

THIRTEENTH

Annual

REPORT

2007

UDAIPUR CEMENT WORKS LIMITED

BOARD OF DIRECTORS

Onkar Nath Rai

R.K. Gupta

Vinit Marwaha

REGISTERED OFFICE

309, Samod Tower
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

M/S. OM PRAKASH S CHAPLOT & CO.
Chartered Accountants

UDAIPUR CEMENT WORKS LIMITED

UDAIPUR CEMENT WORKS LIMITED

(Formerly J.K. Udaipur Udyog Ltd.)

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

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Udaipur Cement Works Limited will be held at Hotel Maharani Palace, Station Road, Jaipur-302 001, Rajasthan, on Wednesday, the 25th June 2008 at 11.00 A.M. to transact the following business:

1. To receive, consider and adopt the Audited Accounts for the financial period ended 31st December 2007 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, 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 13th Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 25,000/- 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."

AS SPECIAL BUSINESS

4. To consider and if thought fit to pass, with or without modification(s), the following as **Ordinary Resolution**:

"RESOLVED that pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 or any statutory modification or re-enactment thereof, the re-appointment of Shri R.K. Gupta, Whole-time Director of the Company for a period of three years w.e.f. 26th May 2008 be and is hereby approved on the terms of remuneration set out in Explanatory Statement annexed hereto which shall be deemed to form part hereof and in the event of inadequacy or absence of profits under Sections 349 and 350 of the said Act in any financial year, the remuneration comprising salary, perquisites and benefits as approved herein be paid as minimum remuneration to the said Whole-time Director for a period of three years w.e.f. 26th May 2008 subject to necessary approvals."

RESOLVED FURTHER that the Board of Directors of the Company or a Committee thereof be and is hereby authorized to vary and/or revise the remuneration of the said Whole-time Director within the overall limit approved herein and settle any question in connection therewith and incidental thereto."

New Delhi

7th day of May 2008

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 23.06.2008 to 25.06.2008 (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 66 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."

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

Item No. 4

The Board of Directors of the Company at its meeting held on 7th May 2008 re-appointed Shri R.K. Gupta as Wholetime Director of the Company for a period of three years w.e.f. 26th May 2008 and recommended necessary resolution for approval of the Shareholders at this meeting on the terms of remuneration approved by the Remuneration Committee of Directors and conditions.

Information about Shri R.K. Gupta, Wholetime Director

Shri R.K. Gupta holds an Honours Degree in Commerce and also a post graduate Masters degree in Business Administration. He is also a member of the Institute of Company Secretaries of India and of the Institute of Cost and Works Accountants of India. Shri Gupta has 33 years of experience in various companies in executive positions. He has served this Company for about 15 years in various capacities.

Terms of Remuneration of Shri R.K. Gupta, Wholetime Director and Company Secretary.

- A. Salary: Consolidated amount of Rs. 20,000 per month in the range of Rs. 20,000 Rs. 50,000 per month (maximum) with such increase as may be decided by the Board (or a Committee thereof) from time to time.
- B. Perquisites: Shri R.K. Gupta shall be entitled to other Perquisites / benefits other than Salary, not exceeding 100% of the Salary.

Except Shri R.K. Gupta, no other Director is deemed to be concerned or interested in the Resolutions. This may also be treated as an abstract of the terms of re-appointment and remuneration of the said Wholetime Director pursuant to Section 302 of the Companies Act, 1956.

New Delhi
7th day of May 2008

By Order of the Board

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

DIRECTORS' REPORT

To the Members

Your Directors present the 13th Annual Report and Audited Accounts of the Company for the year ended 31st December, 2007.

OPERATIONS

The plant operations continued to remain suspended during this year also. During the period under review the company posted a net loss of Rs.7,47,01,945 /- after providing for interest and depreciation.

The company continues to be registered with BIFR as a sick company. Efforts to revive the plant operations in consultations with ARCIL (Assets Reconstruction Company (India) Limited) are being made and a scheme is being worked out in this regard.

The liquidity position of the company continued to be extremely difficult. As a result, the company is finding it difficult to maintain essential services. In view of the difficult liquidity position the company has also not been able to make any payment to Financial Institutions, Banks and other creditors etc.

DIRECTORS

Shri O.N. Rai retire by rotation at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment.

Shri R.K.Gupta whose appointment as Whole Time Director expires on 25th May of 2008 has been reappointed as a Whole Time Director of the Company for the period of three years w.e.f. 26th May 2008 subject to necessary approval.

AUDITORS

M/s Om Prakash S Chaplot & Co. Chartered Accountants, Auditors of the Company, retire at the forthcoming Annual General Meeting (AGM) of the Company and are eligible for re-appointment. The observations of the Auditors in their Report on Accounts read with relevant notes, are self explanatory.

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 2007, is being conducted by the Cost Auditor who will submit their report for the period ended 31st December 2007, as required.

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.

On behalf of the Board of Directors
(R.K. GUPTA) (O.N. RAI)

ACKNOWLEDGEMENTS

DIRECTORS

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.

New Delhi
Date : 07.05.2008

ANNEXURES TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st DEC. 2007

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, 2007 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

(A) ECONOMY AND BUSINESS ENVIRONMENT

1. The Indian economy today, is characterized by sound macro-economic fundamentals on account of GDP growth of about 9 percent, business, commercial, financial and industrial buoyancy, and ever-increasing foreign exchange reserves. India is the second fastest growing economy in the world today.
2. The current pace of growth in industrial sector is quite broad based and indicates that the high industrial growth is sustainable. The infrastructure development, which was marred by lack of funds, has been witnessing strong growth with investment pouring in from all corners viz FDI, Government, Public-Private Partnership etc.

(B) INDIAN CEMENT INDUSTRY

As is reflected in the XIth Five Year Plan projections by the Planning Commission, India is poised to continue with its economic buoyancy in the future and cement demand growth is expected to continue at a healthy rate. The report of the working group on cement industry for XIth five year plan (2007-12) by the planning commission, has projected cement demand of 257 million tones in 2011-12 based on 9% GDP growth and 11.5% cement demand growth.

OPERATIONS

The plant operations continues to remain suspended throughout the year. The liquidity position of the company continue to be under extreme constraints.

Efforts to revive the plant are continuing and various options are being worked out in this direction.

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 three Directors comprising of two Non-Executive Directors (NED) of which one is Independent (IND). During the year (01.01.2007 to 31.12.2007), five Board Meetings were held on 24.01.2007, 24.04.2007, 19.05.2007, 10.08.2007 and 8.10.2007. 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 Directorships	Committee Memberships	Committee Chairmanships
1.	Shri Onkar Nath Rai	NED	5	Yes	-	-	-
2.	Shri Vinit Marwaha	IND	5	-	1	-	-
3.	Shri Rohni Kumar Gupta	Executive	5	Yes	-	-	-

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 19.05.2007, 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.

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. 16,000/-) 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
Shri R.K.Gupta	5 years w.e.f. 26.5.2003	01.01.2007 -- 31.12.2007	Rs. 3,48,738

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 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 year ended 31st December 2007, 5 meetings of the said Committee were held on 24th January 2007, 24th April 2007, 19th May 2007, 10th August 2007 and 8th October 2007. The Company received 53 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
2003-2004	Rupis Resorts, Near Airport, Dabok, Udaipur (Rajasthan)	31.03.2005	11.30 A.M.
2004-2005	Maharani Palace, Station Road, Jaipur(Rajasthan)	30.06.2006	11.30 A.M.
2005-2006	Maharani Palace, Station Road, Jaipur(Rajasthan)	29.06.2007	11.30 A.M.

No special resolutions were passed during the last three years' AGM.

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:

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. 3.2.2003. NSDL/CDSL has also stopped downloading of data regarding Beneficial ownership (Benpos).

8. MEANS OF COMMUNICATION

Due to stoppage of plant operations throughout the financial year 2006 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 January '07 to December '07. 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 : 25.06.2008

Venue : Hotel Maharani Palace, Station Road, Jaipur (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.

(ii) **FINANCIAL CALENDAR** Reporting of Unaudited results, Limited Audit Review and Annual Accounts etc. Annual General Meeting for the next year ending 31st December 2008 will be tentatively held by 30th June 2009.

(iii) **DATE OF BOOK CLOSURE** 23.06.2008 to 25.06.2008 (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. 03.02.2003.

(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. 03.02.2003. Thus, no market price data is available.

(vii) **DISTRIBUTION OF SHAREHOLDINGS AS ON 31st DECEMBER, 2007**

No. of Equity shares held	No. of shareholders	% of shareholders	No. of shares	% of shareholding
Upto 5000	15,760	99.45	32,54,310	5.16
5001-10000	51	0.32	2,93,700	0.47
10001-50000	22	0.14	2,75,264	0.43
50001-100000	6	0.04	2,91,608	0.46
100000 & above	8	0.05	5,89,88,349	93.48
TOTAL	15,847	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 31st December 2007, 81.75% 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.

(x) **OUTSTANDING GDRs AND LIKELY IMPACT ON EQUITY**: Not Applicable

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

(xii) **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@jkmil.com

2. **Registrar & Share Transfer Agents:**

MCS Ltd.

Shri Venkatesh Bhawan,

W-40, Okhla Industrial Area, Phase - II,

New Delhi- 110 020

Tel. Nos. 011-41406149

41406151-52, 41409885

Fax No.91-11-41709881

Email:admn@mcsdel.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.

**Auditor's Certificate on
Corporate Governance**

To the members of Udaipur Cement Works Limited.

We have examined the conditions of Corporate Governance procedures by Udaipur Cement Works Limited for year ended on 31.12.2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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 explanations given to us, the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges have generally been complied with except, publication/ taking on record by the Board of Directors of unaudited half yearly/quarterly results, constitution of Audit Committee w.r.t. minimum number of Non-Executive/ Independent Directors and holding of minimum number 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 Shareholder's/Investor's Grievance Committee.

**FOR OM PRAKASH S CHAPLOT & CO.
Chartered Accountants**

Place : UDAIPUR
Date : 07.05.2008

(O.P.CHAPLOT)
Partner
M. No. 10184

AUDITORS' REPORT

To the members of Udaipur Cement Works Limited

We have audited the attached Balance Sheet of Udaipur Cement Works Limited as at 31st December 2007, the Profit & Loss Account and also the cash flow statement for the year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's report) Order, 2003 (The Order) (as amended) issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 (The Act), and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the Annexure, a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) 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;
 - b) In our opinion, proper books of account as required by law have been kept by

the company so far as appears from our examination of those books;

- c) The Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
- d) In our opinion and to the best of our information, the profit & Loss Account, Balance Sheet and the Cash Flow Statement comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956, to the extent applicable **except to the extent non – provision of interest liability etc. and preparation of accounts on going concern basis (AS-1), non-provision for leave encashment. (note no. 2-AS 15), non-determination of current net Realisable Value of Inventory and Non-determination/ non-provision of obsolete and unusable assets and inventory and for impairment of assets (note no.3- AS-2, AS-10 and AS-28);**
- e) On the basis of written representations received from the directors, as on 31st December, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2007 from being re-appointed as a director of the company in terms of the clause (g) of sub- (1) of section 274 of the companies Act, 1956. **However all the directors of the company are disqualified to be appointed/ re-appointed as directors in any other public company;**
- f) **Attention is invited to:**
 - (i) Note no. 1 & 11 of Schedule 14 regarding preparation of accounts on "going concern basis" for the reasons stated in the said notes and our inability to comment thereon;
 - (ii) Note no. 2 of Schedule 14 regarding non-provision of salary , wages ,

UDAIPUR CEMENT WORKS LIMITED

allowances and other benefit etc. as stated in the said note (amount unascertained).

- (iii) Note no. 3 of Schedule 14 regarding valuation of respective inventories as valued, considered same as in the previous year and have been taken on the same value as in the previous year and non provision of adjustment of lower of net realisable value over cost of inventories and non provision for obsolete, shortages, damaged and non-moving, inventories and fixed assets and for impairment of assets (amount unascertained) as stated in the said note.
- (iv) Note no. 4(a) of Schedule 14 regarding non provision of interest on secured loans, bank borrowings, trade deposits, royalty, dues payable to Ajmer Vidyut Vitaran Nigam Ltd. (AVVNL), excise duty demand and penal interest, liquidated damages, etc. thereon as stated in the said note (amount unascertained).
- (v) Note No. 4(c) of Schedule 14 regarding non-accounting of interest earned on certain deposits as stated in the said note (amount unascertained).
- (vi) Note No. 14 of Schedule 14 regarding non-provision against overdue debtors amounting to Rs. 12,21,47,868 and loans and advances amounting to Rs. 4,77,23,336.
- (vii) Note No. 20, 14, 6 & 11 of Schedule 14 regarding pending reconciliation/ confirmation of balances of secured loans, unsecured loans, deferred interest, creditors, other current liabilities, banks, deposits, debtors, loans and advances and contingent liabilities considered to the extent identified by the management and our inability to comment thereon.
- (viii) Note No. 13 of Schedule 14 regarding non-provision of interest on overdue liability of Sundry Creditors under

Current Liabilities & Provisions as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" (amount unascertained) and identification of such parties and their dues by the management and our inability to comment on the same.

We further report that the loss for the year, balance in profit & loss account, assets and liabilities as stated are without considering the impact of items mentioned in para (f)(i) to (v), (vii) & (viii) above. Had the observation made in para (f) (vi) above been considered, loss for the year would have been Rs. 24,45,73,149 (as against reported figure of Rs 7,47,01,945), debit balance in profit & loss account would have been Rs. 2,98,11,69,388 (as against reported figure of Rs. 2,81,12,98,184), debtors would have been Rs. Nil (as against reported figure of Rs. 12,21,47,868) and loans & advances would have been Rs. Nil (as against reported figure of Rs. 4,77,23,336).

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said balance sheet, profit & Loss account and the cash flow statement read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance sheet, of the state of affairs of the Company as at 31st December, 2007;
- b) In the case of the Profit & loss Account, of the loss for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**FOR OM PRAKASH S CHAPLOT & CO.
Chartered Accountants**

Date : 07.05.2008
Place : UDAIPUR

(O.P.CHAPLOT)
Partner
M. No. 10184

ANNEXURE TO THE AUDITOR'S REPORT

[Referred to in Paragraph (1) of the Auditors' Report of even date to the members of Udaipur Cement Works Limited for the year ended 31.12.2007]

- i)
- a) Records showing full particulars including quantitative details and situation of fixed assets have been maintained by the company. ***This should be read with our comments in para (b) below.***
 - b) ***Physical verification of fixed assets has not been conducted by the management during the year due to plant operation being under suspension as stated in note no. 3 of Schedule 14. Discrepancy, if any, in this respect could not be ascertained and commented by us.***
 - c) As per information and explanations provided by the management and records made available to us, fixed assets disposed off during the year were not substantial.
- ii)
- a) ***Physical verification of inventories has not been conducted by the Management during the year as stated in note no.3 of Schedule 14.***
 - b) ***In our opinion and having regard to our comments in Para (ii)(a) above, the procedures of physical verification of inventory needs to be made adequate in relation to the size of the company and nature of its business.***
 - c) ***On the basis of information and records made available, inventory records are maintained (subject to note no.3 of Schedule 14) but in the absence of physical verification report, it is not possible to ascertain and comment on discrepancy between book records and physical inventory and adjustments, if any***
- and ascertainment of amount thereof read together with note no.3 of Schedule 14.***
- iii) The company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii) (b) to (d), (f) & (g) of the order are not applicable.
 - iv) ***Internal control system require to be strengthened to be made commensurate with the size of the company and the nature of its business for the sale of fixed assets and services and read with our comments elsewhere and note no 3, 14, & 20 of Schedule 14.***
 - v) According to the information and explanations provided by the management and based upon audit procedure performed, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the Act to be entered in the register required to maintained under that section, accordingly, the provisions of clause 4.(v) (b) of the order are not applicable.
 - vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of the directives issued by Reserve Bank of India and the provision of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
 - vii) ***No Internal Audit has been carried out during the year as stated in note no. 16 of Schedule 14.***
 - viii) We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed records have been made and

maintained read with Note no. 3 of schedule 14. We have not, however, made a detailed examination of the said records with a view to determine whether they are accurate.

ix)

- i) **According to the legal opinion obtained by the company liability of provident fund contribution arises only when salaries and wages are actually paid, accordingly we are not in a position to express opinion about payable amount in respect of provident fund contribution.** As informed to us, Employee State Insurance is not applicable to the company. Further, according to the records of the Company and information and explanations given to us, the company is generally regular **(except delay in case of Sales Tax, Excise Duty, Income Tax, Royalty (including as reported below)** in depositing undisputed statutory dues including Investor Education and Protection Fund, Wealth Tax, Service

Tax, Custom Duty, Cess and other material Statutory dues with the appropriate authorities to the extent applicable. There are no material statutory dues payable for a period of more than six months from the date they became payable as at 31st Dec, 2007 **except Sales Tax Rs. 13,44,27,346, Excise Duty Rs. 70,54,778, , Electricity dues Rs. 1,83,17,491, Cess Rs. 55,853 and Royalty Rs. 62,61,385, further this is to be read together with note no. 2, 4(a) and 20 of Schedule 14.**

- a) According to the records and information and explanations given to us, there are no dues in respect of Wealth Tax, Custom Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute and the dues in respect of Income Tax, Excise Duty, Service Tax and Sales Tax that have not been deposited on account of dispute and the forum where the dispute is pending are given below: -

Name of the Statute	Nature of The Dues	Period	Forum where dispute is pending	Amount (In Rs.)
Central Excise Act	Excise Duty	1995-96	High Court	4,40,017
Service Tax Act	Service Tax	1997-98	Assistant Commissioner of Excise (S.T.)	66,05,892
Sales Tax Act	Sales Tax	1999-2000	Assistant Commissioner (Comm. Tax)	8,14,000
	Sales Tax (Interest)	1996-97, 1997-98 & 1998-99	Assistant Commissioner (Comm. Tax)	9,11,000
Above is to be read with note no. 6, & 20 of Schedule 14				

- x) **The company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has also incurred cash losses in the current financial year and also in the immediately preceding financial year.**

repayment of dues, considering restructuring scheme, to financials institutions, banks and debenture holders, the details of which are given below:

- xi) **On the basis of records made available and information and explanations given to us, the company has defaulted in**

Particulars	Amount Over due as on 31.12.2007 (Including accrued interest to the extent provided for)	Maximum Balance outstanding during the year
Debentures holders	Rs. 24,27,15,771 (including carried over Rs. 17,54,36,062 from previous year)	Rs. 24,27,15,771
Banks	Rs. 18,46,19,358 (including carried over Rs. 18,27,34,983 from previous year)	Rs. 18,46,19,358
Financial Institutions	Rs. 36,18,05,243 (including carried over Rs. 25,82,11,424 from previous year)	Rs. 36,18,05,243
Deferred Interest	Rs. 10,76,18,562	Rs. 10,76,18,562
<i>Above is to be read with note no. 4, 5 & 20 of Schedule 14</i>		

- xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is not a chit fund or a nidhi/mutual benefit fund/society; therefore the provisions of clause 4 (xiii) of the Order are not applicable to the company.
- xiv) According to the information and explanations provided by the management, the company is not dealing in or trading in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the records, information and explanations given to us, the Company has not availed any fresh term loan during the year.
- xvii) Based on the examination of the documents and records made available and on the basis of information and explanations given to us and on an overall examination of financial statements, we are of the opinion that the company has not used funds raised on short-term basis for long-term investment.
- xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to any parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to information & explanations provided by the management no debentures have been issued during the year. In respect of debentures outstanding during the year, security or charge had been created as stated in note no. B 1 of schedule-3.
- xx) The company has not raised any money through a public issue during the year.
- xxi) Based on the audit procedures performed and on the basis of information and explanations provided by the management which have been relied upon by us, no fraud on or by the company has been noticed or reported during the course of our audit or have been informed by the management.

FOR OM PRAKASH S CHAPLOT & CO.
Chartered Accountants

Date : 07.05.2008
Place : UDAIPUR

(O.P.CHAPLOT)
Partner
M. No. 10184

UDAIPUR CEMENT WORKS LIMITED

BALANCE SHEET

As at 31st December, 2007

(Amount in Rs.)

	SCHEDULE	31st Dec.2007 (12 Months)	31st Dec.2006 (12 Months)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,143,223,330	1,143,223,330
Reserves and Surplus	2	608,992,920	608,992,920
		<u>1,752,216,250</u>	<u>1,752,216,250</u>
Loan Funds			
Secured Loans	3	1,217,017,008	1,217,017,008
Deferred interest (Refer Note No.5 - Notes on Accounts)		108,229,116	108,229,116
Unsecured Loan- Trade Deposits		43,902,540	43,902,540
		<u>1,369,148,664</u>	<u>1,369,148,664</u>
Total		<u>3,121,364,914</u>	<u>3,121,364,914</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		1,678,960,282	1,678,960,282
Less: Depreciation		1,166,521,667	1,094,257,719
Net Block	4	<u>512,438,615</u>	<u>584,702,563</u>
Investments	5	100,000,000	100,000,000
Current Assets,Loans and Advances			
Inventories	6	84,323,104	84,323,104
Sundry Debtors	7	122,147,868	122,847,768
Cash and Bank Balances	8	6,249,478	6,602,406
Loans and Advances	9	47,723,336	47,911,988
		<u>260,443,785</u>	<u>261,685,266</u>
Less: Current Liabilities and Provisions	10	562,815,670	561,619,155
Net Current Assets		<u>(302,371,885)</u>	<u>(299,933,889)</u>
Profit & Loss Account		2,811,298,184	2,736,596,240
(Balance as per annexed Profit & Loss account)			
Total		<u>3,121,364,914</u>	<u>3,121,364,914</u>
Notes on Accounts	14		
Schedules 1 to 10 and 14 attached to the Balance Sheet are an integral part thereof			

As per our report of even date
for OM PRAKASH S CHAPLOT & CO.
Chartered Accountants

Onkar Nath Rai

O.P.CHAPLOT
Partner

R.K.GUPTA
Whole Time Director

Vinit Marwaha

Directors

UDAIPUR
Date: 07.05.2008

PROFIT AND LOSS ACCOUNT
For the Year ended 31st December, 2007

(Amount in Rs.)

	SCHEDULE	31st Dec.2007 (12 Months)	31st Dec.2006 (12 Months)
INCOME			
Sales			
Other Income	11	457,636	178,725
		<u>457,636</u>	<u>178,725</u>
Increase / (Decrease) in Stocks		<u>457,636</u>	<u>178,725</u>
EXPENDITURE			
Employees	12	1,563,585	1,850,856
Other Expenses	13	1,331,934	4,026,324
		<u>2,895,519</u>	<u>5,877,180</u>
PROFIT / (LOSS) BEFORE DEPRECIATION		(2,437,883)	(5,698,456)
Depreciation		<u>72,263,948</u>	<u>72,297,212</u>
NET PROFIT/(LOSS) AFTER DEPRECIATION		<u>(74,701,831)</u>	<u>(77,995,668)</u>
NET PROFIT/(LOSS) BEFORE TAX		(74,701,831)	(77,995,668)
FRINGE BENEFIT TAX		<u>114</u>	<u>1,593</u>
NET PROFIT/(LOSS) AFTER TAX		<u>(74,701,945)</u>	<u>(77,997,261)</u>
(Deficit) brought forward from Previous Period		(2,736,596,240)	(2,658,598,979)
(Deficit) carried to Balance Sheet		<u>(2,811,298,184)</u>	<u>(2,736,596,240)</u>

Notes on Accounts 14

Schedules 11 to 14 attached to the Profit and Loss Accounts are an integral part thereof

This is the Profit and Loss Account referred to in our report of even date.

As per our report of even date for OM PRAKASH S CHAPLOT & CO. Chartered Accountants

Onkar Nath Rai

O.P.CHAPLOT
Partner

R.K.GUPTA
Whole Time Director

Vinit Marwaha

Directors

UDAIPUR
Date: 07.05.2008

UDAIPUR CEMENT WORKS LIMITED

**Schedules 1 to 14 annexed to and forming part of the
Balance Sheet as at 31st December, 2007 and Profit & Loss
Account for the year ended on that date.**

(Amount in Rs.)

	31st Dec.2007 (12 Months)	31st Dec.2006 (12 Months)
SCHEDULE 1		
CAPITAL #		
Authorised:		
Equity Shares - 6,50,00,000 of Rs. 10 each	650,000,000	650,000,000
Preference Shares - 60,00,000 of Rs. 100 each	600,000,000	600,000,000
	<u>1,250,000,000</u>	<u>1,250,000,000</u>
Issued, Subscribed & Paid Up:		
Equity Shares		
- 63103243 (Previous year 63103243) of Rs. 10 each fully paid up	631,032,430	631,032,430
Add : Forfeited Shares	2,667,900	2,667,900
	<u>633,700,330</u>	<u>633,700,330</u>
Zero Coupon Preference Shares #		
- 4531948 Shares of Rs. 100 each (series-I) fully paidup (Issued in consideration other than cash)	453,194,800	453,194,800
- 563282 Shares of Rs. 100 each (series-II) fully paidup (Issued in consideration other than cash)	56,328,200	56,328,200
# Zero Coupon Preference Shares I & II are Redeemable at par in five equal instalments commencing from the last quarter of year 2010-11		
	<u>1,143,223,330</u>	<u>1,143,223,330</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserves	130,800	130,800
Share Premium Account	608,862,120	608,862,120
	<u>608,992,920</u>	<u>608,992,920</u>
SCHEDULE 3		
SECURED LOANS		
(i) Debentures		
13.5% Secured Redeemable Partly Convertible Debentures	7,588,500	7,588,500
Non Convertible Debentures of Rs.100 each (Series - I) 2398769 (Previous Year 2398769) 13.5%	239,876,900	239,876,900
Non Convertible Debentures of Rs.100 each (Series- II) 1617930 (Previous Year 1617930) 13.5%	161,793,000	161,793,000
(ii) Loans & Advances from Banks and Financial Institutions		
Term Loans from		
Financial Institutions	618,470,500	618,470,500
Banks	11,250,000	11,250,000
Working Capital Loans from Banks	178,038,108	178,038,108
	<u>1,217,017,008</u>	<u>1,217,017,008</u>

Notes:

A. Terms of Redemption of Debentures

1. 13.5% Secured Redeemable Partly Convertible Debentures of Rs.90 each are redeemable in three equal annual installments commencing from April, 1 2002 (one installment redeemed)
2. In terms of the sanctioned Scheme of Compromise and/or Arrangement, part of the long term debt of the Company stood converted into Debentures on the terms given below:-
 - 13.5% Non-Convertible Debentures of Rs.100 each (Series-I) aggregating to Rs. 239876900 and 13.5% Non-Convertible Debentures of Rs.100 each (Series-II) aggregating to Rs.161793000 are redeemable in 28 quarterly installments of the amount calculated in terms of percentage specified in the scheme commencing from 2003-04 to 2009-10 i.e. 8%,12%,12%,13%,18%,18% and 19%.

B. Security

1. 13.5% Secured Redeemable Partly Convertible Debentures (Non Convertible Portion) of Rs.75,88,500 and 13.5% NCDs (Series - I) are secured by way of first parri passu charge on all the movable and immovable properties of the company and 13.5% NCDs (Series-II) are secured by way of a second and sub-servient charge on all the movable and immovable properties of the company subject to prior charges in favour of the bankers on specified movable assets for working capital requirements.
2. Term Loans from Financial Institutions and Banks are secured by way of first parri passu charge inter alia on the company's immovable properties at Udaipur and on the company's movable properties except term loans from Financial Institutions amounting to Rs. 48460500 are secured by means of second and sub-servient charge on the properties mentioned above subject to prior charges in favour of the bankers on specified movable assets for working capital requirements.
3. The Debentures and Term Loans secured as stated above are inclusive of deferred interest. (Refer Note 5 of Schedule 14)
4. Working Capital Loans from Banks are secured against hypothecation of Stocks & Book Debts etc.

SCHEDULE 4
FIXED ASSETS

(Amount in Rs.)

PARTICULARS	1st Jan..2007 Gross Book Value	Additions/ Adjustment	Sales/ Adjustment	31st Dec.2007 Gross Book Value	DEPRECIATION				31st Dec.2007 Net Book Value	31st Dec. 2006 Net Book Value
					Upto 31.12.2006	For the Period	On Sales/ Adjustment	Upto 31.12.2007		
Land	4151259			4151259					4151259	4151259
Leasehold Land	7063706			7063706	6439835	14824		6454659	609047	623871
Building	126775637			126775637	41941751	3274236		45215987	81559650	84833886
Furniture & Fixtures	11542082			11542082	8937957	637702		9575659	1966423	2604125
Vehicles	1521737			1521737	1188903	44861		1233564	288173	332834
Plant & Machinery	1484341788			1484341788	1009859509	66227541		1076087050	408254738	474482279
Pipeline & Water Works	8495428			8495428	4590901	403231		4994132	3501296	3904527
Railway Siding & Locomotives	20727653			20727653	12596698	984564		13581262	7146391	8130955
Electric Sub Stn. & Tel. instt. etc.	13435214			13435214	8141546	634345		8775891	4659323	5293668
Weigh Bridge	905778			905778	560619	42844		603463	302315	345159
TOTAL	1678960282			1678960282	1094257719	72263948		1166521667	512438614	584702563
Previous Year	1679457845		497563	1678960282	1022433191	72297212	472684	1094257719	584702563	

(Amount in Rs.)

31st Dec.2007
(12 Months)31st Dec.2006
(12 Months)**SCHEDULE 5****INVESTMENTS**

Long Term Investments (Unquoted).

Zero Coupon Optionally Convertible Debentures

- Sidhi Vinayak Investment Ltd. (5,00,000 Nos)

50,000,000

50,000,000

Zero Coupon Optionally Convertible Debentures

- Yashodhan Investment Ltd. (5,00,000 Nos.)

50,000,000

50,000,000

100,000,000100,000,000**SCHEDULE 6****INVENTORIES**

(As certified by the Management)

Stores & Spares

85,963,949

65,963,949

Raw Materials

7,825,878

7,825,878

Stock-in-Process

8,893,496

8,893,496

Finished Goods

1,415,781

1,415,781

Scrap

224,000

224,000

84,323,10484,323,104**SCHEDULE 7****SUNDRY DEBTORS**

(Unsecured)

Exceeding Six Months

- Considered Good

122,147,868

122,847,768

- Considered Doubtful

12,671,667

12,671,667

Less:- Provision for Doubtful debts

12,671,667

12,671,667

122,147,868

122,847,768

122,147,868122,847,768**SCHEDULE 8****CASH AND BANK BALANCES**

Cash on hand

6,195

33,526

Remittances in Transit and Cheques on hand

Balance with Scheduled Banks :

On Current Accounts

766,514

1,092,111

On Deposit Accounts (Including Employees' Security

5,476,768

5,476,768

Deposit Rs.75000 (Previous Period Rs.75000)

(F/D Pledged with Banks Rs. 4514700 lacs (Previous Period 4514700))

6,249,4786,602,406**SCHEDULE 9****LOANS AND ADVANCES**

(Unsecured / Considered good)

Advances recoverable in cash or in kind or for value to be received

29,660,176

29,818,829

Deposits with Government Authorities and Others

18,063,160

18,093,160

47,723,33647,911,988

UDAIPUR CEMENT WORKS LIMITED

(Amount in Rs.)

	31st Dec.2007 (12 Months)	31st Dec.2006 (12 Months)
SCHEDULE 10		
CURRENT LIABILITIES AND PROVISIONS		
<i>Current Liabilities</i>		
Sundry Creditors		
Dues of Micro, Medium and Small Enterprises (Refer Note No. 13)	2,211,239	2,211,239
Others Sundry Creditors	527,570,771	526,374,256
Sub-total - Sundry Creditors	529,782,010	528,585,495
Other Liabilities	32,883,281	32,883,281
Investor Education and Protection fund Shall be credited by the following amounts namely- *#+	150,379	150,379
- Unpaid Interest on 13.5% Secured Partly Convertible debentures		
* There is no amount due and outstanding as at balance sheet date to be credited to investor Education and Protection Fund		
# Refer Notes to Schedule 3		
+ Refer Note No. 4(b) of Schedule 14		
	562,815,670	561,619,155
SCHEDULE 11		
OTHER INCOME		
Interest Received on Income Tax Refund & Others	334	161,226
Rent	300	1,800
Profit on Sale of Assets		10,448
Credit Balances written off	457,002	
Other Miscellaneous Receipts		5,251
	457,636	178,725
SCHEDULE 12		
EMPLOYEES		
Salaries,Wages, Bonus, Gratuity etc.	1,520,385	1,776,433
Contribution to Provident and Other Funds	43,200	74,423
	1,563,585	1,850,856
SCHEDULE 13		
OTHER EXPENSES		
Insurance	72,423	366,243
Rent	139,500	117,000
Bank Charges	4,200	5,914
Directors fees	16,000	17,000
Repairs to Others	2,290	1,627
Postage, Telegrams, Telephones & Telex	75,371	253,349
Travelling, Conveyance & Motor Car Expenses	6,796	
Legal and Professional Fee & Expenses	229,535	262,357
Prior Period Expenses (Net)		1,921,041
Debit Balances written off	72,470	
Administrative Expenses on Provident Fund	84	666
Electricity, Gas & Water Charges	286,195	545,045
Fees & Subscription (Stock Exchange/Trustee fees)	377,908	361,344
Printing & Stationery	25,526	50,405
Office & General Expenses	23,636	124,334
	1,331,934	4,026,324

SCHEDULE 14

NOTES FORMING PART OF ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Accounts are maintained on accrual basis. Claims / refunds /fuel surcharge not ascertainable with reasonable certainty are accounted for on settlement/ receipt basis.
2. Fixed Assets are stated at cost of acquisition/purchase.
3. Expenditure during construction/erection period is allocated to the respective fixed assets on completion of construction/ erection. Interest on borrowings as allocated by the Management for new/ expansion project is capitalised/included in Capital Work in Progress.
4. Assets and liabilities related to foreign currency transactions are translated at exchange rate prevailing at the end of the period or at contracted rate. Exchange difference in respect of fixed assets are adjusted to the carrying cost of fixed assets and in respect of other, is charged to Profit & Loss Account.
5. Long term investments are stated at cost.
6. Inventories (except scrap/waste which is valued at net realisable value) are valued at lower of cost and net realisable value. The cost is computed on weighted average basis. Finished Goods and Process stock include cost of conversion and other charges incurred in bringing the Inventories to their present location and condition.
7. Borrowing cost is charged to Profit and Loss Account except cost of borrowing for acquisition of qualifying assets, which is capitalised till the date of commercial use of the assets.
8. Revenue expenditure on research and development is charged to profit and loss account and capital expenditure is added to the fixed assets.
9. (a) Depreciation on Fixed Assets is provided as per straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Continuous process plants as defined in Schedule XIV have been considered on technical evaluation.
(b) Leasehold land is being amortised over the lease period.
10. Provision for taxation is made based on the current tax rates in force. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and may be reversed in one or more subsequent periods. Deferred tax assets arising on account of brought forward losses, unabsorbed depreciation and other temporary timing differences are recognised only if there is virtual certainty of realisation.
11. Miscellaneous expenditure are amortised as follows : (Expenses incurred upto 30.09.2003)
 - (i) Preliminary expenses charged to Revenue Account over a period of ten years.
 - (ii) Expenses on issue of shares/debentures over ten years and such amortisation is adjusted against Share Premium Account.
 - (iii) Expenditure incurred upto 30.09.2003 against which benefit was expected to flow into future periods, had been treated as Deferred Revenue Expenditure and charged to Revenue Account over the expected duration of benefit.
12. Retirement benefits are accounted on accrual basis.

B. NOTES ON ACCOUNTS

1. The company is registered as a sick company with BIFR. Due to nonviability, operations of the plant are under suspension since 26th March, 2002. The company is exploring possibility of rehabilitation of the plant. Accordingly, these accounts have been prepared on "going concern" basis.
2. Dispute regarding salaries, wages, allowances and other benefits etc., to the employees for the period 18th June 2002 to 31st December 2007 is pending for adjudication before the Labour Tribunal and therefore the same has not been provided in the books of Accounts (Amount Unascertained). However, the provision in respect of above expenses (except contribution to Superannuation fund for the year period 01.10.2004 to 31.12.2005 and conveyance allowance and leave encashment w.e.f. 01.10.2004 onwards) has been made for those employees who were engaged in essential services including whole time director during this period.
3. For the reasons stated in Note no.1 above physical verification of the Fixed Assets and Inventories of raw materials, process stocks, stores & spares, scrap and finished goods could not be carried out during the year. The management does not envisage any material shortages therein as proper security arrangements are in place. Fixed assets and inventories have been taken same as in the previous year and inventories have been valued on the same value as in the previous year. Adjustment, if any for lower of net realisable value over cost of inventories and provision for non-moving, obsolete and damaged inventories and fixed assets and for impairment of assets could not be ascertained, hence not provided for.
4. (a) Interest on secured loans, bank borrowings, trade deposits, royalty and dues to Ajmer Vidyut Vitran Nigam Limited, Excise duty demand and penal interest, liquidated damages etc thereon, if any, has not been provided since the matter relating to rehabilitation is pending with BIFR (Amount Unascertained).
- (b) Matured Debentures amounting to Rs.24,25,65,392 (Previous year Rs. 17,52,85,683) have not been shown under current liabilities since the matter relating to rehabilitation is pending with BIFR.
- (c) Interest earned on certain deposits will be accounted for on receipt basis (Amount Unascertained).
5. Deferred interest represents amount payable to Term Lenders and Debenture holders commencing from June,2005 and ending on March,2008 (read with note no. B-3 of Schedule 3), pursuant to the Sanctioned Restructuring Scheme and includes amount fallen due for payment upto 31st December'07 of Rs. 10,76,18,562 but could not be paid due to suspension of operation.
6. Claims made against the Company, to the extent could be identified from available information, at Rs.3,20,96,064 (Previous year Rs. 3,23,84,364) disputed/not accepted by the company, hence not provided (excluding Stamp Duty as stated in Note No. 11 below).

(Amounting in Rs.)

	31st Dec'07	31st Dec'06
a) Excise duty in respect of matters in appeal	4,40,017	4,40,017
b) Sales Tax in respect of matters in appeal	17,25,000	17,25,000
c) Service tax in respect of matters with Asstt. Commissioner	66,05,892	66,05,892
d) Other matters	2,33,25,155	2,36,13,455

-
7. The liabilities pertaining to the statutory levies and pending legal cases prior to the date of take over of the cement undertaking i.e. 01.12.1993 will be borne by Bajaj Hindustan Limited.
 8. In the absence of profit, the required Debenture Redemption Reserve has not been created.
 9. The company has only one business segment, i.e. manufacturing and selling of cement.
 10. In view of uncertainty to have taxable profits in near future, Deferred Tax Assets in accordance with the Accounting Standard- 22 issued by the Institute of Chartered Accountants of India has not been recognised.
 11. In respect of the pending Stamp duty matter the Collector (Stamps), Udaipur vide order dated 29.01.2004 had determined stamp duty liability at Rs. 8,04,28,911 along with equal amount of penalty. The company filed a revision petition against the said order dated 29.01.2004 before the Revenue Board, Ajmer, which was subsequently transferred to Rajasthan Tax Board, Ajmer who vacated the stay order earlier granted by the Revenue Board. Consequently the Collector (Stamps) initiated recovery proceedings by attaching the properties of the company. There upon the company filed a writ petition in the Hon'ble High Court of Judicature for Rajasthan at Jodhpur against the said attachment. The Hon'ble High Court vide order dated 08.05.2006 allowed our writ petition. In the meantime Rajasthan Tax Board dismissed our revision petition on 06.10.2006. The Collector (Stamps) again initiated recovery proceedings by auctioning/ threatening to auction property of the company in spite of the fact that such proceeding cannot be taken in view of Section 22 of SICA and order of Hon'ble High Court dated 08.05.2006. The Company has filed writ petitions intere-alia challenging the impugned order dated 06.10.2006 and action of the Collector (Stamps). The Hon'ble High Court has stayed further action by the Collector (Stamps), Udaipur and petitions are pending disposal.
 12. Contingent liability for non-use of Jute bags for Cement packing upto 30th June, 1997, as per Jute Packaging Materials (Compulsory use of Packaging Commodities) Act, 1987 is not ascertained. The Government has excluded Cement Industry from application of the said Order from 1st July, 1997.
 13. Disclosure of Sundry Creditors under Current Liabilities & Provisions, is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Principal amount overdue as on 31st December 2007, to "Micro, Small and Medium Enterprises" aggregate to Rs. 22,11,239/- (Previous year Rs. 22,11,239/-). No interest has been paid or provided on overdue liability of Micro, Small and Medium Enterprises, since the operations of the plant are under suspension since 26th March, 2002 and matter relating to rehabilitation is pending with BIFR (Amount Unascertained).
 14. Debts over six months and Loans and Advances includes Rs.12,21,47,868 (Previous year Rs. 12,28,47,768) and Rs.4,77,23,336 (Previous year Rs. 4,79,11,988) respectively, for which legal and other necessary action has been taken for recovery. Provision, if any, will be considered on completion of the reconciliation/confirmation.
 15. Interest free demand Loans and Advances include loan to employees of Rs. 7,65,868 (Previous year Rs. 7,65,868) and interest free advances to employees of Rs. 1,41,60,915 (Previous year Rs. 1,41,60,915). Maximum balance outstanding during the year Rs. 765,868 and Rs. 1,41,60,915 respectively.
 16. Internal audit has not been conducted during the year since operations of the plant continue to remain suspended as stated in note no. 1 above.
-

17. Payment to Auditors: - (Amount in Rs.)

	2007 (12 Months)	2006 (12 Months)
a) Statutory Auditors :		
i) Audit Fee	28,090	25,000
ii) Reimbursement of Expenses		2,464
	<u>28,090</u>	<u>27,464</u>
b) Cost Auditors		
i) Cost Audit Fee	14,000	14,000
ii) Reimbursement of Expenses		830
	<u>14,000</u>	<u>14,830</u>

18. Remuneration to Whole Time Director (Amount in Rs.)

	2007 (12 Months)	2006 (12 Months)
Salary (Including Allowances)	2,40,000	2,40,000
Contribution to Provident & Superannuation Fund	43,200	64,800
Gratuity	11,538	11,538
Value of Perquisites	54,000	54,000
	<u>3,48,738</u>	<u>3,70,338</u>

This is to be read with note no. 2 herein above.

19. Prior Period Expenses include fees & subscription Rs. Nil (13,79,238), Legal Expenses Rs. Nil (62,919/-), Sales Tax Demand Rs. Nil (4,78,884/-) & Other Expenses Nil (Nil)
20. The balances of Secured loans, Unsecured loans, Deferred interest, Creditors, Other Current liabilities, Banks and deposits are pending for confirmation / reconciliation (Impact unascertainable).
21. Particulars of Capacity (Per annum), Production, Sales and Stocks:

Description	Unit	Installed Capacity (P.A.) Qty.	Production Qty.	Sales		Opening Stocks		Closing Stocks	
				Qty.	Rs.	Qty.	Rs.	Qty.	Rs.
		(a)						(b)	
Cement	MT	900000	Nil	Nil	Nil	909	1415781	909	1415781
		(900000)	Nil	Nil	Nil	(909)	(1415781)	(909)	(1415781)

Note :

- a) As certified by the Management.
- b) Figures in brackets represent previous year.
22. Particulars of raw materials consumed, stores and spares consumed, Earning/expenditure on foreign currency Nil. (Previous year Nil).

23. Related Party Disclosure :

List of Related Parties

a) **Associates : M/s Ashim Investment Company Ltd.**

b) **Key Management Personnel :**

Shri R. K. Gupta Whole Time Director

c) The following transactions were carried out with related parties in the ordinary course of business:

Nature of transaction	Associates	Key Management
	(M/s Ashim Investment Co. Ltd.)	Personnel
i). Remuneration	- (-)	3,48,738 (3,70,338)
ii) Outstanding as at year end		
- Payable (Net)	- (-)	11,675 (11,675)
- Remuneration Payable	- (-)	18,700 (9,172)

24. Basic and Diluted Earning Per Share (Pursuant to Accounting Standard – 20) :

	2007	2006
	(12 Months)	(12 Months)
a) Net (Loss) for the year (Rs.)	(7,47,01,945)	(7,79,97,261)
b) Weighted Number of Equity Shares of Rs. 10 Each outstanding during the year (Nos.)	6,31,03,243	6,31,03,243
c) Basic / Diluted Earning per share (a/b)	(1.18)	(1.24)

25. Previous year's figures have been re-grouped, re-arranged and recast wherever considered necessary.

As per our report of even date
for OM PRAKASH S CHAPLOT & CO.
Chartered Accountants

Onkar Nath Rai

O.P.CHAPLOT
Partner

R.K.GUPTA
Whole Time Director

Vinit Marwaha

Directors

UDAIPUR
Date: 07.05.2008

CASH FLOW STATEMENT

For the Year ended 31st December, 2007

(Amount in Rs.)

PARTICULARS	2007 (12 Months)	2006 (12 Months)
A. CASH FLOW FROM OPEARTING ACTIVITIES:		
Net Profit /(Loss) Before Tax And Extraordinary Items	(74,701,945)	(77,997,261)
Adjustments for :		
Depreciation	(72,263,948)	72,297,212
Depreciation written Back	-	-
Interest/Dividend	-	-
(Profit) /Loss on Sale of Assets (Net)	-	(10,448)
Preliminary & Deferred Revenue expediture written off	-	-
Operating Profit Before Working Capital Changes	(2,437,997)	(5,710,497)
Adjustments for :		
Trade and Other Receivables	888,554	1,964,044
Trade Payables	1,196,515	3,932,500
Net Cash from Operating Activities	(352,928)	186,047
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed assets	-	35,326
Interest received	-	-
Net Cash Used In Investing Activities	-	35,326
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from / (Repayment of)short term borrowings	-	-
Net Cash Used In Financing Activities	-	-
D. Net Increase/(Decrease) in Cash And Cash Equivalents(A+B+C)	(352,928)	221,373
E. Cash And Cash Equivalents at the beginning of the year	6,602,406	6,381,033
F. Cash And Cash Equivalents at the Closing of the period (D+E)	6,249,478	6,602,406

Note :

1 Cash and Cash Equivalents includes

	As at 31.12.2007 (12 Months)	As at 31.12.2006 (12 Months)
- Cash in hand	6,195	33,526
- Bank balances with Schedule Banks	6,243,283	6,568,880
	6,249,478	6,602,406

2 Figures shown in bracket shows Cash outflow.

for OM PRAKASH S CHAPLOT & CO.
Chartered Accountants

Onkar Nath Rai

O.P.CHAPLOT
Partner

R.K.GUPTA
Whole Time Director

Vinit Marwaha

Directors

UDAIPUR
Date: 07.05.2008

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS
PROFILE AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT 1956.**

I. Registration Details :

Registration No.	17-07267
State Code	17
Balance Sheet Date	31.12.2007

**II. Capital Raised During the Year :
(Amount in Rs. Thousands)**

Public Issue	NIL
Rights Issue	NIL
Private Placement	NIL

**III. Position of Mobilisation and Deployment of Funds :
(Amount in Rs. Thousands)**

Total Liabilities	3,121,365
Total Assets	3,121,365

SOURCES OF FUNDS

Paid-up Capital	1,143,223
Reserves & Surplus	608,993
Secured Loans	1,325,246
Unsecured Loans	43,903

APPLICATION OF FUNDS

Net Fixed Assets	512,438
Investments	100,000
Net Current Assets	(302,371)
Misc. Expenditure	
Accumulated Losses	2,811,298

**IV. Performance of the Company :
(Amount in Rs. Thousands)**

Turnover including Other Incomes	458
Total Expenditure	75,160
Profit / (Loss) Before Tax	-74,702
Earnings Per Share (Rs.)	(1.18)
Dividend Rate (%)	NIL

**V. Generic Names of Principal Products/Services of the Company
(As per Monetary terms)**

Item Code No. (ITC Code)	252329-01
Product Description	Grey Portland Cement

Onkar Nath Rai

Directors

Vinit Marwaha

R.K. GUPTA

Whole-Time Director

NEW DELHI

Date: 07.05.2008

Udaipur Cement Works Limited

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

ADMISSION SLIP

Folio No./ Client ID #	
No. of Equity Shares held	

I hereby record my presence at the 13th Annual General Meeting of the Company being held at, Maharani Palace, Station Road, Jaipur-302 001, Rajasthan on Wednesday, the 25th June 2008 at 11.00 A.M.

Name of the Shareholder (in block letter)
Name of Proxy /Authorised Representative attending* (in block letter)
Signature of the Shareholder or Proxy

*Strike out whichever is not applicable

#Applicable for investors holding shares in dematerialised form.

Signature of the attending Shareholder/Proxy/Authorised Representative*

Notes: Please produce this Admission Slip duly filled and signed at the entrance of the meeting hall. Shareholders intending to appoint a proxy may use the Proxy Form given below.

Udaipur Cement Works Limited

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

PROXY FORM

I / We of being a member / members of UDAIPUR CEMENT WORKS LIMITED hereby appoint Shri/Smt./Km..... of..... or failing him Shri/Smt./Km/..... of..... or failing him Shri/Smt./Km/ of as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Wednesday, the 25th June 2008 at 11.00 A.M. and at any adjournment thereof.

Signed this ----- day of ----- 2008.

Folio No./ Client ID #	
No. of Equity Shares held	

Signature(s)

Affix
Revenue
Stamp

#Applicable for Shareholders holding shares in dematerialised form.

Note : The proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company at 309, Samod Tower, S.C. Road, Jaipur-302 001, Rajasthan, at least 48 hours before the scheduled time.

Book-Post

UDAIPUR CEMENT WORKS LIMITED
Regd. Office-309, Samod Tower,
S.C.Road, Jaipur - 302001 (Rajasthan)

Chouhary Offset Pvt. Ltd. - 0294-2584071, 2485784