



MAYUR LEATHER PRODUCTS LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of your Company along with Audited Annual Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial performance of the Company for the year ended on 31st March, 2011 is as follows:

| | Rs. in Laacs | |
|---|---------------|---------------|
| | 31.03.2011 | 31.03.2010 |
| Turnover (FOB) | 1820.08 | 1445.25 |
| Other Income | 273.61 | 181.63 |
| Less: Total Expenditure | 2005.11 | 1479.28 |
| Interest | 24.72 | 28.04 |
| Depreciation | 55.16 | 49.96 |
| Profit before Tax & extra-ordinary items | 8.70 | 69.60 |
| Add/Less: Extra Ordinary Items | - | 0.40 |
| Profit before Tax | 8.70 | 70.00 |
| Less: Provision for Current Tax | 1.00 | 18.75 |
| Provision for FBT | - | - |
| Provision for Deferred Tax | 1.14 | - |
| Add: old Provision for tax written back | 2.11 | - |
| Deferred tax written back | - | 15.09 |
| Less: Income tax for earlier years | - | 5.77 |
| Net Profit/ (Loss) after Tax for the year | 8.67 | 60.57 |
| Profit/ (Loss) brought forward | 792.35 | 798.34 |
| Profit available for appropriation | 801.02 | 858.91 |
| <u>Appropriations:</u> | | |
| Proposed dividend on equity shares | 36.26 | 48.35 |
| Tax on proposed dividend | 6.03 | 8.22 |
| Transfer to general reserve | 1.00 | 10.00 |
| Balance carried forward | 757.73 | 792.35 |

OPERATIONS

During the last two years the global recession was at its peak which seriously affected certain sectors, exports not being an exception. Mayur Leather Products Limited being a predominantly export oriented unit has also suffered serious negative consequences of the recession in Europe over the last two years which in turn has severely effected our export turn over. During the year 2008 - 09, it declined by 30% and during the year 2009 - 10 it further declined by 12%. But in current year we have achieved the increment of 26% in turnover. In spite of this increment our profit margin comes down because of inflation effect on price of raw material.



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The table below shows the declining turnover of the Company due to global recession:

| Financial year | Export Turnover |
|----------------|------------------|
| 2008 - 09 | Rs. 1644.62 Lacs |
| 2009 - 10 | Rs. 1445.25 Lacs |
| 2010 - 11 | Rs. 1820.08 Lacs |

In order to increase our market share to offset the decline in export, the Company has taken various steps, major of them are follows:

| | |
|----|---|
| a. | In collaboration with M/s UVEX our German buyers: Over 50 Styles are being worked on, which would ensure that we increase our market share to offset the Global recession. |
| b. | We undertook project implementation to start Vulka Shoe production for Company Heckel Securite, France This would help to further supplement the reduction in exports to Europe over the last 2 years. |
| c. | We are undertaking various activities to develop local Indian market: Our presence in the local market was negligible in the year 2006 – 07. We have started activities during the year 2007-08 & by 2008-09 our local marketing was approx. 29429 Pairs and in year 2009-10 it was 49737 pairs. This year we have increased this to 50103 Pairs valued at approx. Rs. 2.40 Crores which is 70.25% increase as compare to 2008-09 and .73% increase as compare to previous year and we expect this to increase during the next year to approx. 60000 Pairs, approx. value Rs. 3.00 Crores another 20% increase. |

With reference to the above steps taken by the Company, the Company is confident of recovering the lost ground due to the world wide recession.

However, there is one uncertainty in export business and that is the status of the EURO. At the moment, it is very volatile and has decreased as compared with US Dollar from 1.45 to 1.20. Exchange rate is difficult to predict, but it is a global phenomena and both the exporters and the importers in Europe will have to find a solution to it.

We have also gone in for diversification. The idea is to expand business areas and for the purpose of the same the Company entered into business related to hotels, restaurants by altering the Object Clause of Memorandum of Association of the Company.

Our first foray into hospitality has been setting up of two restaurants and a Banquet hall in the Centre of the City. Although this would have initially resulted a capital expenditure and additional revenue expenditure. In the long run, we intend to also diversify into this line in a big way.

There has been very good response from the general public towards our restaurant 'STREETS' and our Banquet hall at the same premises. Our second restaurant 'SPICES N SAUCES' is just about ready to take off.



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RESERVES

For the period under review the Board proposes to transfer Rs.1.00 lacs to General Reserve Account of the Company.

DIVIDEND

The Board of Directors is pleased to recommend a Final dividend of Rs.0.25 per equity share of Rs. 10/- each, for the year 2010-11, subject to approval of Shareholders in the Annual General Meeting. Together with the interim Dividend of Rs.0.50 per Equity share paid on 12/03/2011. The total outgo on account of dividend payment, including dividend tax, is Rs. 42.29 Lacs.

FIXED DEPOSITS

The Company has not accepted or renewed any fixed deposits from public during the year.

DIRECTORS

Shri K.D. Agarwal, Director, retires by rotation in terms of provisions of Companies Act, 1956 and Articles of Association of the Company at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

AUDITORS

M/s. Madhukar Garg & Co., Chartered Accountants, Statutory Auditors of the Company holds office until the conclusion of the forthcoming Annual General Meeting and is eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Accordingly, the said Auditors are proposed to be re-appointed as auditors of the Company for the financial year 2011-2012 at the ensuing Annual General Meeting. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

HUMAN RESOURCE DEVELOPMENT

The Company recognizes that its employees are its principal assets and that its continued growth is dependent upon the ability to attract and retain quality people. The Company also recognizes the importance of providing training and development opportunities to its people to enhance their skills and experiences, which in turn enables the company to achieve its business objectives. The morale of employees continued to remain high during the year contributing positively to the progress of the Company.

DELISTING OF EQUITY SHARES

The members have passed a special resolution in the Annual General Meeting held on 10.07.2004 permitting the Company to delist its shares from the stock exchanges of Delhi, Kolkata, Ahmedabad and Jaipur. As on date, out of the four exchanges, the equity shares of the Company have been delisted from the Delhi, Ahmedabad and Jaipur Stock Exchanges. Delisting application of the Company is still pending with the Calcutta Stock Exchange Association Ltd., Kolkata since December 2004. In spite of several reminders, the Company did not get any response from the exchange in the matter of the delisting status.



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SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

On 1st October, 2010, "Mayur Abodes Private Limited" became the subsidiary of the Company by acquiring 97.56% holding.

As required under the Listing agreement with the stock exchange, a consolidated financial statement of the Company and its subsidiary "Mayur Abodes Private Limited" is attached.

The Board periodically reviews the working and performance of its subsidiary Company.

The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the company who may be interested in obtaining the same. The Consolidated Financial statements presented by the Company include financial results of its subsidiary also.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed discussion on the industrial structure, development, opportunities, threats, review of operational performance and risks, as required under the Listing Agreements with stock exchanges, forms part of this report and is annexed herewith.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. that the directors have selected such accounting policies and applied them consistently and made judgement 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 ended on 31st March, 2011 and of the profit or loss of the Company for that period;
3. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

There are no employees in the Company whose particulars are required to be disclosed under the provisions of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, from time to time.

COMPLIANCE CERTIFICATE

As per the requirements of Section 383A of the Companies Act, 1956 and Companies (Compliance Certificate) Rules, 2001, the Company has obtained a Certificate from M/s V. M. & Associates, Company Secretaries in Whole-time Practice, confirming that the Company has complied with the provisions of the Companies Act, 1956 and a copy of the Compliance Certificate is annexed to this report.



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The appointment of M/s V.M. & Associates, Company Secretaries in Whole-time Practice, is also sought, for the year 2011-12, given in the notice.

CORPORATE GOVERNANCE

The Company considers Corporate Governance as an important step towards building investor confidence, improve investor's protection and maximize long term shareholder value. It has implemented all the provisions of the Corporate Governance as stipulated under Clause 49 of the listing agreements with all the stock exchanges, where the Company is listed except for the requirement pertaining to the Board/ Committee structure. The Company is working rigorously to broad base its Board with aptly qualified and experienced personnel who along with fulfilling the stipulations of the clause 49 can also provide the valuable support and inputs for the growth of the Company. We are hopeful to make necessary appointments shortly. It has always been a constant endeavor of the Company to adopt good corporate governance code through independent Board, transparent disclosures and shareholders empowerment for creating and sustaining shareholder value. A separate section on Corporate Governance along with a certificate from the Auditors of the Company, certifying compliance of stipulations of Clause 49 of listing agreements with the stock exchanges with regards to the Corporate Governance code is present elsewhere.

CONSERVATION OF ENERGY

The Company has taken various steps to reduce consumption of power, fuel, oil and other energy resources. The Company regularly takes advice from experts on energy conservation measures to be adopted. Regular studies are undertaken for assessing the possibilities of use of various methods by which the Company optimizes the use of energy without effecting the productivity, quality etc. Training programs are conducted to increase awareness on energy saving. As already mentioned, the efforts of the Company have already started showing results as the power, fuel and water expenses have been reduced for the year under review. This reduction has been achieved despite of escalating power and fuel prices.

RESEARCH & DEVELOPMENT / TECHNOLOGY ABSORPTION

Company continued to give utmost importance to the R&D activities. The Company has its own in-house well-developed Research and Development division. The objective of the Company through continuous Research and Development activities is the introduction of cost effective, state-of-art-products with enhanced life and to increase the production capacity. The Company's Laboratory and R&D division is continuously working towards new developments and keeps pace with the latest developments in high tech areas.

FOREIGN EXCHANGE EARNING AND OUTGO

Activities relating to exports; initiatives taken to increase exports, development of new export markets for product and services; and export plans:

The Company is engaged in the manufacture and export of leather safety shoes and shoe uppers. The majority sale is through exports. Due to the economic slow down, the export market of the regular products has been badly affected. This is being countered by two activities: -

- A. Realign fresh business from existing customers with new products.
- B. Develop an Indian Market network.



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Hopefully the results should start showing with in the next six months. It is our endeavor to fight the worldwide recession.

| | Rs. in Lacs | |
|----------------------------|-------------|---------|
| Earning: | | |
| Export (FOB) | | 1001.04 |
| Outgo: | | |
| Travelling expenses | 1.60 | |
| Sales & business promotion | 3.30 | |
| Raw material | 104.00 | |
| Sales Commission | 1.10 | |
| Repairs & Maintenance | 2.00 | |
| Plant & machinery | 54.00 | |
| Membership Fees | 1.00 | |
| Legal & Professional | 0.60 | 167.60 |

ACKNOWLEDGEMENT

The Board of directors place on record their appreciation for the assistance and cooperation received form the Financial institutions, banks, government and local authorities for their strong support and valuable guidance. The directors are thankful to the shareholders for their continuing support to the Company. Your directors also wish to place on record their deep sense of appreciation for the devoted services of the executives, staff and workers of the Company for its success.

For and on behalf of the Board of Directors

PLACE : Jaipur
DATE : 31st August, 2011

Sd/-
(R.K. Poddar)
Managing Director

Sd/-
(Amita Poddar)
Director