

ANNUAL REPORT

2006 - 2007



U.P. Asbestos Ltd.

U.P. ASBESTOS LIMITED

DIRECTORS

Shri Dharam Mohan, Chairman
Shri Priyank Tayal
Shri T. S. Pradhan
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

- (i) Mohanlalganj-227 305
Distt. Lucknow, U.P.
- (ii) Vill. (PO) Beshara
Tehsil Dadri
(Dadri NTPC Road)
Distt. Gautam Budh Nagar, U.P.
- (iii) C-231, MIDC Butibori
Industrial Area-441 108
Nagpur (Maharashtra)

ADMINISTRATIVE OFFICE

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

Report

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DIRECTORS' REPORT

To the Members,

Your Directors have the pleasure in presenting the 33rd Annual Report together with audited accounts of the Company for the year ended 31st March, 2007.

SUMMARISED FINANCIAL RESULTS

	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. in Lacs)
Sales	12583	10539
Depreciation	341	227
Interest	554	244
Profit after Tax	11	788
Add : Balance in Profit & Loss Account		
at the beginning of the year	2187	1842
Available for appropriation	<u>2198</u>	<u>2630</u>

DIVIDEND

Your Directors have not recommended any dividend this year due to substantial decrease in profits in the financial year under review.

PERFORMANCE

During the year under review, your Company performed well in terms of production and turnover as compared to last year. Production during the year was 225717.184 MT as against 187693.852 MT for previous year and Sales were 206758.674 MT as against sale of 175698.996 MT for the previous year. The total turnover has also increased from about Rs. 10539 Lakh in the previous year to Rs. 12583 Lakh this year. Despite increase in turnover, the profit margin has shown a drastic fall. The major reasons for this phenomenon was, firstly, a substantial increase in raw material cost and interest on borrowings, secondly, levy of a hefty excise duty which created a major dent in the profit margin and lastly, loss incurred in the Dadri unit which commenced its commercial production in the year under review.

DIVERSIFICATION

During the year under review, the Company has further diversified its activity into Real Estate Business and created Special Purpose Vehicles for the same for setting up Malls-cum-Multiplexes and Hotels at Agra and Allahabad. The project at Lucknow promoted by the Company through Special Purpose Vehicle – UPAL Developers Pvt. Ltd. is in progress.

FIXED DEPOSIT

The amount of fixed deposit accepted from the public during the year under review was within prescribed limits.

DIRECTORS

Mr. Dharam Mohan and Mr. T. S. Pradhan retire by rotation and being eligible, offer themselves for reappointment. In order to provide more details about them to the members, their brief resumes are also included in the notice.

DIRECTORS' REPORT (Contd.)

Mr. Priyank Tayal has been reappointed as Whole Time Director w.e.f. 01.08.2007 on revised terms and conditions as recommended by the Remuneration Committee and approved by the Board at its meeting held on 25.07.2007. Approval for his reappointment is being sought at the ensuing Annual General Meeting to be held on 18.09.2007. His brief resume is also included in the Notice.

Shri Atul Ashok Kumar Ruia and Shri N. M. Majmudar resigned as Directors during the year under review.

The Board places on record its appreciation towards the invaluable services extended by them during their tenure as Directors. Since Shri N. M. Majmudar was a member of the Audit Committee and Shareholders' Grievance Committee, the Board is taking steps to fill in the vacancy. The committees will be reconstituted as soon as the vacancy is filled.

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. The Audit Committee have recommended their 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.

CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to Clause 49 of the listing Agreement executed with the stock exchanges, Corporate Governance Report, Management Discussion and Analysis Report and Practising Company Secretary's Certificate certifying compliance of conditions of Corporate Governance by the Company have been made part of this annual report and annexed herewith as annexure II, III, and IV respectively. A CFO certification is also annexed to this report at Annexure V.

BOARD COMMITTEE

The Board has constituted four committees viz. Audit Committee, Remuneration Committee, Shareholders' Grievance Committee and Share Transfer Committee to provide necessary assistance to it in discharging its responsibilities in various fields effectively.

DIRECTORS' RESPONSIBILITY STATEMENT

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.

ANNEXURE TO DIRECTORS' REPORT



- (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.

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

The relevant information is placed at Annexure 'I' in this report.

PARTICULARS OF EMPLOYEES

The information under Section 217 (2A) of the Companies Act, 1956 is not applicable since there are no employees covered under the Section.

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

Place : Lucknow

Date : 25th July, 2007

Chairman

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ANNEXURE TO DIRECTORS' REPORT (Contd.)



Annexure I

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

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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 and has installed Bio Mass Power Plants at Lucknow and Dadri Units.

(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 :

The above measure for reduction of energy consumption has resulted in lowering cost of production.

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 minimize 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

ANNEXURE TO DIRECTORS' REPORT (Contd.)



4. Expenditure on R & D :

2006-07
(Rs. in Lacs)

- (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R & D expenditure as a percentage of total turnover (%)
- NIL

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. 2369.77 Lacs
Earned : NIL

ANNEXURE TO DIRECTORS' REPORT (Contd.)



Annexure II

CORPORATE GOVERNANCE REPORT

This report on Corporate Governance forms part of the Directors' Report.

In keeping with the essence and philosophy of Corporate Governance, the Company has adopted a frame-work governed by values of quality, customer orientation, commitment, discipline, integrity, transparency, teamwork and trust. The Company is making all efforts to imbibe high standards of corporate governance.

PHILOSOPHY ON CORPORATE GOVERNANCE

UPAL's philosophy of corporate governance is based upon commitment of the Board of Directors and the senior officers of the Company in managing the Company in a transparent manner for maximizing long term shareholder value. The management shall endeavour to ensure that adequate control systems exist to enable the Board to effectively discharge its responsibilities in making fair and transparent decisions.

BOARD OF DIRECTORS

Composition of the Board

The Company's Board consists of 5 Directors of whom three are Executive Directors and the balance 2 are non-executive independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement which stipulates that if the Chairman is a non-executive Director, at least one-third of the Board should comprise of independent Directors. Shri Atul Ashok Kumar Ruia and Shri N. M. Majmudar resigned from the Board of Directors w.e.f. 16.05.2007 and 20.07.2007 respectively.

Number of Board Meetings

The Board of Directors met 7 times during the year on 18th April 2006, 16th May 2006, 31st July 2006, 25th October 2006, 14th December 2006, 23rd January 2007 and 15th March 2007.

Composition of Board of Directors, Directors' attendance record and Directorship held

None of the Directors is a member of more than 10 Board level Committees or is a Chairman of more than 5 such Committees. The table below gives the details of the Board as on 31st March 2007 –

S.No.	Name of Directors	Nature of Directorship	No. of Board Meetings attended	Attendance percentage	No. of Directorship in other companies
1.	Shri Dharam Mohan	Chairman	01	14.28%	04
2.	Shri Amitabh Tayal	Managing Director	07	100.00%	08
3.	Shri H. B. Singh	Executive Director	07	100.00%	03
4.	Shri Priyank Tayal	Director	06	85.71%	03
5.	Shri N. M. Majmudar	Director	07	100.00%	Nil
6.	Shri Atul Ashok Kumar Ruia	Director	01	14.28%	30
7.	Shri T. S. Pradhan	Director	00	0.00%	Nil

ANNEXURE TO DIRECTORS' REPORT (Contd.)**AUDIT COMMITTEE**

As on 31st March, 2007 the Audit Committee comprises of three members. The details of the Audit Committee are given below :—

Name of Members	Position	No. of Meetings	
		Held	Attended
Mr. Dharam Mohan	Chairman	4	1
Mr. N M Majmudar	Member	4	4
Mr. H B Singh	Member	4	4

Role and Powers

The Audit Committee has been formed to provide directions and review functions of the Audit Department. It will evaluate internal audit policies, plan, procedure and performance and review the other functions through various internal audit reports and other year-end certificate issued by the Statutory Auditors, to ensure accurate and timely disclosure that maintain the transparency, integrity and quality of financial control and reporting.

Powers of Audit Committee

- i. To investigate any activity within its terms of reference.
- ii. To seek information from any employee.
- iii. To obtain outside legal or professional advice.
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

REMUNERATION COMMITTEE

The Board has constituted a Managerial Remuneration Committee with Shri Dharam Mohan, Shri N. M. Majmudar and Shri H. B. Singh as members to review and decide matters relating to appointment, reappointment and managerial remuneration of Directors of the Company.

SHARE TRANSFER COMMITTEE

The Board has constituted a Share Transfer Committee comprising of following members to enable it to accord its approval on the request for transfer of physical shares of the Company lodged from time to time -

- | | | |
|----|-----------------------|--------------------|
| 1. | Shri Harbhajan Singh | Executive Director |
| 2. | Shri C. R. Gopinathan | Secretary (Admn.) |

The Committee met 16 times and transfer of 875049 equity shares were approved.

SHAREHOLDERS' GRIEVANCE COMMITTEE

Name	Position	No. of Meetings	
		Held	Attended
Mr. Dharam Mohan	Chairman	3	1
Mr. N M Majmudar	Member	3	3
Mr. H B Singh	Member	3	3

ANNEXURE TO DIRECTORS' REPORT (Contd.)



Details of investors' complaints received and redressed

The total number of complaints redressed to the satisfaction of the investors during the year ended at 31st March 2007 was 88. The unresolved complaints all refer to non-credit of bonus shares issued and allotted by the Company on 22 March 2006 to those shareholders having demat account. This is due to non-approval from the Delhi Stock Exchange. The management is pursuing the matter with Delhi Stock Exchange urgently and diligently and hopes to get the matter resolved at the earliest.

Role of Shareholders' Grievance Committee

- To monitor the shareholders grievance.
- To remedy the grievance.
- To make efforts to minimize grievance.

Powers of Shareholders' Grievance Committee

- To call for information from any Officer or Registrar & Share Transfer Agent or other agency.
- To issue necessary directions for remedy of shareholder grievance.

GENERAL BODY MEETINGS

33rd Annual General Meeting would be held on 18th September 2007.

Details of last three annual general meetings are as follows –

For Financial year	Date	Time	Venue	No. of Special Resolutions considered
2003-04	27.09.2004	10.00 A. M.	Mohanlalganj – 227 305, Distt. Lucknow	Nil
2004-05	27.09.2005	10.00 A. M.	Mohanlalganj – 227 305, Distt. Lucknow	01
2005-06	20.06.2006	10.00 A. M.	Mohanlalganj – 227 305, Distt. Lucknow	Nil

No business requiring approval by way of Postal Ballot is proposed to be transacted at the forthcoming Annual General Meeting.

DISCLOSURES

Related Party Transaction and their basis

There were no materially significant transactions of the Company with the Directors or the Management or their relatives etc. that may have any potential conflict with the interests of the Company at large.

Disclosure of Accounting Treatment

The financial statements are prepared under the historic cost convention and statements have been prepared