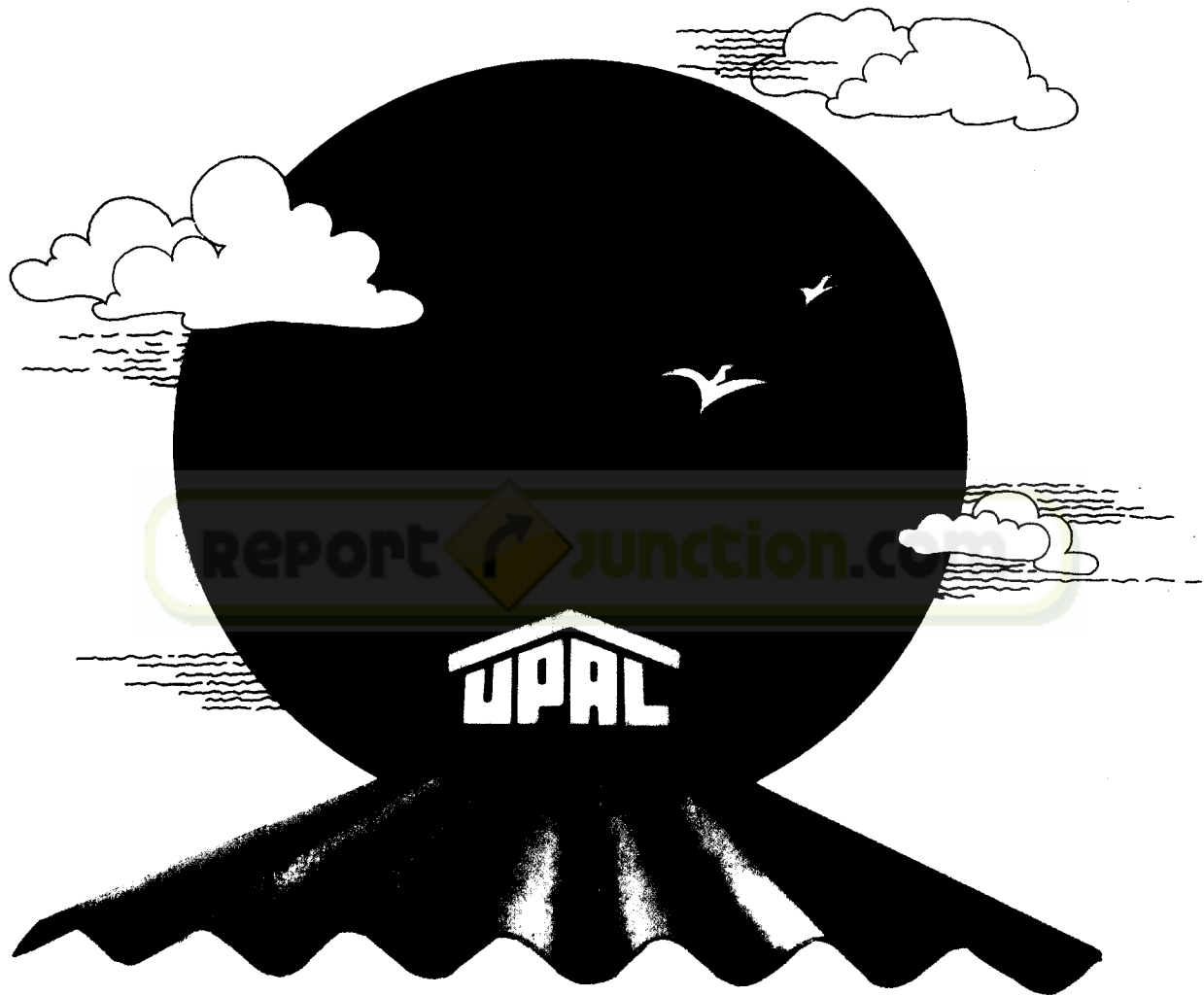


ANNUAL REPORT

2003 - 2004



U.P. Asbestos Ltd.

U. P. ASBESTOS LIMITED

DIRECTORS

Shri Ramesh Chandra, *Chairman*
Shri Dharam Mohan
Shri N. M. Majmudar IAS (*Retd.*)
Shri Priyank Tayal
Shri Amitabh Tayal, *Managing Director*
Shri Harbhajan Singh, *Executive Director*

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur

AUDITORS

M/s Jain Kapoor & Co.
Chartered Accountants

REGISTERED OFFICE

Mohanlalganj-227 305
Distt. Lucknow, U.P.

WORKS

Mohanlalganj-227 305
Distt. Lucknow, U.P.

C-231, MIDC, Butibori
Industrial Area-441 108
Nagpur (Maharashtra)

ADMINISTRATIVE OFFICE

Mahmoodabad Estate Bldg.,
15 Hazratganj,
Lucknow-226 001.

Report  Junction.com

DIRECTORS' REPORT

To the Members,

Your Directors present the 30th Annual Report together with audited accounts of the Company for the year ended 31st March, 2004.

SUMMARISED FINANCIAL RESULTS

	2003-2004 (Rs. in Lacs)	2002-2003 (Rs. in Lacs)
Sales	9376	7709
Depreciation	202	210
Interest	343	381
Operating Profit	408	319
Expenses relating to previous year	1	22
Profit before Tax	407	297
Profit (Loss) after Tax	222	204
Add : Profit & Loss Accounts		
At the beginning of the year	939	751
Available for appropriation	<u>1161</u>	<u>955</u>
Proposed Dividend	20	14
Dividend Tax	3	2
Balance retained in Profit & Loss Account	1138	939
Total	<u>1161</u>	<u>955</u>

DIVIDEND

Your Directors have recommended a dividend of Rupee 0.70 per equity share for the financial year ended 31st March, 2004.

As per Finance Act, 2003 the dividend when received by the shareholders will be free of tax in their hands and the Company will pay dividend distribution tax @ 12.50% plus applicable surcharge on the dividend amount. Necessary provisions of Rs. 20.17 Lacs for dividend and Rs. 2.58 Lacs for tax (including surcharge) have been made.

DEPOSITORY FACILITIES IN RESPECT OF EQUITY SHARES

The Company has introduced Depository facilities in respect of its Equity Shares under the Depositories Act, 1996 and the regulations made thereunder. Those members who are desirous of opting for the facility should contact one of the Depository Participants (DPs).

PERFORMANCE

Performance of the Company in the year under review showed further improvement. The profit before tax increased from Rs. 297 Lacs in financial year 2002-03 to Rs. 407 Lacs during the year under review. One of the main factors for improvement is better performance of Nagpur Unit. Even though losses in the Nagpur unit continued during the year but these were substantially lower compared to the earlier year. Further due to higher off take of finished goods there was a reduction in stocks and consequent increase in realization which contributed to higher profitability during the year.

However due to higher tax liability during the year — both current as well as deferred — there was less marked increase in profit after tax from Rs. 200 Lacs in the preceding year to Rs. 222 Lacs in the year under review. We are hopeful of further improvement in the performance of Nagpur Unit during the current year.

Barring unforeseen circumstances your Directors are hopeful that performance of the company shall continue to be satisfactory during the current year also and hopefully improve.

FIXED DEPOSIT

The amount of fixed deposit accepted from the public during the year under review was within prescribed limits. At the end of the financial year, deposits amounting to Rs. 40,000/- from 2 depositors remained unclaimed.

DIRECTORS' REPORT (Contd.)**DIRECTORS**

Mr. Ramesh Chandra and Mr. Dharam Mohan retire by rotation and being eligible, offer themselves for reappointment.

At the meeting of the Board of Directors held on 23rd June, 2004 Mr. Priyank Tayal was co-opted as Additional Director by the Board, will hold office upto the date of Annual General Meeting and being eligible offer himself for reappointment.

AUDITORS

At the Annual General Meeting, members will be requested to appoint Auditors for the current year and to fix their remuneration. M/s Jain Kapoor & Co., the present auditors of the Company, have, pursuant to Section 224 (1) of the Companies Act, 1956 furnished a Certificate regarding their eligibility for reappointment. Members are requested to reappoint them and fix their remuneration.

The observations made by the Auditors in their report have been clarified in the relevant notes forming part of the accounts, which are self-explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

(A) The Company has been advised that the requirement of giving detailed report on Corporate Governance is not applicable to your Company.

Your Directors affirm your Company's philosophy of efficient conduct of its business and fulfilling its corporate responsibilities towards Shareholders, Depositors, Creditors, Consumers, Institutional and other Lenders and Employees and Places due emphasis on regulatory compliance.

(B) Pursuant to Sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

- (i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any, applicable.
- (ii) 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 of the Company for that period.
- (iii) The Directors had taken proper and sufficient care to the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

PERSONNEL

Your Directors place on record their sincere appreciation for the dedication shown by the employees at all levels. The information under Section 217 (2A) of the Companies Act, 1956 is not applicable since there are no employees covered under the Section.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988. Information is given as Annexure - 'A' in this report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to acknowledge the support and cooperation of the financial institutions, banks, customers and business associates.

On behalf of Board of Directors

N. M. Majmudar
Director

Amitabh Tayal
Managing Director

Place : Lucknow

Date : 23rd June, 2004

ANNEXURE TO DIRECTORS' REPORT



Annexure 'A'

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

.....

A. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :

All electrical machineries and appliances are suitably shut down to avoid unnecessary wastage of energy.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

The Company has always been conscious of the need for reduction of consumption of energy.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

B. FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION : Research and Development (R & D)

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

(a) Effective utilisation of waste material.

(b) Monitoring and controlling pollution.

2. Benefits derived as a result of the above R & D.

(a) An effective Air Pollution Control Plant has been designed and installed to minimise the escaping of fibre dust particles into the ambient air.

(b) An ETP has been designed to render the effluent comparatively harmless and to recycle the same to a much greater degree than before.

(c) We are utilising the waste by recycling the same.

3. Future plan of action.

Not Applicable

4. Expenditure on R & D

2003-04
(Rs. in Lacs)

(a) Capital

(b) Recurring

(c) Total

(d) Total R & D expenditure as a percentage of total turnover (%) NIL

ANNEXURE TO DIRECTORS' REPORT (Contd.)



5. Technology absorption, adaptation and innovation :
- (a) Efforts, in brief, made towards technology absorption, adaptation and innovation. None
 - (b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substantial etc. Not Applicable
 - (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :
 - (i) Technology imported (product) None
 - (ii) Year of import Not Applicable
 - (iii) Has technology been fully absorbed ? Not Applicable
 - (iv) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action. Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- (i) Activities relating to export initiatives taken to increase exports, development of new export markets for products and service and export plans NIL
- (ii) Total foreign exchange used and earned (Rs. in Lacs) Used : Rs. 2265 Lacs
Earned : NIL

AUDITORS' REPORT



To
The Members of
U.P. ASBESTOS LIMITED

1. We have audited the attached Balance Sheet of U.P. ASBESTOS LIMITED as on 31st March, 2004 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed 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.
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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India, in terms of Section 227 (4 A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above :
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3 C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified, as on the balance sheet date, from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts **subject to note no. 23 regarding balance confirmation and its impact, if any, on profit and reserves**; and read together with other notes in Schedule 'P', give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - (i) in the case of Balance Sheet of the state of affairs of the Company as on 31st March, 2004;
 - (ii) in the case of the Profit and Loss Account of the profit of the Company for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement of the Cash flows for the year ended on that date.

for JAIN KAPOOR & CO.,
CHARTERED ACCOUNTANTS,

Place : Lucknow
Date : 23rd June, 2004

(SANDEEP KUMAR)
Partner

AUDITORS' REPORT (Contd.)

**Annexure to Auditors' Report on the Accounts of U.P. ASBESTOS LIMITED
for the year ended 31.03.2004.**

(Referred to in para 3 of our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) As informed to us, physical verification of substantial portion of the fixed assets has been carried out by the management during the year, which in our opinion, is reasonable. We have been informed that no material discrepancies were noticed during the course of such verification.
- (c) During the year, the Company has not disposed off a substantial part of its fixed assets.
2. (a) As informed to us, physical verification of inventory was conducted by the management at year-end except for materials stated to be with third parties. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. We were explained that the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956; however, the Company has taken unsecured loans aggregating to Rs. 202.65 lacs as on 31.3.2004 from 10 parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) According to the information and explanations furnished to us, in our opinion, the rate of interest and other terms and conditions of the above loans taken by the Company are not prima facie prejudicial to the interest of the Company.
- (c) According to the information and explanations given to us, the Company is regular in payment of principal amount as stipulated and interest on the above loans taken from parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (d) There is no overdue amount of loans taken by the Company listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us during the course of audit, there are adequate internal control procedures commensurate with the size of the Company and the nature of business with regard to the purchase of inventories and fixed assets and for sale of goods.
5. As explained to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58 A and 58 AA of the Companies Act, 1956 and rules framed thereunder, in respect of public deposits accepted by the Company.
7. The Company has an internal audit system which, in our opinion, is commensurate with the size of the Company and the nature of its business.
8. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the records of the Company, the undisputed statutory dues are generally being regularly deposited by the Company with the appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31.3.2004 for a period of more than six months from the date they become payable.
- (b) As far as we could ascertain and on the basis of the information furnished to us by the management the amount involved and the forum where dispute is pending in respect of sales tax/income tax/custom duty/wealth tax/excise duty/cess is as under :

AUDITORS' REPORT (Contd.)

Name of the statute	Nature of the Dues	Amount (Rs. in lacs)	Period to which the Amt. relates	Forum where dispute is pending
U.P. Trade Tax Act	Trade Tax	101.38	1999-2000	Joint Commissioner (Appeal) and stay granted by High Court
		96.91	2000-2001	
		108.02	2001-2002	Joint Commissioner (Appeal) and stay granted by Joint Commissioner (Appeal)
		0.40	1996-1997	Joint Commissioner (Appeal)
Central Sales Tax Act	Central Sales Tax	52.89	1999-2000	Joint Commissioner (Appeal) and stay granted by High Court
		50.99	2000-2001	
		65.07	2001-2002	Joint Commissioner (Appeal) and stay granted by Joint Commissioner (Appeal)
		10.43	1993-1994	Tribunal
Income Tax Act	Income Tax	1.38	1977-1978	Joint Commissioner (Appeal)
		347.41	2001-2002 (A.Y.)	Commissioner (Appeal)

10. The Company does not have accumulated losses as at the end of the financial year and it has neither incurred any cash losses during the financial year under audit nor in the financial year immediately preceding such financial year.
11. According to the information and explanations furnished to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
12. According to the information and explanations furnished to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information and explanations furnished to us, the provisions of any special statute applicable to chit fund are not applicable to the Company.
14. (a) In our opinion and according to the information and explanations furnished to us, the Company is maintaining proper records in respect of shares and other investments made by the Company.
(b) On the basis of the information and explanations furnished to us, the investments have been held by the Company in its own name.
15. According to the information and explanations furnished to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, the term loan availed by the Company during the year has been applied by the Company during the year for the purposes for which the loan was obtained.
17. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment and vice versa.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issues during the year.
21. During the year a fraud on the Company came to notice. The Company made payment to a supplier by account payee cheques which were handed over to an employee of the Company for onward delivery to the supplier. However, instead the employee opened a bank account in the name identical to that of the supplier and got the cheques credited to that account and made cash withdrawal from the account. Cheques aggregating to Rs. 99,220/- were got encashed in such manner. We were informed that the Company has filed an FIR with the Police and the case is pending.

for JAIN KAPOOR & CO.,
CHARTERED ACCOUNTANTS,

Place : Lucknow
Date : 23rd June, 2004

(SANDEEP KUMAR)
Partner