



KANORIA GROUP
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Kanoria Industries Limited

ANNUAL REPORT 2002-03**53rd Annual General Meeting**

Time	11.00 A. M.
Day	Monday, 29th September, 2003
Venue	Ashoka Hall, Arcadia, 195, Nariman Point, Mumbai 400021

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HIGHLIGHTS**(Rs. in 000)**

YEAR	2002-2003	2001-2002	2000-2001	1999-2000	1998-99
				(9 months)	(15 months)
SALES (INCL. EXCISE DUTY)	288341	405341	348771	330379	776386
OTHER INCOME	4037	21947	10505	2713	5499
INCREASE/(DECREASE) IN STOCK OF SEMI-FINISHED AND FINISHED GOODS	(3133)	3029	(23913)	2434	(48891)
RAW MATERIAL CONSUMED	31013	47691	29793	13104	37709
MANUFACTURING & OTHER EXPENSES (INCL. EXCISE DUTY)	344979	385792	338151	363033	737799
PROFIT/(LOSS) BEFORE INTEREST & DEPRECIATION	(86748)	(3166)	(32581)	(40611)	(42514)
INTEREST	1154	44219	66109	60933	89998
CASH PROFIT/(LOSS)	(87902)	(47385)	(98690)	(101544)	(132512)
DEPRECIATION	18994	20093	23027	15936	23948
PROFIT/(LOSS) BEFORE TAX	(106896)	(67478)	(121717)	(117480)	(156460)
PROFIT/(LOSS) AFTER TAX	(106896)	(67478)	(121717)	(117480)	(156460)
GROSS FIXED ASSETS	1467141	1512020	1510656	1517126	1515033
NET FIXED ASSETS	703072	785255	821067	866191	919798
CAPITAL WORK IN PROGRESS	6566	—	—	—	—
INVESTMENTS	12802	12802	12802	12811	12761
NET CURRENT ASSETS	(178179)	(119224)	(60190)	4377	85721
MISCELLANEOUS EXPENSES TO BE WRITTEN OFF	3971	5080	6379	8645	9936
SHARE CAPITAL	85454	85454	85454	85454	85454
RESERVES & SURPLUS	525308	578783	597035	619831	661457
SHARE HOLDERS' FUNDS	86503	245765	330196	472443	630258
BORROWINGS-LONG TERM	216552	216552	208158	190516	179642
BORROWINGS-SHORT TERM	241206	216517	235325	220420	208380
BOOK VALUE RS. PER EQUITY SHARE	10.12	28.76	38.64	55.29	73.75

KANORIA INDUSTRIES LIMITED

BOARD OF DIRECTORS

A. K. Kanoria

(Chairman & Managing Director)

M. S. Sanganerla

M. L. Daga

L. N. Chaturvedi

A. M. Shettar

R. K. Kejriwal

STATUTORY AUDITORS

Messrs Haribhakti & Co.

Messrs Santhappa & Co.

COST AUDITORS

Messrs B.J.D. Nanabhoy & Co.

SOLICITORS

Kanga & Co.

BANKERS

Syndicate Bank

Canara Bank

Dena Bank

Report

REGISTRARS AND TRANSFER AGENTS

Bigshare Services Pvt. Ltd.

E-2, Ansa Industrial Estate,

Saki Vihar Road, Saki Naka,

Andheri (E), Mumbai - 400 072

Tel. No. : (022) 2856 0652 / 653

Fax No. : (022) 2852 5207

REGISTERED OFFICE

Air India Building

14th Floor,

Nariman Point,

Mumbai - 400 021.

FACTORY

Bagalkot, Dist. Bagalkot

Karnataka - 587 111.

ANNUAL REPORT 2002-2003**NOTICE**

Notice is hereby given that the 53rd Annual General Meeting of the Shareholders of KANORIA INDUSTRIES LIMITED will be held on Monday, the 29th September, 2003 at 11.00 A.M. at Ashoka Hall, Arcadia, 195, Nariman Point, Mumbai 400021 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 year ended 31st March 2003.
2. To appoint a Director in place of Shri A.M. Shettar who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri R.K. Kejriwal who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS

5. To approve Delisting of the Company's Equity Shares from the Stock Exchanges at Kolkata and New Delhi.

To consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT in terms of the Guidelines issued by the Securities and Exchange Board of India (SEBI), and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent be and is hereby accorded to "the Board" to delist the Company's Equity Shares from The Calcutta Stock Exchange Association Limited, Kolkata and The Delhi Stock Exchange Association Limited, New Delhi on terms and conditions as may be stipulated and/or mutually agreed to in the best interests of the Company;

RESOLVED FURTHER THAT "the Board" be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolution".

By Order of the Board
For KANORIA INDUSTRIES LIMITED

M.L. DAGA

Director & Secretary

Mumbai, 25th August, 2003

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be properly signed and delivered to the Company not less than 48 hours before the time of the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Share Transfer Books and the Register of Members of the Company would remain closed from Friday, the 12th September, 2003 to Wednesday, the 17th September, 2003 (both days inclusive).
4. Members are requested to intimate the change of address, if any, immediately to the Company's Registrars & Transfer Agents, M/s. Bigshare Services Pvt Ltd, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai 400 072.
5. 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, C.G.O. Complex, 2nd Floor, 'A' Wing, C.B.D. Belapur, Navi Mumbai-400 614 in the prescribed Form No.II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. The unclaimed dividends pertaining to the financial year 1995-96 and 1996-97 will be transferred in November 2003 and October 2004 respectively to Investor Education and Protection Fund in terms of amended Section 205A of the Companies Act, 1956.
6. 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. It may also be noted that once the unclaimed dividend is transferred, as above, no claims shall lie in respect of such amount.
7. 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.
8. 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, Kolkata 700 001.

KANORIA INDUSTRIES LIMITED

(3) The Delhi Stock Exchange Association Ltd
3&4/4B, Asaf Ali Road, New Delhi 110 002.

9. 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 addressed as stated in note (4) above.
10. Pursuant to Clause 49 (VI) (A) of the Listing Agreement, the particulars of the Directors being re-appointed/appointed at the Annual General Meeting are annexed.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

ITEM No.5

The Company's Equity Shares are presently listed on the Stock Exchanges at Mumbai, Kolkata and New Delhi.

SEBI has brought out revised guidelines in February 2003 regarding voluntary delisting of shares. According to the revised guidelines, a Company may delist from any one or more Stock Exchanges where the Company's Equity Shares are listed, provided the Company's Equity Shares are listed on either The Stock Exchange, Mumbai or the National Stock Exchange of India Limited.

With the networking of various centres with The Stock Exchange, Mumbai and/or the National Stock Exchange of India Limited, the members of the Company have access to online dealings in the Company's Shares from any location in the country.

There have been no trades in Company's shares on the Stock Exchanges at Kolkata and New Delhi for more than 8 years and no benefits are available to the shareholders of the Company by continuing the listing of the Company's Equity Shares on these Exchanges. The proposed delisting from these two Exchanges will not adversely affect any investor including the members located in regions where the above two Stock Exchanges are situated.

This will also result in substantial savings on payment of listing fee.

The Board, after careful consideration, has decided, subject to the approval of the shareholders, to delist the Company's equity shares from the Calcutta and Delhi Stock Exchanges.

As required under SEBI Regulations for voluntary delisting by the Company, members' approval by a Special Resolution is required for this purpose and hence the proposed resolution.

The above resolution is in the interests of the Company and therefore, commended by the Board for approval by the shareholders.

By Order of the Board
For KANORIA INDUSTRIES LIMITED

M.L. DAGA

Director & Secretary

Mumbai, 25th August, 2003

Information required under clause 49 (VI) (A) of the Listing Agreement in respect of Directors being re-appointed / appointed:

1. Name	: Shri A.M. Shettar
Date of Birth	: 4.12.1940
Qualifications	: B. Com.
Date of Appointment	: 16.11.2000
Expertise in specific function area	: General Management
Memberships on Committees of the Board of Directors of other Companies	: Nil
2. Name	: Shri R.K. Kerjiwal
Date of Birth	: 8.5.1960
Qualifications	: B. Com. (Hons)
Date of Appointment	: 30.7.2001
Expertise in specific function area	: General Management
Other Directorships	: Aslatic Air-O-Gas Engg. Co. Ltd. Alpha Oxygen Ltd Anchor Leasing Ltd AOL Cryo Ltd India Jute Trading Co Ltd Mintex Tradelinks Pvt Ltd New India Shipping Lines Ltd Pennzol Gases & Investment Co (P) Ltd Shree Bhagya Luxmi Resources (P) Ltd Popular Jute Trading Co Ltd
Memberships on Committees of the Board of Directors of other Companies	: Nil

ANNUAL REPORT 2002-2003**DIRECTORS' REPORT**

To
The Shareholders

The Directors hereby present the 53rd Annual Report and Audited Accounts of the Company for the year ended 31st March, 2003.

(Rs. in lacs)

FINANCIAL RESULTS

	Current Year	Previous Year
After meeting all operating and administrative expenses, the working of the year shows a deficit of	(867.48)	(31.66)
Add:		
Interest	11.54	442.19
Depreciation	189.94	200.93
Net Loss of the Year	(1068.96)	(674.78)
Profit/(Loss) brought forward from the previous year	(4579.92)	(3905.14)
Balance Carried to Balance Sheet	(5648.88)	(4579.92)

DIVIDEND

Your Directors regret their inability to recommend any dividend.

CONTRIBUTION TO GOVERNMENT REVENUE

The Company has contributed Rs.566.98 lacs by way of Excise Duty and Rs.617.97 lacs towards other taxes. The total contribution of the Company to the Central and State Exchequer was thus Rs.1184.95 lacs during the year under review.

PRODUCTION AND PERFORMANCE

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

	2002-03	2001-02
Clinker Production (MT)	84160	121270
Monthly Average	7013	10106
Cement Production (MT)	159126	192550
Monthly Average	13261	16046
Capacity Utilisation (%)	48.22	58.35
Turnover (Rs. in lacs)	2883	4053

As reported in the last Annual Report, the operations of your Company's Cement Plant at Bagalkot were affected during the year under review due to submergence of the Company's various lands under mining leases and the crushing plants from the back waters of Ghata Prabha river as a result of increase in the water level in the Almatti Dam under the Upper Krishna project of the Government of Karnataka. With the submergence of the Company's primary and secondary crushers, it was not possible to crush the limestone which is required for manufacturing cement. All out efforts were made to mobilize the purchase of crushed limestone from outside sources but it could be procured to the extent of only 45% of the total requirement. As a consequence of the setback, the capacity utilization during the year under review has remained at 48.22% only. The lower capacity utilization coupled with the fall in the cement prices during the year has resulted in substantial drop in the turnover during the year under review.

The company has filed the claim for compensation against the loss of company's lands, plant and machineries, civil foundations, buildings, electrical installations, roads, limestone stock and other equipments with the concerned authorities of the Government of Karnataka. The claim for compensation is pending with the respective authorities.

REFERENCE TO BIFR

Since the last Director's Report, BIFR was apprised of the losses suffered by the Company, in the hearing held on 10th September, 2002, due to submergence of Company's lands and other properties. BIFR has directed the Company to submit the revised Draft Rehabilitation Scheme (DRS) to the Operating Agency (OA) after incorporating the impact of losses suffered by the Company and additional reliefs and concessions required for the revival of the Company. As per the directions of the BIFR, the company has submitted the revised DRS to the OA. The revised DRS has been considered in the joint meeting of the secured creditors. The OA is awaiting the approvals from all the secured creditors for onward submission of the Scheme to BIFR for its sanction.

DEBENTURES

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

AUDIT COMMITTEE

As per the requirement of Section 292A of the Companies Act, 1956 and also the Listing Agreements with Mumbai, Kolkata and Delhi Stock Exchanges, an Audit Committee of the Board of Directors is already in place. During the year, committee held three meetings.

CORPORATE GOVERNANCE

Pursuant to Clause 49 (VI(A)) of the Listing Agreement, a report of compliance of Corporate Governance together with a Certificate from the Auditors of the Company is annexed hereto.

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.

CONSOLIDATED ACCOUNTS

The consolidated audited Accounts of the Company and its subsidiaries together with the Auditors' Report thereon are annexed herewith.

SAFETY & ENVIRONMENT

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

HUMAN RESOURCES

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

DIRECTORS

S/Shri A.M. Shettar and R.K. Kejriwal retire by rotation and, being eligible, offer themselves for reappointment.

KANORIA INDUSTRIES LIMITED**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgements 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 and of the profit or loss of the company for that period;
- (iii) that the directors 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;
- (iv) that the directors have prepared the annual accounts on a going concern basis.

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 year ending on 31.3.2004.

PARTICULARS OF EMPLOYEES

The Company has no employee in respect of whom information under Section 217 (2A) of the Companies Act, 1956, is required to be annexed.

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 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

A.K. KANORIA

Chairman

Mumbai, 25th August, 2003.

ANNEXURE TO THE REPORT OF THE DIRECTORS**A. CONSERVATION OF ENERGY**

Total energy consumption and energy consumption per unit of production as per FORM "A".

FORM A
(See Rule 2)

Form for disclosure of particulars of with respect to conservation of energy

2002-2003 **2001-2002**

A. POWER AND FUEL CONSUMPTION**1. ELECTRICITY****a) Purchased**

Unit (Lac/KWH)	32.34	137.25
Total amount (Rs.lacs)	169.52	576.22
Rate/Unit (Rs.)	4.96	4.20

b) Own Generation**i) Through diesel generator**

Units (lac/KWH)	157.61	106.18
Units per ltr. of diesel oil	3.91	3.90
Cost/Unit (Rs)	4.17	3.99

ii) Through steam turbine/generator

Units	-	-
Units per litre of fuel oil/gas	-	-
Cost/Units	-	-

2. COAL & LIGNITE

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

Quantity (tonnes)	20776.07	31572.59
Total Cost (Rs.lacs)	490.08	715.37
Average rate (Rs/MT)	2358.86	2265.78

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)

2002-2003 **2001-2002**

Electricity	111.41	122.17
Furnace Oil	-	-
Coal & Lignite (per tonne of clinker)	24.69%	26.03%

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.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lacs)

1. Total Foreign Exchange earned	-	-
2. Total Foreign Exchange used	1.13	-

On behalf of the Board of Directors

A.K. KANORIA

Chairman

Mumbai, 25th August, 2003.

ANNUAL REPORT 2002-2003

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance is aimed at the efficient conduct of its business and meeting its obligations to the shareholders.

The Company is committed to learn and adopt the best practices of corporate governance.

2. BOARD OF DIRECTORS

The present strength of Board of Directors of your Company is six Directors.

The Composition and category of Directors is as follows:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	Directorship in other Companies including private companies in India	No. of Committees in which Chairman/Member (other than Kanoria Industries Ltd)	Member Chairman
Shri A.K. Kanoria Chairman & Managing Director	Promoter-Executive	7	Yes	11	NIL	NIL
Shri M.S. Sangneria Director	Independent & Non-Executive Director	6	Yes	1	NIL	NIL
Shri M.L. Daga Director & Secretary	Executive Director	6	Yes	NIL	NIL	NIL
Shri L.N. Chaturvedi Director	Independent & Non-Executive Director	NIL	No	5	NIL	NIL
Shri A.M. Shettar Director	Independent & Non-Executive Director	7	Yes	NIL	NIL	NIL
Shri R.K. Kejriwal Director	Independent & Non-Executive Director	3	No	10	NIL	NIL

No. of Board Meetings held : 7

Dates : 27.4.2002, 30.7.2002, 4.9.2002, 30.9.2002, 30.10.2002, 27.1.2003, 8.3.2003

3. AUDIT COMMITTEE

The Audit Committee comprises solely of Independent & Non-Executive Directors. Shri R.K. Kejriwal, Shri M.S. Sangneria and Shri L.N. Chaturvedi are the members of the Committee. Shri R.K. Kejriwal is the Chairman of the Audit Committee.

The terms of reference to the Audit Committee cover the matters specified in Section 292 A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Number of Committee meeting held : 3

Dates : 30.7.2002, 4.9.2002, 12.3.2003

Attendance at Audit Committee Meetings

Members	No. of Meetings attended
Shri R.K. Kejriwal	3
Shri M.S. Sangneria	3
Shri L.N. Chaturvedi	NIL

The Vice President – Finance, Internal Auditor, Statutory Auditors and Cost Auditor of the Company are the Permanent Invitees. The Company Secretary is the Secretary of the Committee.

4. REMUNERATION OF DIRECTORS / REMUNERATION COMMITTEE

The Remuneration Committee comprises of three non-executive Directors viz. Shri M.S. Sangneria, Shri R.K. Kejriwal and Shri L.N. Chaturvedi. Shri R.K. Kejriwal is the Chairman of the Committee. During the year 2003, one meeting of the Remuneration Committee was held on 30th July 2002, which was attended by all the Remuneration Committee Members, except Shri L.N. Chaturvedi.

The remuneration of Managing Director was discussed and decided by the Remuneration Committee.

Other details of the Directors' Remuneration paid for the year 2002-2003 follows:

(A) Executive Directors

Name	Designation	Salary & Allowances	Perquisites	Employers' Contribution to Provident Fund and Superannuation Fund	Total
Shri A.K. Kanoria	Managing Director	18,91,312	2,31,928	99,389	22,22,629
Shri M.L. Daga	Director & Secretary	15,11,041	-	31,590	15,42,631

Notice period for termination of appointment of Managing Director is three months or less by mutual agreement.

(B) Sitting fee paid to Non-Executive Directors

Name of Directors	(Rupees) Amount
Shri M.S. Sangneria	12,000
Shri L.N. Chaturvedi	NIL
Shri A.M. Shettar	14,000
Shri R.K. Kejriwal	6,000

The Company does not have a scheme for grant of stock option.

5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Shri M.S. Sangneria	Chairman
Shri M.L. Daga	Compliance Officer
Shri A. M. Shettar	Director
Number of shareholders complaints received so far	8
Number not solved to the satisfaction of shareholders	NIL
Number of pending share transfers	NIL

6. GENERAL BODY MEETINGS

Location for and time of last three Annual General Meetings:

Date	Time	Location
14.09.2000	11.30 A.M.	Ashoka Hall, Arcadia, Nariman Point, Mumbai 400021.
29.11.2001	11.30 A.M.	Waichand Hirachand Hall, 4th Floor, IMC, Mumbai 400020
30.09.2002	4.00 P.M.	Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Nariman Point, Mumbai 400021.

No special resolution was proposed at the AGM, last year. The special resolution proposed to be approved at the ensuing AGM does not require approval by Postal Ballot.

7. DISCLOSURES

- The particulars of transactions between the Company and related parties as per Accounting Standard are set out in the notes on accounts in the Annual Report. None of these transactions have any potential conflict with the interest of the Company at large.
- There were no instances of non compliance on any matter related to the capital market, during the last three years.

8. MEANS OF COMMUNICATION

The quarterly results are published in the daily, Navshakti and Free Press Journal. Half yearly results are not sent to the shareholders individually.

The Management Discussions and Analysis Report forms part of this Annual Report. No presentations were made to the Institutional investors or analysts.

The Company does not have any website.

9. GENERAL SHAREHOLDERS INFORMATION

- Annual General Meeting - Date, Time and Venue : September 29, 2003 at 11.00 A.M. at Ashoka Hall, Arcadia 195, Nariman Point, Mumbai 400 021.
- Financial Calendar : 1st quarter - 28.7.2003
April 2003 to March 2004 : 2nd quarter - 27.10.2003*
3rd quarter - 27.1.2004*
4th quarter - 26.4.2004*
*Tentative
- Date of Book Closure : 12th September, 2003 to 17th September, 2003 (both days inclusive)
- Dividend Payment Date : No dividend proposed
- Listing on Stock Exchange : Mumbai, Calcutta and Delhi Stock Exchanges.
- (a) Stock Code : 502125
(b) ISIN Number in NSDL and CDSL : Not Applicable as the shares are not dematerialised.
- Stock Price Data : No transactions reported during the year.
- Registrar & Transfer Agents : Bigshare Services Private Limited E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka Andheri (East), Mumbai 400 072.
- Share Transfer System: Share transfer applications are processed by the Registrar & Transfer Agents and placed before the Shareholders' / Investors' Grievance Committee for approval.

The committee meets as often as necessary to approve transfers and other related matters. The share certificates are forwarded to the lodger thereof, hereafter.

9.10 Distribution of shareholding as on 31st March, 2003

Particulars	No. of shares held	Percentage to total share capital
Promoters	6413392	75.37
Financial Institutions/Banks/Mutual Funds	147082	1.73
Corporate Bodies	430898	5.07
NRIs	24066	0.28
General Public	1492968	17.55
Total	8508406	100.00

The shares of the Company are not dematerialised.

The Company has no outstanding of GDR / ADR / Warrants or other convertible instruments.

- Plant Location: Bagalkot, Dist. Bagalkot Karnataka 587 111.
- Address for Correspondence:

Kanoria Industries Ltd
Air India Building, 14th Floor,
Nariman Point, Mumbai 400 021

On behalf of the Board of Directors

A.K. KANORIA
Chairman

Mumbai, 25th August, 2003.

MANAGEMENT DISCUSSION & ANALYSIS**1. Review of Operations**

It was a difficult year for the cement business which continued to have surplus situation. The price of cement remained under pressure resulting in higher losses in comparison to the previous year.

While the Company continued to concentrate on making Portland Slag Cement, its operations were badly affected due to submergence of the crushing plants. As a consequence of the setback, the capacity utilization during the year under review has remained at 48.22% only. The lower capacity utilization coupled with the fall in the cement prices during the year has resulted in substantial drop in the turnover during the year under review.

2. Industry Structure & Developments

Though there has been a let up in recessionary conditions, the prices remained under pressure throughout the year due to supplies exceeding the demand, more so in the markets of the Company i.e. South India. The silver lining is that capacity addition has slowed down and with demand growth continuing and industrial growth picking up, the prices are expected to improve in next couple of years.

3. Opportunities & Threats

There is continuing demand for infrastructure. This growth will determine the rate at which the economy progresses. The upturn in the economy and general infrastructure spending by the Government should see an increase in demand for cement. This along with the continued support to the housing sector through tax sops, lower rates of interest on housing loans and investments in major infrastructure project should see continued growth in demand for the cement.

Delays in implementation of infrastructure projects might adversely affect the industry.

Further delay in sanction of the rehabilitation package of the company may jeopardize its turn around.

4. Segmental Review

The company has only one segment and hence segmental review is not being given.

5. Outlook

The long-term outlook for the cement industry is encouraging. With continued government emphasis on construction of concrete roads, housing projects and other infrastructure developments the demand for cement will continue to grow in the long run.

6. Risk and Concerns

The increase in the excise duty of Rs.50/- per ton on cement and clinker has hit the cement industry, which was already suffering from a very high incidence of taxation. The hike has further put pressure on the net realization. Erratic power supply from the State Electricity Board also continues to affect productivity.

7. Internal control system and their adequacy

The Company has proper and adequate systems of internal control to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all

transactions are authorised, recorded and reported correctly. Regular internal audits and checks are carried out. Effective deliberations at Audit Committees of the Board have further strengthened the internal control within the organization.

8. Financial Performance

	(Rs. in lacs)	
Particulars	2002-03	2001-02
Gross Turnover	2883.41	4053.41
Net Sales	2316.43	3366.74
Loss before interest and depreciation	(867.48)	(31.66)
Interest	11.54	442.19
Loss after interest	(879.02)	(473.85)
Depreciation	189.94	200.93
Net Loss	(1068.96)	(674.78)

The financial performance of the Company was adversely affected during the year due to the reason beyond the control of the company which has resulted in the lower capacity utilization during the year under review. The lower capacity utilization coupled with the fall in the cement prices during the year has adversely affected the working of the company.

9. Human Resources

Industrial Relations remained cordial and peaceful throughout the year. There was continued improvement in manpower productivity. The company had 347 employees as on 31st March, 2003, as against 364 employees as on 31st March, 2002.

10. Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement.

The sanction of the Draft Rehabilitation Scheme of the Company by BIFR and extension of various reliefs and concessions sought by the Company from Government of Karnataka, Institutions, Banks and other secured creditors is a necessary prerequisite to the turnaround and future operations of the Company. Other important factors that could influence the Company's operations include supply and demand conditions affecting selling prices of cement, input availability and prices, changes in Government regulations, tax laws, economic development within the country and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

On behalf of the Board of Directors

A.K. KANORIA
Chairman

Mumbai, the 25th August, 2003.

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AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Kanoria Industries Limited

We have examined the compliance of conditions of corporate governance by Kanoria Industries Limited, for the year ended on 31st March 2003, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **HARIBHAKTI & CO.**
Chartered Accountants

CHETAN DESAI
Partner

Mumbai, 25th August, 2003

For **SANTHAPPA & Co.**
Chartered Accountants

S.BASAVARAJ
Partner

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

SECTION 212 (1)(e)

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, 2003	Wholly-owned subsidiary
(b) Sanatan Investment Company Ltd	31st March, 2003	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 account.

(a) Profit for the above noted financial years of the subsidiaries since they became subsidiaries of KIL	... Rs.5.64 lacs
(b) Profit for the previous financial years of the subsidiaries since they became subsidiaries of KIL.	... Rs.35.44 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

M. S. SANGANERIA
Director

M. L. DAGA
Director & Secretary

Mumbai, 25th August, 2003.

DISTRIBUTION OF SHAREHOLDING

NUMBER OF ORDINARY SHARES HELD	NUMBER OF SHAREHOLDERS	
	31-3-2003 %	31-3-2002 %
1 to 500	97.17	97.17
501 to 1000	1.69	1.68
1001 to 10000	0.94	0.95
Over 10000	0.20	0.20
Total	100.00	100.00

CATEGORIES OF SHAREHOLDERS

CATEGORY	NUMBER OF SHAREHOLDERS		VOTING STRENGTH		NUMBER OF ORDINARY SHARES HELD	
	31-3-2003	31-3-2002	31-3-2003	31-3-2002	31-3-2003	31-3-2002
Individuals	9728	9728	17.88	17.88	1521760	1521760
Companies	71	71	80.39	80.39	6839564	6839564
Government & Public Financial Institutions	3	3	1.56	1.56	132795	132795
Nationalised Banks Mutual Funds and Trust	5	5	0.17	0.17	14287	14287
Total	9807	9807	100.00	100.00	8508406	8508406