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USHA INTERNATIONAL LTD.

ANNUAL REPORT 2006-07

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USHA INTERNATIONAL LTD.



Regd. Office : 19, Kasturba Gandhi Marg, New Delhi - 110 001

NOTICE

The 54th Annual General Meeting of the Company will be held as scheduled below: -

Date : 21.09.2007 (Friday)
 Time : 11.00 A.M.
 Venue : Kamani Auditorium, 1, Copernicus Marg, New Delhi - 110 001.

to transact the following business: -

1. To consider and adopt the Balance Sheet of the Company as at March 31, 2007 and the Profit & Loss Account for the year ended that day together with the reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. A.K. Jain who retires by rotation and is eligible for re-election.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s Thakur, Vaidyanath Aiyar & Co., Chartered Accountants are the retiring Auditors.
5. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as Ordinary Resolution:-
 "Resolved that Mr. Vinod K. Wazir, who was co-opted by the Board of Directors as an Additional Director w.e.f. 21.08.2006 and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:-
 "Resolved that subject to various provisions of the Companies Act, 1956, Mr. Sunil Wadhwa, be and is hereby re-appointed as Managing Director of the Company for a period of five years w.e.f. 27.01.2007, on the following terms and conditions: -

- | | | |
|-----|-------------------|---|
| (1) | PERIOD | : Five years w.e.f. 27.01.2007 |
| (2) | REMUNERATION | : For a period of one year w.e.f. 27.01.2007
(Approved by Central Government vide its letter dated 29 th March, 2007) |
| i | Basic Salary | : Rs. 3,50,000/- p.m. |
| ii | Special Allowance | : Rs. 3,75,000/- p.m |



- | | | |
|------|----------------------------------|---|
| iii | House Rent Allowance | : 60% of the Basic salary. Furniture and Furnishings upto Rs. 18 Lacs as per the rules of the Company. |
| iv | Leave | : As per the rules of the Company. |
| v | Company Car with Driver | : For official use and the use for private purposes shall be billed by the Company. |
| vi | Mobile & Telephone | : Mobile phone and one landline Telephone at residence. Personal long distance calls shall be billed by the Company. |
| vii | Medical Reimbursement | : Upto Rs. 72,000 p.a. |
| viii | Leave Travel Concession | : For self and family, once in a year for travel anywhere in India subject to the condition that only actual fares upto a limit of Rs. 3,60,000 will be paid. |
| ix | Club Membership Fees | : Any two clubs for self and family. |
| x | Personal Accident Insurance | : Cover upto Rs. 10 Lacs with premium not exceeding Rs. 3,000 p.a. |
| xi | Superannuation Fund Contribution | : Contribution to P.F. and Superannuation not exceeding 27 % of the basic salary or as allowed under Income Tax Rules from time to time. |
| xii | Gratuity | : As per the rules of the Company. |

- (3) In addition to the remuneration as (2) above, a performance based incentive varying from zero to Rs. 50 Lacs p.a. would be payable as determined by the Board of Directors.

The entire remuneration by way of salary, perquisites and incentive mentioned above shall be paid as minimum remuneration in the event of absence or inadequacy of profits.

MEMORANDUM OF CONCERN OR INTEREST

Except Mr. Sunil Wadhwa, being the appointee, no other Director is interested in the appointment.

By Order of the Board

Date : 16.08.2007

Place: Gurgaon

(Daisy Khanna)
Company Secretary



NOTES TO NOTICE OF MEETING

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed w.e.f. 14.09.2007 to 21.09.2007 (both days inclusive).
3. In accordance with the provisions of the Companies Act, 1956, the amount of Dividend which remains unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund (Fund) constituted by Central Government and Shareholders wouldn't be able to claim the amount of Dividend so transferred to the Fund. As such, those Shareholders who have not yet encashed their Dividend Warrants / Drafts are requested in their own interest to claim the outstanding Dividend.
4. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company during business hours on all working days.
5. The information required to be disclosed under the Listing Agreement regarding the Directors who are proposed to be appointed/re-appointed and the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 5 and 6 set out in the notice are as under:
 - A. The Particulars, as required under the Listing Agreement, of the Directors proposed to be appointed are as follows:

- | | | |
|--|---|--|
| a) Name | : | Mr. A.K. Jain |
| Date of Birth | : | 18.3.1951 |
| Qualification | : | B. Com (Hons.), AICWA, CISA |
| Experience | : | Has vast experience of over 31 years in Finance, Accounts and General Management at Senior levels in leading enterprises in India including as Chief Financial Officer and Chief Operating Officer of Siel Ltd. |
| Directorship/Committee's Membership | : | Director of Usha International Ltd & Trusted Info Systems Pvt. Ltd. Member of Audit Committee, Remuneration Committee and Share Transfers & Shareholders / Investors Grievances Committee of Usha International Ltd. |
| Shareholding in Usha International Ltd | : | 1 Equity Share |
| b) Name | : | Mr. Vinod K. Wazir |
| Date of Birth | : | 7.7.1939 |
| Qualification | : | B.A Physics & Mathematics, B.E. Mechanical Engineering, MIE, MIIF, MIIM, Chartered Engineer. |



Experience	:	Brid & Co. (Pvt.) Ltd., Calcutta 1961-1966, K.G. Khosla Compressors Ltd. 1966-1991 - President, Siel Ltd. 1991-1994 Executive Director / Vice President.
Directorship/ Committee's Membership	:	Director in Usha International Ltd., Fusion Trading Co. (Pvt.) Ltd., Fusion Avro Agencies (Pvt.) Ltd., WBW Consultants (Pvt.) Ltd.
Shareholding in Usha International Ltd	:	NIL
c) Name	:	Mr. Sunil Wadhwa
Date of Birth	:	17.07.1951
Qualification	:	B.Sc (Hons), MBA, PMD (Harvard)
Experience	:	Joined Usha International Ltd. in 1972 as a Management Trainee. He is a Management Graduate having done his MBA from the prestigious Faculty of Management Studies (FMS), Delhi University. He has further attended an intensive Programme on Management Development at the renowned Harvard Business School, USA. His career path, after joining as Management Trainee, has been impressive. He became Executive Director of the Company in 1980, Sr. Executive Director in 1992 and Managing Director in 1999.
Directorship/ Committee's Membership	:	Director in Usha International Ltd and Avro Sales Pvt. Ltd. Member of Shareholders/Investors Grievances Committee of Usha International Ltd.
Shareholding in Usha International Ltd.	:	1 Equity Share

B. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Vinod K. Wazir was co-opted as an Additional Director of the Company w.e.f. 21.08.2006 and in terms of Section 260 of the Companies Act, 1956 and Article 86 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting. Notices u/s 257 of the Companies Act, 1956 have been received by the Company from members proposing the appointment of Mr. Vinod K. Wazir as a Director of the Company at this Annual General Meeting, whose period of office shall be liable to be determined by retirement by rotation.

Consent has been received from Mr. Vinod K. Wazir pursuant to Section 264(1) of the Companies Act to act as Director, if appointed. No Director, except Mr. Vinod K. Wazir is interested in the Resolution.

**ITEM NO. 6**

The term of Mr. Sunil Wadhwa as Managing Director expired on 26.01.2007. The professional expertise of Mr. Sunil Wadhwa has resulted in higher turnover/profits consistently over the years through substantial improvements in the quality of operations despite highly competitive market environment.

The targeted level of growth in the coming years is likely to put enormous strain on the management / manageability while continuing to have excellent Corporate Governance.

Keeping in view the above, Board of Directors re-appointed Mr. Sunil Wadhwa as Managing Director for a further period of five years w.e.f. 27.01.2007 on the terms and conditions and remuneration as stated in the Resolution.

The Central Government has approved the remuneration as proposed by Board of Directors in their resolution for the period from 27.01.2007 to 26.01.2008. The particulars required to be disclosed pursuant to the provisions of Schedule XIII to the Companies Act, 1956 are given in the Annexure.

None of the Directors except the appointee is concerned or interested in the Resolution. The Directors recommend the Special Resolution in the accompanying notice for your approval.

Annexure forming part to the Explanatory Statement (Item No. 6) giving disclosures as required under Schedule XIII [Part II] of the Companies Act, 1956: -

I. GENERAL INFORMATION**1. Nature of Industry**

Usha International Ltd. is a 53 years old Company and is marketing diverse range of consumer durables viz. Fans, Sewing Machines, Home Appliance, Air Conditioners, Water Coolers, Diesel Engines, Pumpsets and Auto Products throughout the length and breadth of the country and across the world.

2 & 3. The Company was incorporated in 1954 as a Marketing & Manufacturer Company and commenced manufacturing operations in 2005. However, these two paras are not applicable.

4. Financial performance based on given indicators is as under:

Particulars	Unit	Financial Year ended, March				
		2003	2004	2005	2006	2007
- Sales including orders booked on Principals	Rs./Cr.	402.7	447.8	473.7	541.1	661.5
- Profit Before Dep. & Tax	Rs./Cr.	9.5	11.4	12.3	19.6	25.5
- Net Profit	Rs./Cr.	4.7	5.8	6.4	10.4	14.3
- Earning Per Share	Rs.	20.6	25.6	27.9	45.5	62.8
- Book Value Per Share	Rs.	202.8	211.2	233.2	272.8	309.0
- Profit U/s 198	Rs./Cr.	8.1	8.9	12.2	17.8	23.3
- Net Worth	Rs./Cr.	46.2	48.1	53.1	62.1	70.3
- Dividend	%	30	150	50	50	225

5. Export performance and foreign exchange collaborations

The Company has not entered into any collaboration with a foreign party. The export turnover (including orders booked in the name of the principals) during the last five years is as under:

Rs./Cr.				
2003	2004	2005	2006	2007
75.5	93.2	74	53.8	58.3

6. There are no foreign investments/collaborations.

II. INFORMATION ABOUT THE APPOINTEE

1. Background, 3. Recognition or Awards, 4. Job Profile & Suitability

Please refer to the details given under Para 5 A (c) of Notes to Notice of Meeting and the Explanatory Statement for Item No. 6.

2. Past remuneration approved till 26.01.2007 is Rs. 9,18,300/- P.M. plus Commission @ 1% of the Net Profits of the Company, as approved by the Shareholders vide their resolution dtd. 21.08.2006.

5 The details of the proposed Remuneration are given in the Resolution at Item No. 6 of the Notice of Meeting.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin).

Having regard to the size of the Company, academic background of Mr. Sunil Wadhwa and the experience / profile of the positions occupied by him, the proposed remuneration is at par with the remunerations being paid to such senior executives by both multinational as well as domestic organization in the Corporate Sector.

7. Pecuniary Relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.

Mr. Sunil Wadhwa is not a relative of any managerial personnel of the Company and is not interested directly / indirectly in any selling agency of the Company nor is he related directly or indirectly to the Promoters or any substantial Shareholders of the Company. He is a Professional Executive.

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits

The Company is engaged in the marketing of consumer durables and operates in a highly competitive market on account of:

- The dominance of and competition with un-organized sector.
- Impact of macro factors on exports including change in Government policies and fluctuations in exchange rates.

- Availability of spurious products.

All the above factors have direct bearing on the profit margin of the Company and the existing thin margins are further squeezed by:

- Availability of imported products at much cheaper prices from the countries like China.
- Increase in input cost without corresponding increase in customer prices due to cut throat competition.
- Increase in personnel and staffing cost to attract and retain talent.

Despite all the above negative factors, the Company has, in fact, consistently shown growth in turnover as well as profitability. This could be possible only through highly professionalized management and the direction and control of the key personnel.

2. Steps taken/proposed to be taken for improvement

While the Company has been earning adequate profits, making the operations more cost effective and more profitable has been a continuous process with in the Company. Steps are consistently taken for improving operations, which is also evident from the steady growth in turnover and profitability. Some such steps taken by the Company are:

- Widening of the distribution network for maintaining cutting edge over the competitors.
- Ensuring uninterrupted availability of the quality products to the customers.
- Capturing the potential demand arising on account of the growth in construction, housing and hospitality sectors.
- Setting up a separate cell for exploiting the opportunities arising from change in retail scenario with the growth of Shopping Malls and Large Format Stores.
- Training and motivation of the staff at all levels for efficient operations/increasing productivity.
- Availing the benefit of increasing globalization and economic liberalization.

3. Expected increase in productivity and profits in measurable terms

A number of initiatives, listed in para 2 above, to improve profitability both in medium as well as long term are taken, which *inter alia* include product development in line with the changing requirements/ needs of the customers and introduction of new products with high technological features to match the changing trends in the market. Despite the various constraints, enumerated in para 1 above, the Company aims at a growth of approx. 10 - 15% every year.

IV. DISCLOSURES

1. The remuneration package of the appointee has been incorporated in the notice of the meeting.
2. i) All elements of remuneration package such as salary, benefits, etc. of all the Directors have been mentioned in the Corporate Governance Report annexed to the Directors' Report.



- ii) The proposed remuneration is the minimum remuneration payable even in case of loss or inadequacy of profits.
- iii) Details of the service contracts, notice period, severance fees have been given in the Corporate Governance Report annexed to the Directors' Report.
- iv) No Stock Option has been offered by the Company.

By Order of the Board

Date : 16.08.2007

Place : Gurgaon

(Daisy Khanna)

Company Secretary

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USHA INTERNATIONAL LTD.



Regd. Office : 19, Kasturba Gandhi Marg, New Delhi - 110 001

54th ANNUAL GENERAL MEETING 21ST SEPTEMBER , 2007

ADMISSION SLIP

Members or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signatures registered with the Company.

**I CERTIFY THAT I AM A REGISTERED MEMBER OF THE COMPANY HOLDING.....EQUITY SHARES
I HEREBY RECORD MY PRESENCE AT THE 54TH ANNUAL GENERAL MEETING OF USHA INTERNATIONAL LTD. ON FRIDAY,
THE 21ST SEPTEMBER, 2007 AT 11.00 A. M. AT KAMANI AUDITORIUM, 1, COPERNICUS MARG, NEW DELHI - 110001.**

Please ✓ in the box

☐ Member ☐ Proxy

Folio No./Client ID* _____

Member's signature _____

DP. ID* _____

Proxy's signature _____

Name of the Member/Proxy in Block Letters

*Applicable for Members holding Shares in electronic form

- Notes: 1. Members having queries, if any, on Accounts are requested to send them ten days in advance.
2. Members are requested to bring their copies of the Annual Report while attending the meeting.

.....Please tear here.....



USHA INTERNATIONAL LTD.



Regd. Office : 19, Kasturba Gandhi Marg, New Delhi - 110 001

PROXY FORM

I/We.....of.....
in the district of.....
being member(s) of USHA INTERNATIONAL LIMITED hereby appoint.....
of.....in the district of.....
or failing him.....of.....
in the district of.....
as my/our proxy to attend and vote for me/us on my/our behalf at the 54th Annual General Meeting of the Company to be held on
21.09.07 and any adjournment thereof.

Signed on.....at.....

Signature(s).....

Revenue
Stamp

Name.....

Folio No./Client ID*.....D.P.ID*.....

Address.....
.....
.....

*Applicable for Members holding Shares in electronic form.

- Notes: 1. The Proxy need NOT be a member.
2. The Proxy Form duly signed across a Revenue Stamp of 15 paise should reach the Company's Registered Office atleast 48 hours before the meeting.