 5% Equity Share Capital of M/s Shriram Fuel Injection Industries Ltd. (SFIL), a subsidiary of JEW. Thus, JEW and SFIL have become subsidiaries of the Company effective from 25.3.2005.

The Central Government has granted exemption under Section 212(8) of the Companies Act, 1956 to your Company from attaching the documents specified under Section 212(1) of the Companies Act, 1956 in respect of its subsidiaries. However, Audited Consolidated Financial Statements of the Company and its Subsidiaries, prepared in accordance with the Accounting Standard - 21 are attached herewith, which form part of the Annual Report and Accounts of the Company. The following information in respect of each subsidiary is disclosed in the statement attached to the Consolidated Balance Sheet i.e. : (a) Capital (b) Reserves (c) Total Assets (d) Total Liabilities (e) Details of Investment (excluding investment in subsidiaries) (f) Turnover (g) Profit before taxation (h) Provision for taxation (i) Profit after taxation (j) Proposed dividend.

The Annual Accounts and the related detailed information in respect of the Company's Subsidiaries will be made available on request. The Annual Accounts of the subsidiary companies are also available for inspection at the Registered / Head Office of the Company and also at the respective offices of its Subsidiaries.

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state that:

- (i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- (ii) 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) 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) the annual accounts have been prepared on a going concern basis.

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

A separate section on Corporate Governance and a Certificate of the Auditors regarding compliance of provisions of Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, form part of the Annual 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.

On behalf of the Board

Gurgaon
June 28, 2005

SIDDHARTH SHRIRAM
CHAIRMAN

PARTICULARS OF THE EMPLOYEES

IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT

Name	Designation/ Nature of Duties	Remune- -ration (Rs.)	Qualifications	Experi- -ence (Yrs.)	Date of Appointment	Age (yrs)	Last Employment held, Employer/ Designation
Bhandari P.C.	Vice President - Marketing	2841007	B.Com., MBA	28	1987, Feb. 18	50	Aimara International Trading Co. Ltd. -Dy. General Manager
Munjal Anju	Vice President - Corporate Comm.	2492949	B.A. (H), PGD (PR & Advtg.)	28	1987, Aug. 17	46	Ravissant - Manager-Publicity
Narang D.S.	Vice President - Marketing	2462706	B.Sc. (Engg.)	40	1978, July 11	62	American Universal Elect. (I) Ltd. - Branch Manager
Shriram Chhaya	Whole Time Director	4167000	M.A. (Columbia University)	11	2002, Oct. 21	36	Usha International Ltd. -Officer on Spl. Duty
Singh M.R.	Vice President - Orgn. & Personnel	2589114	M.A., MBA	31	1995, Oct. 20	54	Bhartia Cutler Hammer Ltd. - General Manager - HR
Singhal S.S.	Executive Director - Finance & Accounts	2580685	B.Com. (Hons), LL.B, DBM., MBA	48	1975, Sept. 08	68	Century Metals Ltd. -Commercial Manager

1 Remuneration includes Salary, Commission, Allowances and monetary value of Perquisites as well as Company's contribution to Provident & Superannuation Fund.

2 The nature of employment is contractual except in the case of Whole Time Director whose terms have been approved by the Shareholders.

3 None of the employees is a relative of any Director of the Company except WholeTime Director, who is a relative of Mr. Siddharth Shriram.

On behalf of the Board

SIDDHARTH SHRIRAM
CHAIRMAN



CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

Usha's philosophy of Corporate Governance stems from the belief that the Company's business strategy and plans are consistent with welfare of all its Stakeholders and thus our philosophy on Corporate Governance envisages attainment of highest level of transparency, integrity and equity in all facets of its operations and interactions with its Stakeholders, i.e. Shareholders, Employees, Government, Vendors and Lenders.

Usha is committed to benchmark itself with the best standards of Corporate Governance not only in form but also in spirit.

2. Board of Directors

At the year end, the Company's Board consists of five Independent Directors headed by its Non-Executive Chairman, Mr. Siddharth Shriram.

During the year, eight Board Meetings were held on 04.05.2004, 30.06.2004, 20.07.2004, 30.07.2004, 26.10.2004, 30.11.2004, 12.01.2005 and 31.01.2005. The time gap between any two Board Meetings did not exceed four months.

The particulars of the Directors are as under:

Name	Category	Attendance Particulars		No. of Directorships and Committee Memberships/Chairmanships in other Public Limited Companies		
		Board Meeting (Nos.)	Last Annual General Meeting	Directorships	Committees**	
					Member	Chairman
Mr. Siddharth Shriram	Non-Executive/ Promoter	7	Not Present	9	4	2
Mr. Sunil Wadhwa	Managing Director	7	Present	-	-	-
Ms. Chhaya Shriram*	Whole Time Director/ Promoter	7	Present	1	1	1
Mr. A.K. Jain	Non-Executive	6	Present	-	-	-
Mr. N.K. Goila	Non-Executive	6	Present	7	5	2

* Daughter of Mr. Siddharth Shriram.

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

3. Audit Committee

The broad terms of reference of the Audit Committee constituted under Clause 49 of the Listing Agreement with the Stock Exchange are as under:

- Discussions on observations of Statutory Auditors on the Accounts audited by them and the Internal Control Systems.
- Appoint Internal Auditors and fix their remuneration.
- Approve Internal Audit Plans.

- d) Review periodic Internal Audit Reports including Internal Control Systems.
- e) Review periodic Financial Results and Financial Statements before their submission to the Board.
- f) Perform such other role/functions as envisaged under Clause 49 of the Listing Agreement.

During the year, four Audit Committee Meetings were held on 04.05.2004, 30.07.2004, 26.10.2004 and 31.01.2005.

The composition of the Audit Committee and the meetings attended by its members are as under:

Member	Category	Meetings attended
Mr. Siddharth Shriram (Chairman)	Non-Executive	4
Mr. A.K. Jain	Non-Executive	3
Mr. N.K. Goila	Non-Executive	3

4. Remuneration Committee

The Remuneration Committee constituted as per the provisions of Schedule XIII of the Companies Act, 1956, comprises of Mr. Siddharth Shriram (Chairman), Mr. A.K.Jain and Mr. N.K.Goila.

The Committee meets to review, recommend and approve the remuneration of the Managerial Personnel as and when required after taking into consideration factors such as qualification, experience, expertise, prevailing level of remuneration in the corporate world, financial position of the Company, etc.

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 aggregate value of salary and perquisites paid to the Managing Director / Whole Time Director for the year ended on 31st March, 2005 is as follows: Mr. Sunil Wadhwa, Managing Director - Rs. 109.48 Lac and Ms. Chhaya Shriram, Whole Time Director - Rs. 41.67 Lac. 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 details of the remuneration of these Managerial Personnel are given in Para 4 of Schedule 10 (Part B) of the Balance Sheet.

The Non-Executive Directors are entitled to payment of Commission @ 1% of Net Profits of the Company after deducting sitting fees paid to them for attending the meeting of Board of Directors and Committees thereof. The Sitting Fees and Commission paid /payable to the Non-Executive Directors for the year ended on 31st March, 2005 are as follows: Mr. Siddharth Shriram - Rs. 11.73 Lac; Mr. A. K. Jain - Rs. 22,000 and Mr. N.K.Goila - Rs. 22,000.

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 Share Certificates. Besides, the Board of Directors has delegated the power to approve Share transfers upto maximum of 500 Shares per case to Ms. Chhaya Shriram, Whole Time Director and Mr. S.S.Singhal, an Officer of the Company.

The Shareholders' complaints such as non-registration of transfer of shares and non-receipt of Dividend, Share Certificates, etc. are addressed to the Committee for its noting / advice and redressal thereof. Mr. Amit Chaurasia, Company Secretary is the Compliance Officer.