

**Annual Report**  
**31st**  
**March,**  
**2008**



**BAGALKOT UDYOG LIMITED**

**ANNUAL REPORT 2007- 2008**

**58th Annual General Meeting**

Time 11.00 A. M.  
Day Monday, 29th September, 2008  
Venue Air India Building,  
14th Floor, Nariman Point,  
Mumbai 400 021

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**BOARD OF DIRECTORS**

**M. S. Sanganeria**

**L. N. Chaturvedi**

**R. K. Kejriwal**

**S. K. Sharma**

**P. Sharma**

**STATUTORY AUDITORS**

Messrs V. K. Beswal & Associates

**SOLICITORS**

Kanga & Co.

Paras Kuhad & Associates

**BANKERS**

HDFC Bank

Vijaya Bank

Punjab National 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) 4043 0200

Fax No. : (022) 2847 5207

**REGISTERED OFFICE**

Air India Building

14th Floor,

Nariman Point,

Mumbai - 400 021.

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**ANNUAL REPORT 2007-2008****NOTICE**

Notice is hereby given that the 58th Annual General Meeting of the Shareholders of BAGALKOT UDYOG LIMITED will be held on Monday, the 29th September, 2008 at 11.00 A.M. at Air India Building, 14th Floor, 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 period ended 31st March, 2008.
2. To appoint a Director in place of Shri R.K. Kejriwal who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditor and to fix their remuneration.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass with or without modifications, as may be permissible, the following resolutions which will be proposed as:

**4. An Ordinary Resolution**

"RESOLVED THAT Shri Suresh Sharma, be and is hereby appointed a Director of the Company liable to retire by rotation".

**5. An Ordinary Resolution**

"RESOLVED THAT Shri Pramod Sharma, be and is hereby appointed a Director of the Company liable to retire by rotation".

By Order of the Board  
For Bagalkot Udyog Limited

**M.S. SANGANERIA**  
Director

Mumbai, 29th August, 2008

**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 Wednesday, the 24th September, 2008 to Monday, the 29th September, 2008 (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 all unclaimed dividends declared upto and including the Accounting Year ended 31.03.1997 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.
5. 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.
6. The Equity Shares of the Company are listed in the Bombay Stock Exchange Limited, Mumbai, Phiroze Zeejeebhoy Towers, Dalal Street, Mumbai 400 001 and Annual Listing Fee has been paid to them.
7. 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 (3) above.
8. 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.

**ANNEXURE TO THE NOTICE**

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

**Items Nos.5 & 6**

S/Shri Suresh Sharma and Pramod Sharma were appointed by the Board as additional Directors on 11.03.2008 and they would hold office upto the date of the ensuing Annual General Meeting (AGM).

The Company has received notices from a Shareholder under Section 257 of the Companies Act, 1956, signifying his intention to move resolutions for the appointment of S/Shri S.K. Sharma and P. Sharma, as Directors at the ensuing AGM.

Save and except S/Shri S.K. Sharma and P. Sharma who may be deemed to be concerned and interested in the respective resolution for their appointment, no other Directors of the Company is concerned or interested in the proposed resolutions.

By Order of the Board  
For Bagalkot Udyog Limited

**M.S. SANGANERIA**  
Director

Mumbai, 29th August, 2008

Information required under clause 49 of the Listing Agreement in respect of Directors being appointed / re-appointed.

1. Name	: Shri R.K. Kejriwal
Date of Birth	: 08.05.1960
Qualifications	: B.Com (Hons)
Date of Appointment	: 30.07.2001
Expertise in specific function area	: General Management, Finance & Accounting Areas.
Other Directorships	: Kay-Sec Brokerage India Ltd P.A. Investments Limited Pratap Holdings Limited Samaresh Investments Limited Supertech Additives Limited Tanna Electro Mechanics Pvt. Ltd. Kanoria Mercantile Limited AOL Cryo Limited Asiatic Air-O-Gas Engineering Co. Ltd. Mintex Trade Links Pvt. Ltd. Pennzol Gases & Investments Co. Pvt. Ltd. New India Shipping Lines Ltd. Shree Bhagya Luxmi Resources Pvt. Ltd. India Jute Trading Co. Ltd. Anchor Leasing Limited Alpha Oxygen Limited Six Sigma Gases India Pvt. Ltd. Sanatan Investment Co. Ltd. Bihar Air Products Ltd. Popular Jute Trading Co. Ltd.

Memberships on Committees  
of the Board of Directors of  
other Companies

Shareholding : Nil

2. Name	: Suresh Sharma
Date of Birth	: 14-12-1961
Qualifications	: B.Com, M.B.A, Inter C.S.
Date of Appointment	: 11-03-2008
Expertise in specific function area	: General Management, Administration, Legal, Secretarial and Accounting areas
Memberships on Committees of the Board of Directors of other Companies	: a) Aegis Infotech Pvt. Ltd. b) Six-Sigma Gases India Pvt. Ltd. c) Indekka Software Pvt. Ltd. d) Bagalkot Cement & Industries Ltd.

Shareholding : 50 Equity Shares

3. Name	: Pramod Sharma
Date of Birth	: 21-04-1972
Qualifications	: B.Com.
Date of Appointment	: 11.03.2008
Expertise in specific function area	: Finance and Accounting Areas
Memberships on Committees of the Board of Directors of other Companies	: a) Sanatan Investment Co. Ltd. b) Kanoria Mercantile Ltd. c) Indekka Software Pvt. Ltd.
Shareholding	: Nil

**BAGALKOT UDYOG LIMITED****DIRECTORS' REPORT**

To

The Shareholders

The Directors hereby present the 58th Annual Report and Audited Accounts of the Company for the period from 1st July, 2007, to 31st March, 2008.

The Rehabilitation/De-merger Scheme sanctioned by the Board for Industrial & Financial Reconstruction (BIFR) vide its Order dated 12/10/2007, the Cement Division of the Company with all its assets and liabilities on going concern basis had been transferred to Bagalkot Cement & Industries Limited (BCIL), the Resulting Company w.e.f. 1/7/2008, the appointed date.

	(Rs. in lacs)	
<b>FINANCIAL RESULTS</b>	<b>Current Year (9 Months)</b>	<b>Previous Year (15 Months)</b>
After meeting all operating and administrative expenses, the working of the year shows a deficit of	(135.17)	(195.24)
Add:		
Interest	—	98.03
Depreciation	1.82	210.09
Loss before exceptional item	136.99	503.36
Exceptional item	—	351.39
Prior period adjustment	—	180.00
Capital Subsidy Transferred	—	10.00
Profit / (Loss) before taxation	(136.99)	38.03
Provision for fringe Benefit Tax	1.08	3.05
Profit / (Loss) for the year	(138.07)	34.98
Tax adjustment of earlier years	—	8.77
Loss brought forward from the previous year	(5079.26)	
Add:		
Excess of liabilities transferred to BCIL as per Sanctioned Scheme	3867.70	
Reduction of Share Capital as per the Sanctioned Scheme	765.76 (445.80)	(5105.47)
Balance Carried to Balance Sheet	583.87	(5079.26)

**DIVIDEND**

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

**PERFORMANCE**

As per the Scheme of Arrangement / De-merger, your Company is now an investment, leasing, finance and miscellaneous services Company and the activities are yet to be commenced fully. Hence the figures for the periods are not comparable.

**REHABILITATION SCHEME**

Your Company has taken necessary steps to fully implement the sanctioned Scheme.

As on 5/2/2008, the Record Date fixed by the Board –

- The existing shareholders of Bagalkot Udyog Limited (BUL) were allotted shares of the Resulting Company i.e. Bagalkot Cement & Industries Limited (BCIL) 1 fully paid-up equity share of Rs.10/- each for every 100 fully paid up equity shares of Rs.10/- each held by them in BUL.
- The share capital of BUL was reduced to 10% of the existing capital. The face value of the shares were reduced by 90% i.e. the face value of the shares was made Re.1/- instead of Rs.10/- each. Accordingly, the authorized capital consisting of 3,00,00,000 equity shares of Rs.10/- each, sub divided into 30,00,00,000 equity shares of Re.1/- each. The new share certificates having face value of Re.1/- were issued to the existing shareholders on 28/04/2008. Consequent to the said issue the issued, subscribed and paid-up capital of the Company stands reduced to Rs.85,08,406/-.

The application is made to the Bombay Stock Exchange for re-listing of the new Equity Shares. Approval is awaited.

**AUDIT COMMITTEE**

As per the requirement of Section 292A of the Companies Act, 1956 and also the Listing Agreements with Bombay Stock Exchange Limited, Mumbai an Audit Committee of the Board of Directors is already in place. During the year, the Committee held four meetings.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 (VI) of the Listing Agreement, a report on Corporate Governance and Certificate from the Company's Auditors confirming compliance 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.

As a part of reconstruction the Company has disinvested from its aforesaid subsidiaries and they have ceased to be subsidiaries on and from 8/7/2008.

**CONSOLIDATED ACCOUNTS**

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

**HUMAN RESOURCES**

Industrial relations during the year have been satisfactory.

**ANNUAL REPORT 2007-2008****DIRECTORS**

S/Shri M.L. Daga and A.M. Shettar resigned from the Board during the year. The Board has placed on record its appreciation the valuable services rendered by them during their respective tenures.

S/Shri S.K. Sharma and P. Sharma were appointed by the Board as additional Directors on 11/03/2008 and they would hold office upto the date of the ensuing Annual General Meeting.

Shri R.K. Kejriwal retire by rotation and, being eligible, offers himself for reappointment.

**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 as on 31st March, 2008, on a going concern basis.

**PARTICULARS OF EMPLOYEES**

During the period under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

The Company has no manufacturing activity and therefore, the disclosure of particulars as required under Section 217(1)(e) of the Companies Act, 1956, in so far as it relates to the conservation of energy, technology absorption is not applicable. Particulars with regard to foreign exchange earnings and outgo appears in Schedule 'Q' to the accounts and forming 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**

The retiring Auditor M/s. V.K. Beswal & Associates 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 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

Mumbai, the 29th August, 2008.

**S. K. SHARMA**  
Director

**M. S. SANGANERIA**  
Director

**BAGALKOT UDYOG LIMITED****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 Five 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 Bagalkot Udyog Ltd)	Member Chairman
Shri M.S. Sangneria Director	Independent & Non-Executive Director	7	Yes	1	2	NIL
Shri M.L. Daga* Director & Secretary resigned w.e.f. 7/4/08	Executive Director	3	Yes	NIL	NIL	NIL
Shri L.N. Chaturvedi Director	Independent & Non-Executive Director	NIL	No	6	NIL	NIL
Shri A.M. Shettar Director resigned w.e.f. 11/02/08	Independent & Non-Executive Director	5	Yes	NIL	NIL	NIL
Shri R.K. Kejriwal Director	Independent & Non-Executive Director	4	Yes	20	NIL	NIL
Shri S.K. Sharma Appointed w.e.f. 11/3/08	Professional & Non-Executive Director	1	N.A.	4	2	NIL
Shri P. Sharma Appointed w.e.f. 11/3/08	Professional & Non-Executive Director	1	N.A.	3	1	NIL

No. of Board Meetings held : 7

Dates : 30.7.2007, 31.10.2007, 30.11.2007, 31.12.2007, 31.01.2008, 11.03.2008

**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 : 4

Dates : 30.7.2007, 30.11.2007, 31.1.2008, 11.3.2008

**Attendance at Audit Committee Meetings**

Members	No. of Meetings attended
Shri R.K. Kejriwal	4
Shri M.S. Sangneria	4
Shri L.N. Chaturvedi	Nil

The Chief Financial Officer, 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.

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.

Details of the Directors' Remuneration paid for the period 2007-2008 as follows:

**(A) Executive Directors**

Name	Designation	Salary & Allowances	Perquisites	Employers' Contribution to Provident Fund	Total Rs.
Shri M.L. Daga	Director & Secretary	371700	-	-	371700

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

Name of Directors	Amount (Rupees)
Shri M.S. Sangneria	12,000
Shri L.N. Chaturvedi	Nil
Shri A.M. Shettar	10,000
Shri R.K. Kejriwal	6,000
Shri S.K. Sharma	2,000
Shri P. Sharma	2,000

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, upto 7/4/08	Compliance Officer
Shri A. M. Shettar, upto 11/2/08	Director
Shri S.K. Sharma appointed w.e.f. 28/4/08	Compliance Officer
Shri P. Sharma appointed w.e.f. 28/4/08	Director
Number of shareholders complaints received and resolved so far	14
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
30.09.2005	11.00 A.M.	Ashoka Hall, Arcadia, 195, Nariman Point, Mumbai 400 021.
29.12.2006	11.00 A.M.	Air India Building, Nariman Point, Mumbai 400021.
31.12.2007	11.00 A.M.	Air India Building, Nariman Point, Mumbai 400021.

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.

**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.

No presentations were made to the institutional investors or analysts.

The Company does not have any website.

**9. GENERAL SHAREHOLDERS INFORMATION****9.1 Annual General Meeting**

- Date, Time and Venue : 29th September, 2008 at 11.00 A.M. at Air India Building, 14th floor, Nariman Point, Mumbai 400 021.

9.2 Financial Calendar : 1st quarter - 30.07.2008  
June 2007 to March 2008 2nd quarter - last week of October\*

3rd quarter - last week of January\*

4th quarter - last week of April\*  
\*Tentative



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- 9.3 Date of Book Closure : 24th September, 2008 to 29th September, 2008 (both days inclusive)
- 9.4 Dividend Payment Date : No dividend proposed
- 9.5 Listing on Stock Exchange : Bombay Stock Exchange Limited
- 9.6 (a) Stock Code : 502125  
(b) ISIN Number in NSDL : Not Applicable as the shares are not dematerialised.

- 9.7 Stock Price Data : Monthly high and low during the period

Month	Share Price		BSE Index	
	High	Low	High	Low
July 07	11.20	11.20	15868.85	4638.88
December 07	18.17	11.76	20498.11	18886.40
January 08	26.50	19.05	21206.77	15332.42

- 9.8 Registrar & Transfer Agents : Bigshare Services Private Limited  
E-2/3, Ansa Industrial Estate.  
Saki Vihar Road, Saki Naka  
Andheri (East), Mumbai 400 072.

- 9.9 Share Transfer System:

Share transfer applications are processed by the Registrar & Transfer Agents and placed before the Share Transfer 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, 2008

Particulars	No. of shares held	Percentage to total share capital
Promoters	6488392	76.26
Financial Institutions/ Banks/Mutual Funds	121582	1.43
Corporate Bodies	325198	3.82
NRI's	24066	0.28
General Public	1549168	18.21
<b>Total</b>	<b>8508406</b>	<b>100.00</b>

- 9.11 The shares of the Company are not dematerialised.
- 9.12 The Company has no outstanding of GDR / ADR / Warrants or other convertible instruments.
- 9.13 Address for Correspondences: Bagalkot Udyog Limited  
Air India Building, 14th Floor,  
Nariman Point, Mumbai 400 021

**10. MANAGEMENT DISCUSSIONS & ANALYSIS REPORT**

On and after the de-merger of the Cement Unit, your Company is now an Investment Finance Company and the activities are yet to be commenced. The Company is fully committed to ensuring an effective internal control environment and periodically checks the adequacy and effectiveness of internal control system.

**11. DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT**

The Company has framed a specific code of Conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited.

All the members of the Board and Senior Management Personnel of the Company have confirmed compliance with the code for the year ended 31st March, 2008.

**12. CEO / CFO CERTIFICATION**

The necessary certificate under Clause 49 V of the Listing Agreement has been placed before the Board of Directors.

On behalf of the Board of Directors

**S. K. SHARMA** **M. S. SANGANERIA**  
Director Director

Mumbai, the 29th August, 2008

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of

**Bagalkot Udyog 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 **BAGALKOT UDYOG LIMITED**, for the period ended on 31st March, 2008, 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 with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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*

**CA R.P. LADDHA**

*Partner*

Membership No.48195

Mumbai, 29th August, 2008



**BAGALKOT UDYOG LIMITED****STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956****SECTION 212 (1)(e)**

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

<b>Name of subsidiary</b>	<b>Financial Year ended on</b>	<b>Extent of interest of BUL</b>
(a) Kanoria Mercantile Ltd	31st March, 2008	Wholly-owned subsidiary
(b) Sanatan Investment Company Ltd	31st March, 2008	Wholly-owned subsidiary

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

(a) Loss for the above noted financial years of the subsidiaries since they became subsidiaries of BUL	... Rs. 152.56 lacs
(b) Profit for the previous financial years of the subsidiaries since they became subsidiaries of BUL.	... Rs.49.67 lacs

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

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

**S. K. SHARMA***Director***M. S. SANGANERIA***Director*

Mumbai, 29th August, 2008.

**DISTRIBUTION OF SHAREHOLDING**

NUMBER OF ORDINARY SHARES HELD	NUMBER OF SHAREHOLDERS	
	31-3-2008 %	30-6-2007 %
1 to 500	96.97	97.06
501 to 1000	1.75	1.72
1001 to 10000	1.09	1.03
Over 10000	0.19	0.19
Total	100.00	100.00

**CATEGORIES OF SHAREHOLDERS**

CATEGORY	NUMBER OF SHAREHOLDERS		VOTING STRENGTH		NUMBER OF ORDINARY SHARES HELD	
	31-3-2008	30-6-2007	31-3-2008	30-6-2007	31-3-2008	30-6-2007
Individuals	9736	9715	18.49	18.20	1573234	1548394
Companies	69	70	80.08	80.13	6813590	6817930
Government & Public Financial Institutions	3	3	1.26	1.50	107295	127795
Nationalised Banks Mutual Funds and Trust	5	5	0.17	0.17	14287	14287
Total	9813	9793	100.00	100.00	8508406	8508406

**ANNUAL REPORT 2007-2008****AUDITORS' REPORT**

We have audited the attached Balance Sheet of BAGALKOT UDYOG LIMITED as at 31st March 2008, the Profit and Loss Account & Cash Flow Statement of the Company for the period 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, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account;
  - d) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, the Profit & Loss Account & the Cash Flow Statement 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 the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) 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 accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and

fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
- ii. in the case of the Profit & Loss Account, of the LOSS for the period ended on that date;
- and
- iii. in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

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

*Chartered Accountants*

**CA. R.P. LADDHA**

*Partner*

Membership No.: 48195

Mumbai, 29th August, 2008

**ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE**

(Referred to in paragraph 1 thereof)

- 1) a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) According to the information and explanations given to us, the fixed assets were physically verified by the management at reasonable intervals during the year. We were informed that no material discrepancies were noticed by the management on such verification.
  - c) Based on our scrutiny of the records of the company and the information & explanation received by us, we report that during the period Company has transferred all the fixed assets relating to Cement Division as per the sanctioned scheme of BIFR, however it has not affected the going concern of the Company as the Company will continue with remaining business i.e. Business of Investment, and Leasing.
- 2) a) As explained to us physical verification of inventories has been conducted during the year by the management at reasonable intervals.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification.
- 3) The Company has not granted or taken any loans to/from