

ANNUAL REPORT
2001-2002

JAIPRAKASH
INDUSTRIES LIMITED



Board of Directors

Jaiprakash Gaur (Chairman)
 S.K. Jain (Vice-Chairman)
 Manoj Gaur (Managing Director)
 Sunil Kumar Sharma (Managing Director)
 M.J. Subbaiah (ICICI Nominee)
 B.K. Taparia (IDBI Nominee)
 P. Krishnan (IFCI Nominee)
 Gopi K. Arora
 B.K. Goswami
 Suresh Kumar
 Rakesh Sharma
 Samir Gaur
 Pankaj Gaur
 M.S. Srivastava
 R.L. Gupta
 S.D. Nailwal
 Har Prasad
 D. Paul Verma

Company Secretary

Ravi Rajagopal

Auditors

M/s. M.P. Singh & Associates,
 Lucknow 226001 (U.P.)

Bankers

American Express Bank Ltd.
 Bank of Baroda
 Canara Bank
 Central Bank of India
 ICICI Bank Ltd.
 Indian Overseas Bank
 Jammu & Kashmir Bank Ltd.
 Oriental Bank of Commerce
 Punjab National Bank
 Punjab & Sind Bank
 Rafidian Bank, Baghdad (Iraq)
 State Bank of Bikaner & Jaipur
 State Bank of Hyderabad
 State Bank of India
 State Bank of Indore
 State Bank of Mysore
 State Bank of Travancore
 Syndicate Bank

Registered Office

5 Park Road, Hazratganj,
 Lucknow 226001 (U.P.)

Head Office

'JA House', 63, Basant Lok,
 Vasant Vihar, New Delhi 110 057

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NOTICE

NOTICE is hereby given that the **19th Annual General Meeting** of the Members of Jaiprakash Industries Limited will be held on **Friday, the 27th September, 2002 at 9.30 A.M. at the lawns of Mahomed Bagh Club Ltd., 202, M G Road, Lucknow 226002 (U.P.)** to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002, the Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri Jaiprakash Gaur, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S K Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Sunit Kumar Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Gopi K Arora, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

To consider and, if thought fit, to pass with or without modification(s), the following resolutions:

As Ordinary Resolutions:

8. "RESOLVED that Shri Rakesh Sharma be and is hereby appointed a Director of the Company liable to retire by rotation."
9. "RESOLVED that Shri D Paul Verma be and is hereby appointed a Director of the Company liable to retire by rotation."
10. "RESOLVED that Shri Pankaj Gaur, be and is hereby appointed a Director of the Company liable to retire by rotation."
11. "RESOLVED THAT pursuant to Sections 269,309 and 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 and subject to such other approvals, if any, as may be required, the consent and approval of the Company be and is hereby accorded to the re-appointment of Shri Manoj Gaur as Managing Director of the Company for a period of 5 years w.e.f. 15th November, 2001 on the remuneration and terms & conditions mentioned in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER that pursuant to Section 198 and all other applicable provisions of the Companies Act 1956, the remuneration as set out in the enclosed Explanatory Statement be paid as minimum remuneration to Shri Manoj Gaur notwithstanding that in any financial year of the Company during his tenure as Managing Director, the Company has made no profits or profits are inadequate".

"RESOLVED FURTHER THAT in terms of Article 173 of the Articles of Association of the Company, Shri Manoj Gaur, shall not be liable to retire by rotation as Director, so long as he holds the office of Managing Director of the Company."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of appointment of the appointee including relating to remuneration, as it may at its discretion, deem fit from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act 1956, (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto."

12. "RESOLVED THAT pursuant to Sections 269,309 and 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 and subject to such other approvals, if any, as may be required, the consent and approval of the Company be and is hereby accorded to the appointment of Shri Samir Gaur as Whole-time Director of the Company for a period of 5 years w.e.f. 1st August, 2002 on the remuneration and terms & conditions mentioned in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER that pursuant to Section 198 and all other applicable provisions of the Companies Act 1956, the remuneration as set out in the enclosed Explanatory Statement be paid as minimum remuneration to Shri Samir Gaur notwithstanding that in any financial year of the Company during his tenure as Whole-time Director, the Company has made no profits or profits are inadequate."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of appointment of the appointee including relating to remuneration, as it may at its discretion, deem fit from time to time so as not to exceed the limits specified in Schedule XIII to the Companies Act 1956, (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto."

13. "RESOLVED THAT pursuant to Sections 269,309 and 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 and subject to such other approvals, if any, as may be required, the consent and approval of the Company be and is hereby accorded to the appointment of Shri Pankaj Gaur as Whole-time Director of the Company for a period of 5 years w.e.f. 1st August, 2002 on the remuneration and terms & conditions mentioned in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER that pursuant to Section 198 and all other applicable provisions of the Companies Act 1956, the remuneration as set out in the enclosed Explanatory Statement be paid as minimum remuneration to Shri Pankaj Gaur notwithstanding that in any financial year of the Company during his tenure as Whole-time Director, the Company has made no profits or profits are inadequate."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to alter or vary the terms of appointment of the appointee including relating to remuneration, as it may at its discretion, deem fit from time to time so as not to exceed the limits specified in schedule XIII to the Companies Act 1956, (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto."

14. "RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to mortgage and/or charge, subject to the existing charges, immovable and movable properties of the Company wheresoever situate, present and future, in such manner as may be decided in consultation with the term lending institutions/Banks/Debtors Trustees to or in favour of IFCI Limited (as Trustees of NCDs), UTI Bank Limited (as Trustees of NCDs) Industrial Development Bank of India, ICICI Limited (since merged with ICICI Bank Ltd.), Export Import Bank of India and State Bank of Indore to secure :

- a) 50,00,000, 16.5% Non Convertible Debentures of the Company of Rs.100 each privately placed with IFCI Limited;
- b) 3,000, 14.25% and 2,000 13.75% Non convertible Debentures of the Company of Rs.1,00,000 each privately placed with UTI Bank Limited;
- c) Rupee Term Loans aggregating to Rs.200 crores (Rupees two hundred crores only) sanctioned by Industrial Development Bank of India to the Company;
- d) Rupee Terms Loans aggregating to Rs. 212 crores (Rupees Two hundred and twelve crores only) sanctioned by ICICI Limited (since merged with ICICI Bank Ltd.) to the Company;
- e) Rupee Term Loan aggregating to Rs.55 crores sanctioned by Export Import Bank of India to the Company;
- f) Rupee Term Loan of Rs.15 crores from State Bank of Indore to the Company and
- g) Guarantee Assistance from ICICI Limited (since merged with ICICI Bank Ltd.) for Rs 200 crores to the Company,

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other monies payable by the Company to IFCI Limited, UTI Bank Limited, Industrial Development Bank of India, ICICI Limited (since merged with ICICI Bank Ltd.), Export Import Bank of India and State Bank of Indore under respective loan agreements/Debtors subscription agreements entered into by the Company in respect of the aforesaid loans/ NCDs."

As Special Resolution :

15. "RESOLVED THAT approval of the shareholders be and is hereby accorded to Employees Stock Purchase Scheme of the Company, to be known as "Jaypee Employee Stock Purchase Scheme, 2002" (hereinafter referred to as the 'Scheme') for offering upto 72,00,000 equity shares of Rs.10 each of the Company at a price of Rs18 per share, comprising of Rs.10 towards share capital and Rs.8 towards share premium, to the employees of the Company and its subsidiaries, excluding employees who are promoters or belong to the promoter group and Directors, who individually either by themselves or through their relatives or through any body corporate, directly or indirectly hold more than 10% of the equity shares of the Company, on the terms and conditions contained in the Scheme, as set out in the Explanatory Statement annexed hereto, subject to such amendment(s)/ modification(s)/revision(s) as may be considered necessary and approved by the Board of Directors, in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999."

"RESOLVED FURTHER THAT in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the equity shares under the "Jaypee Employee Stock Purchase Scheme, 2002" be also offered to the employees of the Company's subsidiaries, namely, Jaypee Cement Limited, Jaiprakash Hydro-Power Limited, Jaiprakash Power Ventures Limited and Jaypee Hotels Limited, excluding the employees of the subsidiaries who form part of the promoter group of the respective subsidiaries and Directors of subsidiaries who individually either by themselves or through their relatives or through any body corporate, directly or indirectly hold more than 10% of the equity shares of the respective subsidiaries, on the terms and conditions contained in the Scheme and the authorities and the powers given by the underlying resolutions shall apply *mutatis mutandis* to the equity shares being offered to the employees of the Company's subsidiaries as set out herein."

"RESOLVED FURTHER THAT in accordance with the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and the enabling provisions of the Memorandum and Articles of Association of the Company and the prevailing statutory guidelines in that behalf and subject to requisite consents, permissions and approvals and/or sanctions as may be required (hereinafter singly or collectively referred to as "the requisite approvals") and subject to such conditions as may be prescribed or imposed by any one/all authorities while granting the requisite approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors, for the time being, duly authorised by the Board to exercise the powers conferred on the Board by this resolution), consent of the Company be and is hereby accorded to the Board, to issue upto 72,00,000 (Seventy two lacs) equity shares of the Company of Rs. 10 each at a price of Rs. 18 per share, comprising of Rs 10 towards share capital and Rs.8 towards share premium, to such eligible employees of the Company and its subsidiaries under the Scheme, whether shareholders of the Company or not, on terms and conditions as the Board may in their absolute discretion think fit, in compliance with the guidelines issued by Securities and Exchange Board of India."

"RESOLVED FURTHER THAT the Company shall conform to the accounting policies specified in clause 19.2 of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 in respect of the shares so issued under the Scheme."

"RESOLVED FURTHER THAT such shares as are issued by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing fully paid-up shares of the company, save and except that the dividend, if any, payable in respect of the shares shall be paid proportionately from the date of allotment."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing the shares allotted under the Scheme, on the Stock Exchanges where the Company's shares are listed, as per the terms and conditions of the listing agreement with the concerned Stock Exchanges and other applicable guidelines, rules and regulations."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred including the power to sub-delegate to any Committee of Directors of the Company to give effect to the aforesaid resolution."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to do all things necessary and to take all such action as may be necessary or expedient to formulate or amend or alter or adopt any modifications or redefine the proposal or scheme of Employees Stock Purchase based on the guidelines issued by the Securities and Exchange Board of India or any other statutory authority from time to time."

By Order of the Board
For JAIPRAKASH INDUSTRIES LIMITED

Ravi Rajagopal
Company Secretary

Dated : 29th July, 2002

NOTES

- (i) Relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of resolutions set out under item Nos. 8 to 15 is annexed hereto.
- (ii) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING
- (iii) All documents referred to in the Notice and accompanying explanatory statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11:00 A.M. and 1:00 P.M. upto the date of the Annual General Meeting.
- (iv) The Register of Members and Share Transfer Books will remain closed from Saturday, 14th September, 2002 to Friday the 27th September, 2002 (both days inclusive) for payment of dividend. The dividend in respect of equity shares held in the electronic form will be paid on the basis of beneficial ownership as per details available from the National Securities Depository Limited and Central Depository Services Limited.

The payment of dividend shall be subject to deduction of tax at source at the prevailing rates. Members whose income is not likely to exceed the taxable limit may submit in duplicate Form 15G duly filled, signed and verified in the manner prescribed in the Form, which should reach the Company not later than September 12, 2002, to enable the Company to pay such dividend without deduction of tax at source.

Members in whose case tax deduction at source is applicable on dividend payment are requested to note that submission of Permanent Account Number (PAN) is mandatory and non-compliance of the same attracts penal consequences under the provisions of the Income Tax Act, 1961.

- (v) Members holding shares in electronic form may please note that their bank details as furnished to the respective Depositories will be printed on their dividend warrants as per the applicable regulations. The Company will not entertain any direct request from such members for deletion of/ change of such bank details. Further, instructions, if any already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares in electronic form.
- (vi) Pursuant to Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March 1995, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education & Protection Fund of the Central Government. Members who have not encashed their dividend warrants in respect of the said dividend are requested to make their claim to the Share Department of the Company at JA House, 63 Basant Lok, Vasant Vihar, New Delhi 110 057. Such claims should reach the Company not later than 31st October 2002.
- (vii) Members are requested to notify the change in their address to the Company and always quote their Folio Numbers in all correspondence with the Company. In respect of holding in electronic form, members are requested to notify any change of address to their Depository Participants.
- (viii) Any query relating to Accounts must be sent to the company's Registered Office at Lucknow or Corporate Office at New Delhi at least 7 days before the date of the Meeting.
- (ix) With a view to serve the Members better and for administrative convenience, an attempt has been made to consolidate the multiple folios. Members, who are still holding shares in identical names in more than one folio are requested to write to the Company to enable the Company to consolidate their holdings in one folio.
- (x) Shareholders who are still holding physical share certificates are advised to dematerialise their shareholding to avail benefits of dematerialisation which includes, easy liquidity since trading is permitted in dematerialised form, electronic transfer, savings in stamp duty and prevention of forgery.
- (xi) Members can avail of the nomination facility by filing Form 2-B, as prescribed under Companies (Central Government) General Rules & Forms, 1956, with the Company. Blank Forms will be supplied on request.
- (xii) Additional information in terms of Clause 49 of Listing Agreement on Directors being re-appointed

Shri Jaiprakash Gaur, Chairman

Shri Jaiprakash Gaur, Chairman, 72, a Civil Engineer from Roorkee University, is the main entrepreneur behind the stupendous and multifaceted growth of the Company. Shri Gaur is a born leader, a visionary, pragmatist and hard-core nationalist. He is a non-executive Chairman of the Company. His immensely successful and multifaceted experience and valuable advice continues to be available to the Company and its Board.

Shri Jaiprakash Gaur is also Chairman & Managing Director, Jaiprakash Hydro-Power Ltd., Chairman, Jaiprakash Power Ventures Ltd., Jaiprakash Enterprises Ltd., Jaypee Cement Ltd. and Jaypee Greens Ltd.; Director, Jaypee DSC Ventures Ltd., Jaypee Karcham Hydro Corporation Ltd., Jaypee Aluminum Company Ltd., Indian Overseas Construction Corporation Ltd., Manumanik Estates Pvt. Ltd., Sunvin Estates Pvt. Ltd., Samsun Estates, Pvt. Ltd. and Ceekay Estates Pvt. Ltd. Shri Jaiprakash Gaur does not hold membership of any Committee of the Board.

Shri S.K. Jain, Vice-Chairman

Shri S.K. Jain, Vice Chairman, 65, B.Sc., is a capable administrator and has successfully executed several large and prestigious projects over the past 44 years. He is looking after the construction activities of the Company in the northern sector as well as the Company's Hydro-Power projects.

Shri S.K. Jain is also Vice Chairman, Jaiprakash Hydro-Power Limited and Director, Essjay Enterprises Ltd. He is also the Chairman of the Share Transfer Committee of the Board of Directors of the Company.

Shri Sunil Kumar Sharma, Managing Director

Shri Sunil Kumar Sharma, Managing Director, 42, B.Sc., has 24 years of experience in engineering construction. He is presently looking after construction of 9 engineering construction contracts of the Company spread over in four states and in Bhutan.

Shri Sunil Kumar Sharma is Director, Jaiprakash Hydro-Power Ltd., Jaypee Hotels Ltd., Jaypee Greens Ltd., Jaypee Ventures Ltd., Jaypee DSC Ventures Ltd., Jaypee Karcham Hydro Corporation Ltd., Suneha Estates Pvt Ltd. and Indesign Enterprises Pvt Ltd. He is also a member of the Share Transfer Committee of the Board of Directors of the Company.

Shri Gopi K Arora, Director

Shri Gopi K Arora, Director, 69, an IAS (Retd.), has over 41 years of experience in the field of Administration and finance. He held the coveted position of Executive Director of International Monetary Fund. He was also Finance Secretary in the Ministry of Finance and Secretary in Ministry of Information & Broadcasting in Government of India.

Shri Gopi K Arora is Non Executive Chairman, Roto Pumps Ltd., SARA Fund Trustee Company Limited, Television Eighteen (P) Ltd., Noida Toll Bridge Company Ltd.;

Director, Bengal Ambuja Housing Development Ltd, Jaiprakash Hydro-Power Limited, Alps Industries Ltd, First Capital India Ltd., HGS India Ltd. and Shalimar Wires Industries Ltd. Shri Gopi K Arora is also Chairman, Audit Committee, Finance Committee and Remuneration Committee of the Company. Besides he is also Chairman, Audit Committee and Finance Committee of the Board of Jaiprakash Hydro-Power Ltd., Chairman, Allotment Committee of Directors (including share transfers), Audit Sub-Committee, Committee of Directors (Public Issue and Finance), HRD Committee, Member, Investor Grievances Committee and Committee of Directors-Marketing of Noida Toll Bridge Company Limited and Member, Audit Sub-Committee of Shalimar Wires Industries Limited.

EXPLANATORY STATEMENT

Following Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 set out the material facts relating to the business mentioned in the accompanying Notice dated 29th July, 2002 and additional information in terms of Clause 49 of the Listing Agreement.

Item 8

Shri Rakesh Sharma, 42, B.E (Civil), joined the Board with effect from 1st February 2001 in the casual vacancy caused due to the resignation of Shri P.K. Jain and by virtue of Section 262(2) of the Companies Act, 1956 read with Article 132 of the Articles of Association of the Company. Shri Rakesh Sharma holds office upto the date of the Annual General Meeting. The Company has received notice in writing alongwith a deposit of Rs.500 from a member of the Company in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri Rakesh Sharma for the office of Director.

Shri Rakesh Sharma possesses over 22 years experience in administration and management of construction units for execution of major civil works with specialisation in planning and deployment of man power and equipment resources. Shri Rakesh Sharma who was earlier looking after works at Sardar Sarovar (Narmada) Project and Indira Sagar Project being executed by the Company, is presently looking after works at Vishnuprayag Hydro-electric project.

Shri Rakesh Sharma is also Director of Jaypee Technical Consultants Pvt Ltd. and Pathak Associates Pvt Ltd. Shri Rakesh Sharma does not hold membership of any Committee of the Board.

None of the Directors other than the appointee himself is interested in the said resolution.

The Board of Directors commend the resolution for your approval.

Item 9

Shri D Paul Verma, 61, B.E (Civil), joined the Board as Additional Director with effect from 30th January 2002, and by virtue of Section 260 of the Companies Act, 1956 read with Article 133 of the Articles of Association of the Company. Shri D Paul Verma holds office upto the date of the Annual General Meeting. The Company has received notice in writing alongwith a deposit of Rs.500 from a member of the Company in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri D Paul Verma for the office of Director.

Shri D Paul Verma has over 36 years' experience. He was Chairman and Managing Director of U.P. Jal Vidyut Nigam Ltd. Lucknow from September 2000 to November 2001 and was Executive Director of National Hydro-Power Corporation Ltd from May 1997 to August 2000. He has specialisation in underground works, Tunnelling, Co-ordination with various contractors for Hydro-mechanical and Electro-mechanical works. Shri D Paul Verma is a non-executive, independent Director.

Shri D Paul Verma is not a Director in any other Company. He is a member of the Remuneration Committee and the Shareholders / Investors Grievances Committee of the Board of Directors of the Company.

None of the Directors other than the appointee himself is interested in the said resolution.

The Board of Directors commend the resolution for your approval.

Item 10

Shri Pankaj Gaur, 31, B.E (Instrumentation), joined the Board as Additional Director with effect from 29th July 2002, by virtue of Section 260 of the Companies Act, 1956 read with Article 133 of the Articles of Association of the Company. Shri Pankaj Gaur was also appointed as whole-time Director of the Company, w.e.f 1st August, 2002. Shri Pankaj Gaur holds office as Director upto the date of the Annual General Meeting. The Company has received notice in writing alongwith a deposit of Rs.500 from a member of the Company in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri Pankaj Gaur for the office of Director.

Shri Pankaj Gaur worked with Jaypee Rewa and Bela Cement Plants from 1993 to 1998. Since 1999 he is looking after the prestigious TALA Hydro-electric project being executed by the Company in Bhutan.

Shri Pankaj Gaur is also a Director of Jaiprakash Enterprises Limited, Jaypee Ventures

Limited and Pee Gee Estates Pvt. Ltd. Shri Pankaj Gaur does not hold membership of any Committee of the Board.

None of the Directors other than the appointee himself is interested in the said resolution.

The Board of Directors commend the resolution for your approval.

Item 11

Shri Manoj Gaur, 38, BE (Civil) (Hons), Managing Director was re-appointed as Managing Director, for a further period of 5 years w.e.f 15.11.2001 on the following terms and conditions:

Salary:

Rs.1,10,000 per month (first increment to fall due on 01.04.2002 and thereafter on 1st April every year)

Pay Scale: Rs1.00,000-10000-1,50,000

Perquisites :

Perquisites which may include accommodation/ HRA, reimbursement of expenses for gas, electricity, water and furnishings, medical reimbursement, LTC, personal accident insurance, use of car and telephone, contribution to Provident Fund, superannuation fund or annuity fund and leave encashment etc., shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary or the amount of entitlement in accordance with Schedule XIII to the Companies Act, 1956 as amended from time to time, whichever is less.

In the event of absence or inadequacy of profits, the aforesaid remuneration will be paid as the minimum remuneration.

At the meeting of the Board of Directors held on 29th June 2002, it has been further decided that in terms of Article 173 of the Articles of Association of the Company, Shri Manoj Gaur shall not be liable to retire by rotation as Director, as long as he holds the office of Managing Director in the Company.

Shri Manoj Gaur has 17 years of successful experience in planning and execution of construction projects, setting up of Cement plants at Rewa. He is looking after the day to day affairs of the Company. He is also the Managing Director of Jaypee Cement Limited, a wholly owned subsidiary of the Company.

Shri Manoj Gaur is also Chairman, JIL Information Technology Ltd., Gaur and Nagi Ltd; Director, Jaypee Greens Ltd, Jaiprakash Power Ventures Ltd, Jaypee Hotels Ltd., Jaiprakash Enterprises Ltd, Jaypee Ventures Ltd., Jaypee Aluminium Company Ltd., Jaypee DSC Ventures Ltd., Jaypee Karcham Hydro Corporation Ltd., Indesign Enterprises Pvt Ltd., Indesign Solutions Pvt. Ltd., Manumanik Estates Pvt. Ltd., Mum Engineers Pvt. Ltd. and Asian Agro Products Ltd. Shri Manoj Gaur is also a member of the Share Transfer Committee of the Company.

Shri Manoj Gaur is interested or concerned in the resolution to the extent of his remuneration and perquisites. Shri Jaiprakash Gaur, Chairman and Shri Samir Gaur Director being relatives of Shri Manoj Gaur are deemed to be interested/concerned in the resolution.

The Explanatory Statement together with the accompanying Notice is and may be treated as an abstract of the terms of appointment and memorandum of interest under Section 302 of the Companies Act, 1956.

The Board of Directors commend the resolution for your approval.

Item 12 & 13

Shri Samir Gaur, and Shri Pankaj Gaur were appointed as Whole-time Director of the Company for a period of five years w.e.f 1st August, 2002 at the meeting of the Board of Directors held on 29th July 2002 on the following terms and conditions:

Salary:

Rs.50,000 per month.

Pay Scale : Rs 50,000-50000-75,000

Perquisites :

Perquisites which may include accommodation/ HRA, reimbursement of expenses for gas, electricity, water and furnishings, medical reimbursement, LTC, personal accident insurance, use of car and telephone, contribution to Provident Fund, superannuation fund or annuity fund and leave encashment etc., shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary or the amount of entitlement in accordance with Schedule XIII to the Companies Act, 1956 as amended from time to time, whichever is less.

Shri Samir Gaur, 31, is MBA from the University of Wales, U.K. He had worked in the Sardar Sarovar project from 1994 to 1996 and from 1997 onwards he is looking after the prestigious Dulhasti and Baglihar project contracts in Jammu & Kashmir.

Shri Samir Gaur is also a Director of Jaiprakash Enterprises Limited, Jaiprakash Power Ventures Ltd., Jaypee Ventures Ltd., Indesign Enterprises Pvt. Ltd., Apar Builders

Pvt. Ltd. and Samsun Estates Pvt. Ltd. Shri Samir Gaur does not hold membership of any Committee of the Board.

Shri Pankaj Gaur, 31, B.E (Instrumentation) worked with Jaypee Rewa and Bela Cement Plants from 1993 to 1998. Since 1999 he is looking after the prestigious TALA Hydro-electric project being executed by the Company in Bhutan.

Shri Pankaj Gaur is also a Director of Jaiprakash Enterprises Limited, Jaypee Ventures Limited and Pee Gee Estates Pvt. Ltd. Shri Pankaj Gaur does not hold membership of any Committee of the Board.

Shri Samir Gaur is interested or concerned in the resolution to the extent of his remuneration and perquisites. Shri Jaiprakash Gaur, Chairman and Shri Manoj Gaur, Managing Director being relatives of Shri Samir Gaur are deemed to be interested/ concerned in the resolution appointing Shri Samir Gaur as Whole-time Director of the Company.

Apart from Shri Pankaj Gaur himself, who is interested or concerned to the extent of his remuneration and perquisites, none of the Directors is interested in the resolution appointing Shri Pankaj Gaur as Whole-time Director of the Company.

The Explanatory Statement together with the accompanying Notice is and may be treated as an abstract of the terms of appointment and memorandum of interest under Section 302 of the Companies Act, 1956.

The Board of Directors commend the resolutions for your approval.

Item 14

To meet its requirement of funds, the Company has privately placed 16.5% NCDs for Rs.50 crores with IFCI Limited, 14.25% NCDs for Rs.30 Crores and 13.75% NCDs for Rs.20 Crores with UTI Bank Limited. The Company has also raised Rupee Term Loans aggregating to Rs.200 Crores from Industrial Development Bank of India, Rs.212 Crores from ICICI Limited (since merged with ICICI Bank Ltd), Rs. 55 Crores from Export Import Bank of India and Rs. 15 crores from State Bank of Indore. Further, ICICI Limited (since merged with ICICI Bank Ltd) has extended Guarantee Assistance of Rs.200 crores to the Company as back up line of credit for the financial closure of Vishnuprayag Hydro-electric project, being implemented by the wholly owned subsidiary of the company, Jaiprakash Power Ventures Limited.

The said NCDs/Rupee Term Loan shall be secured by way of first charge ranking pari-passu with the existing charge holders on such immovable and moveable properties of the Company, present & future, as may be decided in consultation with the Term Lending Institutions/Banks.

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole of any such undertaking. Since the mortgaging and/or charging by the Company of its immovable and moveable properties, as aforesaid, in favour of the aforesaid Institutions may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956 before creation of the said mortgage/charge.

None of the Directors is concerned or interested in the resolution except for Shri M J Subbaiah, (Nominee Director, ICICI Bank Limited), Shri P Krishnan, (Nominee Director, IFCI Limited) and Shri B K Taparia (Nominee Director, Industrial Development Bank of India) who may be deemed to be interested in the resolution being nominees of ICICI Bank Limited, IFCI Limited and Industrial Development Bank of India.

The Board of Directors commend the resolution for your approval.

ITEM 15

The Schemes to offer company's stock to the employees have been widely acknowledged as an important tool to motivate, retain and reward the employees, who are amongst the most valuable resources. Such schemes directly contribute to the growth and profitability of the Company, besides rewarding its employees. With a view to provide an opportunity to the employees of the Company and its subsidiaries to participate in the ownership of the Company so as to appropriately compensate employees who contributed to the all around growth of the Company, the Board of Directors had at their meeting held on 29th June, 2002, set up a Compensation Committee comprising of Shri Gopi K Arora (Independent Director) as Chairman of the Committee, Shri B K Taparia (IDBI Nominee and Independent Director) and Shri Manoj Gaur, Managing Director, as members of the Committee. As authorised by the Board, the Committee had identified the Employee Stock Purchase Scheme as an appropriate scheme for the employees. The Committee had also suggested the quantum of equity shares to be offered under the scheme per employee and in the aggregate, pricing of the shares to be so offered, the appraisal process for determining the eligibility of employees to be offered equity shares under the Scheme, categorisation of the employees and the number of shares to be offered to the eligible employees under each category etc. Based on the recommendations of the

Compensation Committee, the Board of Directors of the Company had at their meeting held on 29th July, 2002 decided to implement "Jaypee Employee Stock Purchase Scheme, 2002" (hereinafter referred to as the Scheme) in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The shareholders' consent is therefore, sought to authorise the Board of Directors to issue the shares in the manner set out in the resolution. The terms and conditions governing the Scheme are set out below:

Quantum and Pricing

The total number of Equity shares proposed to be issued under the Scheme is 72,00,000. The shares shall be issued at a price of Rs.18 per share which is 75% of the lowest price of the shares of the Company at The Stock Exchange, Mumbai, during the preceding 26 weeks from the date of the approval of the Scheme by the Board of Directors.

Eligibility

Permanent Employees as on April 1, 2002 of the Company and its subsidiaries namely Jaiprakash Hydro-Power Limited, Jaypee Cement Limited, Jaiprakash Power Ventures Limited and Jaypee Hotels Limited, who have completed 3 years of service as on that date shall be eligible to apply for shares under the Scheme. However, employees of the Company and its subsidiaries who belong to the Promoters' group of the respective company in which the employee is employed and Directors of the Company and its subsidiaries who individually either by themselves or through their relatives or through any body corporate, directly or indirectly holds more than 10% of the equity shares of the Company and its subsidiary in which they are a Director, shall not be eligible to apply for shares under the Scheme. The minimum and the maximum number of shares an employee would be entitled to is 500 and 10000 Equity shares respectively.

Appraisal Process

The number of shares an employee would be entitled to, subject to a minimum of 500 shares and maximum of 10000 shares, is dependent upon the cadre the employee belongs to and the rating he has earned. In order to arrive at an appropriate Performance Rating, the company's appraisal system, which had been in vogue for over 15 years has been taken as a basic framework. While capturing the evaluation data for each employee, for the year from 1997 to 2001, weightage on account of performance, length of service, loyalty and leadership quality has been worked out and accordingly for each employee a score has been arrived at. This score entitles an employee to get specific number of shares as applicable in his cadre. Based on this, the number of shares that may be offered may be different for different categories of employees.

Lock-in

The shares issued to the employees under the Scheme shall be under lock-in period of 3 (three) years from the date of allotment. Such shares cannot be pledged/ hypothecated by the employees during the lock-in period.

Period

The Scheme shall be open for a period of 30 days from the date of receipt of all requisite approvals.

Payment

Full payment @ Rs. 18 per share, comprising of Rs.10 towards share capital and Rs. 8 towards share premium, would have to be made in favour of the Company, at the time of applying for Equity Shares.

In terms of the provisions contained in Section 77 of the Companies Act, 1956, employees of the Company or its subsidiaries other than its Directors, will be entitled to loans from their respective companies to the extent of 75% of the aggregate purchase price payable for the shares accepted by them out of their entitlement, subject to maximum of six months' salary of the concerned employee. The loan shall carry interest @10% p.a on monthly reducing balance. The loan alongwith interest shall be recovered in equated monthly instalments over a period of five years.

Government Regulations

The Scheme will be subject to all applicable laws & guidelines of Securities and Exchange Board of India, as amended from time to time.

The Company will conform to accounting policies as specified in clause 19.2 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

None of the Directors is concerned or interested in the resolution apart from S/Shri M S Srivastava, Har Prasad and S D Nailwal Directors of the Company who may be deemed to be interested in this resolution to the extent of their entitlement of shares under the Scheme.

The Board of Directors commend the resolution for your approval.

DIRECTORS' REPORT

To

The Members,

The Directors of your Company are pleased to present the 19th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

WORKING RESULTS

The Working Results of the Company for the year under report are as under:

	31.03.2002	(Rs in lakhs)	31.3.2001
Gross Revenue & Other Income	15,99,72		17,19,57
Profit before depreciation & taxation	2,34,43		1,77,87
Less:			
Depreciation	56,95		69,87
Profit before taxation	1,77,48		1,08,00
Less:			
Provision for taxation			
Current Tax	25,31	9,25	
Deferred Tax	24,19	49,50	9,25
Profit after Current and Deferred Tax		1,27,98	98,75
Add:			
Profit brought forward	4,47,18	3,80,22	
Debt redemption reserve written back/Transfer	1,42,00	19,22	
Capital reserve no longer required written back	-	15	
Investment allowance reserve written back	-	34	
Profit available for appropriation		5,89,18	3,99,93
Less:			
Transferred to:			
Debt redemption reserve	41,84	51,50	
General Reserve	2,70,00	-	
Interim Dividend Paid	11,07	-	
Tax on Interim Dividend paid	1,13	-	
Proposed Final Dividend	7,94	-	51,50
Balance Carried to Balance Sheet		3,85,18	4,47,18

The operational results of the current year in relation to the corresponding operations of previous year have registered an increase of 28% in Turnover and 18% in Profit before Tax. The figures for the year ended 31st March 2002 are not comparable as the previous year's figures include the results of the Cement Division of the Company which has been hived off to Jaypee Cement Limited (formerly Jaypee Rewa Cement Limited), the wholly owned subsidiary of the Company w.e.f 1st April 2001 pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Allahabad vide Orders dated 27.02.2001.

SHARE CAPITAL

The paid-up share capital of the Company increased to Rs.172,17,30,110 during the year on allotment of 1,39,34,300 equity shares of Rs.10 each on 21st March, 2002 pursuant to the approval accorded at the Extra-Ordinary General Meeting held on 21st March 2002 on preferential allotment basis, at a price of Rs.35.85 per share to companies of the promoter group in part settlement of the consideration payable for acquisition of 3,26,50,000 equity shares of Rs.10 each of Jaypee Hotels Limited, at a price of Rs.15.30 per share held by them.

DIVIDEND

Your Directors are pleased to recommend a final dividend of 5% on the equity shares for the financial year ended 31st March, 2002. Taking into account the interim dividend of 7% already paid in February, 2002 the total dividend for the year adds up to 12%. The shares allotted on preferential allotment basis on 21st March 2002, will be entitled to the final dividend on pro-rata basis for the period 21st March, 2002 to 31st March, 2002.

OPERATIONS

a) ENGINEERING DIVISION.

1. New Contracts

During the year the Company has ventured into construction of National Highway Projects. The Company in joint venture with DS Construction Limited has successfully bagged on a negative grant of Rs. 61.06 crores to National Highway Authority of India (NHAI), contract for conversion of Delhi - Gurgaon section of NH-8 to access controlled eight/six lane highway on Build - Operate - Transfer (BOT) basis (including financing). Pursuant to the approval by the shareholders at their meeting held on 21st March, 2002, an SPV, namely Jaypee DSC Ventures Limited has been incorporated to execute and operate the project for a period of 20 years. The equity participation of your Company in the SPV will be upto 51%. The Concession Agreement has been signed with NHAI on 18th April, 2002.

2. Works in Progress:

The Company is presently executing the following projects:

Sl. No.	Name of the Hydro - Power / River Valley Projects under execution	Location of the Project	Contract Price (Base Value) (Rs. in Crores)	Expected year of Completion	Power Generating Capacity of the Project (MW)
1.	Dul-Hasti	Jammu & Kashmir	722	2003	390
2.	Baglihar	Jammu & Kashmir	1622	2005	450
3.	Chamera-II	Himachal Pradesh	876	2004	300
4.	Nathpa Jhakri	Himachal Pradesh	475	2002	1500
5.	Baspa-II	Himachal Pradesh	503	2003	300
6.	Vishnuprayag	Uttaranchal	664	2006	400
7.	Tehri	Uttaranchal	1373	2003	1000
8.	Teesta-V	Sikkim	601	2006	510
9.	Indira Sagar (Narmada Sagar)	Madhya Pradesh	374	2005	1000
10.	Sardar Sarovar (Narmada)	Gujarat	360	2006	1200
11.	Tala	Bhutan	425	2004	1020

Works on all the above projects are progressing to the satisfaction of the respective clients.

3. Iraq Works:

The Government of India has approved issue of bonds against certified receivables of the Company from Iraqi Projects, which shall extinguish the loan liability of the Company against these projects to the extent of Rs.272 crores.

b)

HOTEL DIVISION

The holiday resort - The Residency Manor - at Mussoorie owned by the Company is being managed by Jaypee Hotels Limited, and is operating satisfactorily. Consequent upon acquisition of 3,26,50,000 equity shares of Rs.10 of Jaypee Hotels Limited (JHL) by the Company, JHL has become a subsidiary of your Company w.e.f. 21st March, 2002.

c)

HYDRO-POWER DIVISION

Karcham Wangtoo Hydro-electric Project (1000MW)

As you are aware, your Company had signed a Memorandum of Understanding with the Government of Himachal Pradesh, followed by Implementation Agreement in November, 1999 for setting up the 1000 MW Hydro-electric Project at District Kinnaur, Himachal Pradesh. A Detailed Project Report of the Project was submitted to the Government of Himachal Pradesh and Central Electricity Authority (CEA) and on the basis of this report, an in-Principle clearance to the Project had been accorded by CEA in March, 1996. Applications have also been submitted to various Authorities for statutory clearances and efforts are made to obtain the same as early as possible. Thereafter action to achieve financial closure will be taken. In terms of the approval accorded in the Extra Ordinary General Meeting held on 21.03.2002, a separate Company, Jaypee Karcham Hydro Corporation Limited (JKHCL) has been incorporated pursuant to the Implementation Agreement, to set up the said project, which will be an independent Power Producer, on Build, Own and Operate basis.

OUT-LOOK

The Company

Your Company has the unique distinction of simultaneously executing either as prime / EPC contractor or as leader of consortia / joint-venture, eleven hydropower / river valley projects worth around Rs.8000 crores spread over six States in India and the neighbouring Country Bhutan which on commissioning would generate 8070 MW of hydropower. The estimated value of balance works of these projects to be executed in the next 3 to 5 years is around Rs.6000 Crores. The Company has been awarded contract for civil and hydro-mechanical works of the 450 MW Baglihar Hydro Electric Project-I at a contract base price of Rs.530 crore in the State of Jammu and Kashmir. The Company has sufficient expertise and capabilities to execute large hydroelectric / river valley project and continues to bid for new major projects. Your Directors expect further improvement in the order book position, in view of the emphasis of the Government on infrastructure projects.

Subsidiaries

Jaypee Cement Limited, wholly owned subsidiary, has achieved a turnover of Rs. 1190 crores and profit of Rs. 63 crores for the period ended 31st March, 2002. The Cement Market in Northern India has stabilised. The Company commands almost 15% of the market share in Northern India. With the emphasis of the Government on infrastructure coupled with rural demand, the Company expects continuous growth resulting in higher capacity utilisation and better sales realisation.

300 MW Baspa II HEP being implemented by Jaiprakash Hydro Power Limited, subsidiary of your Company, is the first Hydro-electric Project in private sector of this capacity and is expected to be commissioned by the end of the current financial year as against the scheduled commissioning date of July, 2003.

400 MW Vishnu Prayag Hydro-electric Project being implemented by Jaiprakash Power Ventures Limited, subsidiary of your Company is scheduled to be commissioned by 2006. The financial closure of the project is expected shortly. The implementation of the project is in progress.

Jaypee Hotels Limited (JHL) has become a subsidiary of your Company w.e.f. 21st March, 2002. JHL has achieved the turnover of Rs. 116 crore and profit of Rs. 1 crore. The operational results of JHL are considered satisfactory keeping in view the set back experienced by hotel industry consequent to the after effects of 11th September and 13th December of 2001 events. The industry has since started showing signs of improvement. Your Directors are of the opinion that the Company and its subsidiaries are poised for sustained growth and bright future.

DIRECTORATE

Shri Jaiprakash Gaur, Chairman, Shri S K Jain, Vice-Chairman, Shri Sunil Kumar Sharma, Managing Director and Shri Gopi K Arora, Director retire by rotation and being eligible, offer themselves for re-appointment.

Shri Rakesh Sharma, who was co-opted on the Board with effect from 1st February 2001 in the casual vacancy caused due to the resignation of Shri P.K. Jain, holds office upto the date of the ensuing Annual General Meeting and is proposed to be appointed as Director in terms of Section 257 of the Companies Act, 1956 at the ensuing Annual General Meeting. Shri Rakesh Sharma was also appointed as whole-time Director of the Company for a period of 5 years w.e.f. 1st February, 2001 by the shareholders in their Annual General Meeting held on 27th August, 2001.

Shri D Paul Verma who joined the Board as Additional Director with effect from 30th January 2002, holds office upto the date of the ensuing Annual General Meeting and is proposed to be appointed as Director in terms of Section 257 of the Companies Act, 1956 at the ensuing Annual General Meeting.

Shri Manoj Gaur was re-appointed as Managing Director of the Company by the Board on 09.11.2001 for a period of 5 years w.e.f.15.11.2001. The terms and conditions of the re-appointment of Shri Manoj Gaur, as Managing Director as approved by the Board are contained in the resolution for your approval at the ensuing Annual General Meeting.

Shri Sunny Gaur resigned from the office of Director with effect from 29th July, 2002. The Board places on record their appreciation for the valuable contributions made by Shri Sunny Gaur during his tenure as Director of the Company.

Shri Samir Gaur was appointed as Director w.e.f. 29th July, 2002 in the casual vacancy caused by the resignation of Shri Sunny Gaur. Shri Samir Gaur has also been appointed as whole-time Director of the Company w.e.f. 1st August, 2002. The terms and conditions of the appointment of Shri Samir Gaur as whole-time Director as approved by the Board are contained in the resolution for your approval at the ensuing Annual General Meeting.

Shri Pankaj Gaur, was appointed as Additional Director w.e.f. 29th July, 2002 and holds office upto the date of the ensuing Annual General Meeting and is proposed to be appointed as Director in terms of Section 257 of the Companies Act, 1956. Shri Pankaj Gaur has also been appointed as whole-time Director of the Company w.e.f. 1st August, 2002. The terms and conditions of the appointment of Shri Pankaj Gaur as whole-time Director as approved by the Board are contained in the resolution for your approval at the ensuing Annual General Meeting.

Shri P Krishnan was nominated by IFCI Limited on the Board of the Company, w.e.f. 27th October, 2001, in place of Shri B M Agarwal. The Board places on record their appreciation for the valuable contribution made by Shri B M Agarwal during his tenure as Director of the Company.

The Directors place on record their heart felt condolences on the sudden demise of Shri Ranvir Singh, Director on June 21, 2001 at a young age of 41 years. Shri Ranvir Singh was associated with the Company in various capacities for the last over 20 years and the Board places on record their appreciation for the valuable contribution made by Shri Ranvir Singh as Director of the Company.

SUBSIDIARY COMPANIES

The statement as required under Section 212 of the Companies Act, 1956 and the audited Balance Sheets as at 31st March 2002 in respect of Jaypee Cement Limited (formerly Jaypee Rewa Cement Limited), Jaiprakash Hydro-Power Limited, Jaiprakash Power Ventures Limited and Jaypee Hotels Limited, which are subsidiaries of your Company, are attached.

DEPOSITS

The Fixed Deposits received from the shareholders and the public as on 31st March, 2002, aggregate to Rs. 12,10,27,000. The deposits of Rs. 5,63,000 due for repayment at the close of the Financial Year remained unclaimed by the Depositors as on 31st March, 2002.

PARTICULARS OF EMPLOYEES

A statement showing the particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended vide Notification No. GSR 288 (E) dated 17.04.2002 is annexed and forms an integral part of this Report.

PARTICULARS OF ENERGY CONSERVATION ETC.

Particulars with respect to conservation of energy as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2002 are annexed to this Report.

NOTES ON ACCOUNTS

The observations of Auditors and notes on accounts are self-explanatory.

AUDITORS

M/s. M.P. Singh & Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DEMATERIALISATION OF SHARES

Shares constituting 80.03% of the equity share capital of the Company have been dematerialised. Your Company has made arrangements for simultaneous transfer and dematerialisation of shares.

CORPORATE GOVERNANCE

Your Company has implemented the requirements of Corporate Governance as provided in the listing agreement. Pursuant to clause 49 of the listing agreement, a report on the Corporate Governance is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm the following in respect of the audited annual accounts for the year ended 31st March, 2002.

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year ended 31st March, 2002 and the profit of the Company for that period.
- that the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the directors had prepared the annual accounts on a going concern basis.

LISTING

Your Company is listed with the Stock Exchanges at Ahmedabad, Delhi, Kanpur, Kolkata and Mumbai and annual listing fee for the financial year 2002-03 has been paid to them.

EMPLOYEE RELATIONS

The employee relations continued to be cordial throughout the year. Your Directors wish to place on record their sincere appreciation for the excellent work with which the entire team of the Company worked at all sites and achieved commendable progress.

With a view to provide an opportunity to the employees of the Company and its subsidiaries to participate in the ownership of the company so as to appropriately compensate employees who contributed to the all around growth of the Company, it is proposed to issue upto 72,00,000 equity shares of the company to the employees of the Company and its subsidiaries in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 on the terms and conditions contained in the resolution for your approval at the ensuing Annual General Meeting.

APPRECIATION

Your Directors wish to place on record their gratitude to various departments and undertakings of the Central and State Governments, All India Financial Institutions, namely, ICICI Ltd. (now merged with ICICI Bank Limited), IFCI Limited, Industrial Development Bank of India, Industrial Investment Bank of India Ltd., Export-Import Bank of India, Tourism Finance Corporation of India Ltd., Unit Trust of India, LIC, GIC & its subsidiaries, and Consortium of Banks lead by Canara Bank, for their valuable cooperation and assistance. Your Directors also wish to place on record their appreciation of the wholehearted and continued support extended by the Shareholders & Investors, which had always been a source of strength for the Company.

On behalf of the Board

JAIPRAKASH GAUR
Chairman

Dated: 29th July, 2002

ANNEXURE TO THE DIRECTORS'S REPORT**INFORMATION IN PURSUANCE TO SUB-SECTION 2-A OF SECTION 217 OF THE COMPANIES ACT, 1956 IS GIVEN BELOW**

Name of Employees, Designation/Nature of Duties, Gross Remuneration (Rs.), Qualification, Age (in years), Total Experience (in years), Date of commencement of Employment, Previous Employment

(A) Employed throughout the year and in receipt of remuneration aggregating Rs.24,00,000/- or more
Shri Sarai Kumar Jain, Vice Chairman, Rs.24,53,508, B.Sc., 65, 44, 01.01.1986, Jaiprakash Associates Pvt. Ltd.

Shri Manoj Gaur, Managing Director, Rs.24,40,927, B.E. (Civil), 38, 17,

01.11.1985, First Employment

Shri Sunil Kumar Sharma, Managing Director, Rs.25,28,000, B.Sc., 42, 24, 01.01.1986, Jaiprakash Associates Pvt. Ltd.

(B) Employed for part of the year and in receipt of remuneration aggregating Rs.2,00,000/- or more per month
NIL

Notes:-

- The date of commencement of employment in respect of the employees of the Amalgamating Company i.e., Jaiprakash Associates Pvt. Ltd., as given in the above statement is the effective date of amalgamation i.e. 01.01.1986. However, their length

of service with the amalgamating Company stands protected by the Scheme of Amalgamation.

- Gross remuneration includes Salary, House Rent and other perks like Medical Reimbursement, Leave Travel Assistance, Company's Contribution towards Provident Fund etc.
- All persons named in the lists are wholetime Directors of the Company.
- Shri Manoj Gaur, Managing Director is the son of Shri Jaiprakash Gaur, Chairman and brother of Shri Samir Gaur, Director of the Company.

INFORMATION PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2002.**A. Conservation of Energy:**

The Company is engaged in the business of Integrated Engineering Construction business and operates at the locations of its clients and uses electric energy for implementation of the various projects undertaken by it. Besides, the Company also owns a five star hotel at Mussoorie.

The Company ensures that all possible measures are taken to conserve energy including identification of potential areas of saving energy, installation of energy efficient equipment such as capacitor control panels to improve power factor and usage of energy efficient lamps and compact fluorescent lamps wherever possible.

The energy conservation measures undertaken by the company ensure savings in energy costs and thereby improving operational efficiency. Form A prescribed under the Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules, 1988 is not applicable to the Company.

B. Research and Development

Research & Development work in respect of new engineering techniques for achieving higher efficiencies is a continuous process in the Company.

C. Technology absorption, adaptation and innovation:

For efficient execution of contracts awarded to the Company, it imports various equipments such as the cable crane system for laying concrete. Equipments are imported in order to ensure usage of contemporary technology. The Company is engaged primarily in the business of engineering construction. The Company is establishing a Heavy Engineering Workshop for precision fabrication and machining for manufacture of Hydro-Mechanical equipment like gates, hoists and cranes for dams and barrages. The Company has technical collaboration with Harza Engineering Company International, U.S.A for establishing the workshop.

D. Foreign Exchange earnings and outgo

Particulars of Foreign Exchange earnings and outgo are given in Schedule 'R' Notes to the Accounts under Note No.26.

REPORT ON CORPORATE GOVERNANCE**1. Company's Philosophy on Code of Governance**

The Company's philosophy on corporate governance aims at attaining the highest level of transparency, accountability towards its stakeholders, including shareholders, employees, the Government and lenders.

2. Board of Directors

The Board of Directors as on 31st March, 2002 consisted of 17 Directors.

Composition and category of Directors is as follows:**Promoter Directors:**

- Shri Jaiprakash Gaur, Chairman (Non Executive)
- Shri S.K. Jain, Vice Chairman (Whole time)
- Shri Manoj Gaur, Managing Director
- Shri Sunil Kumar Sharma, Managing Director
- Shri Rakesh Sharma, Wholetime
- Shri Sunny Gaur, (Non Executive)*

Institutional Directors (Non-Executive & Independent)

- Shri M.J. Subbaiah, ICICI Nominee
- Shri B.K. Tapania, IDBI Nominee
- Shri P. Krishnan, IFCI Nominee

Outside Directors (Non Executive & Independent)

- Shri Gopi K. Arora, IAS (Retd)
- Shri B.K. Goswami, IAS (Retd)
- Shri Suresh Kumar, Engineer
- Shri R.L. Gupta, Engineer
- Shri D. Paul Verma, Engineer

Professional whole-time Directors (Independent)

- Shri M.S. Srivastava, Engineer
- Shri S.D. Nailwal, FCS
- Shri Har Prasad, Engineer

* Shri Sunny Gaur resigned from the Board w.e.f 29th July 2002. Shri Samir Gaur was appointed as Director in the casual vacancy caused by the resignation of Shri Sunny Gaur w.e.f 29th July, 2002. Shri Samir Gaur has also been appointed as whole-time Director w.e.f. 1st August, 2002. Besides, Shri Pankaj Gaur was appointed as Additional Director w.e.f 29th July, 2002 and also as whole-time Director w.e.f. 1st August, 2002, under the category of Promoter Directors.

Attendance of Directors at the Board Meetings, last Annual General Meeting and Number of other Directorships and Chairmanship/Membership of Committees of each Director in various Companies as on 31st March 2002:

Name of the Director	Attendance Particulars		No. of other directorship and committee memberships / chairmanships	Committee Membership	Committee Chairmanship
	Board Meetings	Last AGM	Other Directorship		
Shri Jaiprakash Gaur	7	Yes	11	-	-
Shri S.K. Jain	7	Yes	2	-	1
Shri Manoj Gaur	7	-	13	1	-
Shri Sunil K. Sharma	7	-	6	1	-
Shri Gopi K. Arora	6	Yes	10	3	7
Shri B.K. Goswami	4	Yes	14	3	-
Shri M.J. Subbaiah	7	Yes	4	3	-
Shri B.K. Tapania	8	Yes	1	-	-
Shri P. Krishnan *	5	NA	4	1	-
Shri Suresh Kumar	5	-	2	2	-
Shri R.L. Gupta	8	Yes	-	2	1
Shri Rakesh Sharma	1	-	2	-	-
Shri M.S. Srivastava	3	-	-	-	-
Shri D. Paul Verma **	2	NA	-	2	-
Shri Har Prasad	-	-	-	-	-
Shri Sunny Gaur***	-	-	5	-	-
Shri S.D. Nailwal	8	Yes	1	2	-

- * Shri P. Krishnan was appointed Nominee Director by IFCI w.e.f. 27.10.2001 in place of Shri B.M. Agarwal. Shri B.M. Agarwal attended one Board Meeting and the last AGM.
- ** Shri D. Paul Verma was appointed as additional Director during the year on 30.01.2002.
- *** Shri Sunny Gaur has since resigned from the Directorship of the Company w.e.f. 29.07.2002. Shri Rakesh Sharma, Shri M.S. Srivastava, Shri Har Prasad are stationed at various projects sites of the Company.

Late Shri Ranvir Singh who passed away on 21.6.2001, attended one Board Meeting in the year 2001-2002.

Number of Board Meetings held and the dates on which held

During the year under report, 8 (eight) Board Meetings were held, as against the minimum requirement of 4 meetings. The meetings were held on 12th June, 31st July, 27th August, 27th October & 27th December in 2001, and 30th January, 18th February and 21st March in the year 2002. The maximum time gap between any two meetings was not more than three calendar months.

3. Committees

(a) Audit Committee

The Board of the Company has constituted an Audit Committee, comprising four Independent and Non-Executive Directors viz. Shri Gopi K. Arora (Chairman) Shri B.K. Goswami, Shri P. Krishnan and Shri R.L. Gupta. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are, as contained under Clause 49 of the Listing Agreement, which interalia include overseeing financial reporting process, reviewing the financial statements, and recommending appointment of auditors.

During the year, the Committee has met 4 times, as against the minimum requirement of 3 meetings. Shri Gopi K. Arora (Chairman), Shri B.K. Goswami and Shri R.L. Gupta were present in 4, 3 & 4 meetings respectively and Shri P. Krishnan who was appointed as member of the Audit Committee in place of Shri B.M. Agarwal on 27th October, 2001 attended the meeting of the Audit Committee held after his appointment. Shri B.M. Agarwal attended one meeting of the Committee during his tenure.

(b) Remuneration Committee

The Board of the Company has constituted a Remuneration Committee, comprising 3 Independent, Non-Executive Directors viz. Shri Gopi K. Arora, Chairman, Shri Suresh Kumar and Shri D. Paul Verma.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/ Whole time Director(s).

The remuneration package being presently paid to the Managing / Wholtime Directors is on the same terms and conditions as approved by the Board / Shareholders prior to the setting up of the Remuneration Committee. Proposals to revise the remuneration package paid to the Managing Directors / Whole-time Director(s) in future shall be placed before the Remuneration Committee.

Details of Remuneration paid to all the Directors for the year:

The aggregate value of salary, perquisites and commission paid for the year ended 31st March, 2002 to Wholtime Directors is as follows:- Shri S.K. Jain, Vice Chairman - Rs. 24,53,508; Shri Manoj Gaur, Managing Director - Rs. 24,40,927; Shri Sunil Kumar Sharma, Managing Director - Rs. 25,28,000; Shri Rakesh Sharma, Director - Rs. 10,89,388; Shri M.S. Srivastava, Director - Rs. 12,53,444; Shri S.D. Nailwal, Director - Rs. 12,50,268 and Shri Har Prasad, Director - Rs. 11,84,744.

The Company paid sitting fees to all the Non-Executive Directors for the meetings of the Board of Directors / Committees of Board of Directors attended by them (excluding the Shares Transfer Committee for which the non-executive member had forgone receiving of the sitting fees) at the rate of Rs.2000 for each meeting held upto 27.08.2001 and Rs. 5000 per meeting for meetings held after 27.08.2001. The sitting fees paid for the year ended 31st March, 2002 are as follows:- Shri Jaiprakash Gaur, Chairman, Rs.29,000, Shri M.J. Subbaiah, (ICICI Nominee) Rs.29,000, Shri B.K. Talaria (IDBI Nominee) Rs.31,000, IFCI (for attendance of its Nominees Shri B.M. Agarwal and Shri P. Krishnan) Rs. 32,000, Shri Gopi K. Arora Rs. 57,000, Shri Suresh Kumar Rs. 22,000, Shri B.K. Goswami Rs. 58,000, Shri R.L. Gupta Rs. 82,000 and Shri D. Paul Verma Rs. 10,000. Besides, Late Shri Ranvir Singh was paid Rs. 2,000 as sitting fees for the year 2001-2002.

(c) Shareholders' / Investors' Grievance Committee

The Board of the Company has constituted a Shareholders' / Investors' Grievance Committee, comprising Shri R.L. Gupta (Chairman), Shri S.D. Nailwal and Shri D. Paul Verma. The Committee has been constituted to look into redressal of shareholders' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.

The Board of Directors have delegated the power of approving transfer of securities to the share transfer committee consisting of Shri S.K. Jain (Chairman), Shri Manoj Gaur, Shri Sunil Kumar Sharma, Shri Suresh Kumar and Shri S.D. Nailwal.

The Board has designated Shri Ravi Rajagopal, Company Secretary, as the Compliance Officer.

The Company has an investors' base of over 2,00,000 shareholders. During the year under review the total number of complaints received from them on various subjects was 809. All the complaints were duly attended and as on 30.04.2002 none of these complaints were pending. 424 requests for transfer of shares and 192 requests for dematerialisation were pending as on 31st March 2002, which were duly approved and dealt with by 12.4.2002 and 13.4.2002 respectively.

(d) Finance Committee

The Finance Committee of the Board of Directors comprises Shri Gopi K. Arora (Chairman), Shri B. K. Goswami, Shri R.L. Gupta and Shri S.D. Nailwal. The Finance Committee is authorised by the Board to secure and / or borrow moneys / advances / guarantees from Financial Institutions / Banks / companies within the limits prescribed by the Board and to exercise such other powers as may be authorised by the Board from time to time.

(e) Investment Committee

During the year a committee of the Board of Directors comprising Shri B.K. Goswami (Chairman), Shri R.L. Gupta and Shri S.D. Nailwal was set up for making a detailed study on the proposal to consider the acquisition of shares of Jaypee Hotels Ltd. by the company and to take requisite steps, look into various options for settlement of consideration, appointment of valuers and advisors to the proposal for acquiring the shares in Jaypee Hotels Limited and present to the Board a detailed proposal for its consideration and approval. For this purpose the committee met three times during its tenure.

Besides the above committees, the Board of Directors had at their meeting held on 29th June, 2002, constituted a Compensation Committee comprising Shri Gopi K. Arora (Independent Director) as Chairman of the committee, Shri B.K. Talaria (IDBI Nominee and Independent Director) and Shri Manoj Gaur, Managing Director, as members, for the purpose of evaluating and framing an appropriate employee compensation scheme.

6. General Body Meetings

Location and time for last 3 Annual General Meetings were:

Year	AGM	Location	Date	Time
1999	AGM	Hotel Clarks Avadh, Mahatma Gandhi Road, Lucknow - 226001 (U.P.)	27.09.1999	10.00 A.M.
2000	AGM	Hotel Taj Residency, Gomti Nagar, Lucknow - 226010	27.09.2000	11.00 A.M.
2001	AGM	Same as above	27.08.2001	11.00 A.M.

No postal ballots were used/invited for voting at the above meetings in respect of special resolutions passed as there were no such provisions in the Companies Act, 1956. There is no proposal to pass any resolution by Postal Ballots at the ensuing Annual General Meeting.

During the year under review pursuant to Section 192A and the Companies (Passing of the Resolutions by Postal Ballot) Regulation, notice dated 1st February, 2002 was issued by the Company, alongwith the postal ballot forms for passing the special resolutions relating to giving of Corporate Guarantee and pledge of shares in favour of Institutions / Banks for the Financial Assistance to Jaiprakash Hydro Power Limited (JHPL), a subsidiary of the Company. The resolutions were passed by the requisite majority and the results thereof were declared by the Chairman on 21.03.2002.

7. Disclosures

a. There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The related party transactions are duly disclosed in the Notes on Accounts to the Balance sheet.

b. There were no cases of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

8. Means of communication

Half-yearly report sent to each household of shareholders

At present the half yearly report is not being sent to household of shareholders.

Quarterly and Half-yearly results

The quarterly and Half-yearly results are published in leading newspapers, sent to Stock Exchanges and made available on the corporate website, www.jplindia.com

Management Discussion & Analysis

The Management Discussion and Analysis (MD&A) is a part of the annual report.

9. General Shareholder Information

(a) 19th Annual General Meeting

Date: 27th September, 2002
Time: 9.30 A.M.
Venue: The lawns of Mahomed Bagh Club Ltd., 202 M.G. Road, Lucknow 226002 (U.P.)

(b) Financial Calendar

Publication of Unaudited Results:

Quarter ending: 3rd / 4th week of

June 30, 2002: July, 2002
September 30, 2002: October, 2002
December 31, 2002: January, 2003
March 31, 2003: April, 2003 or June 2003 in case of Audited Financial Results.

(c) Book Closure Dates:

14.09.2002 to 27.09.2002 (Both days inclusive)

(d) Dividend payment Date:

Within 30 days of the date of approval in Annual General Meeting

(e) Listing on Stock Exchanges

The Equity shares of the Company are listed on the Stock Exchanges at Kanpur, Uttar Pradesh (Regional), Delhi, Mumbai, Ahmedabad and Calcutta. The Company confirms that it has paid annual listing fees due to the above Stock Exchanges for the year 2002-2003.

(f) Stock Code

The stock code of the shares listed at the Stock Exchanges, where the shares of the Company are listed below:

Name of Stock Exchange	Code
(i) UP Stock Exchange	JAIN
(ii) Delhi Stock Exchange	00027
(iii) The Stock Exchange, Mumbai	50888
(iv) The Stock Exchange, Ahmedabad	27710/JAIPRAKASH
(v) The Calcutta Stock Exchange	10000059

(g) Market Price Data

The high & low of the share price of the Company during each month in the last financial year at the Stock Exchange, Mumbai are as follows:

Month	High	Low
April 2001	37.20	25.70
May 2001	37.65	29.75
June 2001	35.70	25.30
July 2001	30.20	25.00
August 2001	29.75	26.00
September 2001	27.70	20.50
October 2001	29.50	23.50
November 2001	35.45	28.05
December 2001	40.80	29.50
January 2002	36.00	30.25
February 2002	33.95	28.20
March 2002	30.00	24.00

(h) Performance of share price in comparison to BSE Sensex

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April 2001	37.20	25.70	3676.82	3046.51
May 2001	37.65	29.75	3759.96	3470.14
June 2001	35.70	25.30	3651.32	3287.94
July 2001	30.20	25.00	3513.79	3241.66
August 2001	29.75	26.00	3359.07	3241.12
September 2001	27.70	20.50	3267.96	2594.87
October 2001	29.50	23.50	3083.65	2718.41
November 2001	35.45	28.05	3777.81	3003.95
December 2001	40.80	29.50	3500.20	3100.57
January 2002	36.00	30.25	3466.73	3236.76
February 2002	33.95	28.20	3758.11	3290.60
March 2002	30.00	24.00	3758.27	3454.27

(i) **Registrar and Transfer Agents:**
For Physical Transfers:

Jaiprakash Industries Limited
JA House,
63 Basant Lok
Vasant Vihar
New Delhi 110 057

For Electronic Transfers:

Alankit Assignments Limited
205-206 Anarkali Market
Jharidewalan Extn
New Delhi 110 055

j) **Share Transfer System**

Transfer of shares, splitting/consolidation of share certificates and issue of duplicate shares is delegated to a Share Transfer Committee consisting of Shri S K Jain (Chairman), Shri Manoj Gaur, Shri Sunil Kumar Sharma, Shri Suresh Kumar and Shri S D Nailwal, Members. During the year the Share Transfer Committee met 15 times.

(k) **Distribution of Shareholding**

The Distribution of shareholding as on 31st March 2002, is as follows:

No of Shares From	To	No. of Shareholders	%	No of Shares	%
1	500	184029	91.34	27217052	15.81
501	1000	10557	5.24	8006143	4.65
1001	2000	4084	2.03	5871157	3.41
2001	3000	1036	0.51	2589927	1.50
3001	4000	440	0.22	1549681	0.90
4001	5000	363	0.18	1713898	1.00
5001	10000	494	0.25	3578697	2.08
10001 & above		479	0.24	121641402	70.65
In-transit				5054	0.00
Total		201482	100.00	172173011	100.00

(l) **Dematerialisation of Shareholding**

As on 26th July 2002, 80.03% of the shares of the Company have been dematerialised. The shares of the Company had been notified in the compulsory dematerialisation segment w.e.f. 29th November, 1999.

(m) **Plant locations**

Besides owning a five star hotel at Mussoorie, the Company is engaged in the business of Engineering Construction and operates from various sites of its Clients. Presently the operations of the Company are being carried out at the following sites of its clients:

- Teesta (Stage V) Hydro-electric Project in Sikkim
- Nathpa Jhakri Hydro-electric Project in Himachal Pradesh
- Tehri Dam in Uttaranchal
- Indira Sagar (Narmada) Hydro-electric project in Madhya Pradesh
- Baspa II Hydro-electric Project in Himachal Pradesh
- Dul Hasti Hydro-electric Project in Jammu & Kashmir
- Sardar Sarovar (Narmada) Hydro-electric Project in Gujarat
- Tala Hydro-electric Project in Gujarat
- Vishnu Prayag Hydro-electric Project in Uttaranchal
- Chamara (Stage-II) Hydro-electric Project in Himachal Pradesh
- Baglihar Hydro-electric Project in Jammu & Kashmir

(n) **Address for Correspondence**

Registered Office:
Jaiprakash Industries Limited
5 Park Road
Hazratganj
Lucknow 226001 (U.P.)

Corporate Office:
Jaiprakash Industries Limited
JA House
63 Basant Lok
Vasant Vihar
New Delhi 110 057

AUDITORS' CERTIFICATE

To:
The Members of
Jaiprakash Industries Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance of conditions of Corporate Governance by Jaiprakash Industries Limited, for the year ended March 31, 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementations 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 on the basis of our examination described above, the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the 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 M. P. SINGH & ASSOCIATES
CHARTERED ACCOUNTANTS

Dated : 29th July, 2002

Partner

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF THE REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2002

i) **Industry structure and developments:**

This Company is basically involved in construction business. The construction industry includes works of river valley / hydro power projects, thermal and gas based power projects, roads and highways, ports and airports, refineries, mass rapid transit system, buildings and industrial complexes etc. The construction works are usually awarded by the clients on contract with or without design and engineering. Generally the civil works, electromechanical works and other specialised works are covered by separate packages but now there is a trend to award the projects on EPC (Engineering, Procurement and Construction) basis for one point responsibility to minimise the delays because of interface problems between various agencies. This necessitates formation of Joint Ventures/Consortiums of various parties specialising in various components of works from within and outside India. The Company specialises in construction

of civil and hydro-mechanical works of river valley/hydro power projects and enters into Joint Ventures/Consortiums with international companies specialising in electromechanical works for taking up EPC contracts wherever necessary.

ii) **Opportunities and Threats:**

The Company is a leading construction company in execution of civil and hydro-mechanical works of hydro power projects in the country, presently involved in the execution of civil/hydro-mechanical works of the following projects:

Sl. No.	Name of Hydropower Project	State/Country	Capacity in MW
01.	Dul-Hasti	Jammu & Kashmir	390
02.	Baglihar	Jammu & Kashmir	450
03.	Chamera-II	Himachal Pradesh	300
04.	Nathpa Jhakri	Himachal Pradesh	1500
05.	Baspa-II	Himachal Pradesh	300
06.	Vishnu Prayag	Uttaranchal	400
07.	Tehri	Uttaranchal	1000
08.	Teesta-V	Sikkim	510
09.	Indira Sagar (Narmada Sagar)	Madhya Pradesh	1000
10.	Sardar Sarovar (Narmada)	Gujarat	1200
11.	Tala	Bhutan	1020

The country needs lot of additional electric power and government is keen to develop hydro power projects and therefore there would be significant opportunities for the Company in this sector. There is also lot of emphasis by the Government on upgradation of existing roads/highways and construction of new roads/highways and this sector is also expected to provide significant opportunities to construction companies. Accordingly, the Company has entered in the construction of highway sector by securing upgradation of about 28 Km of National Highway - 8 on Delhi - Gurgaon section in a joint venture with DS Construction Limited.

The competition for securing the hydro power projects and the highway projects is increasing because of growth of the existing companies in similar business and entry of new companies from within and outside. However, the Company does not foresee any threat to its share particularly because of its expertise, experience and capabilities in such construction works.

iii) **Segment-wise or product-wise performance:**

The Company is primarily engaged in Integrated Engineering Construction business of executing large river valley/hydro power projects. It, however, owns a 90 room hotel Jaypee Residency Manor at Mussoorie. The turnover/profits/assets of the Mussoorie hotel constitute an insignificant percentage of the turnover/profits/assets of the Company.

iv) **Outlook:**

The Company is presently involved in execution of 11 (eleven) hydro power projects and the estimated value of the balance works of these projects to be executed in the next 3-5 years is around Rs. 6000 crores besides the Delhi-Gurgaon highway project where the Company has 51% share in the total project cost of approximately Rs. 600 crores. The Company is bidding for a number of other projects and with government's thrust on the hydro power and highway development, the Company feels that it has good prospect of growth in its construction activity.

v) **Risks and Concerns:**

The hydro power projects involve substantial river bed works (barrage and dams etc.) and underground works (tunnels and power houses etc.) and therefore carry the risks associated with floods in the river and adverse geological conditions. Sometimes the law and order problem including terrorist activities may also cause concern depending upon the location of the project. However, the Company has adequate experience in handling such situations.

vi) **Internal Control System and their adequacy:**

The Company has adequate internal control systems commensurate with its size of operations with qualified and experienced personnel in various departments including Finance, Accounts, Personnel, General Administration, Technical and Corporate affairs.

Mobilisation of resources form an important area of control for the Company. The Company has various committees to decide on the purchases required to be made for the operations of the Company. These committees ensure optimum efficiency in quality and pricing of purchases made. Similarly the Company has management committees at various Project sites to ensure efficient, economical and high quality performance.

The Company also has internal audit teams to ensure that the internal control systems and policies are appropriately adopted.

vii) **Financial performance with respect of operational performance:**

The operations of the Company, prior to the year 2001-2002, included the operations of its Cement Division, which was hived off to Jaypee Cement Limited (formerly Jaypee Rewa Cement Limited) w.e.f. 1.4.2001. The financial performance of the Company for the year 2001-02 is therefore not directly comparable with the previous year 2000-01. However, the financial results for year 2001-02 in comparison to the same operations in the previous year have registered an increase of 26% in Turnover and 18% in Profit before tax. The financial performance of the Company with respect to operational performance is satisfactory, ensuring appropriate servicing of the debts raised by the Company.

viii) **Material developments in Human Resources/Industrial relations:**

The Company recognises its human resources as its most valued asset. The Company has specialised engineers, chartered accountants, company secretary, cost accountants and other technical and non-technical staff to take care of its complex nature of operations and allied activities.

The Company undertakes periodical on-site and off-site training in various related fields and encourages cross functional training. During the year the Company conducted 67 Structured Training Programmes in various areas in which about 1200 employees participated. The Company also conducted training programmes on Human Resources Management, Construction and Contract Management, Quality Control and Quality Assurance in Concrete Technology at its various sites for the identified future managerial cadre to meet the increasing operational needs of the Company. Recognising the role of information technology in its operations, the Company also conducted computer literacy campaign in 48 batches at various sites benefiting about 1000 employees.

The Company has about 3500 employees on its roll besides about 20,000 skilled/semi skilled/unskilled workers engaged directly or through sub-contractors locally at various project sites.