

KANORIA GROUP

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KANORIA GROUP

Kanoria Industries Limited

BOARD OF DIRECTORS

A. K. Kanoria

(Chairman & Managing Director)

E. B. Desai

M. S. Sanganerla

M. L. Daga

Sushil K. Jalan

Alok Chakrabarti

Dr. Ram Tarneja

(Alternate to Shri Alok Chakrabarti)

N. Ramachandran

Dr. N. A. Kalyani

STATUTORY AUDITORS

Messrs Haribhakti & Co.

Messrs Santhappa & Co.

COST AUDITORS

Messrs B.J.D. Nanabhoy & Co.,

SOLICITORS

Kanga & Co.

Mulla & Mulla &

Craigie Blunt & Caroe

BANKERS

Syndicate Bank

Canara Bank

Dena Bank

REGISTRARS AND TRANSFER AGENTS

Bigshare Services Pvt. Ltd.

J/12, Ansa Industrial Estate,

Saki Vihar Road, Saki Naka,

Andheri (E), Mumbai - 400 072

Tel. No. : (022) 8523541/4914

Fax No. : (022) 8525207

REGISTERED OFFICE

Air India Building

14th Floor,

Nariman Point,

Mumbai - 400 021.

FACTORY

Bagalkot, Dist. Bagalkot

Karnataka - 587 111.

ANNUAL REPORT 1998-99**49th Annual General Meeting**

Time	4.30 P. M.
Day	Friday 28th January, 2000
Venue	Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Nariman Point, Mumbai - 400 021.

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HIGHLIGHTS**(Rs. In Lacs)**

YEAR	1998-99	1997-98	1996-97	1995-96	1994-95
SALES	7763.86	6854.67	5875.75	5275.81	5769.24
OTHER INCOME	54.99	72.93	193.52	163.39	88.37
INCREASE/(DECREASE) IN STOCK OF SEMI-FINISHED AND FINISHED GOODS	(488.91)	325.27	226.42	255.74	(28.81)
RAW MATERIAL & FINISHED GOODS	377.09	361.20	321.61	264.97	284.03
MANUFACTURING & OTHER EXPENSES	7377.99	6093.91	5075.95	4450.67	4523.31
PROFIT/LOSS BEFORE INTEREST & DEPRECIATION	(425.14)	797.76	898.13	979.30	1021.46
INTEREST	899.98	654.27	565.49	396.42	390.63
CASH PROFIT/(LOSS)	(1325.12)	143.49	332.64	582.88	630.83
DEPRECIATION	239.48	205.32	255.70	252.82	276.48
PROFIT /(LOSS) BEFORE TAX	(1564.60)	(61.83)	76.94	330.06	354.35
PROFIT /(LOSS) AFTER TAX	(1564.60)	(61.83)	76.94	330.06	354.35
EQUITY DIVIDEND INCLUDING TAX	-	-	47.60	64.91	64.91
GROSS FIXED ASSETS	15150.33	14945.31	14347.86	13959.18	5059.36
NET FIXED ASSETS	9197.98	9919.11	10021.27	10448.78	1800.97
INVESTMENTS	127.61	213.02	213.02	213.02	213.95
NET CURRENT ASSETS	857.21	2136.76	1838.52	1216.89	615.87
MISCELLANEOUS EXPENSES TO BE WRITTEN OFF	99.36	144.69	136.32	103.92	133.56
SHARE CAPITAL	854.54	854.45	432.70	432.70	432.70
RESERVES & SURPLUS	6614.57	7809.50	8497.27	9193.23	554.27
SHARE HOLDERS' FUNDS	6302.58	8519.26	8793.65	9522.01	853.41
BORROWINGS-LONG TERM	1796.42	1802.45	1315.19	1219.59	1339.65
BORROWINGS-SHORT TERM	2083.80	1947.18	1963.97	1137.09	437.73
PROFIT BEFORE TAX AS % OF SALES	-	-	1.31	6.26	6.14
CASH EPS RS.	-	1.68	7.69	13.47	14.58
NET EPS RS.	-	-	1.78	7.62	8.19
DIVIDEND RS. PER EQUITY SHARE	-	-	1.00	1.50	1.50
BOOK VALUE RS. PER EQUITY SHARE	73.75	99.70	203.23	220.06	19.72
RETAINED EARNINGS	-	143.49	285.04	517.97	565.92

Note : Revaluation of Fixed Assets as on 31-3-1996 has resulted in increasing the book value thereof by Rs. 83.74 crores. This has had corresponding effect in increasing the amount of Gross fixed Assets, Net fixed Assets, Reserves and Surplus, Shareholders' Funds and Book Value of Equity Shares from the year 1995-96 in the above Chart.

KANORIA INDUSTRIES LIMITED**NOTICE**

Notice is hereby given that the FORTYNINTH ANNUAL GENERAL MEETING of the Shareholders of KANORIA INDUSTRIES LIMITED will be held at Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Nariman Point, Mumbai 400 021 on Friday the 28th January, 2000 at 4.30 P. M. , to transact the following business:

AS ORDINARY BUSINESS:

1. To consider and adopt the Directors' Report and the audited Balance Sheet and Profit & Loss Account for the period ended 30th June, 1999.
2. To appoint a Director in place of Shri E.B. Desai who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri S.K. Jalan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. N.A. Kalyani who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

By Order of the Board
For KANORIA INDUSTRIES LIMITED

M.L. DAGA

Mumbai, 24th December, 1999 *Director & Secretary*

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) The Register of Members and the Share Transfer Books in respect of the Equity Shares of the Company will remain closed from Thursday, the 23rd December, 1999 to Thursday, the 30th December, 1999. (both days inclusive).

- c) Members are requested to intimate the change of address, if any, immediately to the Company's Registrars and Transfer Agents, M/s. Bigshare Services Pvt Ltd, J/12, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai 400 072.
- d) Members are hereby informed that the Company has transferred to the Central Government all unclaimed dividends declared upto and including the accounting year ended 31st March, 1995. Hence, to claim dividend upto the said period, the members are requested to make an application to the Registrar of Companies, Maharashtra, Hakoba Mills Compound, Dattaram Lad Marg, Mumbai 400 033, in the prescribed Form No.II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. The unclaimed dividend pertaining to the financial year 1995-96 will be transferred in November 2003 to Investor Education and Protection Fund in terms of amended Section 205A of the Companies Act, 1956.
- e) Members, who have not encashed their dividend warrants for the years 1995-96 and 1996-97 may please write immediately to the Company's Registrars and Transfer Agents.
- f) Members who are holding shares in identical order of names in more than one folio are requested to intimate the Registrars and Transfer Agents of the Company, the Ledger Folio of such accounts and send all the Share Certificates to the Registrars to enable them to consolidate their holdings under one folio.
- g) The Equity Shares of the Company are listed in the following Stock Exchanges and Annual Listing Fees have been paid to each of them:-
 - (1) The Stock Exchange, Mumbai, Phiroze Zeejeebhoy Towers, Dalal Street, Mumbai 400 001.
 - (2) The Calcutta Stock Exchange Association Ltd 7, Lyons Range, Calcutta 700 001.
 - (3) The Delhi Stock Exchange Association Ltd 3&4/4B, Asaf Ali Road, New Delhi 110 002.
- h) Nomination facility for shares is now available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated in note (c) above.

ANNUAL REPORT 1998-99**DIRECTORS' REPORT**

To

The Shareholders

The Directors hereby present the 49th Annual Report and audited Accounts of the Company for the period ended 30th June, 1999.

FINANCIAL RESULTS	Current Year (15 months) (Rs. in lacs)	Previous Year (12 months) (Rs. in lacs)
--------------------------	-------------------------------------------------------	--------------------------------------------------------

After meeting all operating and administrative expenses, the working of the period shows a surplus/(deficit) of	(425.14)	797.76
-----------------------------------------------------------------------------------------------------------------	-----------------	--------

Less:

Interest	899.98	654.27
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Depreciation	239.48	1139.46	205.32
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Net Profit/(Loss) of the Year	(1564.60)	(61.83)
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Add:

Tax Adjustment for earlier years	(0.78)	-
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Profit brought forward from the previous year	52.21	114.04
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Balance Carried to Balance Sheet	(1513.17)	52.21
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DIVIDEND

Due to losses, your Directors regret their inability to recommend any dividend.

CONTRIBUTION TO GOVERNMENT REVENUE

The Company has contributed Rs. 1371 lacs by way of Excise Duty and Rs.1319 lacs towards other taxes. The total contribution of the Company to the Central and State Exchequer was thus Rs.2690 lacs during the period under review.

PRODUCTION AND PERFORMANCE

The figures for the period under review and the comparative position in the previous year are as follows:

	1998-99 (15 months)	1997-98 (12 months)
Clinker Production (MT)	347410	349094
Monthly Average	23161	29091
Cement Production (MT)	393540	337140
Monthly Average	26236	28095
Capacity Utilisation (%)	95.40	102.16
Turnover (Rs. in lacs)	7764	6855

The cement and clinker production was lower than the previous year mainly because of lower despatches of cement due to unprecedented recession prevailed in the cement markets on account of slow down in the economy of the country in the year under review. Your Company had to curtail the clinker production due to accumulation of heavy stocks in the earlier part of the year.

You are aware that this was the third full consecutive year of depressed economic conditions in our country. The Cement Industry, in anticipation of increase in demand had created substantial additional capacities within a short span of time, outstripping demand growth, which was affected adversely due to the slow pace of economic growth. Due to excess supply situation, there was abnormal drop in cement prices. In some of our markets, the prices have declined to such low levels that result in negative contribution. Falling market price at uneconomic level on the one hand and rising cost of input on the other, forced the Company to curtail the production of clinker and cement. This has resulted in lower capacity utilisation during the year under review in comparison to the previous year.

Due to the difficult liquidity position on account of adverse market conditions, the Company approached the Financial Institutions, Banks, Debentureholders and Lenders for restructuring/reschedulement of repayment of principal amount and interest on borrowings. The proposals of the Company for reschedulement received favourable consideration from most of the Term Lenders and Debentureholders.

The losses have further increased due to Extraordinary and exceptional expenses aggregating to Rs.597.45 lacs charged to Profit & Loss Account during the year as detailed in the Profit & Loss Account and Note 7 set out in the Accounts.

FUTURE OUTLOOK

The immediate future outlook is still hazy. The new government appears to be all set to give a boost to the economy. The policy initiatives taken in the short period that this government has been in office appear to be positive. What will emerge in terms of actual implementation has yet to be seen. There is continuing demand for infrastructure. This growth will determine the rate at which the economy progresses. The cement demand is expected to continue to grow.

SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1995

In view of erosion of net worth, the Company has become a sick industrial company within the meaning of Section 3 (1)(o) of the above Act. Steps are being taken to comply with the provisions of the said Act.

DEBENTURES

The funds raised by the Company through the issue of Debentures have been utilised for meeting long term working capital needs.

SUBSIDIARY COMPANIES

The audited Accounts together with the Reports of the Directors and the Auditors of the Company's subsidiaries, namely, Kanoria Mercantile Limited and Sanatan Investment Company Limited, are attached.

SAFETY & ENVIRONMENT

The Company's policy of giving importance to safety, was continued during the period. In order to keep the environment neat, clean and pollution free, your Company adheres to the prescribed standards.

YEAR 2000 COMPLIANCE (Y2K)

The Company's IT systems and procedures are Y2K compliant.

HUMAN RESOURCES

Industrial relations during the period have been satisfactory. The Company continued its progressive policy of human resources development.

DIRECTORS

Shri A. B. Datar resigned from the Board during the year. The Board has placed on record its appreciation of the valuable services rendered by him during his tenure.

S/Shri E. B. Desai, S. K. Jalan and Dr. N. A. Kalyani retire by rotation and, being eligible, offer themselves for reappointment.

COST AUDIT

Pursuant to the Directions of the Central Government under Section 233 B of the Companies Act, 1956, M/s. B.J.D Nanabhoy & Co., Cost Accountants, Mumbai, have been appointed to conduct the cost audit of the Cement Division of the Company for the period ending on 30.6.2000.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are given in Annexure 'A', which forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1) (e) of the Companies Act, 1956 are given in Annexure 'B' which forms part of this Report.

AUDITORS' REPORT

The observations made by the Auditors in their Report do not require any comments as the same are either self explanatory or have been fully explained in the notes attached to the Accounts.

APPOINTMENT OF AUDITORS

You are requested to appoint Statutory Auditors for the Current Year and fix their remuneration. The retiring joint Auditors M/s. Haribhakti & Company and M/s. Santhappa & Company are eligible for reappointment.

APPRECIATION

The Directors wish to place on record their appreciation of the co-operation received from the various departments of the Central and State Governments, Bankers, Financial Institutions, Dealers and Suppliers of the Company.

The Directors also wish to thank all the employees for their sincerity, hardwork and efforts.

On behalf of the Board of Directors

Mumbai, the 24th December, 1999.

A.K. KANORIA
Chairman

ANNUAL REPORT 1998-99**ANNEXURE 'A' TO THE REPORT OF THE DIRECTORS**

Information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 30th June, 1999.

Sr. No.	Name	Age	Designation/ Nature of duties	Remune- ration Rs.	Qualifications	Expe- rience in years	Date of commen- cement of service	Last Employment
A) Statement showing particulars of Employees employed throughout the period who are in receipt of remuneration which was in aggregate not less than Rs.6,00,000/- per annum.								
1.	Mr. Daga M.L.	57	Director & Secretary	797621	B.Com., F.C.A.	32	01.07.73	Eastern Ind. Ser. & Marketing Ltd. Officer
2.	Mr. Kanoria A.K	44	Chairman & Managing Director	995630	B.A.	26	01.01.82	The Shankar Agro Ind. Ltd Managing Director
B) Statement showing particulars of employees for a part of the Financial Year who are in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs.50,000/- per month.								
1.	Mr. Bubna R.K.	50	General Manager (Finance)	267071	B.Com., LL.B.	27	01.04.94	Kanoria Sugar & Gen. Indust. Ltd Finance Manager

- Notes: 1. Remuneration includes perquisites which have been evaluated on the basis of Income Tax Rules.
 2. Appointment of Shri A.K. Kanoria, Chairman & Managing Director is contractual. All other appointments are non-contractual and are governed by the rules and regulations of the Company.
 3. The above employees are not relatives of any Director of the Company.

On behalf of the Board of Directors

A.K. KANORIA
Chairman

Mumbai, 24th December, 1999.

ANNEXURE "B" TO THE REPORT OF THE DIRECTORS
CONSERVATION OF ENERGY

1998-99 1997-98
(15 months) (12 months)

- a) The Company is making constant efforts for optimisation of output and increasing output rates in some sections of the plant.
- b) Total energy consumption and energy consumption per unit of production as per FORM "A".

- ii) Through steam turbine/generator
- | | | |
|---------------------------------|---|---|
| Units | - | - |
| Units per litre of fuel oil/gas | - | - |
| Cost/Unit | - | - |

FORM A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

1998-99 1997-98
(15 months) (12 months)

A. POWER AND FUEL CONSUMPTION
1. ELECTRICITY

- a) Purchased
- | | | |
|-------------------------|-------|--------|
| Unit (lac/KWH) | 15.41 | 90.94 |
| Total amount (Rs. lacs) | 84.69 | 396.19 |
| Rate/Unit (Rs.) | 5.50 | 4.36 |
- b) Own Generation
- i) Through diesel generator
- | | | |
|-------------------------------|--------|--------|
| Units (lac/KWH) | 480.53 | 333.42 |
| Units per Litre of diesel oil | 3.88 | 3.85 |
| Cost/Unit (Rs.) | 2.71 | 2.70 |

2. COAL & LIGNITE

(Grade C, D & E used in cement for calcination of raw meal)

Quantity (tonnes)	68715.61	60414.71
Total Cost (Rs. lacs)	1341.49	1350.61
Average rate (Rs/MT)	1952.23	2235.57

3. FURNACE OIL

Quantity (K.ltr)	-	-
Total amount	-	-
Average rate	-	-

4. OTHER/INTERNAL GENERATION

Quantity	-	-
Total cost	-	-
Rate/Unit	-	-

B. CONSUMPTION PER UNIT OF PRODUCTION (Units per MT)

Electricity	122.64	115.61
Furnace Oil	-	-
Coal & Lignite	18.63%	17.31%
(per tonne of clinker)		

KANORIA INDUSTRIES LIMITED

Power consumption per ton is higher than the previous year due to lower production of clinker and cement during the year.

Coal consumption is higher due to consumption of higher quantity of low grade coal during the year.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

No technology has been imported during the last five years reckoned from the beginning of the financial year.

B. TECHNOLOGY ABSORPTION**FORM B**

(See Rule 2)

Form for disclosure of particulars with respect to Absorption

RESEARCH AND DEVELOPMENT (R&D)

The Company does not have any separate Research & Development section. The National Council for Cement & Building Materials is carrying out Research & Development activities for the entire industry and the Company is Member of the same, deriving therefrom all benefits of their activities.

On behalf of the Board of Directors

Mumbai, the 24th December, 1999.

A.K. KANORIA
Chairman

(Rs. in lacs)

1. Total Foreign Exchange earned	Nil
2. Total Foreign Exchange used	24.44

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1. The interest of Kanoria Industries Limited (KIL), in its subsidiaries at the end of their last financial year was as follows:-

Name of subsidiary	Financial Year ended on	Extent of interest of KIL
(a) Kanoria Mercantile Ltd	31st March, 1999	Wholly-owned subsidiary
(b) Sanatan Investment Company Ltd	31st March, 1999	Wholly-owned subsidiary

2. The net aggregate amount, so far as it concerns the members of KIL and is not dealt with in KIL's accounts.

(a) Profit for the above noted financial years of the subsidiaries since they became subsidiaries of KIL.	Rs.3.78 lacs
(b) Profit for the previous financial years of the subsidiaries since they became subsidiaries of KIL.	Rs.4.36 lacs

3. The net aggregate amount of the profits of the subsidiaries, which is dealt with in the account of KIL.

(a) For the above noted financial years of subsidiaries.	NIL
(b) For the previous financial years of the subsidiaries since they became subsidiaries of KIL.	NIL

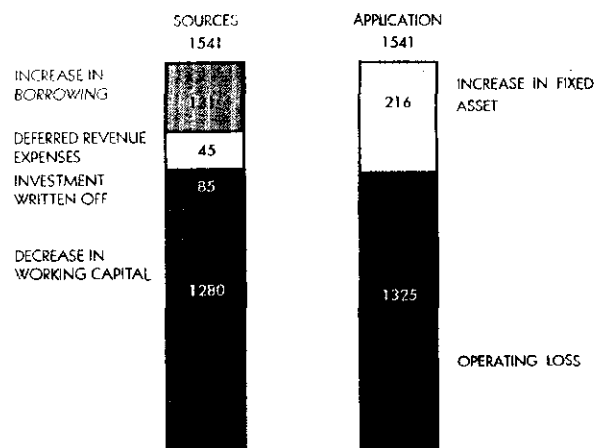
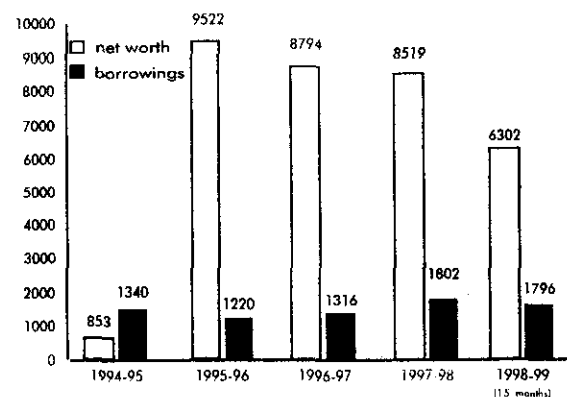
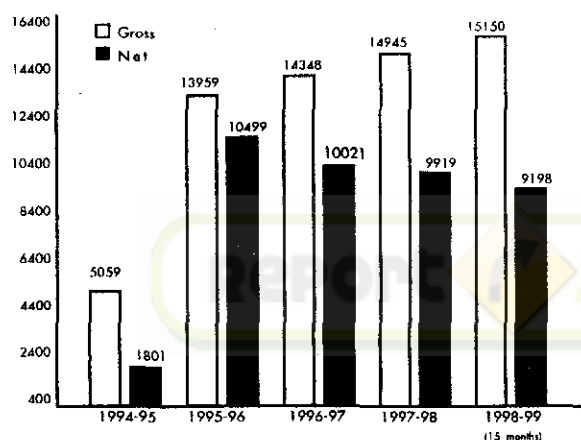
A.K. KANORIA
Chairman & Managing Director

Dr. RAM TARNEJA
Director

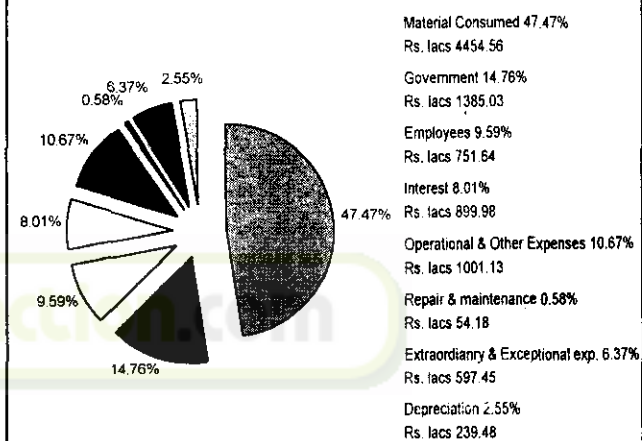
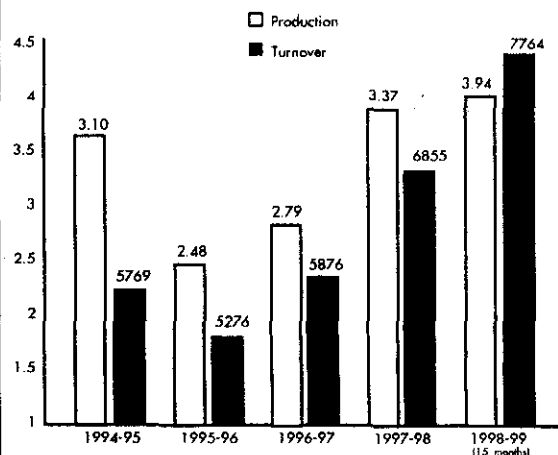
M.L. DAGA
Director & Secretary

Mumbai, 24th December, 1999.

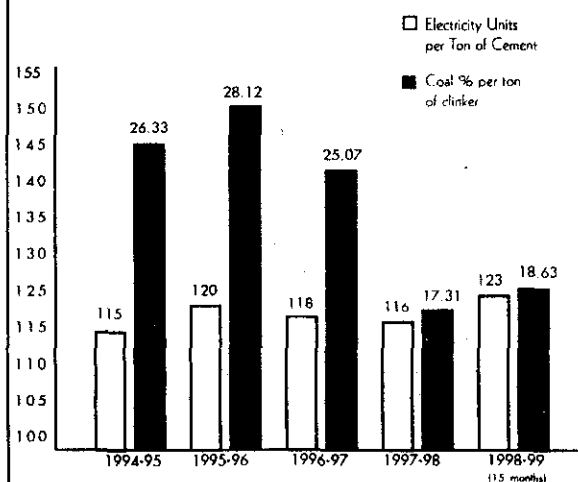
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SOURCES AND APPLICATION FUNDS
(Rs. in lacs)NET WORTH AND BORROWINGS
(Rs. in lacs)GROSS AND NET FIXED ASSETS
(Rs. in lacs)

DISTRIBUTION OF EXPENDITURE 1998-99(15 MONTHS)

PRODUCTION AND TOTAL TURNOVER
(MT in lacs) (Rs. in lacs)

POWER AND FUEL CONSUMPTION



KANORIA INDUSTRIES LIMITED

DISTRIBUTION OF SHAREHOLDING

NUMBER OF ORDINARY SHARES HELD	NUMBER OF SHAREHOLDERS	
	30-06-99 %	31-03-1998 %
1 to 500	97.31	97.24
501 to 1000	1.64	1.64
1001 to 10000	0.87	0.91
Over 10000	0.18	0.21
Total	100.00	100.00

CATEGORIES OF SHAREHOLDERS

CATEGORY	NUMBER OF SHAREHOLDERS		VOTING STRENGTH		NUMBER OF ORDINARY SHARES HELD	
	30-06-99	31-03-98	30-06-99	31-03-98	30-06-99	31-03-98
Individuals	9758	9785	17.44	31.66	1484084	2739678
Companies	68	64	77.95	63.48	6632140	5493840
Government & Public Financial Institutions	5	7	4.42	4.74	376195	410295
Nationalised Banks Mutual Funds and Trust	6	4	0.19	0.12	15987	10187
Total	9837	9860	100.00	100.00	8508406	8654000