46th Annual Report 2002-2003

Saurashtra Cement Limited

BOARD OF DIRECTORS

(As on 22-10-2003)

Mr. M. N. Mehta	*Chairman*
Mr. D. N. Mehta	*Deputy Chairman*
Mr. Jay Mehta	*Executive Vice Chairman*
Mr. H. D. Mehta	
Mr. M. N. Rao	*Directors*
Mr. S. V. S. Raghavan	
Mrs. Savita V. Pittie	
Mr. Stephen Potter	*Industrialization Fund for Developing Countries, Denmark, Nominee*
Mr. Erling Frandsen	*F. L. Smidth & Co. A/S, Denmark, Nominee*
Mr. M. K. Chanduka	*IFCI, Nominee*
Mr. S. Ramjee	*UTI, Nominee*
Mr. M. S. Gilotra	*Managing Director*
Mr. R. K. Poddar	*Dy. Managing Director*

Bankers

Central Bank of India
Dena Bank
Vijaya Bank
The Saraswat Co-operative Bank Ltd.
IndusInd Bank Ltd.
Rajkot Nagarik Sahakari Bank Ltd.

Auditors

Messrs Bansi S. Mehta & Company
Chartered Accountants

Mr. A. M. Fadia
Director (Legal & Secretarial)

Registered Office

Near Railway Station,
Ranavav-360 560
(Gujarat)

Corporate Office

Agrima Business Centre
N. K. Mehta International House
178 Backbay Reclamation
Mumbai-400 020.

Share Department

N. K. Mehta International House
178 Backbay Reclamation
Mumbai-400 020.

DIRECTORS' REPORT

Dear Members,

The Directors present the 46th Annual Report, Audited Accounts and Auditors Report for the year ended 30th June 2003.

During the year under review, demand for cement in India increased by 7.7 percent (from 101.04 to 108.80 million metric tonnes) and installed capacity increased from 132.06 to 138.31 million metric tonnes.

The Gujarat market remained static at 7.35 million metric tonnes in the year under review compared with 7.37 million metric tonnes in the previous year. Installed capacity, however, increased from 12.94 to 13.52 million metric tonnes. Supplies from neighbouring States (mainly Rajasthan) increased to 23 percent of the consumption of cement in Gujarat (from 1.64 to 1.71 million metric tonnes). The State of Gujarat has suffered a series of setbacks including droughts in three out of the last four years, the devastating earthquake and the civil riots. These factors have resulted in reduced demand and pressure on the prices of cement in the Gujarat market.

The Company reduced its supply of cement to the neighbouring States of Maharashtra and Rajasthan and withdrew from the Kerala Market due to low Contribution.

Exports, however, witnessed a considerable surge during the year enabling the Company to produce close to capacity. Prices in the export markets have also improved during the year. The reconstruction of Iraq and the booming demand in the Gulf has bided well for exports of cement and clinker from Gujarat.

FINANCIAL RESULTS

Highlights of the financial results for the year ended 30th June 2003 are shown below:

In Million Rupees

	Current Year (2002-2003)	Previous Year (2001-2002)
Sales & Other Receipts	**2142.44**	2307.20
Profit/(Loss) before interest, depreciation, misc. expenses written off and extraordinary items.	**118.53**	153.22
Interest	**278.36**	279.64
Profit/(Loss) before depreciation & misc. expenses written off.	**(159.83)**	(126.42)
Depreciation, misc. expenses written off and losses of subsidiaries	**176.00**	214.84
Profit/(Loss) before extraordinary items and deferred tax assets	**(335.84)**	(341.25)
Extraordinary Items	**(15.80)**	—
Deferred Tax Assets	**127.93**	92.78
Prior Period adjustment – Credit/tax	**(0.32)**	(31.01)
Profit/(Loss) after tax	**(224.03)**	(279.48)
Brought forward Profit/(Loss) from earlier years	**(635.75)**	(356.27)
Balance of Profit/(Loss) carried forward.	**(859.78)**	(635.75)

POTENTIAL SICKNESS

The Accumulated losses to be carried forward as shown in the Audited Accounts for the year ended 30th June 2003 demonstrate an erosion of more than 50 percent of the company's peak net-worth during the immediately preceding four financial years. In accordance with Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) the Company is thus required to:

(i) Report the matter of such erosion to the Board for Industrial & Financial Reconstruction (BIFR).

(ii) To hold a general meeting of shareholders of the company for consideration of such erosion within a period of 60 days from the date of finalisation of the Audited Accounts.

An Extraordinary general meeting of the members is accordingly being convened to consider the erosion of the peak net worth, immediately after the conclusion of the Annual General Meeting on the 19th of December 2003.

PERFORMANCE REVIEW

Production and Despatches

- Volume of cement production during the year was 709,000 metric tonnes compared to 838,025 metric tonnes in the previous year.
- Clinker production during the year was 1,106,300 metric tonnes compared to 1,078,110 metric tonnes in the previous year.
- Sales of cement during the year were 755,538 metric tonnes compared to 867,835 metric tonnes in the previous year.
- Clinker sales during the year were 503,675 metric tonnes compared to 295,299 metric tonnes in the previous year.
- Cement production and sales during the year were lower by 15.40 percent and 12.94 percent respectively compared to the previous year due to limitation of cement despatches due to lower realisations in the markets.

Cement production had to be restricted to the extent of demand for cement in Gujarat. Clinker production was marginally higher due to the substantial increase in the market for export of clinker. Clinker production and sale were higher by 2.61 percent and 70.56 percent respectively as compared to the previous year.

One of the Company's diesel captive power generating sets suffered a major breakdown in November 2002 thus increasing dependence on power from the State Electricity Board, which is about 30 percent more expensive than the power generated from the Company's captive power. The generating set is being replaced and which is expected to be commissioned in December 2003. In the meantime, the Company continues to source the additional power requirement from the State Grid.

Cost Reductions

- The Company increased the use of pet coke (which is cost effective and available indigenously compared to the high cost of imported coal) to over 49 percent of fuel used thereby resulting in significant savings in production costs.
- Power consumption per tonne of cement, however, marginally increased from 96 kwh/metric tonnes in the previous year to 98 kwh/ metric tonnes during the year under review, due to the increased use of pet coke, which is marginally more difficult to grind.
- Fuel consumption during the year was only fractionally lower at 783 Kcal/kg as compared to 784 Kcal/kg in the previous year.

The Company has recently optimised the utilization of its jetty facilities at Porbandar and the volume of cargo handled at the jetty increased to 0.55 million tonnes. The Company's logistics team have achieved better cargo handling rates and clinker loading rates of over 20,000 tonnes per day, in spite of inadequate handling facilities. The dredging work at Porbandar port is partially completed and ships of 37,000 DWT can now be berthed at the Company's Jetty. Mechanization work on the jetty is expected to be commissioned by December 2003, thus providing the Company with a significant advantage for its exports.

MARKETING

Exports

A total of 3,87,895 metric tonnes of clinker was exported during the year under review compared to 1,22,966 metric tonnes in the previous year. Clinker was mainly exported to Middle East and Sri Lanka.

FUTURE OUTLOOK

Government's thrust for infrastructure development and the continued incentives being provided for housing finance should result in a healthy growth in the demand for cement throughout India. The Union Budget for 2002-03 envisages investment of more than Rs. 60,000 crores in road, rail, air and sea projects. Of this, Rs. 40,000 crores has been allocated towards the construction of 48 new roads extending some 10,000 km in overall length (25% of which will be made of cement concrete). These projects coupled with the Golden Quadrilateral and the North-South and East-West Corridors should provide the necessary impetus for strong growth.

The recent study by CRIS INFAC indicates that demand for cement is expected to grow at 8 to 9 percent over the next five years that is estimated to be sufficiently strong to support additional capacity of up to 50 million tonnes. The study projects some 10 million tonnes of capacity to be created by way of cement blending and de-bottlenecking and the remainder from green field new capacity involving an estimated investment of

Rs. 13,200 crores. The study paints a positive outlook for the cement industry and expects cement prices to stage a strong recovery by 2004-05. Prices are expected to firm up by a modest Rs. 10 per bag in 2003-04 and gain strength in 2004-05. The Report expects that the price recovery will be stronger in the South & West due to market dynamics and consolidation.

Over the last four years, the state of Gujarat has been confronted by a series of disasters by way of droughts in three of those four years, a devastating earthquake and civil disturbances. Cement Consumption during the period has been virtually stagnant due to these factors. The monsoon in Gujarat in the current year, however, has been good which in turn should result in higher agricultural production. Furthermore, water supply from the Narmada canals have begun reaching the more remote areas of Gujarat, thus reducing dependence on the monsoon alone and hence improve agricultural production. The positive response of investors towards a "Vibrant Gujarat" will further accelerate the pace of industrial growth. Moreover, the cement to be used in earthquake reconstruction work has been exempt from Excise duty and Sales tax for a further period up to March 2004. With these positive developments, the cement consumption in Gujarat is poised for healthy growth.

Internationally, export markets for both cement and clinker have recently shown significant improvement. Demand for cement and clinker in the Middle East and South Asia has increased and there are distinct indications of improved prices. We expect the export markets to remain buoyant for at least the next two years.

DIVIDEND

In view of the accumulated losses incurred in recent years, the Directors express their inability to recommend any dividend for the year.

AUDITORS' OBSERVATIONS

In respect of remarks of Auditors, attention of members is invited to Note No. 5 of Schedule 'L' of Notes on Accounts, which are self-explanatory and do not require elucidation.

PUBLIC DEPOSITS

The Company has not invited and/or accepted/or renewed any public deposits, during the year.

CASH FLOW STATEMENT

In accordance with Clause 32 of the Listing Agreement, the Company's Cash Flow Statement is attached.

COMMON SHARE TRANSFER AGENCY

The Company has appointed Intime Spectrum Registry Limited, as a Common Share Transfer Agency pursuant to the directions from the SEBI for both physical as well as demated shares.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association Mr. M. N. Mehta, Mr. S. V. S. Raghavan and Mrs. S. Pittie retire by rotation and, being eligible, offer themselves for reappointment.

Mr. Erling Frandsen was appointed as additional director with effect from 22.10.2003 and Mr. Pradeep Kapoor as his alternate. Mr. Erling Frandsen will retire at the forthcoming AGM and is eligible for re-appointment. In this connection company has received notice u/s. 257 of the Companies Act, together with requisite deposit.

LISTING OF EQUITY SHARES

The Company's equity shares are listed on Saurashtra Kutch Stock Exchange – Rajkot, and the Stock Exchanges of Ahmedabad, Mumbai, Delhi and Vadodara.

AUDITORS

Bansi S. Mehta & Co., Chartered Accountants, the present Auditors of the Company, is due to retire and, being eligible, offer themselves for reappointment.

TAX AUDIT

Bansi S. Mehta & Co., Chartered Accountants, have been appointed to undertake the tax audit for the Assessment year 2003-2004

INTERNAL AUDIT

Pipalia Singhal & Associates, Chartered Accountants, have been appointed to undertake internal audit activities for the financial year 2003-2004.

COST AUDIT

V. J. Talati & Co., Cost Accountants, have been appointed as Cost Auditor to undertake the cost audit for the financial year 2003-2004.

PARTICULARS OF EMPLOYEES

Particulars of the employees as required under section 217(2A) of the Companies Act, 1956 are not given since none of the employees employed throughout or for part of the financial year 2002-2003 was in receipt of remuneration exceeding the limit specified in Section 217(2A) of the Companies Act, 1956 as amended.

SUBSIDIARY COMPANIES

As required by section 212 of the Companies Act, 1956, copies of the Balance Sheet and Profit & Loss Account and the Report of the Board of Directors and Auditors in respect of subsidiary companies are attached.

In accordance with Accounting Standard No.22, the Company is required to consolidate and publish Consolidated Accounts of the holding company and its subsidiary companies and the same is required to be audited by Statutory Auditors. These audited Consolidated Accounts are also enclosed.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS

In accordance with Section 217(1)(e) of the Companies Act, 1956 read in conjunction with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars in respect of conservation of energy, technology, absorption and foreign exchange earnings and outgoings are given in the Annexure forming part of this Report.

INDUSTRIAL RELATIONS

The Company continued to maintain harmonious and cordial relations with its employees that have enabled it to achieve improved production levels.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report on the operations of the Company is provided in a separate section and forms part of this Report.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges on which the Company's securities are listed. A separate report in respect of Corporate Governance is provided as part of this Annual Report together with the Auditors' Certificate in respect of its compliance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that:

(i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.

(ii) The Directors have selected appropriate accounting policies, have applied them consistently and have 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 as on 30th June 2003 and of the loss of the Company for the year ended 30th June 2003.

(iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for the safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) The Annual Accounts have been prepared on a going concern basis.

EMPLOYEE RELATIONS

The Company places on record its deep appreciation of the devoted services of its workers, staff and executives.

ACKNOWLEDGEMENTS TO BANKERS, FINANCIAL INSTITUTIONS AND GOVERNMENT AGENCIES

The Board of Directors of the Company places on record its appreciation of the assistance and co-operation provided by the bankers, financial institutions, suppliers, shareholders, Gujarat Electricity Board, the Government of Gujarat and the Central Government agencies whose continued support have been a source of considerable strength.

On behalf of the Board of Directors

JAY MEHTA
Executive Vice Chairman

M. S. GILOTRA
Managing Director

Place : Mumbai
Date : 22nd October, 2003

ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTOR(S) RULES) 1988.

A. CONSERVATION OF ENERGY :

Form A

Form for disclosure of particulars with respect to conservation of energy.

(A) Power and Fuel Consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH) – lakhs	**627.24**	438.72
Total Amount (Rs. in lakhs)	**3619.97**	2739.30
Rate/Unit (Rs.)	**5.77**	6.24
(b) Own Generation		
(i) Through Diesel Generator		
Net units (KWH) lakhs	**371.91**	634.09
Units/Ltr. of Furnace Oil	**3.66**	3.77
Variable total cost per unit in Rupees	**4.33**	3.07
(ii) Through Steam Turbine/Generator	—	—
2. Coal and other fuels		
Quantity (Million K. Cal)	**866233**	845238
Total cost (Rs. lakhs)	**2790.41**	3229.89
Average Rate/Million KCL (Rs.)	**322.13**	382.13
3. Furnace Oil		
Quantity (K. ltrs.)	**10485**	16950
Total Amount (Rs. lakhs)	**1208.49**	1566.46
Rupees per litre	**11.53**	9.24

(B) CONSUMPTION PER UNIT OF PRODUCTION :

	Industry norms.	Current Year	Previous Year
Electricity (KWH/T of Cement)	110-115	**97.69**	96.97
Coal/Lignite (Usage in percentage)	17-18	**12.40**	14.04

Form B

A. RESEARCH & DEVELOPMENT :

Specific areas in which the Company carried out R&D.

1. Use of zirconium based castable in kiln inlet and firing area of calciner.
2. Modification of calciner firing nozzles for improving combustion of fuel.
3. Use of waste oil in ANFO (Ammonium Nitrate Fuel Oil) for blasting.
4. Use of Naphtha gas cylinders in place of Acetylene cylinders.
5. Use of centrifugal oil filter in heavy earth-moving equipment in place of ordinary oil filters.

Benefits derived as a result of above R&D.

1. Reduction in manufacturing costs.
2. Usage of waste oil and reduction in use of ANFO.
3. Reduction in build-up of coating in riser duct.
4. Higher dosage of pet coke.
5. Reduction of consumption of lubricants.

Future Plan of Action

1. Use of scrap tyres as fuel.
2. Use of friable marl directly without crushing.

B. DETAILS OF TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Installation of 1500 KVAR capacitor banks in various load centers to improve power factor.
2. Optimization of blasting parameters by selection of modern initiation systems.
3. Manufacture of sulphate resistant and slag cement.

Benefits derived as a result of above efforts.

1. Improvement in range of types of products.
2. Savings in mining costs.
3. Savings in Power consumption.

Information regarding technology imported during last 5 years.

(a) **Technology imported.**

(i) Advance intelligent I/O's from OPTO-22, U.S.A. and supervisory system from M/s. Intec Corporation, U.S.A.

(ii) Higher Collection efficiency retratex bags coated with PTFE membranes from M/s. W. L. Gore, U.S.A.

(iii) High efficiency RAR Classifier from M/s. Fuller, U.S.A.

(iv) Hurriclon Cyclone and Vortex Finder Vanes from M/s. PMT, Austria.

(v) Down comer Water Spray System supplied by M/s. Envirocare, U.S.A.

(vi) IKN Pendulum Cooler from M/s. IKN, Germany.

(vii) LV Classifier from M/s. L V T Limited.

(b) **Year of Import.**

1998-1999, 1999-2000.

(c) **Has technology been fully absorbed?**

Yes.

(d) **If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action.**

Nil.

FUTURE PLANT UPGRADE

1. Installation of 5th stage in old pre-heater.
2. Installation of Classifiers in Coal Mills.
3. Use of Surface Miner.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Activities relating to exports, Initiatives taken to increase exports, development of new export markets for products. Total foreign exchange earned and used.

	Current Year (Rs. in Lakhs)	Previous Year (Rs. in Lakhs)
Foreign Exchange earned	**3248.56**	813.95
Foreign Exchange used	**1116.55**	858.60

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

1. **Industry Structure and Development**

   India is the third largest cement producer in the world with 125 large plants across the country. The total production capacity of the larger plants in the country is approximately 138.31 million metric tonnes per annum as at 30th June, 2003, including 6.25 million metric tonnes capacity added during the year 2002-2003. However, there are more than 56 cement companies operating in the country making the industry highly fragmented.

2. **Opportunities and Threats**

   The cement industry is projected to have higher growth rates of between 8% to 10% due to Government's initiatives for development of housing and infrastructure including roads and highways. The continued thrust on housing is demonstrated by the continuation of interest deduction on housing loan and exemption of income from housing projects for construction. The thrust on infrastructure continues with the announcement of construction of 48 new roads.

   However, increase in excise duty, high cost of electrical energy and poor infrastructure facilities for transport would result in continued pressure on profitability.

3. **Segment Review and Analysis**

   It is a single product company.

4. **Outlook**

   The long term outlook for the cement industry is encouraging. The demand for cement from the Government and private sector should continue to increase by way of continued fiscal incentives offered by the Government as set out in the Finance Act, 2003 for the housing sector and concretisation of roads could accelerate the demand.

   Even though India is the third largest cement producer of the world, per capita consumption of cement in the country is only around 103 kgs, compared to a world average of 260 kgs. Per capita consumption in China is more than 400 kgs, and many of the developed countries continue to achieve per capita consumption in excess of 500 kgs. Cement consumption is rightly considered a barometer of the economy of a country. It is obvious that for a developing country like ours, cement consumption would need to grow at a rate significantly higher than the growth rate of GDP. Just to achieve the world average per capita cement consumption, production and consumption of cement in the country need to grow by more than two and a half times of the current levels.

   With the Government's announcement of construction of 48 new roads measuring 10,000 Kms., modernization of two airports and two sea ports and a small reduction in rail freight rates for cement and clinker, the cement industry sees a positive outlook in the coming years. The industry is also looking hopefully at recent signals indicating a revival in industrial growth and investment, after the prolonged sluggishness of recent years.

5. **Risks and Concerns**

   The low price of cement prevailing over the last few years has taken a very heavy toll on the financial health of the Indian Cement Industry. While the cement price has stagnated or declined, prices of all other construction materials have risen by over 20% during the last few years. It is in the long term interest of both consumers and the producers that cement is available at a fair price everywhere in the country in sufficient quantity to meet the growing needs of the economy.

   The cement industry is highly energy intensive with power and coal alone accounting for around 60% of the variable cost. The power drawn from Gujarat Electricity Board for cement production is at a very high cost, perhaps the highest in India.

6. **Internal Control Systems and their adequacy**

   The Company has adequate system of internal control relating to purchase of stores, raw materials including components, plant and machinery, equipment and other similar assets and for the sale of goods commensurate with the size of the company and nature of its business. The Company has internal control system for speedy compilation of accounts and management information reports and to comply with the applicable laws and regulations.

   The Audit Committee ensures proper compliance with provisions of the Listing Agreements with the Stock Exchanges and the relevant provisions of the Companies Act.

7. **Company's Financial Performance and Analysis**

   In view of the lower realisation due to excess supply compared to demand, the Company's financial position has been considerably weakened during the last three years where the Company has incurred cash losses. While the cost of sales continue to rise, the realisation have declined in view of the intense competition in the market place. The Company has lost more than 50% of its peak net-worth during the four preceding financial years making it Potential Sick Industrial Company pursuant to Section 23(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). As required, an Extra Ordinary General Meeting of the member of the Company is being convened to comply SICA, 1985 and the Board for Industrial Financial Reconstruction would be intimated about the potential sickness of the company.

For the year under review, the Company has incurred net loss before Tax & Extraordinary Items of Rs. 33.58 crores marginally lower than the financial year ended 30th June, 2002 i.e. Rs. 34.13 crores. The main reasons for continuous loss incurred by the Company are as follows:

- Installed capacity in Gujarat where our plant and main market is located for cement production is 13 million metric tonnes against demand of around 7.5 million metric tonnes for the year 2002-2003.
- In addition to the excess capacity within Gujarat itself, producers of cement from the neighbouring state of Rajasthan dump cement in Gujarat market and share more than 20% of cement consumption of Gujarat. Rajasthan producers have a series of advantages in supply of cement to Gujarat –
  1. Concessional sales tax rate compared to the sales tax prevailing within the States.
  2. Lower power cost compared to Gujarat.
  3. Lower freight in the markets on the border of Rajasthan, compared to the plants located in far off Saurashtra Region of Gujarat.
  4. Low price prevailing in Rajasthan due to excess supply.

All these factors have led to considerable decline in the price of cement and which ultimately adversely affects the profitability of the Company.

For wide distribution of products and exports, the Company is already using its own jetty near Porbandar, which has resulted in saving in transport cost.

It is expected that after augmenting the captive power capacity and mechanisation of captive jetty, the Company's profitability should improve.

8. Human Resource Development/Industrial Relations

The Company considers its Human Resources to be its most valuable asset. Its HR Mission is to become a Total Quality Organisation. In this quest, the Company is committed to empowering each employee to make continuous improvement relating to both internal and external activities, customer satisfaction, thereby enhancing his potential for development.

In persuit of good corporate governance, we practice the Value of respecting the individual rights and dignity of people, upholding integrity of self and that of the Company's customers. As team players, we strive to behave in a professional manner, recognise merit as the main criterion for growth and development and create an open environment for ideas/suggestions.

The Company continues to take steps for involvement, education and development of employees and continues to benchmark with the best practices of suggestion schemes, TPM, Management Action teams, Employees training, HR Audit, Employee Satisfaction Survey etc. We also seek to effective systems for improving the productivity, quality and accountability at all levels in line with the business strategy.

The Company is consistently focussed on staff cost control through reorganisation, rationalisation of its departments. The Company has 625 permanent employees. Industrial relations are cordial. The Management places on record the contribution of employees during the year and their wholehearted cooperation in meeting the difficult business conditions during the year.

9. Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws and regulations. The Statements are based on certain assumptions and expectation of future events. Actual results could however differ from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand supply position, raw material cost and availability, changes in Government regulations and tax structure, economic development in India.

The Company assumes no responsibility in respect of these forward looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.

On behalf of the Board of Directors

M. S. GILOTRA *Managing Director*

JAY MEHTA *Executive Vice Chairman*

Place : Mumbai
Date : 22nd October, 2003