

53rd

ANNUAL REPORT

**DIRECTORS' REPORT AND AUDITED STATEMENT OF
ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003**



THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

ANNUAL REPORT 2002-2003

BOARD OF DIRECTORS : DR. SHANTILAL K. SOMAIYA, (Chairman)
SHRI TARACHAND V. SHAH
SHRI RAMESH S.IYER
SHRI PRABHULAL M. KAPADIA
SMT. JAYAMALA G. GODBOLE

AUDITORS : Messers M. B. SORATHIA & CO.
Chartered Accountants

BANKERS : BANK OF INDIA, MUMBAI

SOLICITORS : Messers HARIANI & COMPANY, MUMBAI

WORKS : KANDLA & JAKHAU (KUTCH)

REGISTERED OFFICE : 48, Prospect Chambers Annexe,
5th Floor,
317, Dr. Dadabhoy Naoroji Road,
Fort, Mumbai - 400 001.

NOTICE

NOTICE is hereby given that the Fifty-third Annual General Meeting of the members of the KUTCH SALT & ALLIED INDUSTRIES LIMITED, will be held on Friday the 26th September, 2003 at 4.00 p.m. at the Registered Office of the Company, at 48, Prospect Chambers Annexe, 5th Floor, 317, Dr. Dadabhoy Naoroji Road, Mumbai - 400 001 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri R. S. Iyer who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri P. M. Kapadia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

Registered Office :
48, Prospect Chambers Annexe,
5th Floor, 317, Dr. D. N. Road.
Mumbai - 400 001.

By the Order of the Board of Directors

J. G. GODBOLE
Director

Mumbai, 8th July, 2003.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY, NEED NOT BE A MEMBER. THE INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to bring their copy of Annual Report at the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain close on 25.09.2003 to 27.09.2003.
4. Members are requested to notify immediately any change in their address to the Company.

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting their Fifty-third Annual Report alongwith Audited Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS :

	2002-03 Rs.	2001-02 Rs.
Profit/(Loss) before Depreciation	58,61,149	1,26,96,287
Less : Depreciation	58,63,402	1,14,98,858
Profit/(Loss) before tax	(2,253)	11,97,429
Less : Provision for taxation		
Current Tax	-	90,000
Deferred Tax	11,273	4,28,517
Profit/(Loss) after tax	(13,526)	6,78,912
Add : Profit brought forward from previous year	25,70,117	39,02,461
Add : Excess Provision of tax for earlier years written back.	-	5,886
Less : Short provision of tax from earlier years provided.	-	42,142
Less : Amount transferred to Capital Redemption Reserve	-	19,75,000
Balance carried to Balance Sheet	25,56,591	25,70,117

OPERATIONS :

The operations of the Company during the year under review were generally satisfactory. Your Company was able to achieve a production of 2,04,560 tonnes at Kandla Works as against production of 1,60,379 tonnes last year. Production capacity of Kandla Salt Works has been increased to 2,75,000 tonnes as a result successful implementation of Reconstruction and Modernisation work undertaken at the Kandla Works.

However, due to recessionary trends prevailing in Salt Industry, there was pressure on margins. Sales realisations were reduced by more than 25% in comparison to previous year. There was however another factor which hampered profitability of steep hike in railway freight to the extent of more than 250% for edible salt, for Salt Works located at Kutch rendered operations non-viable. Despite of this, your Company could despatch 1,25,746 tonnes during the year.

Having regard to the above, and in view of the loss, your Directors regret their inability to recommend any dividend for the year under review.

Production activities were resumed at Jakhau Salt Works, the effect thereof will be visible from next year. Government of Gujarat has sanctioned the ex-gratia payment to the tune of Rs. 60.00 lacs for earth-quake damage caused at the Jakhau Salt Works two years ago.

JAKHAU SALT WORKS :

Government of Gujarat has cancelled 1430 acres of land of our Jakhau Salt Works presumably at the suggestion of Gujarat Maritime Board, on the ground of requiring that land for carrying on port activities, and have taken technical possession of the land without presence of authorised officers. Your Company has disputed the same at the appropriate forum is taking up further steps as may be required to protect rights of the Company.

ANNUAL REPORT 2002-2003**DIRECTORS' RESPONSIBILITIES STATEMENT :**

The Board of Directors states :

- 1) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit and Loss of the Company for that period;
- 3) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and their irregularities;
- 4) that the Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS :

Shri Ramesh S. Iyer and Shri Prabhulal M. Kapadia, Directors of the Company retire by rotation and being eligible, offer themselves for re-election.

AUDITORS :

The observations made in the Auditors' Report and Notes forming part of the Accounts are self-explanatory and therefore do not call for further comments.

You are requested to appoint auditors for the current year and fix their remuneration. M/s. M. B. Sorathia & Co., Auditors of the Company, are being eligible, offer themselves for re-appointment.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

The particulars prescribed by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are furnished in the Annexure to this report.

PERSONNEL :

There were no employees employed during the year or part thereof drawing remuneration as mentioned in Section 217 (2) of the Companies Act, 1956.

Industrial Relations continued to be cordial and harmonious during the year under report. The Directors wish to place on record their appreciation of the valuable services rendered by the Workmen, Staff and Officers at all levels.

CORPORATE GOVERNANCE :

As paid up Capital of the Company is less than Rupees Three crores, usual clauses of terms of Corporate Governance and of the Listing Agreement with Stock Exchange are not applicable in the case of our Company.

COMPLIANCE REPORT :

The Compliance Report as per Sec. 283 A of the Companies Act, 1956 from Practicing Company Secretary enclosed herewith.

ACKNOWLEDGEMENT :

Your Directors would like to place on record their sincere appreciation for the continuous support and co-operation extended to the Company by the Salt Department both in Kutch and at Jaipur, our bankers Bank of India and employees at all levels in the conduct of its operations.

For and on behalf of the Board of Directors

Mumbai, 8th July, 2003.

S. K. SOMAIYA
Chairman

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

REPORT of the AUDITORS to the MEMBERS

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

on the

ACCOUNTS for the year ended 31st March, 2003

We have audited the attached Balance Sheet of M/s. THE KUTCH SALT & ALLIED INDUSTRIES LIMITED as at 31st March, 2003 and also the annexed Profit & Loss Account of the Company for the year ended on that date annexured thereto. These financial statements are the responsibility of the Company's management. Our Responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227 4(A) of the Companies Act, 1956, we annexe hereto a statement on the matters specified in paragraph 4 and 5 of the said Order;
2. Further to our comments in the annexed report under MAOCARO :
 - 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 those books.
 - c) Subject to Note No. 1F(a) and 1F(b) and 3 of schedule 20 annexed to the final accounts regarding non-provision of Gratuity and leave encashment as per Accounting Standard 15 "Accounting of Retirement Benefits", the Balance Sheet and Profit & Loss A/c., are prepared as per the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956.
 - d) On the basis of the written representation received from the Directors and taken on record by the Board of Directors, we report that none of the said Directors are disqualified as on 31st March, 2003 from being appointed as Directors in terms of clause (g) of subsection (1) of section 274, of the Companies Act, 1956.
 - e) The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of account of the Company.

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- f) In our opinion and to the best of our information and according to explanations given to us, the said accounts, subject to -
- i) Our remark in para 2 (c) above,
 - ii) Note No. 4 of schedule 20 annexed to the final accounts regarding non-provision of enhanced demand of Rs. 4,34,366/- pertaining to Gujarat Water Supply & Sewerage Board of previous years and read together with other notes thereon give the information required by the Act in the manner so required and present a true and fair view :
 - a) in the case of Balance Sheet, of the State of affairs of the Company as at 31st March, 2003 and
 - b) in the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.

For M. B. SORATHIA & CO.
Chartered Accountants

M. B. SORATHIA
Proprietor

Gandhidham, 7th July, 2003.



THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003 OF THE KUTCH SALT & ALLIED INDUSTRIES LTD.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during normal course of audit, which were necessary to the best of our knowledge and belief we report that :-

1. The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The physical verification of all the assets has been conducted by the management at the regular intervals and no material discrepancies were noticed.
2. None of the Fixed Assets of the Company has been revalued during the year.
3. Physical verification has been conducted by the Management at reasonable intervals in respect of finished goods stores, spare-parts and raw material and no material discrepancies have been noticed on such physical verification as compared to book records. In our opinion the procedures followed by the Management for physical verification are reasonable and adequate in relation to the size of the Company and the nature of its business. On the basis of our examination, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles applied on the same basis as in the previous year.
4. The Company has taken loans from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and from the Companies under the same Management as defined in Section 370 (1-B) of the Companies Act, 1956. The rate of interest and terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
5. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the Register maintained under Section 301 or to the Companies under the same management as defined in Section 370 (1-B) of the Companies Act, 1956.
6. The parties/employees to whom loans and advances in the nature of loans have been given by the Company, are repaying principal amounts as stipulated and also regular in paying the interest, wherever applicable, as stipulated.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of Stores, Plant and Machineries, Equipments and other Assets and for the sale of goods.
8. According to the information and explanations given to us, there are no transaction of purchase and sale of goods, materials and services made in pursuance of contract or arrangements entered in the register(s) maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000/- or more in respect of each party.
9. As informed to us and as per usual practice of the Company, the unsalable and obsolete stock of stores is shown at nil value and no provision for the loss has been made in the books of account.
10. The Company has maintained reasonable records for the sale and disposals of realisable by-products.
11. Provision of Section 58A of Companies Act, 1956 and the Companies (Acceptance of Deposits) rules, 1975 with regard to the Deposit are not applicable as the Company has not invited the Deposit from the public.