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17th Annual Report
2002-2003

KANDHARI
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FOR ALL TYRES

KANDHARI RUBBERS LIMITED

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KANDHARI RUBBERS LIMITED

17th Annual Report
2002-2003

Board of Directors

Shri Harish Kandhari	Chairman Cum Managing Director
Shri Manoj Kandhari	Director
Prof. S.C. Kuchhal	
Shri K.L. Arora	
Shri G.S. Bhagia	
Shri G.R. Muthreja	

Auditors

M/s. L.S. Nalwaya & Company
Chartered Accountants
Udaipur (Raj.)

Bankers

State Bank of India
- Nehru Place, New Delhi.
- Commercial Branch, Ridhi Sidhi Complex, Madhuvan, Udaipur - 313 001

Registered Office

N.H. 8, Industrial Area, Sukher
Udaipur - 313 004 (Raj.)

Works

N.H. 8, Sukher
Udaipur - 313 004 (Raj.)

REGISTRARS AND SHARE TRANSFER AGENTS

M/s. Computech International Ltd.
(Unit : Kandhari Rubbers Ltd.)
Shri Venkatesh Bhawan,
212-A, Ground Floor, Shahpur Jat,
New Delhi - 110 049

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NOTICE TO MEMBERS

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Kandhari Rubbers Limited, will be held on The 30th September, 2003, Tuesday at 4.00 P.M. at the works of Kandhari Rubbers Ltd., N.H.8, Industrial Area, Sukher, Udaipur to transact the following business.

ORDINARY BUSINESS :-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 and the Profit & Loss account for the year ended on that date together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. S.C. Kuchhal who retire by rotation.
3. To approve the appointment of additional director Shri Manoj Kandhari.
3. To appoint M/s. L.S. Nalwaya & Company, Chartered Accountants, Udaipur as Auditors of the Company from the conclusion of this Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

for & on behalf of the Board

Place : Udaipur
Date : 03.09.2003

(HARISH KANDHARI)
CHAIRMAN CUM MG. DIRECTOR

NOTES :

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the company. The enclosed proxy form, if intended to be used, should reach the Registered office of the company duly completed not less than forty eight hours before the scheduled time of the meeting.
2. The register of the members and share transfer book of the Company will remain closed on 30.09.2003.
3. Members desirous of getting any information about the accounts & operations of the company are requested to address their query at the Registered address well in advance at least seven days before the date of the meeting to enable the Management to keep the information required readily available at the meeting.
4. Members who are holding shares in identical order of names in more than one folio, are requested to write to our share transfer agent to consolidate their holdings in one folio.

KANDHARI RUBBERS LIMITED

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the audited accounts for the financial year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2002-2003	2001-2002
Sales	136.03	462.06
Gross Profit/(Loss)	(73.17)	(49.46)

OPERATIONS :

Export sales of Rs. 50.63 lac included in above turn over. Lack of liquid resources due to mounting cash losses, coupled with excess tubes capacity built up in Tyre Industry and economic slow down were key reasons for low performance. Accumulated losses having exceeded entire net worth making it s Sick Industrial Company, reference had been made and registered with Board for Industrial Financial Reconstruction. Hon'ble BIFR ordered Special Investigation Audit that is in progress.

PRESENT SCENARIO :

At present the company's production activity remains suspended. Non payment of Institutional dues resulted into action by IDBI under SRES act, 2002 injecting job insecurity into workers resulting resignation by key production presonnel. To meet current expenses under heavy liquidity crunch, the Company has started trading of Chinese tyres that received good response from the existing buyers. The company is striving to improve performance by increased attention towards Exports also.

DIRECTORS :

In pursuance of the provisions of the Companies Act, 1956 and Articles of Association of the Company, Sh. S.C. Kuchhal, retire by rotation.

INSURANCE :

All properties of the Company including Building, Plant & Machinery, Equipment and Other assets, wherever necessary and to the extent required have been adequately insured.

INDUSTRIAL RELATIONS :

Industrial relations during the year under consideration have been cordial. The Management will always value and cherish the devotion and commitment demonstrated by loyal employees at all levels.

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PARTICULARS OF EMPLOYEES :

The Company has no employees whose salary exceeds the limit prescribed under section 217(2A), of the companies Act, 1956. Hence information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975 as amended w.e.f. April 17,2002 has not been provided in this report.

DIRECTOR'S RESPONSIBILITY STATEMENT :

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm that -

(1) In the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;

(2) The accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;

(3) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the said 'Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities :

(4) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

The Securities and Exchange Board of India has intorduced a code of corporate governance for implementation by Companies listed on the Stock Exchange.

Your Company has already taken initiative to comply with the requirements of clause 49 of the listing agreement, although, the date of implementation in case of your Company is 31.03.2004.

LISTING

The equity shares of the Company are at present listed with The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, The Stock Exchange, Jaipur and The Delhi Stock Exchange Association Limited, New Delhi.

AUDITORS :

The Auditors M/s. L.S. Nalwaya & Co. Chartered Accountants, Udaipur retire at the ensuing Annual General Meeting and are eligible for reappointment.

The observation's of Auditors in their report on accounts read with the relevant notes are self- explanatory.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The information relating to conservation of Energy, technology absorption and Foreign Exchange Earning and outgo, as required under section 217(1) (e) of the Companies Act-1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the report.

ACKNOWLEDGEMENT :

The Directors wish to place on record their appreciation for the and co-operation received from Shareholders, valued Customers and deeply appreciate the commitment and dedication of employees at all levels.

For & on behalf of the Board

Place : Udaipur
Date : 03.09.2003

(HARISH KANDHARI)
CHAIRMAN CUM MG. DIRECTOR

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ANNEXURE TO THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31st MARCH, 2003 :

Information's in accordance with Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directos) Rules, 1988 and forming part of Directors Report.

(I) CONSERVATION OF ENERGY :

The Company is making all round efforts for the conservation of Energy. To reduce the cost, energy efficient equipment's were used and the effect of the same has been felt.

Total energy consumption and energy consumption per Unit of production as prescribed in form - 'A'

POWER AND FUEL CONSUMPTION

	Current Year 2002-2003	Previous Year 2001-2002
1. Electricity		
a) Purchased		
Units	N.A.	661098
Total amount (Rs. in Lacs)		33.95
Cost/Unit		5.14
b) On Generation :		
Through Diesel generator	12.12	9.06
Units	221761	195690
Unit per Ltr. of Diesel oil	3.30 units	3.30 units
Average Cost/Unit (Rs.)	5.46	4.60
Average Rate/Litre (Rs.)	18.04	15.28
2. LDO		
Quantity (K. Ltrs.)	36.72	88.72
Total amount (Rs. in Lacs)	1.86	12.46
Average Rate (per Ltr.)	16.69	14.04

(II) TECHNOLOGY ABSORPTION:

EFFORTS MADE IN TECHNOLOGY ABSORPTION AS PER FORM -B OF THE ANNEXURE TO THE RULES.

1. Research and Development (R&D) :

(a) Specific areas in which R & D carried out by the company: None

(b) Benefits derived as a result of the above R & D : Not Applicable

(c) Future plan of action : Efforts are aimed at cost reduction, improvement in quality. The benefit of these, will of course, be visible in the years to come.

(d) Expenditure on R & D : Nil

2. Technology Absorption, Adoption and Innovation : Not Applicable

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Activity relating to Exports initiative taken to increase export markets for products and services and export plans.

b) The Company continous to make Export marketing & survey.

(Rs. in Lacs)

	Current Year 2002-2003	Previous Year 2001-2002
Foreign Exchange Earned	30.84	61.32
Foreign Exchange Outgo	–	69.45

For & on behalf of the Board

Place : Udaipur
Date : 03.09.2003

(HARISH KANDHARI)
CHAIRMAN CUM MG. DIRECTOR

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AUDITOR'S REPORT

To The Members of
Kandhari Rubbers Ltd.

1. We have audited the attached Balance Sheet of KANDHARI RUBBERS LIMITED as at 31st March, 2003 and also the Profit and Loss Account and Cash flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 mis-statement, An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation. We believe that our audit provides a resonable basis for our opinion.
3. As required by the manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of such books.

(c) The Balance Sheet and Profit & Loss Account & Cash flow dealt with by this report comply with mendatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

(d) The Balance Sheet and Profit & Loss account referred to in this report are in agreement with the books of account.

(e) Based on the written representations received from the Directors of the company as on March 31st, 2003 and taken on record by the Board of Direcotors, we report that none of the Directors is disqulified as on 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

5. Attention is invited to schedule 29 regarding preparation of accounts on going concern basis.
6. Attention is invited to non - availment of DEEC benefit valued at Rs. 28.55 Lacs outstanding as on 31.03.2003 as refferred in Note No. 9.
7. *Attention is invited to :*

   (a) Non-provision for margin money in the form of FDRs on account of time barred guarantees given by bank and interest thereupon as reffered in Note No. 1 (III) (amount unascertainable)

   (b) Non-provision for depreciation aggregating to Rs. 6561231.00 as referred in Note No. 16.

   (c) Non-provision for interest aggregating to Rs. 6146390.00 as referred in Note No. 18, Non-provision for interest for the year 2001-02 aggregating to Rs. 2330972/- for rate difference of 4% as awarded by DRT, Rajasthan vide reference no. 69/2001 dated 12.09.2002 as reffered in Note No. 18.

   (d) Non-provision (amount unascertainable) for interest on bank borrowing as referred in Note No. 19.

   (e) Non-provision (amount unascertainable) for interest on loans and advances as referred in Note No. 21.

   We further report that, without considering items mentioned at 7(a), 7 (d) & 7(e) above, the effect of which could not be determined, had the observations made by us in items at 7(b) & (c) above been considered, the loss for the period would have been Rs. 244.35 Lacs (as against the reported figure of Rs. 93.97 Lacs) and Liabilities and Provisions would have been Rs. 138.98 Lacs (as against the reported figure of Rs. 54.21 Lacs). Had the unprovided depreciation for the years 98-99, 99-00, 2000-01, 2001-02 & interest to Financial Institutions for the year 2001-02 also been considered the accumulated loss upto 31.03.03 would have been Rs. 1121.60 Lacs.

8. Subject to the foregoing, in our opinion and to the best of our information and according to explanations given to us the said accounts subject to our observations read together with the other notes thereon give the informations required by the companies Act, 1956 in the manner so required and give a true and fair view in confirmity with the accounting principles generally accepted in India :

   (i) In the case of Balance Sheet of the State of affairs of the Company as at 31st March, 2003 and

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

for L.S. NALWAYA & COMPANY
Chartered Accountants

Udaipur
The 3rd September, 2003

(L.S. NALWAYA)
Partner

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