Annual Report 2003-2004

61 YEARS

BHOR

BHOR INDUSTRIES LIMITED

A Tanna Group Company

FEATHERTOUCH, MARBLEX, EUROPA, *MURALON*, NATRAJ, *NOVASOFT*
LAXMI FEEDS

NOTICE

To,
The Members,

NOTICE is hereby given that the **SIXTY FIRST ANNUAL GENERAL MEETING** of the Company will be held at its Registered Office at VILLAGE BHOLAWADE, TALUKA-BHOR, DIST. - PUNE, on Friday, December 24, 2004 at 1.30 p.m. to transact the following business :

As Ordinary Business :

1. To adopt the audited Balance Sheet of the Company as at that date and the Profit & Loss Account for the year ended March 31, 2004.

2. To re-appoint as Director Shri T. T. Tanna, who retires by rotation.

3. To re-appoint as Director Shri N. D. Vadera, who retires by rotation.

4. To appoint M/s. JCR & Co., Chartered Accountants, Mumbai as Auditors to hold office until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors
For **BHOR INDUSTRIES LIMITED**

Mumbai : October 21, 2004

K. J. Tanna
Director

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.**

2. **THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY, WILL REMAIN CLOSED FROM FRIDAY, DECEMBER 24, 2004 TO THURSDAY, DECEMBER 30, 2004.**

3. Members are requested to notify immediately change in their addresses specifying the Registered Folio No., Complete address in Block Capitals with Pin Code of the Post Office to the Company or its Share Transfer Agent, M/s. Purva Sharegistry (India) Pvt.Ltd., 33, Printing House, 28-D, Police Court Lane, Behind Old Handloom House, Fort, Mumbai 400001. Tel No.: 22617957, Fax No. 22626407. Email: busicomp@giasbm01.vsnl.in

4. The Shares of the Company are listed with the Stock Exchanges at Ahmedabad, Chennai, Delhi, Mumbai and NSEL.

DIRECTORS' REPORT

To
The Members,
Your Directors are forwarding herewith the Sixty First Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS :

	Year ended 31.03.2004 (Rs in Lacs)	Year ended 31.03.2003 (Rs in Lacs)
Income	412	3740
Other Income	746	398
Total Income	1158	4138
Total Expenditure	962	4023
Operating Profit / (Loss)	196	115
Interest : Net	55	226
Gross Profit / (Loss)	141	(111)
Depreciation	43	60
Profit / (Loss) before Tax	98	(171)
Taxation for earlier years	12	106
Net Profit / (Loss)	86	(277)
Balance brought forward from previous year	(4710)	(4433)
Profit / (Loss) carried to Balance Sheet	(4624)	(4710)

Your Company has achieved a turnover of Rs. 4.81 Crores during the Financial Year 2003-2004 as against Rs. 32.92 Crores for the previous year. The turnover of the Company declined by Rs.28.11 Crores.

The Company reported a profit of Rs. 0.98 Crore after Interest & Depreciation during the year 2003-04, this is on account of settlement of borrowings/liabilities of Financial Institutions like IDBI & Banks.

During the year the total manpower strength has also been brought down substantially and this, coupled with other cost cutting measures, will restrict the Company's losses in the future.

AUDITORS :

The Directors recommend re-appointment of M/s. JCR & Co., Chartered Accountants, Mumbai as Auditors of the Company for the Financial Year 2004-05.

The Company has received certificate from them stating that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

AUDIT COMMITTE :

The Board of Directors of the company has constituted an Audit committee , pursuant to section 292 A of the Companies Act, 1956. This committee has three Directors, Shri L.J. Tanna , Shri T.T. Tanna and Shri V. Ramamrutham.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGH EXCHANGE EARNINGS AND OUTGO:

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given herebelow:

(A) CONSERVATION OF ENERGY:

(a) Energy conservation measures taken :

Conservation of energy is given top priority by the Company. During the year, the Company has taken following measures towards energy conservation.

1. Organising the operating procedures in such a way that energy losses are minimised by eliminating idle running. This has helped in reducing Furnace Oil consumption and Energy per unit.
2. Modifying the processes so as to eliminate intermediate steps bringing down per unit consumption of Energy.
3. Optimisation of electrical load by matching motor power capacity to the exact operational requirements.

(b) Proposals being implemented for reduction of consumption of energy :

1. Reduction in wastage of raw materials leading to lower consumption of energy.
2. Development of products to meet new uses and users in domestic and export market.
3. Development of products aimed at import substitution particulary in automobile sector.
4. Introduction of ingredients to enhance environmental protection.
5. Modification of processes so as to reduce the number of steps.

The above measures have been instrumental in bringing down the cost of energy per unit of production in addition to improving quality.

(B) TECHNOLOGY ABSORPTION:

(a) Specific areas in which R&D was carried out by the Company.

i. Efforts are directed towards producing products meeting international standards by devicing processes and introducing materials to enhance quality.

ii. As a result of these efforts, products developed to meet the requirements of new customers resulting in import substitution and cost reduction.

(b) Benefits derived as a result of above :

i. Product range widened to meet market requirements and to serve new customers.

ii. Reduction in cost of new products.

iii. Improved quality and productivity.

(c) Technology Absorption, adaptation and Innovation:

The company has not improved any technology during the year.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

	2003-2004 Rs.	2002-2003 Rs.
Total foreign exchange earned	3,67,755	4,34,777
Total foreign exchange used	14,49,746	59,04,128

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2A) & 217 (2AA) OF THE COMPANIES ACT, 1956:

Section 217 (2A), No employees is paid remuneration above Rs. 24 Lacs per year.

Section 217 (2AA) of the Companies Act, 1956, the Board of Directors state that:

i. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed except wherever otherwise disclosed.

ii. the Company has selected and applied such Accounting Policy consistently and judgements and estimates are made in resonable and prudent manner so as to give true and fair view of the State of Affairs of the Company as at the end of the financial year and loss of the Company for that period,

iii. proper and sufficient care has been taken for maintenance of accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and preventing/detecting fraud and other irregularities,

iv. the annual accounts are prepared on a going concern basis.

HUMAN RESOURCES:

The Company is having qualified and trained employees who are responsible to both customers needs and changing economic scenario. Employees relations were cordial and work atmosphere was congenial during the year.

ACKNOWLEDGEMENT :

The Directors place on record their appreciation for the co-operation given by Financial Institutions, Consortium Bankers, Shareholders, Dealers, Valued Customers and the Employees of the Company during the year under review.

For and on behalf of the Board

K. J. Tanna	**T. T. Tanna**
Director	Director

Mumbai : October 21, 2004

AUDITORS' REPORT

To
The Members,
BHOR INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of BHOR INDUSTRIES LTD. as at 31st March 2004 and also the annexed Profit and Loss Account of the Company for the year ended on that date and the Cash Flow statement for the year ended on that date. 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 the disclosures 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 and we report that :

   i) The Company has closed the operations of its existing activities by shutting down the plants over the years including the plant shut down and dismantaled after the Balance sheet date. Moreover the accumulated losses of the company have exceeded its net worth and the company is not in a position to receive any financial support from any sources for the revival. All these factors raise a substantial doubt whether the company will be able to continue as a Going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities. The financial statement (and Notes thereto) do not disclose this fact.

   ii) No provision has been made for Custom Duty payable on account of non fulfillment of Export Obligations, the amount of which is unascertainable.

   iii) No provision has been made for disputed Excise liability amounting to Rs. 1486 Lakhs without considering interest thereon, the amount of which is not ascertainable.

   iv) Current Assets includes an amount of Rs. 103 Lakhs being an excise duty refund receivable, the claim in respect of which has been rejected by the excise department.

   v) Although the Finished and Semi finished inventories are valued at lower of the cost or the estimated realisable value, the method is not in accordance with AS 2 "Valuation of Inventory" because the cost calculated by the Company includes administrative, selling, distribution, and finance cost also resulting into, in most of the cases, cost being higher than the net realisable value. The financial impact of this is unascertainable.

   vi) Deferred Taxation reserve is not created as required by the AS 22" Deferred Taxation" issued by The Institute of Chartered Accountants of India, the amount of which is not ascertainable.

2 Further, subject to our comments referred to in paragraph 1, we report that:

   i) 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.

   ii) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as it appears from our examination of books.

   iii) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of accounts.

   iv) Branch Auditors report for new Delhi Branch of Feeds division not visited by us & audited by other Auditors have been considered by us & dealt with accordingly.

   v) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards as referred in the Section 211(3C) of the Companies Act, 1956 except those stated above.

vi) On the basis of written representations from the Directors, taken on record by the Board of Directors, none of the Directors are disqualified as on 31st March 2004 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.

3. ***We further report that the aggregate effect of the items mentioned in para 1 above on the Profit for the year and on the Profit and Loss Account, Current Assets and Current Liabilities at the end of the year, to the extent the resultant impact could be determined / quantified / ascertained, namely, by considering the items mentioned in the para 1(iii) and (iv) and without considering wholly the effects of the items mentioned in para 1(i), (ii), (v) and (vi) being not ascertainable / quantified / determinable, would be as follows:***

   i) The reported profit for the year is overstated by Rs. 1589 Lakhs.

   ii) The reported Debit Balance in Profit and Loss is understated by Rs. 1589 Lakhs.

   iii) The reported other current Assets are overstated by Rs. 103 Lakhs.

   iv) The reported Current Liabilities are understated by Rs.1486 Lakhs.

4. Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:-

   i) In case of the Balance Sheet of the state of affairs of the company as at 31st March,2004,

   ii) In the case of the Profit & Loss Account of the Profit for the year ended on that date and

   iii) In the case of Cash flow statement, of the cash flows for the year ended on that date.

5. Further, as required by the Companies (Auditor's Report) Order 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of the information and explanations given to us and such checks as we considered appropriate, we report that:

   1. ***(a) The records of fixed assets maintained by the Company are incomplete except at the Feeds Division.***

      (b) Assets have not been physically verified during the year and therefore the discrepancies cannot be ascertained.

      (c) The Company has disposed off certain part of Fixed Assets and Current Assets. Moreover, the only plant which was in operation is being dismantled after the balance sheet date for sale. Therefore the Going Concern status of the Company is affected.

   2. (a) We are informed that the stocks of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals.

      (b) In our opinion, the procedure of physical verification of stocks followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.

      (c) As per the information and explanations given to us the discrepancy between physical stocks and book records noticed on detailed physical verification was not material compared to the stocks being carried and has been written off.

   3 (a) The register under section 301 is not updated. Hence we are unable to comment whether any loans & advances are taken /granted by the Company. However, we are informed by the Company that they have taken loan amounting to Rs. 1,26,10,000 from 4 parties and have granted an amount of Rs.1,64,768 to 3 parties.

      (b) In the absence of any written agreement we are unable to comment upon the rate of interest and other terms of loans & advances. However, we are informed by the Company that these loans & advances are interest free and therefore in our opinion are prejudicial to the interest of the Company as far as it relates to granting of loans.

      (c) In the absence of written agreement we are unable to comment whether the repayment is proper or not.

      (d) The overdue amount of loan granted to each party is not exceeding One Lakh Rupees.

4 In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the sale of goods.

As per the information and explanations given to us , the formal procedures of internal control laid down by the Company with regard to the purchase of stores, raw materials including components, plant and machinery, equipment are in our opinion commensurate with the size of the Company and the nature of its business.

5 (a) We are informed that there were no transactions of purchase of goods and materials and services and sale of goods, materials and services made in pursuance of contracts or arrangements which are required to be entered in the register, to be maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.

(b) Since there are no transactions of purchase and sale required to be listed in register maintained under section 301. This clause is not applicable during the year under audit.

6 According to the information and explanations given to us, and in our opinion, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Rules framed thereunder with regard to the deposits accepted from the public

7 ***The Company does not have the system of internal audit commensurate with the size of the Company and the nature of its business.***

8 The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.

9 (a) The Company is generally regular in depositing the undisputed statutory dues. According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax and custom duty that have not been deposited on account of matters pending before appropriate authorities as follows.

(b) According to the records of the Company, the disputed statutory dues that have not been deposited on account of matter pending before appropriate authorities are as given below except for Customs duty liability for which the Company is served with notices,(the details as per note no: B:2d of Schedule 7) amount of which is unascertainable.

S. No	*Particulars*	*Amount (In Lakhs)*	*Forum where cases is pending*
1	*Cen. Excise*	*349.24*	*Dy. Comm. of Cen. Excise.*
2.	*Cen Excise*	*984.70*	*CEGAT*
3	*Cen. Excise*	*247.45*	*High Court*
4	*Cen. Excise.*	*7.01*	*Dy. Comm. of Cen. Excise (Appeals)*
5	*Income Tax*	*118.07*	*Income Tax Appellate Tribunal*
6	*Income Tax*	*1403.19*	*pending before Hon. Supreme Court by the Department against favorable order of High Court*
7	*Income Tax*	*588.96*	*CIT (Appeals)*
8	*Income Tax*	*98.86*	*IT Dept. for Appeal Effect*

10 ***The Companies Accumulated Losses has exceeded its net worth and has incurred cash loss in the immediately preceding financial year. However, in the current financial year the Company has made profit on account of write back of liabilities.***

11 ***The outstanding defaulted dues of the financial institutions as on Balance sheet date are amounting to Rs.3,93,25,873***

12 According to the information and explanation given to us, the Company has not granted any loans and advances by way of pledge of shares, Debentures and other securities and hence the question of documentation is not applicable during the year under audit.