

TENTH
Annual
REPORT
2003-2004

J.K. UDAIPUR UDYOG LIMITED

BOARD OF DIRECTORS

Onkar Nath Rai

R.K. Gupta

Vinit Marwaha

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

J. K. UDAIPUR UDYOG LIMITED

Regd. Office: Shripati Nagar, C.F.A, Distt. Udaipur-313 021 (Rajasthan).

NOTICE

NOTICE is hereby given that the 10th **Annual General Meeting** of the Members of **J. K. UDAIPUR UDYOG LIMITED** will be held on Thursday, the 31st day of March 2005 at 11.30 A.M. at Rupis Resorts, Near Airport, Dabok, Udaipur, (Rajasthan), to transact the following business :

1. To receive, consider and adopt the Audited Accounts for the financial year ended 30th September 2004 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri O.N. Rai, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in connection therewith to pass, with or without modification(s), the following as **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Section 224 of the Companies Act 1956, Messrs Lodha & Co., Chartered Accountants, the retiring Auditors, be and are hereby appointed Auditors of the Company to hold office from the conclusion of the 10th Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration Rs.75,000/- p.a. in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the audit".

Report Junction.com

By Order of the Board.

New Delhi

Date : 28th day of February 2005

R. K. GUPTA

Whole-time Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 29.03.2005 to 31.03.2005 (inclusive).
3. Resume of Shri O.N. Rai proposed for re-appointment as Director liable to retire by rotation (Item No.2)

"Shri Onkar Nath Rai, (aged 63 years) who holds an Engineering Degree, joined the Board on 14.11.1996. He has experience of over 41 years in industry in various management capacities. He does not have any other Directorships."

By Order of the Board.

New Delhi

Date : 28th day of February 2005

R. K. GUPTA

Whole-time Director

FOR ATTENTION OF THE SHAREHOLDERS

1. **Members/Proxies** should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
2. Please check the Pin-code in the address slip pasted on the envelope and advise correction, if any, therein. Also please do indicate the Pin code Number of your delivery Post Office while notifying change in your address to the Company.
3. **Nomination:** In terms of Section 109A of the Companies Act 1956, a Shareholder/Debentureholder may nominate a person to whom the Shares/Debentures shall vest in the event of death of the sole/ joint Share/ Debenture holders, if any.
4. **“General Shareholders Information”** is contained in the **“Corporate Governance Report”** forming part of the Annual Report.

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DIRECTORS' REPORT

To the Members

Your Directors present the 10th Annual Report and Audited Accounts of the Company for the 12 months period ended 30th September 2004.

OPERATIONS

The plant operations remained suspended throughout the year and continue to be so due to operations not being profitable.

At reported last year the company had engaged technical consultants to suggest and recommend measures to make plant cost competitive and improve its operating efficiency so as to enable plant to compete in the present scenario. The report was received from the consultant suggesting certain changes and involving substantial capital investments. These investments were not found possible under the then prevailing scenario in the industry. However, the scenario in the Cement industry of late has shown improvement. The company is still exploring other alternatives in this regard.

The company's liquidity position continues to be under extreme constraints due to suspension of operation. It has been unable, therefore, to pay its various Financial Institutions, Banks, Debenture holders, Stock Exchanges etc. It is somehow with great difficulties maintaining essential services like water supply, security of township and Plant & Machinery. Plant and other assets have been well kept and had remained fully insured.

During the period under review, the Company incurred a loss of Rs. 24.57 crores.

DIRECTORS

Shri Surendra Malhotra and Shri Sitab Chand Jain ceased to be Directors w.e.f. 3rd March 2004 and 16th March 2004 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 Vinit Marwaha joined the Board of Directors of the Company w.e.f. 3rd March 2004 in the casual

vacancy caused by the resignation of Shri Surendra Malhotra.. Necessary resolution regarding his appointment has been recommended for approval of the Shareholders. Shri O.N.Rai retire by rotation at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment.

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 getting 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 in the financial statement;
- 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 at the end of the financial year and of the profit or loss of the Company for that period ;
- 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 year ended 30th September 2004 directly to the Central Government.

CORPORATE GOVERNANCE

Reports on Corporate Governance and Management Discussion and Analysis are included in the Annual Report. Requirements under the revised Clause 49 of the Corporate Governance applicable w.e.f. 1st April 2005, are being looked into.

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 Bankers, Financial Institutions, Government Authorities, Shareholders, Debentureholders and the Employees of the Company for their continued support despite liquidity constraints faced by the Company.

On behalf of the Board of Directors

O. N. RAI

R. K. Gupta

Directors

New Delhi

Date : 28th February, 2005

ANNEXURES TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPT., 2004

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 26.03.2002 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. 2004 there is no Foreign Exchange earning. The Foreign exchange outgo was also Nil.

PARTICULARS OF CONSERVATION OF ENERGY

		2003-2004 (12 Months)	2002-2003 (18 Months)
A.	POWER & FUEL CONSUMPTION		
1.a.	Electricity – Purchased	Nil	Nil
1.b.	Electricity through own Diesel Generators]		
	Units (Kwh in lacs)	Nil	11.65
	Unit per Liter of Diesel Oil (Kwh)	Nil	3.00
	Cost/Unit (Rs.)	Nil	5.91
2.	Coal Consumption	Nil	Nil
B.	Consumption per Unit of Production	Nil	Nil

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND BUSINESS ENVIRONMENT

The Indian economy has shown remarkable upsurge by registering a GDP growth of the order of about 8.5 percent in 2003-2004 and the same is expected at about 6.5 percent in the current year 2004-2005 a shade lower due to drop in the agricultural production on account of poor and untimely monsoon reported in several parts of the country. Considering the much higher base of growth recorded in the previous year a growth of even 6.5 percent this year in continuation can be considered at a reasonably good level. Higher Industrial production, rising export, sound balance of payment position and India being increasingly recognised as one of the leading economies of the World, are the factors which are weighing high in favour of India embarking on a higher growth trajectory. Indian economy is attracting serious global interest.

INDIAN CEMENT INDUSTRY

India ranks as the second largest cement producing country in the world with its present manufacturing capacity being more than 150 million tons. The capacity far exceeds the demand which adversely impacts the prices and the ex-factory sales realisation. The cost of inputs particularly of coal, diesel, power, transport etc has significantly escalated. Thus lower sales realisation on the one hand and increasing cost of inputs on the other hand severely constraints and leaves no reasonable margins.

The cement prices, however, of late have started showing improvement from the last few months along with pick up in demand which augurs well for the future prospects of the Industry. The Government has initiated several policy decision to give boost to infrastructure sector like port, highways, dwelling houses etc but the demand of cement which is a key input for such development activities registered only a modest growth in 2003-

2004 and in the first six month of the current year upto Sept 2004 at 7% and 4.5% respectively as compared to earlier 5 years average compounded growth of about 8 percent.

It is expected that in the wake of a very healthy economic environment and signs of demand and prices picking up being already noticed, the industry should have better time in the future.

COMPANY'S PERFORMANCE

The plant continues to remain out of operations since 26 March 2002 due to manufacturing being commercially unviable in the present unfavourable scenario of selling price vis-a-vis the cost of production. The existing plant technology will require modernisation and upgradation to make the operation cost effective and competitive. A technological evaluation of the plant was carried with the help of a consultant which envisages a scheme of modernisation at substantial investment which the company has not been able to explore.

The company had been availing the sales tax incentive scheme as per the scheme of State Government available to a sick industry and as per provisions of Notification issued by the Government to this effect since August, 1999. The scheme was subsequently changed by the government by reducing the quantum of benefit from 100 percent to 25 percent. The company being aggrieved filed a writ petition in the High Court of Rajasthan which passed favourable orders and the company continued to avail incentive at the full rate of 100 per cent and upto the time the plant was in operation i.e. 26 March, 2002. The Government decided to file appeal against the High Court order in Supreme Court. Finally Supreme Court has given judgement upholding the right of the Government to modify and reduce the incentive from 100 percent to 25 per cent only. This decision has put the company to further disadvantage.

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 six

Directors comprising of five Non-Executive Directors (NED) of which four were Independent (IND). With resignation/ cessation of the directors at Serial no. 1, 2 and 3 and the appointment of a Director (Sl. No.4), the Board consists of three Directors at present. The Chairman is elected by the Directors amongst the Directors present at each meeting. During the year (1.10.2003 to 30.9.2004), Six Board Meetings were held on 11.11.2003, 28.1.2004, 3.3.2004, 16.3.2004, 25.6.2004 and 9.7.2004. Directors' attendance and other details are as under:

Sl. No.	Director	Category	No. of Board Meetings Attended	Last AGM Attended	No. of other directorships and Committee Memberships / Chairmanships		
					Other Director-ships	Committee Member-ships	Committee Chairman-ships
1.	Shri Sitab Chand Jain (ceased w.e.f 16.3.2004)	IND	3	Yes	10	3	1
2.	Shri Surendra Malhotra (ceased w.e.f 3.3.2004)	IND	2	No	4	1	-
3.	Shri Onkar Nath Rai	NED	6	No	-	-	-
4.	Shri Vinit Marwaha*	IND	3	No	1	-	-
5.	Shri Rohini Kumar Gupta	Executive	4	Yes	-	-	-
6.	Shri Devender Gupta (ICICI Nominee) (ceased w.e.f. 6.11.03)	IND	-	-	-	-	-

* Shri Vinit Marwaha was appointed as Director w.e.f. 3.3.2004 in the casual vacancy caused by the resignation of Shri Surendra Malhotra.

3. AUDIT COMMITTEE

The Audit Committee comprised of three Non-Executive Directors namely: Shri Sitab Chand Jain (Chairman), Shri Surendra Malhotra (w.e.f. 11.11.2003) 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 meetings of the Audit Committee of

Directors were held on 28.1.2004 and 25.6.2004. The meeting of the Audit Committee held on 28.1.2004, was attended by all the aforesaid Directors. Shri Surendra Malhotra and Shri Sitab Chand Jain ceased to be members of the Audit Committee w.e.f. 3.3.2004 and 16.3.2004 respectively. Shri R.K. Gupta and Shri Vinit Marwaha were inducted as members of the Audit Committee w.e.f. 3.3.2004 and 16.3.2004 respectively. The Audit Committee Meeting held on 25.6.2004 was attended by Shri O.N. Rai and

Shri Vinit Marwaha. 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.

4.1 REMUNERATION COMMITTEE (non-mandatory)

The Company does not have a permanent Remuneration Committee.

4.2 REMUNERATION OF DIRECTORS

(a) **Non executive Directors:** Except sitting fees (Total amount: Rs.28,000/-) 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	Remuneration	
	years /w.e.f.	Period	Amount
Sh. R.K.Gupta	5 years w.e.f. 26.5.2003	1.10.2003 30.9.2004	7,50,744

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has Shareholders/Investors Grievance Committee at the Board level. Shri O.N. Rai, Shri R.K. Gupta and Shri Vinit Marwaha are members of the Shareholders Investor Grievance Committee of Directors. Shri O.N. Rai, a Non-Executive Director is the Chairman of the said Committee. Shri R.K. Gupta, Wholetime 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 2004, the Company received 91 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
1999-2000	Shripati Nagar, Distt. Udaipur, Rajasthan	8.3.2001* 19.7.2001	3.00 P.M. 12.30 P.M.
2000-2002	Hotel Paras Mahal, Udaipur Rajasthan	6.9.2002	10.30 A.M.
2002-2003	Rupis Resorts, Near Airport, Dabok, Udaipur (Rajasthan)	27.2.2004	11.30 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 passed during the last three years. Also, no special resolutions were required to be put through postal ballot.

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:

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 and CDSL. 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 stoppage of plant operations throughout the financial year 2003-04 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 December '03 to September '04. The company has kept the Stock Exchanges informed in this regard, from time to time.

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 : 31.03.2005

Venue : Rupis Resorts, Near Airport, Dabok, Udaipur(Rajasthan).

(b) As required under Clause 49 VI (A), a brief resume and other particulars of the Director retiring by rotation at the aforesaid Annual General Meeting and seeking re-appointment are given in the Notes 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 2005 will be tentatively held by 31.3.2006.

(iii) **DATE OF BOOK CLOSURE** 29.03.2005 to 31.03.2005 (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 are 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 & STOCK PERFORMANCE IN COMPARISON TO BSE SENSEX INDEX** Trading in the scrips of the Company was suspended by Mumbai Stock Exchange w.e.f. 3.2.2003. Thus, no market price data is available.

(vii) DISTRIBUTION OF SHAREHOLDINGS AS ON SEPTEMBER 30, 2004

No. of Equity shares held	No. of share	% of share	No. of shares	% of share
Upto 5000	14,281	87.52	32,38,241	5.13
5001-10000	1,106	6.78	9,30,736	1.47
10001-20000	458	2.81	7,25,032	1.15
20001-30000	142	0.87	3,67,677	0.58
30001-40000	83	0.51	2,96,788	0.47
40001-50000	62	0.38	2,92,884	0.46
50001-100000	98	0.60	7,62,328	1.21
100000 & above	88	0.54	5,64,89,557	89.53
TOTAL	16,318	100.00	6,31,03,243	100.00

(viii) SHARE TRANSFER SYSTEM

All valid requests for transfer/transmission of Shares in physical form are processed within a period of 15-20 days from the date of receipt thereof and Share Certificates duly transferred are immediately returned to the transferee/lodger. In the case of shares in electronic form, the transfers are processed by NSDL/CDSL through the respective Depository Participants.

(ix) 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 2004, approximately 35.12% of the Company's Equity Shares have been dematerialised. In respect of Shares held in