SEVENTH ANNUAL REPORT 1999-2000

J.K. UDAIPUR UDYOG LIMITED

BOARD OF DIRECTORS

Hari Shankar Singhania
Chairman

Bharat Hari Singhania

Dr. Vinay Bharat Ram

Nirmal Kumar Ruia

Vinita Singhania

Swaroop Chand Sethi

Surendra Malhotra

Sitab Chand Jain

V.K. Mehrotra
Nominee of ICICI

Onkar Nath Rai

REGISTERED OFFICE & PLANT

Shripati Nagar,
P.O. C.F.A.
Distt. Udaipur - 313 021
Rajasthan

CORPORATE OFFICE

Nehru House,
4, Bahadur Shah Zafar Marg,
New Delhi - 110 002

SHARE TRANSFER AGENT

MCS Ltd.
Shri Venkatesh Bhawan,
212A, Shahpur Jat,
Behind Panchsheel Club,
New Delhi - 110 049

BANKERS

Punjab National Bank
State Bank of Bikaner and Jaipur
The Bank of Rajasthan Ltd.
The Hongkong & Shanghai Banking Corporation Ltd.

SHARE DEPARTMENT

Gulab Bhawan (Rear Block)
3rd Floor,
6A, Bahadur Shah Zafar Marg,
New Delhi - 110 002

AUDITORS

Lodha & Co.
Chartered Accountants

COMPANY SECRETARY

R.K. Gupta

DIRECTORS' REPORT

To the Members

Your Directors hereby present their 7th Annual Report and Audited Accounts of the Company for the 18 months period ended 30th September, 2000.

RESTRUCTURING

As the Members are aware, the Company's Scheme of Compromise and/or Arrangement with its Debentureholders, Lenders and Shareholders under Section 391 of the Companies Act, 1956 was filed in the Hon'ble High Court of Rajasthan. On 20th March, 2001, the Hon'ble High Court sanctioned the said Scheme.

Pursuant to the Sanctioned Scheme –

- There has been an induction of fresh Equity Capital of Rs.15 crores (Rs.12.50 crores by 30th September, 2000). In addition, certain debts and interest have been converted into Equity and Preference Shares.
- The Authorised Capital of the Company increased from the existing Rs.80 crores to Rs.125 crores.
- The Paid-up Capital has increased from Rs.35.94 crores to Rs.106.19 crores as on 30th September, 2000.
- The interest on the long term borrowings has been reduced to 13.5% per annum and is payable on staggered basis.
- The principal amount of long term debts of Financial Institutions and Banks is to be repaid/ redeemed in a staggered manner over a period of 9 years.

These measures would improve the net worth and help the Company in its future operations.

FINANCIAL RESULTS

The Scheme has been given effect, to the extent required, in the accounts of the Company for the 18 months period ended 30th September, 2000. During the period under review, Sales and Other Income was Rs. 16192 lacs (Rs.14014 lacs for previous 15 months). Loss before Interest and Depreciation amounted to Rs.1716.09 lacs (Rs.1052.59 lacs for previous 15 months). After providing for Interest and lease rental of Rs.2950.99 lacs (which include Interest as per the aforesaid Scheme) and Depreciation of Rs.1192.60 lacs, the net loss for the year is 5859.68 lacs, which would amount to Rs.7878.95 lacs, after providing interest of Rs.2019.27 lacs for the previous years as per the Scheme.

Interest on long term debts upto 30th September, 2000 aggregating to Rs.4776.76 lacs has been converted into Equity/Zero Coupon Preference Shares as provided in the Scheme.

OPERATIONS

The period of 18 months under review has been a mixed-bag of high demand growth of 15% in the first 12 months, followed by a low demand growth of mere 3% during the next 6 months. The spurt in demand in the first 12 months period was the result of the general 'feel good factor' and various fiscal incentives announced by the Government for construction of residential houses. The downturn in the demand in the next 6 months period was the result of the continuing drought conditions prevailing in several States. The position was worse particularly in our region of Rajasthan and Gujarat, due to scanty rains during last 2/3 years. Gujarat and Rajasthan markets, in fact, witnessed a negative growth of 16% and 8% respectively during this period. Mismatch in demand-supply with supply continuing to be in excess of demand, kept the prices of cement under severe pressure throughout the period under review. In fact, prices touched their lowest in last 5 years during this period. In the absence of remunerative prices, the Company had to restrict production and despatches with a view to contain losses. This coupled with the increases in administered prices of major inputs like Coal, Power, Railway freight and Petroleum products as also increase in Limestone Royalty adversely affected the profitability of the Company.

OUTLOOK OF CEMENT INDUSTRY

The outlook of Cement Industry – medium to long term, appears to be reasonably good in view of increasing priority given by the Government to the key infrastructure sectors like Housing, Construction of 'Golden Quadrilateral National Highways', Development and upgradation of State Highways, Ports etc. With not many new capacities in pipeline and particularly no new greensite plants expected to come in Rajasthan in the near future, it is expected that the mismatch in the supply-demand will get corrected. Due to these positive features, it is expected that the demand and prices should firm up in the near future. Improvement has been noticed in recent months.

INDUSTRIAL RELATIONS

Industrial relations remained cordial throughout the year. The Company entered into a long term agreement with its workers in terms of the Wage Board Award for the period 1.4.2000 to 31.3.2004.

AGM AND ITS ADJOURNMENT

Members are aware that the 7th Annual General Meeting of the Company held at the Registered Office on 8th March, 2001 adjourned sine die for consideration of the Audited Accounts and the Reports of Directors and Auditors thereon for the financial year ended 30th September, 2000 with the direction to hold the adjourned AGM of the Company after the Scheme is sanctioned by the Hon'ble High Court of Rajasthan.

DIRECTORS

The re-appointment of Dr. Vinay Bharat Ram, Shri Nirmal Kumar Ruia, Shri Surendra Malhotra and Shri Onkar Nath Rai as Directors liable to retire by rotation was approved by the members at the aforesaid AGM. The appointment of Shri O.N.Rai as "Manager" of the Company under Section 269 of the Companies Act, 1956 for a period of 5 years w.e.from 1.7.2000 was also approved by the Members at the said meeting.

During the year, ICICI nominated Shri V.K.Mehrotra on the Board of the Company in place of Dr. Dharmendra Bhandari. The Board places on record its sincere appreciation of the valuable services rendered by Dr. Bhandari during his tenure of office.

AUDITORS

The appointment of the retiring Auditors, M/s. Lodha & Company, Chartered Accountants from the conclusion of the present Annual General Meeting until the conclusion of the next Annual General Meeting was approved by the Members at the said meeting.

The observations of the Auditors in their Report are self-explanatory.

PARTICULARS OF EMPLOYEES

The information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in Annexure B to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the

Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Secretary at the Company's Registered Office.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors state that –

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The accounting policies selected and applied are consistent and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company;
- 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;
- The annual accounts have been prepared on a going concern basis.

DEPOSITORY SYSTEM

The Equity Shares of the Company are included in the list of SEBI for compulsory trading in dematerialised form for all investors w.e. from 27th November, 2000. Your Company has entered into agreements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd.(CDSL) during the year under review and the Shares of the Company have been activated for dematerialised trading on NSDL w.e.from 14th November, 2000 and CDSL w.e.from 9th November, 2000.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

The Particulars of Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo, etc. required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed.

ACKNOWLEDGEMENTS

The Directors wish to thank the Customers, Dealers, Bankers, Financial Institutions, Government Authorities, Shareholders and Debentureholders for their continued support. They also wish to place on record their appreciation of the hard work put in by employees at all levels.

By order of the Board

New Delhi
12th June, 2001

H. S. Singhania
Chairman

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER, 2000

Information in accordance with Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 :

(a) Conservation of Energy and Technology Absorption etc.

The Company continues to pursue its energy conservation and technology absorption programme and has taken following steps in this regard :

- The pressure air duct of Kiln 2 has been changed to reduce the heat loss from the frame thus reducing the specific heat consumption ;
- Various productivity schemes such as optimisation of Raw Mix, conservation of heat by plugging various leakages in the pre-heater and improvement of Kiln efficiency was taken up to improve the efficiencies ;
- Use of Furnace oil for operating D.G. sets was adopted by installing storage heating and blending facility, which is more cost effective.

(b) Foreign Exchange Earnings and Outgo

During the period ended 30th September, 2000 there was no foreign exchange earning. The foreign exchange outgo was Rs. 169.28 lacs.

(c) Information Under Clause 43 of the Listing Agreement of the Stock Exchanges

In the prospectus dated 17th January, 1995 the Company had projected net sales (net of excise duty, freight etc.) of Rs. 118.75 crores and profit after tax of Rs. 18.04 crores for the 12 months period April, 1999 to March, 2000. The actual net sales and net loss for the extended period of 18 months from April, 1999 to September, 2000 was Rs. 107.13 crores and Rs. 78.79 crores respectively due to continuing depressed market conditions in Cement and increase in input costs of power, coal, royalty, freight etc.

Particulars of Conservation of energy

			1999-2000 (18 months)	1998-99 (15 months)
A.	**Power & Fuel Consumption**			
1.	**Electricity**			
a)	**Purchased :**			
	Units	(Kwh in lacs)	**589.53**	610.25
	Total Amount	(Rs. in lacs)	**2509.16**	2074.79
	Rate/Unit	(Rs.)	**4.26**	3.40
b)	**Own Generation through Diesel Generators :**			
	Units	(Kwh in lacs)	**386.19**	161.18
	Unit per Litre of Diesel Oil	(Kwh)	**3.80**	3.89
	Cost/Unit	(Rs.)	**3.88**	3.77
2.	**Coal**			
	Quality (Grade)		**B.C.& D**	B.C.& D.
	Where used		Used for Calcining Raw Meal	
	Quantity	(MT)	**128674**	107029
	Total Cost	(Rs. in lacs)	**3065.79**	2533.52
	Average Cost	(Rs./MT)	**2382.61**	2367.13
B.	**Consumption Per Unit of Production**			
1.	Electricity (Purchased and Captive)	(Kwh/MT)	**113.30**	109.83
2.	Coal	(Kg/MT)	**149.75**	161.11

AUDITORS' REPORT

To the Members of

J.K. UDAIPUR UDYOG LIMITED

We have audited the attached Balance Sheet of J.K. Udaipur Udyog Limited as at September 30, 2000 and also the annexed Profit and Loss Account of the Company for the period ended on that date and report that :

1. 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.

2. 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.

3. The said Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.

4. In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in Section 211 (3c) of the Companies Act, 1956.

5. As per the information, explanations and records made available to us, none of the directors is disqualified from being appointed as director as per the amended Section 274 (1)(g) of the Companies Act, 1956.

6. **Regarding Non-provision for shortfall in recovery against debts and advances as referred in Note 11, t**he impact thereof for the period is not determinate. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account **subject to Note 11** read together with other notes 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 at September 30, 2000.

   ii) In the case of the Profit and Loss Account, of the loss for the period ended on that date.

7. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Company Law Board under Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the said Order.

For LODHA & CO.
Chartered Accountants

12, Bhagat Singh Marg,
New Delhi - 110 001.
12th June, 2001

N. K. LODHA
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 7 of our Report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the Management according to a phased programme designed to cover all the items over a period of three years and the discrepancies noticed on such physical verification were not material.

2. None of the fixed assets have been revalued during the period.

3. Physical verification of finished goods, stores, spare parts and raw materials have been conducted by the Management during the year at reasonable intervals, excluding stock-in-transit and material lying with third parties.

4. The procedures of physical verification of stock followed are reasonable and adequate in relation to the size of the Company and nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records were not material.

6. On the basis of examination of stock records, we are of the opinion that valuation of stocks is fair and proper and is in accordance with normally accepted accounting principles and is on the same basis as in the preceding year except for the change in the method of valuation of stocks as stated in Note 7A.

7. The Company has not taken any loan from the Companies, Firms or other parties as listed in the Register maintained under Section 301 of the Companies Act, 1956.

8. The Company has not granted any loans to the Companies, Firms or other parties as listed in the Register maintained under Section 301 of the Companies Act, 1956.

9. The Principal amount and interest wherever applicable thereon in respect of advances in the nature of loan given by the Company to Bodies Corporate, Employees and Others have been recovered regularly as stipulated except Bills receivables amounting to Rs.47.35 lacs in respect of which legal action has been taken.

10 In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and with regard to sale of goods.

11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined.

13. The Company has not accepted any deposits from the public.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company has no by-products.

15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.