

NINTH
Annual
REPORT
2002-2003

J.K. UDAIPUR UDYOG LIMITED

BOARD OF DIRECTORS

Sitab Chand Jain
Surendra Malhotra

Onkar Nath Rai
R.K. Gupta

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,
W-40, Okhla Phase - II
New Delhi - 110 020

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,
6-A, Bahadur Shah Zafar Marg,
New Delhi - 110 002

AUDITORS

Lodha & Co.
Chartered Accountants

DIRECTORS' REPORT

To the Members

Your Directors present the 9th Annual Report and Audited Accounts of the Company for the 18 months period ended 30th September 2003.

OPERATIONS

The consistently depressed market conditions and intense competition in the Company's marketing zone due to excess supply had its impact on cement prices, which remained abnormally low. The plant operations therefore remained suspended throughout the financial year and continue to be so due to unremunerative cement prices which were at the rock bottom low and as such not conducive for profitable operations.

To offset the higher cost of production and to achieve long term cost competitiveness, the Company had engaged a Technical consultant to undertake detailed study of the various technological aspects of the Plant and to suggest suitable measures required to be taken to achieve desired cost competitiveness. Reduction in cost of production will enable the Company to commence its operations and sustain the same even during the depressed market scenario. However, as suggested by the Consultant this requires a substantial capital investment for which various avenues are being explored.

As the Shareholders are aware, on the basis of audited Annual Accounts for the year ended 31.3.2002, the Company had become a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act 1985. Accordingly, the Company made a reference to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR). BIFR at its hearing held on 13.11.2003 has confirmed sickness of the Company and appointed ICICI Bank Ltd. as

Operating Agency. The Company is in dialogue with the Operating Agency with a view to explore possibility of rehabilitation and revival of the Unit.

On account of extremely difficult liquidity constraints arising out of suspension of operations w.e.f. 26.3.2002, the Company was not in a position to make payments due to FIs/Banks, Debentureholders, Stock Exchanges, Debenture Trustees, etc. A limited strength of employees has been deployed for managing the essential services like water and electricity supply to the township, vigilance and security of the Plant. The plant and other assets have been well kept and are fully insured.

During the period under review, the Company incurred a loss of Rs.22.14 crores.

DIRECTORS

During the year, ICICI nominated Shri Devender Gupta on the Board of the Company in place of Shri V.K. Mehrotra. Subsequently, nomination of Shri Devender Gupta was withdrawn by ICICI Bank Ltd. w.e.f. 6.11.2003. Smt. Vinita Singhanian, Shri Bharat Hari Singhanian, and Shri Swaroop Chand Sethi ceased to be Directors w.e.f. 16th July 2002, 20th December 2002 and 7th May 2003 respectively. The Board places on record its sincere appreciation of the valuable guidance and services rendered by the aforesaid Directors during their respective tenures.

Shri Surendra Malhotra retire by rotation at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment. Shri R.K. Gupta has been appointed as Whole-time Director of the Company for a period of five years w.e.f. 26th May 2003. Necessary resolution regarding his appointment and remuneration has been recommended for approval of the Shareholders.

AUDITORS

M/s. Lodha and Company, Chartered Accountants, the Auditors of the Company retire and are eligible for re-appointment. The observations of the Auditors in their Report on Accounts have been suitably explained in the relevant notes on Accounts.

PARTICULARS OF EMPLOYEES

During the year under review, there were no employees covered under the provision of Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975.

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.

COST AUDIT

Audit of the Cost Accounts of the Company relating to 'Cement' is regularly conducted. Cost Auditor will submit their report for the 18 months period ended 30th September 2003 directly to the Central Government.

CORPORATE GOVERNANCE

Reports on Corporate Governance and Management Discussion and Analysis are included in the Annual Report.

CONSERVATION OF ENERGY, ETC.

Pursuant to Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules 1988, particulars of Energy Conservation, Technology Absorption, Foreign Exchange earnings and outgo, are annexed.

ACKNOWLEDGEMENTS

The Directors wish to thank the Customers, Dealers, Bankers, Financial Institutions, Government Authorities, Shareholders, Debentureholders and the Employees of the Company for their continued support.

On behalf of the Board of Directors

SITAB CHAND JAIN

New Delhi

O.N. RAI

Date : 28th January, 2004

Directors

J.K. UDAIPUR UDYOG LIMITED**ANNEXURES TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPT., 2003**

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.

Since the plant operations continued to be suspended since 26.3.2002 no significant steps could be taken on energy conservation and technology absorption during the period under review.

(b) Foreign Exchange Earning and outgo.

During the period ended 30th Sept.2003 there is no Foreign Exchange earning. The Foreign exchange outgo was Rs.2.46 Lacs.

PARTICULARS OF CONSERVATION OF ENERGY

		2002-2003 (18 Months)	2000-2002 (18 Months)
A. POWER & FUEL CONSUMPTION			
1. Electricity			
a) Purchased :			
Units	(Kwh in lacs)	Nil	652.19
Total Amount	(Rs.in lacs)	Nil	2933.60
Rate/Unit	(Rs.)		4.50
b) Own Generation through Diesel Generators :			
Units	(Kwh in lacs)	11.65	403.23
Unit per Liter of Diesel Oil	(Kwh)	3.00	3.59
Cost/Unit	(Rs.)	5.91	4.14
2. Coal			
Quality (Grade)		Nil	B.C.& D Used for Calcining Raw Meal
Where used			
Quantity	(MT)	Nil	139684
Total Cost	(Rs.in lacs)	Nil	3775.27
Average Cost	(Rs./MT)	Nil	2702.72
B. CONSUMPTION PER UNIT OF PRODUCTION			
1. Electricity	(Kwh/MT)	Nil	115.24
(Purchased and Captive)			
2. Coal	(Kg/MT)	Nil	152.62

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND BUSINESS ENVIRONMENT

The economy and business environment, in general, during the period under review from April, 2002 to Sept.'03 did not present an encouraging out look. The growth of Cement consumption of 10% achieved in 2001-02 was lower at 9% in 2002-03 which further slipped to about 4% in the first half of 2003-04. Moreover, the overhang of supply continued due to excess capacity as also due to increased production of blended cement.

As regards the future prospects of the Industry, due to good monsoon this year and the general trend of domestic and global economy showing distinct signs of improvement, the GDP growth is expected to register marked improvement during the Fiscal Year 2003-04 onwards. This augurs well for the cement industry.

INDUSTRY SCENARIO

India is the 2nd largest producer of cement in the world having a manufacturing capacity of about 137 million MT during Financial Year 2002-03 against which the actual consumption was about 107 million MT indicating a substantial over supply situation which adversely affected the cement prices and the profitability of the cement industry.

With no sizeable capacity likely to be added in the coming 2 years and the expected good growth of consumption due to emerging higher pace of economic growth the correction of surplus capacity may not take too long a period. The Govt has already taken host of initiatives to boost the development activities in the infrastructure sector like roads, highways, ports etc. Similarly the housing sector has received impetus with favourable Govt policies and easy availability of loans at softer interest rates. The future of cement industry, therefore, holds much better prospects in the coming years.

COMPANY'S PERFORMANCE

As was stated in the previous report, the plant operation was suspended from 26.3.2002 firstly due to mechanical problem encountered with the critical equipment of vertical roller mill and when this problem was satisfactorily rectified, due to prevailing unremunerative cement prices rendering operations of the plant commercially unviable. Due to cumulative losses over the years, the company became a sick unit as on 31.3.2002 and the liquidity became extremely critical with the mounting losses. The company, therefore, took a conscious decision to temporarily suspend the operations till situation improves for a viable operation.

Due to inherent disadvantage of higher consumption of fuel and power, the cost of production of the plant is higher in comparison to other competitors in the region which are newer and are better technology plant. The Company carried a detailed analysis of the cost of production vis-à-vis available manufacturing resources. It also engaged the services of a consultant to carry out a thorough evaluation of the plant and to suggest measures to make the operations cost competitive in line with other cement manufacturers in the region. The consultants after carrying out necessary evaluations and discussions with technical personnel of the plant, came out with a suggestion for technological up-gradation and de-bottlenecking of the existing plant and thereby resulting in a substantial reduction of usage in fuel and power. In the process the capacity of the plant would also increase from 0.9 million to 1.5 million per annum. This would substantially improve the cost competitiveness of the plant. The scheme envisages sizeable capital investment for which various avenues are being explored.

The Company is registered with BIFR as a sick company. The ICICI Bank was appointed as an operating agency. The Company is in dialogue with ICICI for evolving a workable rehabilitation package.

J.K. UDAIPUR UDYOG LIMITED**CORPORATE GOVERNANCE REPORT****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

Corporate Governance is an integral part of values, ethics and best business practices followed by the company. The Company's philosophy can be described as the business practices with the ultimate aim of enhancing long term shareholders' value and remaining committed to high standards of business ethics.

2. BOARD OF DIRECTORS:

During the year the Board consisted of 8 Directors comprising of 7 Non-Executive Directors (NED) of which 4 are Independent (IND). With resignation/ cessation of the directors at Serial no. 1,2,3 and 7 and the appointment of the Wholtime Director (Sl. No.8), the total strength of the Board is Four Directors. During the year (1.4.2002 to 30.9.2003), six Board Meetings were held on 23.4.2002, 5.8.2002, 3.12.2002, 4.2.2003, 26.5.2003 and 25.8.2003. Directors' attendance and other details are as under:

* Shri Devender Gupta was nominated by ICICI Bank Ltd. in place of Shri V.K. Mehrotra w.e.f. 30.9.2002. Nomination of Shri Devender Gupta was withdrawn by ICICI Bank Ltd. w.e.f. 6.11.2003.

** Shri Rohni Kumar Gupta was appointed as Wholtime Director w.e.f. 26.5.2003.

3. AUDIT COMMITTEE:

The Audit Committee comprised of three Non-Executive Directors namely: Shri Sitab Chand Jain (Chairman), Shri V.K. Mehrotra (ICICI nominee) and Shri O.N. Rai, majority being independent. The Company Secretary acts as the Secretary of the Committee. Terms of Reference of the Committee covers all the matters specified under the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956. The meeting of the Audit Committee held on 5.8.2002, was attended by all the aforesaid Directors. As reported by the Directors in their Report to the members, the operations at the Company's Plant remained suspended throughout the year, being uneconomical.

Sl. No.	Director	Category	No. of Board Meetings held	No. of Board Meetings Attended	Last AGM Attended Held on	No. of other directorships and Committee Memberships/Chairmanships		
						Other Directorships	Committee Memberships	Committee Chairmanships
1.	Shri Bharat Hari Singhania (Ceased w.e.f 20.12.2002)	NED	6	3	No	4	1	-
2.	Smt. Vinita Singhania (Ceased w.e.f. 16.7.2002)	NED	6	1	No	1	-	-
3.	Shri S.C.Sethi (Ceased w.e.f. 7.5.2003)	IND	6	2	No	9	6	1
4.	Shri Sitab Chand Jain	IND	6	6	Yes	10	3	1
5.	Shri Surendra Malhotra	IND	6	6	No	4	1	-
6.	Shri Onkar Nath Rai	NED	6	6	Yes	-	-	-
7.1	Shri V.K. Mehrotra (ICICI Nominee)	IND	6	2	No	3	1	-
7.2	Shri Devender Gupta* (ICICI Nominee)	IND	6	3	No	-	-	-
8.	Shri Rohni Kumar Gupta**	Executive	6	1	Yes	-	-	-

During the year, Shri Devender Gupta was nominated by ICICI Bank Ltd. on the Board of Directors of the Company in place of Shri V.K.Mehrotra w.e.f. 30.9.2002. Shri Gupta became member of the Audit Committee w.e.f. 3.12.2002. With the withdrawal of his nomination by ICICI, he also ceased to be a member of the Audit Committee w.e.f. 6.11.2003. Shri Surendra Malhotra was inducted as member of the Audit Committee w.e.f. 11.11.2003.

4.1 REMUNERATION COMMITTEE (non-mandatory):

Remuneration Committee of Directors comprising of Shri Surendra Malhotra (Chairman), Shri Devender Gupta (ICICI Nominee) and Shri O.N. Rai was constituted on 26th May 2003 to determine the remuneration of Shri R.K.Gupta who was appointed as Wholtime Director of the Company from the said date. The Remuneration Committee met on 25th August 2003 and determined the remuneration of Shri R.K.Gupta, Whole-time Director. The said meeting was attended by all the aforesaid Directors.

4.2 REMUNERATION OF DIRECTORS:

(a) **Non executive Directors:** Except sitting fees (Total amount Rs.70,000/-) paid to the Non-Executive Directors for each of the meetings of the Board and/ or its Committees attended by them, no other payments were made to such Directors.

(b) Executive Directors:

Name	Service Contract years /w.e.f.	Remuneration	
		Period	Amount (Rs.)
Shri R.K.Gupta	5 years w.e.f. 26.5.2003	26.5.2003- 30.9.2003	2,60,674

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Company has Shareholders/Investors Grievance Committee at the Board level with Shri Sitab Chand Jain, an Independent Director, as its Chairman of the said Committee. Shri R.K. Gupta, Wholtime Director & Company Secretary, is the Compliance Officer who oversees the investor's grievances such as non – receipt of dividend/ interest, annual report, delays in transfer of shares/ debentures etc. The Committee also reviews

investor's grievances. During the year ended 30th September 2003, the Company received 58 complaints which were promptly attended.

In addition, the Company also has a Committee of Directors, which approves transfer of shares etc. All valid requests for share transfer received during the year have been acted upon. There were no transfers pending.

6. GENERAL BODY MEETINGS:

Location and time for the last three Annual General Meetings (AGM):

Year	Location	Date	Time
1998-1999	Shripati Nagar, Distt. Udaipur, Rajasthan	23.9.1999	4.00 P.M.
1999-2000	-do-	8.3.2001*	3.00 P.M.
		19.7.2001	12.30 P.M.
2000-2002	Hotel Paras Mahal Udaipur, Rajasthan	6.9.2002	10.30 A.M.

* AGM held on 8.3.2001 was adjourned for consideration of Accounts for the 18 months period ended 30.9.2000 and the adjourned meeting was held on 19.7.2001.

No special resolutions were required to be put through postal ballot last year.

7. DISCLOSURES:

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. Suitable disclosure as required by Accounting Standard (AS-18) – Related party transactions, has been made in the Annual Report.

There were no materially significant transactions with related parties, which were in conflict with the interests of the Company.

Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

J.K. UDAIPUR UDYOG LIMITED

Due to extremely difficult liquidity position arising out of stoppage of plant operations as reported in the Director's Report, the Company could not make certain essential payments including Interest and Redemption on Debentures/Term Loans and listing fees to the Stock Exchanges. The Stock Exchange, Mumbai had suspended trading in the scrips of the Company w.e.f.3.2.2003.

8. MEANS OF COMMUNICATION :

Due to suspension of plant operations and dislocation of activities throughout the financial year 2002-03 as reported by the Directors in their Report to the Members, the Company was not in a position to publish unaudited financial results for the quarters from June '02 to September '03.

Both "Management Discussion & Analysis" and "General Shareholders Information" form part of the Annual Report.

9. GENERAL SHAREHOLDERS' INFORMATION:**(i) ANNUAL GENERAL MEETING:**

- (a) Date and Time : 27.2.2004, 11.30 A.M.
Venue : Rupis Resorts, Near Airport, Dabok, Udaipur (Rajasthan).
- (b) As required under Clause 49 VI (A), a brief resume and other particulars of the appointment of new Directors and Directors retiring by rotation at the aforesaid Annual General Meeting and seeking re-appointment are given in the Explanatory Statement to the Notice convening the said Meeting.

(ii) FINANCIAL CALENDAR:

Reporting of Unaudited results, Limited Audit Review and Annual Accounts etc.- Annual General Meeting for the next year ending 30th September 2004 will be tentatively held by 31.3.2005.

(iii) DATE OF BOOK CLOSURE:

24.2.2004 to 27.2.2004 (both days inclusive)

(iv) DIVIDEND:

No dividend was declared for the year.

(v) LISTING OF SHARES/DEBENTURES ON STOCK EXCHANGES (INCLUDING SECURITY CODE):

The Equity Shares of the Company continue to be listed on the Stock Exchanges

at Jaipur (548), Mumbai (30131), Ahmedabad (28577) and Delhi (10104). However, trading in the scrips of the Company was suspended by the Stock Exchange Mumbai w.e.f. 3.2.2003

(vi) MARKET PRICE DATA :

High, Low of Company's Equity Shares (Rs. 10 per share) during the month of April 2002 to January 2003.

Month:2002-03	Stock Exchange, Mumbai (BSE)	
	(Rs.)	
	HIGH	LOW
April 2002	2.15	1.45
May 2002	2.8	1.7
June 2002	3.7	2
July 2002	4.35	1.95
August 2002	2.45	1.9
September 2002	2.1	1.65
October 2002	2.05	1.45
November 2002	2.1	1.25
December 2002	2.25	1.3
January 2003	1.7	0.95

(vii) STOCK PERFORMANCE IN COMPARISON TO BSE SENSEX INDEX:

Period (April- January)	Gain/(Loss) in Co. Share Price	Gain/(Loss) In SENSEX	Company Share Price in Comparison to SENSEX
2002-03	(26.39)	(6.68)	-19.71

(viii) SHARE TRANSFER SYSTEM:

Transfer/transmission of Equity Shares in physical form are registered within a period of 15-20 days from the date of receipt. The Company offers transfer-cum-demat facility for convenience of the investors. The lodger may write to the Company with full details in case no response is received within a reasonable time of lodgment of transfer request. This will enable the Company to take necessary action to safeguard interest of the concerned against any possible loss/interception during postal transit.

(ix) DISTRIBUTION OF SHAREHOLDINGS AS ON SEPTEMBER 30, 2003:

No. of Equity shares held	No. of share-holders	% of share-holders	No. of shares	% of share-holding
Upto 5000	14,392	87.68	32,90,835	5.21
5001-10000	1,104	6.73	9,29,076	1.47
10001-20000	448	2.73	7,11,282	1.13
20001-30000	144	0.88	3,72,976	0.59
30001-40000	78	0.48	2,79,400	0.44
40001-50000	61	0.37	2,88,019	0.46
50001-100000	103	0.63	7,95,160	1.26
100000 & above	85	0.52	5,64,36,495	89.43
TOTAL	16,415	100.00	6,31,03,243	100.00

(x) DEMATERIALISATION OF SHARES:

Trading in the equity Shares of the Company is permitted only in dematerialised form w.e.f. 27.11.2000 as per notification issued by SEBI. Shareholders may dematerialise their holdings with any one of the Depositories namely, NSDL and CDSL. The Company's ISIN No. for both the depositories is **INE225C01011**. As on 30th September 2003, approximately 34.50% of the Company's Equity Shares have been dematerialised.

In respect of Shares held in electronic form, all the requests for nomination, change of address and rematerialisation etc. are to be made only to the Depository Participant with whom the Shareholders have opened their account. The Company will not be in a position to process such requests.

(xi) OUTSTANDING GDRs AND LIKELY IMPACT ON EQUITY: Not Applicable.

(xii) PLANT LOCATION : Shripati Nagar, P.O. C.F.A., Distt. Udaipur- 313 021, Rajasthan.

(xiii) ADDRESS FOR CORRESPONDENCE:**Secretarial Department at:**

Gulab Bhawan (Rear Block) 6A, Bahadur Shah Zafar Marg, New Delhi- 110 002 Tel.Nos. : 011 2331 1112-5 Extn.329,633 Fax Nos. : 91-11-23739475, Email : dswain@jkmil.com

Registrar & Share Transfer Agents:

MCS Ltd.

Sri Venkatesh Bhawan, W – 40, Okhla Phase – II, New Delhi- 110 020 Tel. Nos.011-26384909-11

26384917-20

Fax No.91-11-26384907 Email:mcsdel@vsnl.com

While writing to the Company/ RTA, Shareholders should quote their Folio No. and details of shares held in physical/ demat mode, E-mail Ids and Telephone/Fax No. for prompt reply to their communications.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of JK Udaipur Udyog Limited.

We have examined the conditions of Corporate Governance procedures by J.K. Udaipur Udyog Limited for the 18 month period ended on 30.09.2003 as stipulated in clause 49 of the Listing agreement(s) of the said Company with the stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the stock exchange(s) have been complied with except, non publication of unaudited halfyearly/ quarterly results and holding of minimum nos. of audit committee meetings. There are no investor complaints/grievances of over 30 days which are remaining unattended as per the record maintained by the Shareholders'/Investors' Grievance Committee.

For LODHA & CO.
Chartered Accountants

New Delhi
Date : 28th January, 2004

(N.K. LODHA)
Partner