

ANANT RAJ INDUSTRIES LIMITED



**CERAMIC TILES
FOR FLOOR & WALLS**

20TH ANNUAL REPORT 2004-2005

**The notice of the
Annual General
Meeting has already
been sent to the
shareholders.**



Anant Raj Industries Ltd.

BOARD OF DIRECTORS

Sh. Ashok Sarin	Chairman
Sh. Anil Sarin	Managing Director
Sh. R.N.R. Gandhi	
Sh. Ambarish Chatterji	
Sh. Maneesh Gupta	

EXECUTIVE DIRECTORS

Sh. Amit Sarin
Sh. Aman Sarin
Sh. Baldev Raj Sikka

COMPANY SECRETARY

Sh. Manoj Pahwa

G.M. (FINANCE)

Sh. Yogesh Sharma

G.M. (OPERATIONS)

Sh. N.S. Rajpoot

G.M. (ADMINISTRATION)

Sh. Rajiv Dhir

AUDITORS

B.Bhushan & Co.
Chartered Accountants
EC-13, Inderpuri,
New Delhi 110012.

BANKERS

State Bank of India,
specialised Commercial Branch
SCO 103-106, Sec 17-B
Chandigarh.

State Bank of India
Rewari – 123401
Haryana.

State Bank of India
Chanderlok Building
Janpath, New Delhi.

CORPORATE OFFICE

H-65, Connaught Circus,
New Delhi 110001.

HEAD OFFICE

ARA Centre,
E-2, Jhandewalan Extension,
New Delhi 110055.

**REGISTERED OFFICE
AND WORKS**

85.2 Km. Stone, Delhi-Jaipur Highway
Village Bhudla, P.O. Sangwari, Distt. Rewari,
Haryana.

Anant Raj Industries Ltd.



Directors' Report

To the Members,

The Directors take pleasure in presenting the Twentieth Annual Report of the Company together with the audited accounts for the year ended March 31, 2005.

Financial results

Particulars	For the year ended march 31, 2005 (Rs. in lacs)	For the year ended march 31, 2004 (Rs. in lacs)
Sales and other income	2326.69	2907.00
Profit before depreciation	232.44	312.78
Depreciation	198.63	235.42
Profit after depreciation	33.81	77.36
Prior year adjustment	(0.32)	(0.06)
Adjustment for		
Deferred Tax	0.26	4.56
Provision for taxation	(4.75)	(20.25)
Profit after tax	29.00	61.61

Operations

During the year under review, your Company has recorded net profit (before tax) of Rs. 33.50 lacs against net profit (before tax) of Rs. 77.30 lacs in the previous year.

The turnover of the Company reduced from Rs. 29.07 Crores in the previous year to Rs. 23.27 Crores in the current year due to slowing down/ temporary stoppage of production lines which were necessary for the purpose of maintenance, modernization of production facilities and creating additional production facilities. The slow down/ temporary stoppage of production lines resulted in lesser production during the year which, in turn, led to reduction in turnover. However, in the current year, with the modernization programme complete and with additional capacities being created, the plant is operating at optimum capacity and achieving greater economies of scale.

During the current year, the facilities in respect of manufacture of tiles are expected to achieve an economic size of 12000 sq.mts per day as against 6860 sq.mts per day during the year under review.

With a view to avail of the rich experience of the promoters of the Company in the businesses of real estate development and construction of buildings, and also as a step towards forward integration to the existing business of manufacture of tiles, the directors consider it fit and appropriate to explore business opportunities appertaining to real estate. The Company would explore opportunities for construction of buildings, motels, hotels, residential apartments and development of land for residential and commercial use. Your Company has identified few project locations for development of land and it is also proposed that the business of certain companies with which the promoters/ directors of the Company are connected will amalgamate with this Company. The necessary legal and other documentation regarding amalgamation is being firmed up and the amalgamation, if approved by the appropriate authorities and the Courts, will be effective from April 1, 2005.

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**Energy conservation, Technology adaptation, Foreign Exchange earnings and outgo**

A statement containing the necessary information as required under the provisions of section 217 (1) (e) read together with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is given in Annexure-I forming part of this report.

Fixed Deposits

During the period under review, the Company has not invited any fixed deposits from the public in terms of provisions of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

Insurance

The Company's properties including Building, Plant and Machinery, Stocks, Stores, etc., have been adequately insured against all risks.

Management Discussion & Analysis Report

Management Discussion & Analysis Report is given in Annexure-II forming part of this report.

Corporate Governance Report

As per the requirements of Clause-49 of the Listing Agreement a separate report on Corporate Governance is given in Annexure-III, which forms part of this report. The Auditors certificate on compliance under Corporate Governance is also annexed.

Directors Responsibility Statement

The directors confirm:

1. That in the preparation of Annual Accounts, the applicable accounting standards have been followed;
2. That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give 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 year;
3. That they have taken proper and sufficient care 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 and detecting fraud and other irregularities;
4. That they have prepared the Annual Accounts on a going concern basis.

Explanation to Auditors Observations

An amount of Rs. 435.21 lacs, raised on short term basis, has been utilized for long term investment, on a temporary basis, to fund capital expenditure for purposes of expansion. The short term funds so utilized have been made good in the current year with unsecured loans being induced by some directors of the Company.

Subsidiaries

During the year your Company has invested in the share capital of three companies. These companies are wholly owned subsidiary companies of your Company and are yet to commence business activities.

As required under section 212 of the Companies Act, 1956, the audited statement of accounts of the subsidiary companies for the financial period ended March 31, 2005, are enclosed.

The statement pursuant to section 212 of the Companies Act, 1956, relating to the Company's interest in the subsidiary companies is attached as Annexure IV.

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Directors

Sh. Ashok Sarin retires by rotation from office of Director of the Company and being eligible has offered himself for re-appointment.

Sh. Ambarish Chatterjee and Sh. Maneesh Gupta were appointed as additional directors of the Company. They hold office upto the ensuing annual general meeting of the Company. Notices have been received from the shareholders who have intimated their intention to propose the names of Sh. Ambarish Chatterjee and Sh. Maneesh Gupta to be appointed as directors of the Company whose term of office shall be liable to be determined by rotation.

Sh. Pankaj Nakra, one of the directors of the Company, resigned from office due to other commitments. The Board wishes to place on record its appreciation for the services rendered by Mr. Pankaj Nakra during his tenure as director of the Company.

One of the erstwhile directors of the Company, Mr. R.S. Sahni expired on December 20, 2004. Mr. Sahni had been associated with the Company for more than a decade and his rich experience and guidance had always been a source of strength for your Company. The Board places on record its appreciation and acknowledgement for the valued association that Mr. R.S. Sahni had with your Company and his guidance and stewardship for development of your Company.

Auditors

B. Bhushan & Co., Chartered Accountants, Auditors of the Company, retire on the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

Particulars of Employees

There was no employee who was employed throughout the year and was in receipt of remuneration, which in the aggregate was not less than Rs. 24,00,000/- per annum.

There was no employee who was employed for part of the year and was in receipt of remuneration, which was at a rate not less than Rs. 2,00,000/- per month.

Acknowledgements

The Directors place on record their appreciation for the assistance, help and guidance provided to the company by the State Bank of India and authorities of State Government from time to time. The Directors also place on record their gratitude to employees and shareholders of the Company for their continued support to and confidence in management of the Company.

By order of the Board
of Directors

New Delhi
June 28, 2005.

Ashok Sarin
Chairman

**Annexure-I to Director's Report
(Referred in Report of even date)**

A. Energy Conservation

- (i) Energy Conservation measures taken:

The Company has a regular program for maintenance of machinery to ensure optimum utilization of energy resources. The management has developed measures, checks and systems to ensure economy in consumption of energy resources, especially power and fuel costs.

- (ii) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

The Company has developed systems to identify areas for making investment and implementing proposals to reduce consumption of energy resources and for their optimum utilisation.

- (iii) Impact of measures taken at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The reduction in consumption of energy resources has resulted in reducing the cost of production of finished goods.

B. Technology Absorption

- (i) Specific areas in which R&D carried out by the Company:

Consumption of indigenous raw materials and spares while continuing to maintain high quality of finished products.

- (ii) Benefits derived as a result of above R&D:

Saving in foreign exchange outgo and indigenisation of the products.

- (iii) Future plan of action:

Endeavor to manufacture finished products conforming to International Standards and quality.

- (iv) Expenditure on R&D:

The expenditure incurred on research and development activities is intrinsic to the other costs of production and therefore it is not possible to quantify the expenditure separately.

Technology absorption, adaptation and innovation

- (i) Efforts in brief, made towards technology absorption, adaptation and innovation:

The imported technological know-how has been fully absorbed and adapted by the Company's personnel in the production process.

- (ii) Benefits derived as a result of the above efforts:

Improved manpower resources and reduction of dependency on foreign technology and know how.



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In case of imported technology:

- (i) Technology Imported:
Manufacture of ceramic glazed floor and wall tiles by use of single fast firing process.
- (ii) Year of Import : 1988-89
- (iii) Has technology been fully absorbed: Yes

C. Foreign Exchange Earning and Outgo

Activities relating to exports:

Your Company exported goods of value Rs. 373.28 lacs during the year as against exports worth Rs. 567.73 lacs made in the previous year. The reduction in exports have been due to the competitive export markets. Your Company is making efforts to create a foothold in the markets of the Middle East and South East Asia.

Your Company incurred an expenditure of Rs. 139.16 lacs during the year which resulted or may result in outflow of foreign exchange.

ANNEXURE - II

MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

OVERALL REVIEW

The ceramic industry has seen positive growth over the last few years. This trend is likely to continue in the coming years. However, over the years, the margins have been under pressure due to rise in input cost, especially that of power, and reducing per unit realisation due to fierce competition. Profitability is sustainable through increased volumes only which is being targeted to be achieved by your Company through strategic production and marketing programs.

OPPORTUNITIES

The ceramic industry has continued to remain steady with reasonable growth. The existing gap in the per capita consumption of tiles in our country as compared to consumption in developed nations, and in view of the thrust of the Government to the construction industry, improved levels of standards of living, the demand for ceramic tiles is expected to rise. Further, the Government thrust to infrastructural and housing projects will provide impetus to demand of ceramic tiles.

New emerging business opportunities in real estate development, business segment in which the promoters of the Company have rich experience, is proposed to be undertaken as a step towards forward integration to the existing business of your Company.

Your Company has identified few project locations for development of land and it is also proposed that the business of certain companies with which the promoters/ directors of your Company connected will amalgamate with your Company.

The projects which have been identified by your Company are:

- (i) Project for constructing, building and operating a 85 room hotel with 4 banquet halls. The hotel is being set up in Mehrauli, New Delhi, on a land area of 7.375 acres.
- (ii) Project for construction of a residential housing complex in Kapashera, New Delhi. The project is being set up on a land area of 14,268 sq. yards.
- (iii) Project for constructing residential housing in Village Bhati, Mehrauli, New Delhi.
- (iv) Two projects for construction of commercial complexes, on land admeasuring 5.76 acres, in Village Tejpal, Opposite Mohan Industrial Area, New Delhi.

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The necessary permissions for undertaking the above projects are being obtained by the proposed transferor companies.

Your Company has further identified a property in Village Sahoorpur, New Delhi, which has potential to be developed into a motel. The land area is about 5 acres and the locational advantages would be advantageous for construction, building and operating a motel therefrom.

THREATS

The import of tiles has been put under OGL list. The removal of trade barriers could post a threat to already low margins witnessed by the industry. The competition in domestic market is also severe.

OUTLOOK

The Company's products are marketed under the brand "**Romano**" and its products are accepted in the market. As profitability can be sustained through increase in volumes, the Company has improved production process and stressed on modernization of production facilities. The improvements would enable the Company to reap benefits of economies of scale and also improve overall profitability. The diversification in business activities is also expected to improve overall profitability.

SEGMENTWISE PERFORMANCE

During the year under review, the Company was a single segment company and hence segment wise details are not being furnished.

INTERNAL CONTROL

The Company has internal control systems, which are adequate, considering size and nature of its operations. From time to time the Company is increasing scope of internal auditors to improve efficiency and introducing greater controls over various aspects of the Company's procedures and systems. The Company is also utilizing new techniques and data system for its management information systems.

FINANCIAL PERFORMANCE

The details of financial performance of the Company are appearing in the Balance Sheet and the Profit and Loss Account for the year.

HUMAN RESOURCES

In order to get optimum contribution of the employees to the Company's business and operations, training is given to the employees to induce and motivate them to improve and increase production and contribute to the development activities of the Company. The Company's industrial relations are cordial in all units of organization.

CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and their prices, cost of fuel, availability of power, cyclical demand, pricing in the Company's principal markets, change in government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

ANNEXURE - III
REPORT ON CORPORATE GOVERNANCE
(Pusuant to clause 49 of Listing Agreement)

A. MANDATORY REQUIREMENTS**1. Company's Philosophy on code of Governance:**

The Company is committed to benchmarking itself with the best in all areas including Corporate Governance. The Company's philosophy of Corporate Governance is aimed at strengthening the confidence among shareholders, customers, employees and ensuring a long-term relationship of trust by maintaining transparency and disclosures. The Company believes in maintaining highest standards of quality and ethical conduct, in all activities of the Company. The board, on continuous basis, monitors implementation of decisions taken and at the same time provides a stable commercial environment to plan and execute strategy. The Company believes in maintaining highest standards of quality and ethical conduct, in all the activities of the Company.

2. Board of Directors :**Composition & Size of the Board**

The Board of Directors consists of eminent persons who have expertise and experience to guide and manage the Company. The Board is constituted of 5 members, with 4 non executive Directors. The Chairman of the Board is non-executive and there are 3 independent Directors.

Independent Directors are Directors, who other than receiving Director's remuneration, do not have any other material pecuniary relationship or transactions with the Company, with its promoters, its managements or its subsidiaries, which in the judgement of the Board, may affect the independence of judgements of the Director.

No. of Board Meetings held during the year along with the dates of the meetings:

During the year 2004-2005 seven Board meetings were held. The dates on which the said meeting were held are as follows:

1. 28th April, 2004
2. 28th July, 2004
3. 18th August, 2004
4. 25th September, 2004
5. 29th October, 2004
6. 30th November, 2004
7. 28th January, 2005

Attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and the number of public companies in which each director holds office as director is as under:

Name of the Director Attended	Category of Directorship Companies	No. of Board Meetings	Attendance at last AGM	No. of Directorship in other public Companies
Sh. Ashok Sarin	Chairman	7	No	1
Sh. Anil Sarin	Managing Director	7	No	1
Sh. R.N/R. Gandhi	Non-Exec.	7	No	-
Sh. Vijay Sachdev	Non-Exec.	4	No	-
Sh. Pankaj Nakra	Non Exec.	3	Yes	9
Sh. R. S. Sahni	Non-Exec.	5	No	-