

**Annual  
Report**  
31st March  
2005

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KANORIA GROUP

**Kanoria Industries Limited**

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## ANNUAL REPORT 2004-05

## 55th Annual General Meeting

Time	11.00 A. M.
Day	Friday, 30th September, 2005
Venue	Ashoka Hall, Arcadia, NCPA Marg, 195, Nariman Point, Mumbai 400021

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## HIGHLIGHTS

(Rs. in 000)

YEAR	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
SALES (INCL. EXCISE DUTY)	278734	371190	288341	405341	348771
OTHER INCOME	1781	13062	4037	21947	10505
INCREASE/(DECREASE) IN STOCK OF SEMI-FINISHED AND FINISHED GOODS	(5132)	11831	(3133)	3029	(23913)
RAW MATERIAL CONSUMED	32483	48861	38978	47691	29793
MANUFACTURING & OTHER EXPENSES (INCL. EXCISE DUTY)	334846	385550	337015	385792	338151
(LOSS) BEFORE INTEREST & DEPRECIATION	(66012)	(38328)	(86748)	(3166)	(32581)
INTEREST	25934	24446	1154	44219	66109
CASH (LOSS)	(91946)	(62774)	(87902)	(47385)	(98690)
DEPRECIATION	19794	19775	18994	20093	23027
(LOSS) BEFORE TAX	(111740)	(82549)	(106896)	(67478)	(121717)
(LOSS) AFTER TAX	(111740)	(82549)	(106896)	(67478)	(121717)
GROSS FIXED ASSETS	668344	1477084	1467141	1512020	1510656
NET FIXED ASSETS	163419	653518	703072	785255	821067
CAPITAL WORK IN PROGRESS	—	—	6566	—	—
INVESTMENTS	12802	12802	12802	12802	12802
NET CURRENT ASSETS	(298708)	(229422)	(178179)	(119224)	(60190)
MISCELLANEOUS EXPENSES TO BE WRITTEN OFF	2163	2978	3971	5080	6379
SHARE CAPITAL	85454	85454	85454	85454	85454
RESERVES & SURPLUS	13026	484623	525308	578783	597035
SHARE HOLDERS' FUNDS	(618260)	(35738)	86503	245765	330196
BORROWINGS-LONG TERM	226458	216252	216552	216552	208158
BORROWINGS-SHORT TERM	269315	256384	241206	216517	235325
BOOK VALUE RS. PER EQUITY SHARE	(72.35)	(4.18)	10.12	28.76	38.64

**KANORIA INDUSTRIES LIMITED**

**BOARD OF DIRECTORS**

**A. K. Kanoria**

(Chairman & Managing Director)

**M. S. Sanganeria**

**M. L. Daga**

**L. N. Chaturvedi**

**A. M. Shettar**

**R. K. Kejriwal**

**STATUTORY AUDITORS**

Messrs V. K. Beswal & Associates

Messrs Santhappa & Co.

**COST AUDITORS**

Messrs B.J.D. Nanabhoy & Co.

**SOLICITORS**

Kanga & Co.

**BANKERS**

Syndicate Bank

Canara Bank

Dena Bank

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**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.

## ANNUAL REPORT 2004-2005

### NOTICE

Notice is hereby given that the 55th Annual General Meeting of the Shareholders of KANORIA INDUSTRIES LIMITED will be held on Friday, the 30th September, 2005 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

- To consider and adopt the Directors' Report and the audited Balance Sheet and Profit & Loss Account for the year ended 31st March 2005.
- To appoint a Director in place of Shri M.L. Daga who retires by rotation and being eligible, offers himself for reappointment.
- To appoint a Director in place of Shri A.M. Shettar who retires by rotation and being eligible, offers himself for reappointment.
- To appoint Auditors and to fix their remuneration.

#### AS SPECIAL BUSINESS

- To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 269, 309, 310, 311, and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, or other appropriate authorities the consent of the Company be and is hereby accorded to the reappointment of Shri A.K. Kanoria as Managing Director of the Company for a period of 3 years with effect from 1st August 2005, at such Remuneration and on such terms and conditions as set out in the draft Agreement submitted to this meeting and initialled by the Chairman for the purpose of identification;

FURTHER RESOLVED THAT Board of Directors be and is hereby authorised to amend/alter/modify all or such of the terms and conditions of the said Agreement as may be approved by the Central Government and accordingly to finalise the said Agreement;

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, fit and expedient to give effect to this resolution including in particular to apply and obtain the approval of the Central Government for the purpose and also to finalise and execute the Agreement on behalf of the Company with Shri A.K. Kanoria".

- To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions of the Companies Act, 1956 the name of the Company be changed from 'KANORIA INDUSTRIES LIMITED' to 'BAGALKOT UDYOG LIMITED'";

FURTHER RESOLVED THAT the name BAGALKOT UDYOG LIMITED be substituted in the Memorandum and Articles of Association of the Company wherever required".

By Order of the Board  
For KANORIA INDUSTRIES LTD.

M.L. DAGA

Director & Secretary

Mumbai, 17th August, 2005

#### Notes:

- 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.
- The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto and is forming part of this Notice.
- The Share Transfer Books and the Register of Members of the Company would remain closed from Thursday, the 22nd September, 2005 to Friday, the 30th September, 2005 (both days inclusive).
- 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.
- Members are hereby informed that the Company has transferred all unclaimed dividends declared upto and including the Accounting Year ended 31.3.1997 to the Investors Education and Protection Fund of the Central Government in terms of the provisions of Section 205C of the Companies Act, 1956. The Company had not declared dividend since 1st April, 1997.

- 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.
- 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.
- 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.
- 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 members are aware that Shri A.K. Kanoria was appointed as Managing Director of the Company for a period of 3 years in terms of the Central Government approval letter No. 1/401/2002-CL.VII dated 3.2.2003, which was expired on 31.7.2005. As per provisions of Section 269 of the Companies Act, 1956 the Company is required to have a Managing Director / Whole-time Director. Considering the long association of Shri A.K. Kanoria with the company and also the importance of his contribution to finalization of DRS, the Board therefore once again requested Shri A.K. Kanoria to agree to his reappointment as Managing Director and Shri A.K. Kanoria consented to his reappointment. Accordingly Shri A.K. Kanoria was appointed as Managing Director of the Company for a period of 3 years commencing from 1st August, 2005. The Remuneration Committee had approved the payment of the remuneration at existing levels to Shri A.K. Kanoria. The payment of remuneration is subject to the approval of the Central Government and the members of the Company and is liable to such modification, if any, as may be stipulated while granting such approvals.

#### AS REQUIRED UNDER CLAUSE (C) OF PART II OF SCHEDULE XIII THE GENERAL INFORMATION, INFORMATION ABOUT THE APPOINTEE, OTHER INFORMATION ETC. AS UNDER:

##### I. General Information:

- Nature of Industry : Manufacturer and Dealers of Cement
- Date of commencement of Commercial Production : Year 1955.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospects. : NOT APPLICABLE
- Financial performance based on given indicators: (Rs. in Lacs)

Year ending	31.3.00	31.3.01	31.3.02	31.03.03	31.3.04
Turnover	3304	3488	4053	2883	3712
Net profit / (loss) (computed under section 198)	(1174.80)	(1217.17)	(674.78)	(1068.96)	(825.49)
Net profit / (loss) as per profit and loss account	(1174.80)	(1217.17)	(674.78)	(1068.96)	(825.49)
Amount of dividend paid per share.	-	-	-	-	-

- Export performance and net foreign exchange collaborations : NOT APPLICABLE
- Foreign investments or collaborators, if any : NIL

##### II. Information about the appointee:

##### 1) Background details :-

Name	: Shri Ajay Kumar Kanoria
Father's Name	: Shri Binod Kumar Kanoria
Nationality	: Indian
Date of birth	: 27.10.1954
Qualification	: B.A.
Experience	: 31 years.

## KANORIA INDUSTRIES LIMITED

## 2) Past remuneration :-

	2002-2003	2003-2004	2004-2005
As Managing Director -Rs.22,22,629/-	Rs.11,75,308	Rs.11,32,659	

## 3) Recognition or awards : NIL.

## 4) Job profile and his suitability:-

To look after day to day affairs of the Company. He was the Managing Director of the Company for 28 years. He possess the vast experience in the filed of Cement Industry.

## 5) Remuneration proposed : As enumerated separately in the Explanatory Statement.

## 6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person ( in case of expatriates the relevant details would be w.r.t. the country of his origin):-

The proposed remuneration is approx 60% of minimum remuneration as provided in Schedule XIII Part II (C) for a Company with effective capital of less than Rs.1.00 Crore and it is also substantially less than the general remuneration trend/profile of Managing Director / Chief Executive Officers of Companies of comparable size in the Cement Industry.

## 7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:-

NIL

## III. Other information

## 1) Reasons of loss or inadequate profits:-

Lower capacity utilisation due to financial constraints and high cost of production have caused the losses.

## 2) Steps taken or proposed to be taken for improvement :-

The company was declared a Sick Company under SICA by BIFR vide its order dated 02.06.2000 and revised rehabilitation scheme has been formulated by the Operating Agency - IDBI and submitted to BIFR, which is presently under consideration.

## 3) Expected increase in productivity and profits in measurable terms :-

The Draft Rehabilitation Scheme (DRS) for the revival of the Company is presently pending consideration of the Board for Industrial & Financial Reconstruction, New Delhi. As per the DRS, the Company has proposed to expand the grinding capacity, involving capital expenditure, to increase the productivity and the profits. Since the rehabilitation package has not yet been sanctioned, it is not possible to project the increase in the productivity and profits in the measurable terms. Any projections at this stage may be misleading.

## IV. Disclosures:

The terms and conditions of the appointment of Shri A.K.Kanoria are embodied in the draft Agreement between the Company and Shri A.K.Kanoria, the material terms of which are summarized as under:-

- Salary Rs.50,000/- per month subject to deduction of income tax and other lawful deductions.
- HRA Rs.20,000/- per month
- Commission 1% per annum of the net profits of the Company for each financial year computed in the manner laid down in Section 309 of the Companies Act, 1956.
- Provident Fund Company's contribution to the Provident Fund @ 12% of salary.
- Gratuity Gratuity @ half a month's salary for each completed year of service.
- Perquisites evaluated as per Income Tax Rules, wherever applicable in the absence of any such rules, perquisites shall be evaluated at actual cost :
  - Furnishing of residence upto an amount not exceeding Rs.9 lacs during the terms of three years commencing from the date of appointment.
  - The bills for consumption of electric power at the residence to be paid/reimbursed by the Company;

## c) Club fees for 2 Clubs including admission and other fees to be paid/reimbursed by the Company.

## d) Medical Expenditure - The expenditure actually incurred for the medical treatment of Shri Kanoria or treatment of any member of his family shall be paid/reimbursed by the Company.

## e) Leave Travel Concession - Once in a year to any place in India by AIR/RAIL/ROAD.

## f) Personal Accident Insurance Cover for an amount upto Rs.50 lacs.

## g) Company's Car with driver partly for the performance of his duties and partly for his private or personal purposes.

## h) Telephone facilities at residence. The charges for any personal long distance calls made from such telephones shall be billed by the Company and paid by Shri Kanoria.

## i) One month leave for every eleven month's service.

The draft Agreement between the Company and Shri A.K. Kanoria are available for inspection at the Registered Office of the Company between 10.00 a.m and 1.00 p.m. on any working day of the Company.

The Explanatory Statement together with the accompanying notice may be treated as an abstract under Section 202 of the Companies Act, 1956.

Except Shri A.K.Kanoria, no other Director of the Company is concerned or interested in the resolution.

## Item No.6

The Board of Directors is of the view that the earlier name of the Company was changed from BAGALKOT UDYOG LIMITED to KANORIA INDUSTRIES LIMITED in the year 1989 when the Company had added the Sugar Division and the Gases Division to its fold along with Cement Factory at Bagalkot. Presently, the Company is engaged only in Cement Manufacturing at Bagalkot and the Company markets its cement produced by it under the Brand name of "BAGALKOT CEMENT". It is therefore desirable that the name of the company be changed back to "BAGALKOT UDYOG LIMITED".

The Company had applied to the Registrar of Companies, Maharashtra, Mumbai (ROC) for availability of name and was informed that the name of "Bagalkot Udyog Limited" is available for registration.

Your Board recommends the resolution for your approval.

None of the director of the Company is interested in the above resolution.

By Order of the Board  
For KANORIA INDUSTRIES LTD.

Mumbai, 17th August, 2005  
M.L. DAGA  
Director & Secretary

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

- Name : Shri M.L. Daga  
Date of Birth : 7.09.1941  
Qualifications : B. Com. F.C.A.  
Date of Appointment : 22.02.1988  
Expertise in specific function area : Extensive experience in Finance, Administration and General Management  
Memberships on Committees of the Board of Directors of other Companies : Nil
- Name : Shri A.M. Shettar  
Date of Birth : 04.12.1940  
Qualifications : B. Com.,  
Date of Appointment : 16.11.2000  
Expertise in specific function area : General Management and Agriculture  
Other Directorships : Nil  
Memberships on Committees of the Board of Directors of other Companies : Nil



**ANNUAL REPORT 2004-2005****DIRECTORS' REPORT**

To  
The Shareholders

The Directors hereby present the 55th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2005.

(Rs. in lacs)

**FINANCIAL RESULTS**

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

Current Year	Previous Year
(660.12)	(383.28)

Add:

Interest	259.34	244.46
Depreciation	197.94	197.75

Net Loss of the Year	(1117.40)	(825.49)
Loss brought forward from the previous year	(6474.37)	(5648.88)

Balance Carried to Balance Sheet	(7591.77)	(6474.37)
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**DIVIDEND**

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

**CONTRIBUTION TO GOVERNMENT REVENUE**

Against a turnover of Rs.2232.27 lacs, the total contribution from your company to the Central and State Exchequer was Rs.1078.69 lacs, out of which Rs.555.07 lacs towards excise duty and Rs.523.62 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:

	2004-05	2003-04
Clinker Production (MT)	76465	121100
Monthly Average	6372	10092
Cement Production (MT)	134210	192385
Monthly Average	11184	16032
Capacity Utilisation (%)	40.67	58.30
Turnover (Rs. in lacs)	2787	3712

The Draft Rehabilitation Scheme (DRS) submitted by the Operating Agency – IDBI to the Board for Industrial & Financial Reconstruction, New Delhi, has not yet been approved and as such the rehabilitation process could not be commenced and the Company continue to suffer losses during the year under review.

The lower capacity utilization during the year in comparison to the previous year resulted in substantial drop in the turnover during the year under review. Over supply of cement in the south Indian market and more so in Karnataka, continues to depress the markets and as such the prices remained under pressure while the cost of inputs viz. coal, power, etc. continued to rise.

**REFERENCE TO BIFR**

Since the date of previous Directors' Report, the Operating Agency, IDBI has submitted a Modified Draft Rehabilitation Scheme to the 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.

**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, the 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 and 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.

**DIRECTORS**

S/Shri M.L. Daga and A.M. Shettar 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;
- 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;
- 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 31.3.2006.

**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. V.K. Beswal & Associates 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 and Financial Institutions.

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, the 17th August, 2005.

## KANORIA INDUSTRIES LIMITED

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## 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

2004-2005 2003-2004

## A. POWER &amp; FUEL CONSUMPTION:

## 1. ELECTRICITY:

a) Purchased unit (Lac KWH)	112.61	85.04
Total amount (Rs.lacs)	535.51	404.63
Rate/Unit (Rs)	4.76	4.76
b) Own generation		
i) Thru Diesel Generators		
Units (Lac KWH)	59.10	141.41
Units per ltr of LDO/SKO	3.82	3.76
Cost / Unit (Rs)	4.90	4.23
ii) Thru Steam turbine/generator		
Units	-	-
Units per ltr of fuel oil/gas	-	-
Cost / Unit (Rs)	-	-

## 2. COAL &amp; LIGNITE:

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

Quantity (Tonnes)	17348.11	17877.33
Total cost (Rs.lacs)	438.70	462.24
Avg. rate (Rs/MT)	2528.83	2585.56

## 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)

2004-2005 2003-2004

Electricity	126.64	110.48
Furnace Oil	-	-
Coal	22.68%	14.76%

Consumption is higher because of the higher consumption of the lower 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 &amp; 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	0.04	7.96

On behalf of the Board of Directors

**A.K. KANORIA**  
Chairman

Mumbai, the 17th August, 2005.

## 1. Review of Operations:

Though the operations of Cement Industry had been improved during the year with steady demand, over supply in the southern markets of the country continued to keep prices under pressure. The Draft Rehabilitation Scheme for the revival of the Company has not been approved and as such the rehabilitation process has not been commenced. The company continues to suffer losses due to lower capacity utilisation of 40.67% during the year under review.

## 2. Industry Structure &amp; Developments:

The economy is doing well and the Cement Industry is also looking up due to higher spending on Infrastructure growth and increase in exports. While the situation in the three regions has improved considerably, the south continues to lag behind with the supply still out strips demand substantially. The surplus of supply over demand in the south will still take a couple of years to come down. In the foreseeable future supply will normally be somewhat in excess of demand.

## 3. Opportunities &amp; Threats:

The expenditure on infrastructure viz Roads, Ports, Airports and housing even with the various tax / fiscal sops, has not matched expectations. The trickle down effect of the investment is yet to impact fortunes of industry in a substantial way. In the meantime, the high cost of inputs with administered prices continues to plague the fortunes of the industry. Mismatch in the supply and demand in southern market will continue to keep the prices under pressure in the area where the company's plant is located.

The Rehabilitation package for the company is yet to be sanctioned and further delay thereon may jeopardise the revival of the Company.

## 4. Segmental Review:

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

## 5. Outlook:

The industry being core industry, the long term outlook remains encouraging. The emphasis on construction of concrete roads, housing projects and other infrastructure developments is expected to positively impact the demand for cement in the coming years. The outlook for the company can only be determined when the rehabilitation package is sanctioned and work on the same starts.

## 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	2004-05	2003-04
Gross Turnover	2787.34	3711.90
Net Sales	2232.27	2937.34
Loss before interest and depreciation	(660.12)	(383.28)
Interest	259.34	244.46
Loss after interest	(919.46)	(627.74)
Depreciation	197.94	197.75
Net Loss	(1117.40)	(825.49)

The financial performance of the Company continues to be adversely affected because of the delay in commencement of rehabilitation process.

## 9. Human Resources:

Industrial Relations remained cordial and peaceful throughout the year.

## 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 17th August, 2005.

## ANNUAL REPORT 2004-2005

## 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	Promoter - Executive	6	Yes	6	NIL
Shri M.S. Sanganeeria Director	Independent & Non-Executive Director	6	Yes	NIL	NIL
Shri M.L. Daga Director & Secretary	Executive Director	4	Yes	NIL	NIL
Shri L.N. Chaturvedi Director	Independent & Non-Executive Director	NIL	No	5	NIL
Shri A.M. Shettar Director	Independent & Non-Executive Director	6	Yes	NIL	NIL
Shri R.K. Kejriwal Director	Independent & Non-Executive Director	4	Yes	12	NIL

No. of Board Meetings held : 6  
Dates : 30.4.2004, 26.7.2004, 25.8.2004, 29.9.2004, 25.10.2004, 25.01.2005.

## 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 : 3  
Dates : 30.4.2004, 25.8.2004, 25.1.2005.

## Attendance at Audit Committee Meetings

Members	No. of Meetings attended
Shri R.K. Kejriwal	3
Shri M.S. Sanganeeria	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. 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 2004-2005 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	2,20,659	72,000	11,32,659
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 1.8.2005. 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	12,000
Shri L.N. Chaturvedi	Nil
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	21
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
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.
29.09.2004	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 : 30th September, 2005 at 11.00 A.M. at Ashoka Hall, Arcadia, NCPA Marg 195, Nariman Point, Mumbai 400 021.
- Financial Calendar : 1st quarter - 30.7.2005  
2nd quarter - last week of October\*  
3rd quarter - last week of January\*  
4th quarter - last week of April\*  
\*Tentative
- Date of Book Closure : 22nd September, 2005 to 30th September, 2005 (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 : Not Applicable as the shares are not dematerialised.  
and CDSL
- 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 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, 2005

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, 17th August, 2005.



## KANORIA INDUSTRIES LIMITED

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of  
Kanoria Industries Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the compliance of conditions of Corporate Governance by **KANORIA INDUSTRIES LIMITED**, for the year ended on 31st March 2005, 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 has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. 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 and the representations made by the directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned 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 **V.K. BESWAL & ASSOCIATES**  
Chartered Accountants

**R.P. LADDHA**  
Partner  
Membership No. 48195

Mumbai, 17th August, 2005

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, 2005	Wholly-owned subsidiary
(b) Sanatan Investment Company Ltd	31st March, 2005	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. 6.38 lacs
(b) Profit for the previous financial years of the subsidiaries since they became subsidiaries of KIL.	Rs. 41.95 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, 17th August, 2005.

## DISTRIBUTION OF SHAREHOLDING

NUMBER OF ORDINARY SHARES HELD	NUMBER OF SHAREHOLDERS	
	31-3-2005 %	31-3-2004 %
1 to 500	97.16	97.15
501 to 1000	1.69	1.72
1001 to 10000	0.97	0.95
Over 10000	0.18	0.18
Total	100.00	100.00

## CATEGORIES OF SHAREHOLDERS

CATEGORY	NUMBER OF SHAREHOLDERS		VOTING STRENGTH		NUMBER OF ORDINARY SHARES HELD	
	31-3-2005	31-3-2004	31-3-2005	31-3-2004	31-3-2005	31-3-2003
Individuals	9707	9717	17.89	17.88	1522494	1521294
Companies	69	72	80.38	80.39	6838830	6840030
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	9784	9797	100.00	100.00	8508406	8508406

**ANNUAL REPORT 2004-2005****AUDITORS' REPORT**

We have audited the attached Balance Sheet of **KANORIA INDUSTRIES LIMITED**, as at 31st March 2005 and also the Profit and Loss Account & Cash Flow Statement for the year ended on that date 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles 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.

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, during the course of the audit. We give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. Further to our comments in the Annexure referred to in paragraph 1 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account & Cash Flow Statement referred to in this report are in agreement with the books of accounts.
- d) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss & Cash Flow Statement Account are prepared in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from directors of the Company as on 31st March, 2005 and taken on record by the Board of Directors of the Company and relying upon a legal opinion obtain by the Company, we report that prima facie four directors are disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (i) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto give the information required by the Companies Act, 1956, in the manner so required.

g) We have the report as under:-

- i) The sundry debtors include amounts aggregating Rs.102.37 lakhs which have remained outstanding for over 3 years, which have not been confirmed by the parties and in respect of which the company has initiated legal action. 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 loan 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.1581.54 lakhs and the cumulative shortfall till 31/3/2005 being Rs.4792.32 lakhs.

iii) As a result of the above, the loss for the year has been understated by Rs.1683.91 lakhs, the Sundry Debtors have been overstated by Rs.102.37 lakhs, loan and the lease liability have been understated by Rs. 4792.32 lakhs and the accumulated losses have been understated by Rs.4792.32 lakhs.

- h) Subject to our observation in para (g) above, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i. In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 2005,
  - ii. In so far as it relates to the Profit & Loss Account of the LOSS of the company for the year ended on that date,
  - and
  - iii. In so far as it related to the Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For V.K.BESWAL & ASSOCIATES**  
Chartered Accountants

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

**R.P. LADDHA**  
Partner

Membership No. 48195

Mumbai, 17th August, 2005

**S. BASAVARAJ**  
Partner

Membership No. 18133

**ANNEXURE REFERED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005 OF KANORIA INDUSTRIES LIMITED**

**I. FIXED ASSETS:**

- 1) a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except in case of Cement Division, where detailed records are available only in respect of fixed assets purchased after 1st January, 1968.
- b) 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.
- c) During the year, substantial parts of fixed assets have not been disposed off by the company.

**II. INVENTORY:**

- 2) a) The Management has physically verified the inventory. In our opinion, the frequency of verification is reasonable.
- b) 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.
- c) The Company has maintained proper records of inventory and the discrepancies between the physical stocks and the books stocks noticed on physical verification as maintained in paragraph 3 above are not material.

**III. LOANS & ADVANCES:**

- 3) 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. In respect of loans and advances in the nature of loans, given by the Company, to its employees and other