

Associated Stone Industries (Kotah) Ltd.

58th
Annual Report
2003 - 2004



The Stone Masters

Associated Stone Industries (Kotah) Ltd.

BOARD OF DIRECTORS

DEEPAK JATIA, *Vice Chairman & Managing Director*
 TONY JATIA, *Managing Director*
 SANWARMUL SHROFF
 C.S. LODHA (Till 27.10.2003)
 NARENDRA S. KARNAWAT
 PADAMKUMAR PODDAR
 KETAN M. SHAH
 SURENDRA MOHATTA (From 27.10.2003)
 ANITA JATIA (Alternate to SANWARMUL SHROFF - from 27.10.2003)
 N. RAMKUMAR, Nominee IFCI (Till 30.04.2004)

COMPANY SECRETARY

H.N. BANERJEE

MANAGEMENT EXECUTIVE

MINING UNIT

S. C. AGARWAL, *President*
 B. S. AGRAWAL, *Vice President (Sales)*
 V. L. GUPTA, *Advisor (Finance)*

SPINNING UNIT

A. K. JAIN, *President*
 S.R. SONI, *Chief Financial Officer*
 M.L. NAHAR, *Sr. Vice President (Commercial)*

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AUDITORS

M/s. B.L. AJMERA & CO.
 Chartered Accountants,
 M.I. Road, Jaipur - 302 001.

BANKERS

State Bank of Bikaner & Jaipur,
 ICICI Bank Ltd.

REGISTERED OFFICE

Jatia Avenue, 15-B, RIICO Indl. area,
 Neemrana, Dist. Alwar - 301 705.
 Rajasthan.

HEAD OFFICE

MINING UNIT

419-B, Kalbadevi Road, Joshwadi, 2nd Floor,
 Mumbai - 400 002.

SPINNING UNIT

Feltham House, J.N. Heredia Marg,
 Ballard Estate, Mumbai - 400 001.

WORKS - MINING UNIT

Ramganjmandi - 326 519.
 Dist. Kota - Rajasthan.

WORKS - SPINNING UNIT

Prerna Syntex (100% EOU)
 Jatia Avenue, 15-B, RIICO Indl. Area,
 Neemrana, Dist. Alwar - 301 705,
 Rajasthan.



DIRECTORS' REPORT

To
The Members,
Associated Stone Industries (Kotah) Limited

The Directors have pleasure in presenting the 58th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004:

1. FINANCIAL RESULTS

(Rupees in lacs)

	2004	2003
Sales	<u>12773.35</u>	<u>11580.23</u>
Profit before Interest and Depreciation	1136.19	1017.94
Less: Interest	929.77	857.90
Depreciation	<u>624.92</u>	<u>663.51</u>
Profit / (Loss) for the year	(418.50)	(503.47)
Prior Year Income / Expenses	18.19	(58.61)
Profit / (Loss) before Taxation	(400.31)	(562.08)
Provision for Taxation		
Current Tax	(0.58)	(0.77)
Deferred Tax	<u>153.12</u>	<u>188.49</u>
Profit / (Loss) after tax	(247.77)	(374.36)
Add: Balance brought forward from the previous Year	130.50	504.86
Balance carried forward to Balance Sheet	<u>(117.27)</u>	<u>130.50</u>

2. DIVIDEND

The Board of Directors do not recommend dividend for the year.

3. REVIEW OF OPERATIONS

The turnover for the year was Rs. 12773.35 Lacs compared to Rs. 11580.23 Lacs in the previous year. The exports are higher at Rs.5229.66 Lacs compared to Rs. 4412.18 in the previous year.

The deferred tax has been provided in accordance with Accounting Standard 22 – 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India for the current year ended 31st March, 2004. Timing differences have resulted in net Deferred Tax Credit amounting to Rs.153.09 Lacs which is adjusted to the provisions for taxation for the year.

4. PERFORMANCE OF DIVISIONS MINING DIVISION

Scientific and systematic planning, execution of working at the quarry floor and processing unit has enabled us in achieving yet another record production and sale.

Particulars	2002 – 03	2003 – 04	Growth (%)
Production (Lacs Sq. Mtrs.)	78.14	90.62	15.97
Sale (Lacs Sq. Mtrs.)	79.01	89.83	13.69
Sale (Rs. in Lacs)	5229.23	5888.31	12.60

The profit during the year 2003-04 has been Rs.111.94 Lacs as compared to Rs.122.91 Lacs during last year 2002-03.

SPINNING DIVISION (PRERNA SYNTEX-100% EOU)

The effect of unprecedented rise in cotton price, due to drought where crop failed, for the season 2002-03 continued during first half of the year under review. Despite bumper crop for the season 2003-04, cotton price remained at peak due to failure of crop in Pakistan and China. The continuous pressure on US\$ also impaired the operating margins. However, in view of improvement in realisation due to changed international scenario, since October, 2003, our bottom lines are improving.

Control over input cost by better management viz. energy control, inventory management, cotton procurement policy, etc as also diversifying into different international market has shown improvement in the working results.

The division has registered a turnover of Rs.7038.23 Lacs (Rs.6351.00 Lacs), Gross Profit at Rs.504.97 Lacs (Rs.344.30 Lacs) with Net Loss of Rs.530.31 Lacs (Rs.626.46 Lacs).

Installation of own DG sets and another Visionshield will definitely improve the productivity, quality and margins of the Division.

5. FINANCIAL RESTRUCTURING

The Company has approached to IFCL Ltd. for One Time Settlement Restructuring and the matter is under their active consideration at higher level.

Associated Stone Industries (Kotah) Ltd.

Yarn conditioning machine has been installed for twist setting of yarn and better performance in weaving and knitting machines.

2. Benefits derived

Customer satisfaction, better realisation and development of new markets.

3. Imported Technology

None. The Company has developed its product on its own.

FOREIGN EXCHANGE EARNING AND OUTGO.

Earning Rs.2631.35 Lacs LacsOutgo Rs.109.74 Lacs.

On behalf of the Board of Directors

Mumbai **DEEPAK JATIA** **TONY JATIA**
22nd May, 2004 *Director* *Director*

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's financial statements and related notes appearing elsewhere. The discussion is not necessarily indicative of the results that the Company will achieve in future period.

OVERVIEW

The year under review was tough one for the industry in general as the prices of the product could not increase, but the prices of petroleum products were revised upward. There was slight respite because of the cease-fire on the Borders but this also could not give any boost to Industry and Economy as a whole. The Government has taken a serious view of maintaining environment in the mining area. This may affect the mining activities in future. Your Company has taken cost reduction measures and improved capacity utilisation to compete in the domestic and international markets.

SEGMENT ANALYSIS AND REVIEW

The key business segments are Mining (Stone) and Spinning (Yarn).

Segment-wise financial results for the year ended 31st March, 2004 are as under:-

(Rupees in Lacs)

PARTICULARS	STONE		YARN		TOTAL	
	2004	2003	2004	2003	2004	2003
Sales	5735.12	5229.23	7038.23	6351.00	12773.35	11580.23
Profit before interest & depreciation	631.34	673.56	523.03	344.38	1154.37	1017.94
Less:- Interest	256.03	238.73	673.73	619.17	929.76	857.90
Depreciation	263.37	311.92	361.55	351.59	624.92	663.51
Profit/(Loss) for the year	111.94	122.91	(512.25)	(626.38)	(400.31)	(503.47)
Provision for Taxation					(0.58)	(0.77)
Net Profit / (Loss)					(400.89)	(504.24)

A. MINING DIVISION

Kotah Stone is the best eco-friendly building material and being used extensively in big Industrial and Commercial projects besides housing. Its inherent natural properties fixed its superiority over other flooring or material.

1. INDUSTRY OUTLOOK

The Company shares 40% of the market of Kotah Stone and plans to improve its share further in the coming years. There is a general increase in using the natural stone in civil construction than before. The increased production and sales stands testimony of the growth to the Kotah Stone Industry.

2. OPPORTUNITIES AND THREATS

Large investment is coming up in the country for improving infrastructure. This has increased the demand of Kotah Stone and expected to grow still further. Common Wealth Games to be hosted by India and next Olympics by China will certainly add to further consumption of Kotah Stone.

Yet there are certain dampening factors, such as increase in the cost of production, labour wages, cost of fuels and transportation.

3. PERFORMANCE AND REVIEW OF OPERATIONS

Sustainable growth of the Company in terms of production and sales continued during the year. The growth has surpassed the National GDP:

Particulars	2002 - 03	2003 - 04	Growth (%)
Production (Lac.Sq.Mtrs.)	78.14	90.62	15.97
Sale (Lac.Sq.Mtrs.)	79.01	89.83	13.69
Sale (Rs. in Lacs)	5229.23	5888.31	12.60



4. RISK AND CONCERNS

The Division does not foresee any risk.

B. SPINNING DIVISION

1. INDUSTRIAL OUTLOOK

Industrial outlook in general is encouraging. In the textile policy, textile exports are targeted to be doubled. The government is taking necessary steps in the form of providing concession and relief to textile industry to achieve the targets.

2. OPPORTUNITIES & THREATS

European Union is lifting the quota on textile import before the deadline of 2004 which will boost the exports from India. We expect post 2005, exports will increase substantially due to opening up of World market consequent the WTO agreement. The Company is gearing up for taking its share, installing equipments viz. Quantum Clearers, Visionshields, etc., for producing yarn of international standard. Cotton is not price competitive with chemical fibers. Polyester is cheaper than cotton is a big threat to the cotton textile industry.

3. PERFORMANCE & REVIEW OF OPERATIONS

The turnover has been increased by about 10% to Rs.7038.23 Lacs (Rs.6351.00 Lacs), Gross Profit at Rs.504.97 Lacs (Rs.344.30 Lacs) with Loss of Rs.530.31 Lacs (Rs.626.46 Lacs). Improvement are due to better control over input cost, inventory management, cotton procurement policy and diversifying into different international markets.

4. RISK & CONCERNS

Continuous pressure on dollar is a matter of concern as our entire export proceeds are in US\$. The US\$ has fallen about 10% in the year under review. Beside that in post quota regime, countries like China, Pakistan & Indonesia will also be having an edge in exports due to low production cost.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate internal control systems and procedures with regard to purchase of stores, component, plant and machinery, mining equipments and sale of goods, other assets, etc. essential to prepare financial statements.

There is an inbuilt internal audit system for review by management.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

The Company has a workforce of about 3000 workers / employees.

Training programmes are being conducted to keep abreast with the latest technology, cut cost, avoid accidents, etc. The programmes are being conducted for workers to engineers in regular classes. The Company has once again (seventh time) bagged the National Safety Award (Mines) instituted by President of India.

The Company takes pride in cordial relation and industrial harmony for over five decades.

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

A. MANDATORY REQUIREMENTS

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company has been practising the principle of good Corporate Governance since inception.

The Company's philosophy on Corporate Governance envisages transparency, accountability, and equity, in all facets of its operations, including the shareholders, employees, the government and lenders.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value, over a period of time.

Associated Stone Industries (Kotah) Ltd.**2. BOARD OF DIRECTORS****Composition and category**

The Company's Board consist of six Non-Executive and two Executive Directors. The details are as under:-

Name of Director	Category of Directorship	Number of other Directorships (*)	Number of outside Committees	
			Chairman	Member
Shri. Deepak Jatia Vice Chairman & Managing Director	Promoter/ Executive	4	-	-
Shri. Tony Jatia Managing Director	Promoter/ Executive	-	-	-
Shri. S.M. Shroff	Independent/ Non-Executive	7	-	-
Shri. N.S. Karnavat	Independent/ Non-Executive	3	-	1
Shri. Padam Kumar Poddar	Independent/ Non-Executive	-	-	-
Shri. Ketan M. Shah	Independent/ Non-Executive	-	-	-
Shri. Surendra Mohatta	Independent/ Non-Executive	-	-	-
Shri. N. Ramkumar (Nomine of IFCI Ltd.) (Till 30.04.2004)	Independent/ Non-Executive	2	-	2
Smt. Anita Jatia	Alternate Director to Shri.S.M.Shroff	-	-	-

* excludes Directorships in Indian Private Limited Companies.

Attendance of each Director at the Board Meetings and the last Annual General Meeting

During the financial year ended 31st March, 2004, four Board Meetings were held on 20th June, 2003, 31st July, 2003, 27th October, 2003 & 29th January, 2004. The attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) is as under:

Name of the Director	No. of Board Meeting attended	Attendance at last AGM held on 27th September, 2003	
Shri. Deepak Jatia	4		Present
Shri. Tony Jatia	4		Present
Shri. Ketan M. Shah	4		Present
Shri. Padam Kumar Poddar	4		-
Shri. N.S. Karnavat	3		-
Shri. N. Ramkumar	3		-
Smt. Anita Jatia	1		-
Shri. S.M. Shroff	-		-
Shri. Surendra Mohatta	-		-

3. AUDIT COMMITTEE

The Board constituted an Audit Committee of Directors comprising Members well versed in finance & accounts / legal matters and general business practices. During the Financial Year ended 31st March, 2004 four Audit Committee Meetings were held on 20th June 2003, 31st July 2003, 27th October 2003 and 29th January 2004.

The composition of the Audit Committee and attendance at each meeting is as under:-

Name of the Directors	Category	No. of Meetings Attended
Shri. N.S. Karnavat	Chairman	3
Shri. Padam Kumar Poddar	Member	4
Shri. Ketan M. Shah	Member	3
Shri. N. Ramkumar	Member	3

Broad terms of reference

The terms of reference of this Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.



- iv) Significant adjustments arising out of audit.
- v) The going concern assumption.
- vi) Compliance with stock exchange and legal requirements concerning financial statements.
- vii) Compliance with accounting standards.
- viii) Any related party transaction i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- f. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- g. Reviewing the Company's financial and risk management policies.
- h. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

4. SHAREHOLDERS' COMMITTEE

The Board constituted an Investor Grievance Redressal / Share Transfer Committee of Directors consisting of Shri. N.S. Karnavat as Chairman, Shri. Deepak Jatia and Shri. Tony Jatia as Members of the Committee.

Shri. V.L. Gupta, Advisor (Finance), has been designated as the Compliance Officer.

5. GENERAL BODY MEETINGS

Location and time, where last three Annual General Meetings were held are as under:

Financial Year	Date	Location of the Meeting	Time
2000-2001	30 th August 2001	Registered Office of the Company at Neemrana, Dist. Alwar, Rajasthan	8.30 a.m.
2001-2002	26 th September, 2002	Registered Office of the Company at Neemrana, Dist. Alwar, Rajasthan	8.30 a.m.
2002-2003	27 th September, 2003	Registered Office of the Company at Neemrana, Dist. Alwar, Rajasthan	8.30 a.m.

6. DISCLOSURES

- i) The Company did not have any related party transactions which may have potential conflict with the interest of the Company at large.
- ii) The Company has complied with the requirement of the regulatory authorities on capital markets and no penalty / stricture was imposed during last three years.

7. MEANS OF COMMUNICATION

- i) The Company does not send its half-yearly reports to each shareholders. The half-yearly results are published in newspapers.
- ii) The quarterly, half-yearly and full year results are published in the Financial Express and Prathakal.
- iii) Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

8. GENERAL SHAREHOLDER INFORMATION

Registered Office : Jatia Avenue, 15-B, RIICO Indl. Area, Neemrana, Dist. Alwar – 301 705, Rajasthan.

Tel : 01494 - 246183, 246125
Fax : 01494 - 246087

Annual General Meeting :

Date and Time : 27th September, 2004 at 8.30 a.m.
Venue : At the Registered Office of the Company.

Associated Stone Industries (Kotah) Ltd.**Financial Calendar**

The Company follows April – March as its financial year. The results for every quarter are declared in the month following the quarter except for the quarter January – March, for which the audited results are declared in June as permitted under the Listing Agreement.

Date of Book Closure:

13th September 2004 to 27th September 2004
(both days inclusive)

Dividend Payment Date : Not Applicable

Listing of Equity Shares on Stock Exchanges

Equity Shares of the Company are listed on Stock Exchanges at Jaipur and Mumbai. Annual Listing Fees as prescribed has been paid to each of these Stock Exchanges for the year 2004 – 05.

Stock Code: Jaipur Stock Exchange Ltd.,
Jaipur (Physical) - 12.

BSE, Mumbai (Physical) – 502015
Demat ISIN-INE443A01014.

Stock Price Data

The monthly high and low quotations on BSE are as follows:

Month	High (Rs.)	Low (Rs.)
April, 2003	12.00	12.00
December, 2003	14.40	11.60
February, 2004	12.00	12.00
March, 2004	10.00	10.00

Registrar and Share Transfer Agents

Sharepro Services, Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cadrinal Gracious Road,
Chakala, Andheri (E),
Mumbai – 400 099.

Tel : 022-2834 8218 / 2832 9828.

Fax : 022-2837 5646

Share Transfer System

Share transfer requests received are registered within 30 days from the date of receipt, provided the documents are complete in all respect.

Distribution of shareholding as on 31st March, 2004

No. of equity Shares held	No. of Share- holders	% of share- holders	No. of Share held	% of share- holding
Upto 500	2147	83.314	428999	6.472
501 to 1000	183	7.101	146719	2.213
1001 to 2000	103	3.997	152265	2.297
2001 to 3000	46	1.785	114052	1.721
3001 to 4000	18	0.698	62748	0.947
4001 to 5000	15	0.582	69271	1.045
5001 to 10000	25	0.970	178525	2.693
10001 and above	40	1.552	5475794	82.611
Grand Total	2577	100	6628373	100

Shareholding Pattern as on 31st March, 2004

Category	No. of shares held	% of Share Capital
A. PROMOTERS' HOLDING		
1. Promoters		
- Indian Promoters	256529	3.87
- Foreign Promoters/Collaborater	-	-
2. Persons acting in concert	4394898	66.30
Sub Total	4651427	70.17
B. NON PROMOTERS' HOLDING		
3. Institutional Investors		
a. Mutual Funds and UTI	-	-
b. Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-government Institutions)	374616	5.65
c. FIIs / GDR	-	-
Sub Total	374616	5.65
4. Others		
a. Private Corporate Bodies	24649	0.37
b. Indian Public	1575911	23.78
c. NRIs/OCBs	1770	0.03
d. Any Other	-	-
Sub Total	1602330	24.17
Grand Total	6628373	100.00

Dematerialisation of shares

The Company has joined NSDL.

Demat ISIN Number in NSDL for fully paid up
Equity Shares : INE443A01014.