

ELEVENTH
Annual
REPORT
2004-2005

UDAIPUR CEMENT WORKS LIMITED

BOARD OF DIRECTORS

Onkar Nath Rai

R.K. Gupta

Vinit Marwaha

REGISTERED OFFICE

309, Samod Towar
S.C. Road,
Jaipur - 302 001
Rajasthan

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

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

SHARE TRANSFER AGENT

MCS Ltd.,
Shri Venkatesh Bhawan,
W-40, Okhla Phase - II
New Delhi - 110 020

AUDITORS

Lodha & Co.
Chartered Accountants

UDAIPUR CEMENT WORKS LIMITED

UDAIPUR CEMENT WORKS LIMITED

Regd. Office: 309, Samod Tower, S.C. Road, Jaipur-302 001, Rajasthan

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of **Udaipur Cement Works Limited** will be held at Maharani Palace, Station Road, Jaipur-302 001, Rajasthan, on Friday, the 30th June 2006 at 11.30 A.M. to transact the following business:

1. To receive, consider and adopt the Audited Accounts for the financial period ended 31st December 2005 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Vinit Marwaha, 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, of M/s. Om Prakash S. Chaplot & Company, Chartered Accountants, Udaipur, be and are hereby appointed Auditors of the Company to hold office from the conclusion of the 11th Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.25000/- p.a. (Rupees Twenty Five Thousand only), (excluding Service Tax) in addition to reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the audit."

New Delhi
26th day of May 2006

By Order of the Board
R.K. Gupta
Whole-time Director &
Company Secretary

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 28th June 2006 to 30th June 2006 (inclusive).
3. Resume of Shri Vinit Marwaha proposed for re-appointment as director liable to retire by rotation (Item no 2)

Shri Vinit Marwaha, (aged 55 years) who holds an Commerce Degree, joined the Board on 3.3.2004 in the casual vacancy due to resignation of Shri Surendra Malhotra. He brings with him an experience of over 33 years in industry in various management capacities. He is an

expert in Taxation matters. He is also a Director in Rouncey Trading Pvt. Ltd. and Manager in Juggilal Kamlapat (Agency) Ltd.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 3

Messrs Lodha & Company, Chartered Accountants, Auditors of the Company, retires at this Annual General Meeting (AGM) of the Company. The said Auditors have expressed their unwillingness for re-appointment at the said Annual General Meeting. The Board of Directors of the Company recommends appointment of M/s. Om Prakash S. Chaplot & Company, Chartered Accountants, Udaipur as Auditors of the Company from the conclusion of the 11th Annual General Meeting till the conclusion of the next Annual General Meeting on the remuneration as mentioned in the Resolution.

None of the Directors may be deemed to be concerned or interested in the Resolution.

By Order of the Board

New Delhi
26th day of May 2006

R.K. Gupta
Whole-time Director &
Company Secretary

UDAIPUR CEMENT WORKS LIMITED**DIRECTORS' REPORT**

To the Members

Your Directors present the 11th Annual Report and Audited Accounts of the Company for the 15 months period ended 31st December 2005.

OPERATIONS

The plant operations continued to remain suspended this year also due to higher cost of production and operation being commercially unviable primarily on account of old technology of the plant. The company after providing for interest and depreciation posted a net loss of Rs. 10,49,55,585 during the period under review.

In the background of cement prices & demand showing gradual trend of improvement, the company engaged a reputed Indian cement consultant for carrying out detailed evaluation of the viability of the operations. The consultants were mandated to suggest technological measures to be taken up for improving the long term viability of the plant operations. The consultant timely completed the assignment and submitted their report suggesting various technological upgradations to improve the efficiencies and inputs. A captive coal based power plant of 18 MW capacity and enhancement of cement capacity from the present 0.9 to 1.2 Million ton per annum has been envisaged. These measures would result in substantial cost savings and cost competitiveness. The investment required for undertaking the project would be of the order of about Rs.325 crores. The management is exploring various workable options for plant revival.

The liquidity position has further worsened. The company, in the absence of resources is finding it increasingly difficult to maintain even the essential services. The company has also not been able to make any payment to the creditors including Financial Institutions, Banks etc.

DIRECTORS

Shri Vinit Marwaha retire by rotation at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment. Shri O.N. Rai ceased to be Manager of the Company w.e.f. 30.06.2005. However, he continues to be a Director of the Company.

AUDITORS

M/s Lodha & Co, Chartered Accountants, Auditors of the Company, retires at the forthcoming Annual General Meeting (AGM) of the Company. The said Auditors have expressed their unwillingness for re-appointment at the said Annual General Meeting. The observations of the Auditors in their Report on Accounts read with relevant notes, are self explanatory..

The Board of Directors of the Company recommends appointment of M/s Om Prakash S.Chaplot & Co.,Chartered Accountants,Udaipur as Auditors of the Company from the conclusion of the this Annual General Meeting till the next Annual General Meeting.

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

The Audit of the Cost Accounts of the Company relating to 'Cement' for the period ended 31st December 2005 is being conducted by the Cost Auditor who will submit their report for the period ended 31st December 2005 as required.

CHANGE OF NAME AND REGISTERED OFFICE

As approved by the Shareholders, name of the Company was changed to "UDAIPUR CEMENT WORKS LIMITED" with its Registered Office at 309 Samod Tower, S.C. Road, Jaipur - 302001, Rajasthan.

CORPORATE GOVERNANCE

Pursuant to the revised Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report, Corporate Governance Report and Auditor's Certificate regarding compliance of the conditions of Corporate Governance are made a part of this Annual Report.

CONSERVATION OF ENERGY, ETC.

Details as required under section 217 (1) (e) of the Companies Act 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules 1988, 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

(R.K. GUPTA) (O.N. RAI)

DIRECTORS

New Delhi

Date :

ANNEXURES TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st DEC.2005

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 31st December, 2005 there is no Foreign Exchange earning. The Foreign exchange outgo was also Nil.

PARTICULARS OF CONSERVATION OF ENERGY

Due to suspension of the plant operations throughout the year, there was no consumption of electricity and coal during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSIONS AND ANALYSIS

ECONOMY AND BUSINESS ENVIRONMENT

The Indian economy, one of the fastest growing economies in the world has consistently achieved GDP growth in the range of 7 to 8 percent during the last three consecutive years and the future projections are expected to be even better. This scenario reflects quite positive in favour of Indian economy and the country is already attracting all-round global interest and is destined to be a hub of important happenings. However, it has been well realized that the present standard of infrastructure is not upto the mark and it may pose serious bottlenecks in sustaining the pace of future higher growth and the Government therefore has initiated various policy decisions to boost investment in infrastructure. Thrust given to infrastructure, increasing industrial activities, bullish trend in housing and real estate sector would positively impact the prospects of cement industry.

INDIAN CEMENT INDUSTRY

During the last fiscal year ending 31st March, 2006 against the monthly built up capacity of 157 million ton the industry achieved cement production of about 142 million tons. While the capacity during the year increased by 3.6%, the production increase was 11%. The cement demand and supply situation is presently well balanced without any overhang of supply and the current cement prices, therefore, are ruling firm and stable. With expected growth of consumption of more than 10% and the normal annual capacity increase limited to maximum of the same order, the chances of demand supply turning unfavourable in the foreseeable future is ruled out. Thus the future outlook of cement industry seems to be quite positive.

COMPANY'S PERFORMANCE

The plant continues to remain out of operations since 26 March, 2002 as the operations from the present manufacturing set up, because of old technology of the plant and consequent higher requirement of power and coal, is

commercially not viable. In the background of improving out look of cement industry, the management decided to engage a reputed Indian cement consultant to carryout detailed technological evaluation and suggest various measures that may need to be taken to make the operations cost competitive on the long term basis. The consultant after going into details have already submitted their report in August'05 and suggested that the operations could be made competitive and viable with an investment of about Rs.325 crores. While recommending various technological improvements, they have also suggested increasing the plant capacity from present of 0.9 million to 1.2 million ton per annum and setting up a coal based captive plant of 18 MW. The company is exploring various options to achieve revival of the plant.

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.

Current Financial Year of the Company is for 15 months period from 1st October 2004 to 31st December 2005 as decided by the Board of Directors of the Company.

2. BOARD OF DIRECTORS

During the period the Board consisted of three Directors comprising of two Non-Executive Directors (NED) of which one is Independent (IND). During the period (01.10.2004 to 31.12.2005), Eight Board Meetings were held on 06.10.2004, 10.01.2005, 28.02.2005, 10.03.2005, 11.04.2005, 13.09.2005, 28.10.2005 and 31.12.2005. Directors' attendance and other details are as under:

Sl. No.	Director	Category	No. of Board Meetings Attended	Last AGM Attended Held on	No. of other directorships and Committee Memberships/Chairmanships		
					Other Director-ships	Committee Member-ships	Committee Chairman-ships
1.	Shri Onkar Nath Rai*	NED	8	Yes	-	-	-
2.	Shri Vinit Marwaha	IND	8	No	1	-	-
3.	Shri Rohni Kumar Gupta	Executive	7	Yes	-	-	-

* Shri O.N. Rai ceased to be Manager of the Company w.e.f 30.06.2005. However, he continues to be a Director of the Company.

3. AUDIT COMMITTEE

The Audit Committee comprised of three Directors namely Shri Onkar Nath Rai (Chairman), Shri Vinit Marwaha and Shri R.K. Gupta, majority being Non-Executive. 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 28.02.2005, 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 period, 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.25,000/-) 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	01.10.2004 to 31.12.2005	Rs. 4,15,002

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has Shareholders/Investors Grievance Committee at the Board level which consists of three Directors, namely, Shri O.N. Rai (Chairman of the Committee), Shri R.K. Gupta and Shri Vinit Marwaha. Shri R.K. Gupta, Whole-time Director & Company Secretary, is the Compliance

UDAIPUR CEMENT WORKS LIMITED

Officer who oversees the investor's grievances such as Transfer/ Transmission of shares/ Dematerialisation, non-receipt of dividend/interest and redemption proceeds on Debentures, annual report etc.

During the period ended 31st December 2005, the Company received 150 complaints which were promptly attended. In addition, the Company also has a Committee of Directors, which approves registration of transfer of shares etc. All valid requests for transfer of shares in physical form were processed in time and there are no pending transfers of shares.

6. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2000-2002	Hotel Paras Mahal Udaipur, Rajasthan	06.09.2002	10.30 A.M.
2002-2003	Rupis Resorts, Near Airport, Dabok, Udaipur(Rajasthan)	27.02.2004	11.30 A.M.
2003-2004	Rupis Resorts, Near Airport, Dabok, Udaipur(Rajasthan)	31.03.2005	11.30 A.M.

No special resolutions were passed during the last three years' AGM. Further, no special resolution was required to be passed through postal ballot during the last year.

Approval of shareholders through Special Resolution in the matter of shifting of Registered Office of the company under section 146(2) of the Companies Act 1956, from Udaipur to Jaipur within the state of Rajasthan, has been obtained by means of Postal Ballot on 14th February 2006.

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: None. 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: Nil

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 NSDL/CDSL. The Stock Exchange, Mumbai had suspended trading in the scrips of the Company w.e.f.03.02.2003.

8. MEANS OF COMMUNICATION

Due to stoppage of plant operations throughout the financial period 2004-05 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 October '04 to December '05. 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) CHANGE OF NAME AND REGISTERED OFFICE

As approved by the Shareholders name of the Company was changed to "UDAIPUR CEMENT WORKS LIMITED" with its Registered Office at 309 Samod Tower, S.C. Road, Jaipur 302001, Rajasthan.

(ii) ANNUAL GENERAL MEETING

(a) Date and Time : 30.06.2006 at 11.30 A.M.

Venue: Hotel Maharani Palace, Station Road, Jaipur-302001, Rajasthan).

(b) As required under Clause 49 VII (F), a brief resume and other particulars of the appointment of the Directors retiring by rotation at the aforesaid Annual General Meeting and seeking re-appointment are being given in the Explanatory Statement to the Notice convening the said Meeting.

(iii) **FINANCIAL CALENDAR** Reporting of Unaudited results, Limited Audit Review and Annual Accounts etc. Annual General Meeting for the next year ending 31st December 2006 will be tentatively held by 30.06.2007.

(iv) **DATE OF BOOK CLOSURE** 28.06.2006 to 30.06.2006 (both days inclusive)

(v) **DIVIDEND** No dividend was declared for the year.

(vi) **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. 03.02.2003.

(vii) **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. 03.02.2003. Thus, no market price data is available.

(viii) **DISTRIBUTION OF SHAREHOLDINGS AS ON DECEMBER 31, 2005**

No. of Equity shares held	No. of shareholders	% of shareholders	No. of shares	% of share-holding
Upto 5000	13939	87.22	31,62,281	5.01
5001-10000	1106	6.92	9,26,936	1.47
10001-20000	460	2.88	7,26,307	1.15
20001-30000	145	0.91	3,74,302	0.59
30001-40000	82	0.51	2,92,488	0.46
40001-50000	61	0.38	2,86,984	0.46
50001-100000	102	0.64	7,94,528	1.26
100000 & above	86	0.54	5,65,39,417	89.60
TOTAL	15981	100.00	6,31,03,243	100.00

(ix) **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.

(x) **DEMATERIALIZATION 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 31st December 2005, 61.62% 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 demat account.

(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**

1 Company's

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@jkmall.com

2 **Registrar & Share Transfer Agents:**

MCS Ltd.

Sri Venkatesh Bhawan,

W – 40, Okhla Phase – II,