



**Annual  
Report**  
31st March  
2004

**KANORIA GROUP**

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KANORIA GROUP

**Kanoria Industries Limited**

**ANNUAL REPORT 2003-04****54th Annual General Meeting**

<b>Time</b>	<b>11.00 A. M.</b>
<b>Day</b>	<b>Wednesday, 29th September, 2004</b>
<b>Venue</b>	<b>Ashoka Hall, Arcadia, NCPA Marg, 195, Nariman Point, Mumbai 400021</b>

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**HIGHLIGHTS****(Rs. in 000)**

<b>YEAR</b>	<b>2003-2004</b>	<b>2002-2003</b>	<b>2001-2002</b>	<b>2000-2001</b>	<b>1999-2000</b> (9 months)
SALES (INCL. EXCISE DUTY)	371190	288341	405341	348771	330379
OTHER INCOME	13062	4037	21947	10505	2713
INCREASE/(DECREASE) IN STOCK OF SEMI-FINISHED AND FINISHED GOODS	11831	(3133)	3029	(23913)	2434
RAW MATERIAL CONSUMED	48861	38978	47691	29793	13104
MANUFACTURING & OTHER EXPENSES (INCL. EXCISE DUTY)	385550	337015	385792	338151	363033
PROFIT/(LOSS) BEFORE INTEREST & DEPRECIATION	(38328)	(86748)	(3166)	(32581)	(40611)
INTEREST	24446	1154	44219	68109	60933
CASH PROFIT/(LOSS)	(62774)	(87902)	(47385)	(98690)	(101544)
DEPRECIATION	19775	18994	20093	23027	15936
PROFIT /(LOSS) BEFORE TAX	(82549)	(106896)	(67478)	(121717)	(117480)
PROFIT /(LOSS) AFTER TAX	(82549)	(106896)	(67478)	(121717)	(117480)
GROSS FIXED ASSETS	1477084	1467141	1512020	1510656	1517126
NET FIXED ASSETS	653518	703072	785255	821067	866191
CAPITAL WORK IN PROGRESS	—	6566	—	—	—
INVESTMENTS	12802	12802	12802	12802	12811
NET CURRENT ASSETS	(229422)	(178179)	(119224)	(60190)	4377
MISCELLANEOUS EXPENSES TO BE WRITTEN OFF	2978	3971	5080	6379	8645
SHARE CAPITAL	85454	85454	85454	85454	85454
RESERVES & SURPLUS	484623	525308	578783	597035	619831
SHARE HOLDERS' FUNDS	(35738)	86503	245765	330196	472443
BORROWINGS-LONG TERM	216252	216552	216552	208158	190516
BORROWINGS-SHORT TERM	256364	241206	216517	235325	220420
BOOK VALUE RS. PER EQUITY SHARE	(4.18)	10.12	28.76	38.64	55.29

**BOARD OF DIRECTORS****A. K. Kanoria**

(Chairman &amp; Managing Director)

**M. S. Sanganeria****M. L. Daga****L. N. Chaturvedi****A. M. Shettar****R. K. Kejriwal****STATUTORY AUDITORS**

Messrs Haribhakti &amp; Co.

Messrs Santhappa &amp; Co.

**COST AUDITORS**

Messrs B.J.D. Nanabhoy &amp; Co.

**SOLICITORS**

Kanga &amp; Co.

**BANKERS**

Syndicate Bank

Canara Bank

Dena Bank

**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) 2847 0652 / 653

Fax No. : (022) 2847 5207

**REGISTERED OFFICE**

Air India Building

14th Floor,

Nariman Point,

Mumbai - 400 021.

**FACTORY**

Bagalkot, Dist. Bagalkot

Karnataka - 587 111.

Report

**ANNUAL REPORT 2003-2004****NOTICE**

Notice is hereby given that the 54th Annual General Meeting of the Shareholders of **KANORIA INDUSTRIES LIMITED** will be held on Wednesday, the 29th September, 2004 at 11.00 A.M. at Ashoka Hall, Arcadia, NCPA Marg, 195, Nariman Point, Mumbai 400 021 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 2004.
2. To appoint a Director in place of Shri M.S. Sangneria who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri L.N. Chaturvedi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

M/s. Haribhakti & Co., one of the retiring joint Auditors of the Company have expressed their unwillingness to be reappointed. The Company has received a Special Notice under Section 225 of the Companies Act, 1956, from a Shareholder signifying his intention to move a resolution for the appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai, in the place of M/s. Haribhakti & Co.

By Order of the Board  
For **KANORIA INDUSTRIES LIMITED**

**M.L. DAGA**

Director & Secretary

Mumbai, 25th August, 2004

**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 Share Transfer Books and the Register of Members of the Company would remain closed from Thursday, the 23rd September, 2004 to Wednesday, the 29th September, 2004 (both days inclusive).
3. 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.
4. 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 dividend for the Accounting Year ended 31/3/1996 remaining unclaimed for a period of 7 years have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

The unclaimed dividends pertaining to the financial year 1996-97 will be transferred to IEPF in terms of amended Section 205A of the Companies Act, 1956 in October 2004.

5. Members, who have not encashed their dividend warrants for the year 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 to Government, as above, no claims shall lie in respect of such amount.
6. 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.
7. The Equity Shares of the Company are listed in the The Stock Exchange, Mumbai, Phiroze Zeejeebhoy Towers, Dalal Street, Mumbai 400 001 and Annual Listing Fee has been paid to them.
8. 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.
9. 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.

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

- |  |   |
|--|---|
| 1. Name  | : Shri M.S. Sangneria   |
| Date of Birth  | : 15.1.1933   |
| Qualifications   | : B. Com. LL.B.,<br>Diploma in<br>Business Management   |
| Date of Appointment  | : 16.12.1987  |
| Expertise in specific<br>function area                                       | : General Management  |
| Memberships on Committees<br>of the Board of Directors of<br>other Companies | : Nil   |
| 2. Name  | : Shri L.N. Chaturvedi  |
| Date of Birth  | : 5.7.1945  |
| Qualifications   | : B. Sc.,<br>B.O.A.T. from Calcutta<br>Technical School   |
| Date of Appointment  | : 16.11.2000  |
| Expertise in specific<br>function area                                       | : General Management  |
| Other Directorships  | : Asiatic Explosives<br>Pvt. Ltd.<br>Ameri Gas Pvt. Ltd<br>Andhra Pradesh Air<br>Products Pvt. Ltd.<br>AOL Infotech Ltd.<br>Shree Hanuman Steel<br>Rolling Mills Ltd. |
| Memberships on Committees<br>of the Board of Directors of<br>other Companies | : Nil   |



**DIRECTORS' REPORT**

To  
The Shareholders

The Directors hereby present the 54th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2004.

(Rs. in lacs)

**FINANCIAL RESULTS**

	Current Year	Previous Year
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After meeting all operating and administrative expenses, the working of the year shows a deficit of

	(383.28)	(867.48)
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Add:

Interest	244.46	11.54
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Depreciation	197.75	189.94
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Net Loss of the Year	(825.49)	(1068.96)
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Loss brought forward from the previous year	(5648.88)	(4579.92)
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Balance Carried to Balance Sheet	(6474.37)	(5648.88)
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**DIVIDEND**

In view of the loss, your Directors regret their inability to recommend any dividend.

**CONTRIBUTION TO GOVERNMENT REVENUE**

Against the turnover of Rs. 2937.34 lacs, the total contribution from your Company to the Central and State Exchequer was Rs. 1540.57 lacs, out of which Rs. 774.56 lacs towards excise duty and Rs. 766.01 lacs towards other taxes 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:

	2003-04	2002-03
Clinker Production (MT)	121100	84160
Monthly Average	10092	7013
Cement Production (MT)	192385	159126
Monthly Average	16032	13261
Capacity Utilisation (%)	58.30	48.22
Turnover (Rs. in lacs)	3712	2883

The capacity utilization was higher during the year under review in comparison to the previous year. Though there has been improvement in the market conditions, over supply continues to plague the industry and prices of cement have remained depressed for most of the year while the cost of inputs like coal, power and freight have continued to rise.

**REFERENCE TO BIFR**

Since the date of previous Directors' Report, the Operating Agency, IDBI has submitted a revised Draft Rehabilitation Scheme in respect of the Company to BIFR, which is pending consideration.

**DEBENTURES**

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

**DELISTING OF EQUITY SHARES**

During the year 2003-04, the Company has filed applications for voluntary delisting of the equity shares from the Delhi Stock Exchange Association Limited (DSE) and The Calcutta Stock Exchange Association Limited (CSE). The shares of the Company have been delisted from DSE with effect from December 29, 2003. However, confirmation from CSE is still awaited.

**AUDIT COMMITTEE**

As per the requirement of Section 292A of the Companies Act, 1956 and also the Listing Agreements with Stock Exchange, Mumbai 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 on 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 therewith.

**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 M.S. Sangneria and L.N. Chaturvedi retire by rotation and, being eligible, offer themselves for reappointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company state:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- 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;

**ANNUAL REPORT 2003-2004**

- (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 31.3.2005.

**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**

As regards provision for doubtful debts mentioned in Part ii (h) (i) of the report, it is to be stated that a provision of Rs.64.20 lacs have been made against the doubtful debts in the accounts. The Management is hopeful of recovering the balance of debts outstanding for more than 3 years aggregating Rs.87.71 lacs as mentioned in the note no.10 of the Schedule 'R' of the accounts.

As regards the provision for interest on loans from Banks and Financial Institutions mentioned in Part ii (h) (ii) of the report, the matter has been fully explained in note no.4 of the Schedule 'R' attached to the accounts.

**APPOINTMENT OF AUDITORS**

M/s. Haribhakti & Co., one of the joint Auditors of the Company, have expressed their unwillingness to be reappointed. The Company has received a Special Notice from a Shareholder signifying his intention to move a resolution for appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai, in place of M/s. Haribhakti & Co., The said firm as well as M/s. Santappa & Co., Bangalore, the other retiring Auditors, have furnished Certificates to the Company to the effect that their appointment, if made, would be within the limits prescribed under the Companies Act, 1956. Shareholders are requested to appoint the Auditors and to fix their remuneration.

**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, hard work and efforts.

On behalf of the Board of Directors

**A.K. KANORIA**

Chairman

Mumbai, 25th August, 2004.

**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 with respect to conservation of energy

2003-2004 2002-2003

**A. POWER & FUEL CONSUMPTION:****1. ELECTRICITY:**

a] Purchased unit (Lac KWH)	85.04	32.34
Total amount (Rs.lacs)	404.63	160.52
Rate/Unit (Rs)	4.76	4.96

**b] Own generation****i] Thro Diesel Generators**

Units (Lac KWH)	141.41	157.61
Units per ltr of LDO/SKO	3.76	3.91
Cost / Unit (Rs)	4.23	4.17

**ii] Thro Steam turbine/generator**

Units	-	-
Units per ltr of fuel oil/gas	-	-
Cost / Unit (Rs)	-	-

**2. COAL & LIGNITE:**

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

Quantity (Tonnes)	17877.33	20776.07
Total cost (Rs.lacs)	462.24	490.08
Avg. rate (Rs/MT)	2585.56	2358.86

**3. FURNACE OIL:**

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

**4. OTHER/INTERNAL GENERATION:**

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

**B. CONSUMPTION PER UNIT OF PRODUCTION (units per MT)**

2003-2004 2002-2003

Electricity	110.48	111.41
Furnace Oil	-	-
Coal & Lignite	14.76% *	24.69%

\* Consumption is lower because of use of high calorific value coal During the 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 and Development activities for the entire industry and the Company is a Member of the same, deriving there from 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	Nil	Nil
2. Total Foreign Exchange used	7.96	1.13

On behalf of the Board of Directors

**A.K. KANORIA**

Chairman

Mumbai, 25th August, 2004.

# 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 in the efficient conduct of its business and in 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	Proprietor - Executive	6	Yes	10	NIL	NIL
Shri M.S. Sanganeeria Director	Independent & Non-Executive Director	5	Yes	NIL	NIL	NIL
Shri M.L. Daga Director & Secretary	Executive Director	4	Yes	NIL	NIL	NIL
Shri L.N. Chaturvedi Director	Independent & Non-Executive Director	1	No	5	NIL	NIL
Shri A.M. Shettar Director	Independent & Non-Executive Director	6	Yes	NIL	NIL	NIL
Shri R.K. Kejriwal Director	Independent & Non-Executive Director	4	Yes	11	NIL	NIL

No. of Board Meetings held : 6  
Dates : 28.4.2003, 28.7.2003, 25.8.2003, 29.9.2003, 27.10.2003, 27.01.2004.

## 3. AUDIT COMMITTEE

The Audit Committee comprises solely of Independent & Non-Executive Directors. Shri R.K. Kejriwal, Shri M.S. Sanganeeria 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 : 4  
Dates : 25.4.2003, 28.7.2003, 25.8.2003, 27.1.2004.

Attendance at Audit Committee Meetings	No. of Meetings attended
Members	
Shri R.K. Kejriwal	4
Shri M.S. Sanganeeria	4
Shri L.N. Chaturvedi	1

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. Sanganeeria, Shri R.K. Kejriwal and Shri L.N. Chaturvedi. Shri R.K. Kejriwal is the Chairman of the Committee.

Term of reference to the Remuneration Committee of the Company is to comply with Schedule XIII of the Companies Act, 1956 and Listing Agreement and to carry out functions as envisaged therein.

During the year no meeting of the remuneration committee was held.

Details of the Directors' Remuneration paid for the year 2003-2004 as follows:

### (A) Executive Directors

Name	Designation	Salary & Allowances	Perquisites	Employers' Contribution to Provident Fund	Total
Shri A.K. Kanoria	Managing Director	8,40,000	2,63,308	72,000	11,75,308
Shri M.L. Daga	Director & Secretary	4,95,600			4,95,600

The appointment of Managing Director is contractual which is for the period of three years w.e.f 1.8.2002. Notice period for termination of his appointment is three months notice or less by mutual agreement.

### (B) Sitting fee paid to Non-Executive Directors

Name of Directors	Amount (Rupees)
Shri M.S. Sanganeeria	10,000
Shri L.N. Chaturvedi	2,000
Shri A.M. Shettar	12,000
Shri R.K. Kejriwal	8,000

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

## 5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Shri M.S. Sanganeeria	Chairman
Shri M.L. Daga	Compliance Officer
Shri A. M. Shettar	Director
Number of shareholders complaints received and resolved so far	18
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
29.11.2001	11.30 A.M.	Walchand 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.
29.09.2003	11.00 A.M.	Ashoka Hall, Arcadia, 195, Nariman Point, Mumbai 400 021.

During the last year, there have been no special resolutions passed by the Company's Shareholders through Postal Ballot. At the ensuing Annual General Meeting there is no resolution proposed to be passed 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, except letter from SEBI in respect of purported violations of the "Takeover Regulations" - Settlement by Consent Order. The Company had already made its representation.

## 8. MEANS OF COMMUNICATION

The quarterly results are published in the dailies, 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 : 29th September, 2004 at 11.00 A.M. at Ashoka Hall, Arcadia, NCPA Marg 195, Nariman Point, Mumbai 400 021.
- Financial Calendar  
April 2004 to March 2005 : 1st quarter - 26.7.2004  
2nd quarter - 25.10.2004  
3rd quarter - 24.1.2005\*  
4th quarter - 25.4.2005\*  
\*Tentative
- Date of Book Closure : 23rd September, 2004 to 29th September, 2004 (both days inclusive)
- Dividend Payment Date : No dividend proposed
- Listing on Stock Exchange : Bombay Stock Exchange
- (a) Stock Code : 502125  
(b) ISIN Number in NSDL and CDSL : Not Applicable as the shares are not dematerialised.
- Stock Price Data : Monthly high and low during the year.  

Month	Share Prices	BSE Index
	High Low Rs.	High Low
October 03	4.10 1.90	4951.11 4432.93
March 04	1.75 1.75	5951.03 5324.78

Except as reported above, there were no trading in other months.
- 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 share certificates are forwarded to the lodger thereof, hereafter.  
The committee meets as often as necessary to approve transfers and other related matters.

### 9.10 Distribution of shareholding as on 31st March, 2004

Particulars	No. of shares held	Percentage to total share capital
Promoters	6488392	76.26
Financial Institutions/Banks/Mutual Funds	147082	1.73
Corporate Bodies	356198	4.19
NRI's	24066	0.28
General Public	1492668	17.54
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 Correspondences:  
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, 2004.



**ANNUAL REPORT 2003-2004****MANAGEMENT DISCUSSION & ANALYSIS****1. Review of Operations:**

With improvement in overall industrial outlook, the performance of cement industry has also shown marginal improvement during the year. The capacity utilization during the year under review improved to 58.30% and turnover to Rs.3712 lacs. As a result of increased production and turnover, the losses were lower.

**2. Industry Structure & Developments:**

The economy is looking up and the stated surge in infrastructure growth is expected to benefit the industry. With tapering off of overhang of supply on demand, the industry can look forward to firming up of prices and improved profitability in days to come.

**3. Opportunities & Threats:**

The emphasis on infrastructure growth has continued. Roads, Ports, Airports and housing sector continue to attract investment with the various tax / fiscal sops. The fortunes of industry, which are directly linked to these sectors are also expected to be on the upswing.

Infrastructure growth has not matched the expectations in past and if this continues to be so it will adversely affect the industry. The high component of inputs with administered prices plague the fortunes of the industry. Rehabilitation package for the company is yet to be in place.

**4. Segmental Review:**

With the company having only one segment, no segmental review requires to be given.

**5. Outlook:**

The outlook for the future of the industry is encouraging. The emphasis on construction of concrete roads, housing projects and other infrastructure developments will improve the demand for cement in the long run.

**6. Risk and concerns:**

A very high share of administered prices in input costs as also high incidence of Excise Duty continues to be cause of concern. The industry faces the risks of changes in administered costs viz., Royalty, cess, cost of fuel and power.

**7. Internal control system and their adequacy:**

Proper and adequate systems of internal controls are installed by the Company for safeguarding all of its assets against losses from unauthorised use or disposition and to ensure that all transactions are authorised, recorded and reported correctly. The systems provide for regular internal audits and checks.

**8. Financial Performance:**

(Rs. in lacs)		
Particulars	2003-04	2002-03
Gross Turnover	3711.90	2883.41
Net Sales	2937.34	2316.43
Loss before interest and depreciation	(383.28)	(867.48)
Interest	244.46	11.54
Loss after interest	(627.74)	(879.02)
Depreciation	197.75	189.94
Net Loss	(825.49)	(1068.96)

The financial performance of the Company continues to be adversely affected by lower prices of cement due to supplies exceeding the demand continuously over last five years, a reason beyond the control of the Company. The capacity utilization has improved during the year under review resulting in improvement of working of the company during the year.

**9. Human Resources:**

Industrial Relations remained cordial and peaceful throughout the year. There was a continued improvement in manpower productivity.

**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 availability of inputs 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, 2004.



## KANORIA INDUSTRIES LIMITED

## 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 2004, 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  
Membership No. 17000  
Mumbai, 25th August, 2004

For SANTHAPPA & Co.  
Chartered Accountants

S. BASAVARAJ  
Partner  
Membership No. 18133

## 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, 2004	Wholly-owned subsidiary
(b) Sanatan Investment Company Ltd	31st March, 2004	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.0.86 lacs
(b) Profit for the previous financial years of the subsidiaries since they became subsidiaries of KIL.	... Rs.41.09 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, 2004.

## DISTRIBUTION OF SHAREHOLDING

NUMBER OF ORDINARY SHARES HELD	NUMBER OF SHAREHOLDERS	
	31-3-2004 %	31-3-2003 %
1 to 500	97.15	97.17
501 to 1000	1.72	1.69
1001 to 10000	0.95	0.94
Over 10000	0.18	0.20
Total	100.00	100.00

## CATEGORIES OF SHAREHOLDERS

CATEGORY	NUMBER OF SHAREHOLDERS		VOTING STRENGTH		NUMBER OF ORDINARY SHARES HELD	
	31-3-2004	31-3-2003	31-3-2004	31-3-2003	31-3-2004	31-3-2003
Individuals	9717	9728	17.88	17.88	1521294	1521760
Companies	72	71	80.39	80.39	6840030	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	9797	9807	100.00	100.00	8508406	8508406

**ANNUAL REPORT 2003-2004****AUDITORS' REPORT**

TO THE MEMBERS OF KANORIA INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **KANORIA INDUSTRIES LIMITED**, as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date and cash flow statement annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principal's used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company;
  - c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account of the Company;
  - d) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required.
  - e) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - f) On the basis of the written representations received from the directors of the Company as on 31st March, 2004, and taken on record by the Board of Directors of the Company and relying upon a legal opinion obtained by the company, we report that prima facie four directors are disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - g) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with Notes thereon give the information required by the Companies Act, 1956 in the manner so required.
  - h) We have the report as under.
    - (i) The Sundry Debtors include amounts aggregating Rs. 87.71 lakhs which have remained outstanding for over three years, which have not been confirmed by the parties and in respect of which the Company has initiated legal actions. In view of these, these debts are prima-facie doubtful of recovery, for which no provision has been made in the accounts.
    - (ii) As explained in Note no: 4 there is a difference between the interest on loans from banks and financial

institutions and lease rent provided in the books and the amounts required to be provided at contracted rates, the shortfall for the year being Rs. 1289.40 lacs and the cumulative shortfall till 31st March 2004 being Rs. 3210.78 lacs.

- (iii) As a result of the above, the loss for the year has been understated by Rs. 1377.11 lacs, the Sundry Debtors have been overstated by Rs. 87.71 lakhs, loan and the lease liability have been understated by Rs. 3210.78 lacs and the accumulated losses have been understated by Rs. 3210.78 lacs.
- (i) Subject to our observation in para (h) above, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in so far as it relates to Balance Sheet, of the state of affairs of the company as at 31st March, 2004 and;
  - (b) in so far as it relates to Profit and Loss Account, of the Loss for the year ended on that date.
  - (c) In case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For **HARIBHAKTI & CO.,**  
Chartered Accountants

For **SANTHAPPA & CO.,**  
Chartered Accountants

**CHETAN DESAI**  
Partner  
Membership No. 17000

**S. BASAVARAJ**  
Partner  
Membership No. 18133

Mumbai, 25th August, 2004

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2004, OF KANORIA INDUSTRIES LIMITED**

**I. Fixed Assets:**

1. The Company has maintained proper records showing particulars including quantitative details and situation of the Fixed Assets, except in case of Cement Division, where detailed records are available only in respect of fixed assets purchased after 1st January, 1968. As explained to us, the management has verified all the fixed assets during the year at reasonable intervals except items of furniture, fixtures and other equipment of Cement Division and we are informed that there were no discrepancies noticed in respect of the assets verified as compared with the above referred records.
2. During the year, substantial parts of fixed assets have not been disposed off by the Company.

**II. Inventory:**

3. The Management has physically verified the inventory. In our opinion, the frequency of verification is reasonable.
4. The procedure and method of physical verification of stock followed by the management are reasonable and adequate in relation to size of the Company and nature of its business.
5. The Company has maintained proper records of inventory and the discrepancies between the physical stocks and the book stocks noticed on physical verification as mentioned in paragraph 3 above are not material.

**III. Loans and Advances:**

6. The Company has not taken / given any loan or advance in the nature of loan from / to a Company listed in the Register maintained under Section 301 of the Companies Act, 1956.
7. In respect of loans and advances in the nature of loans, given by the Company, to its employees and other parties, repayment of principal and interest, wherever applicable, is being made as stipulated.