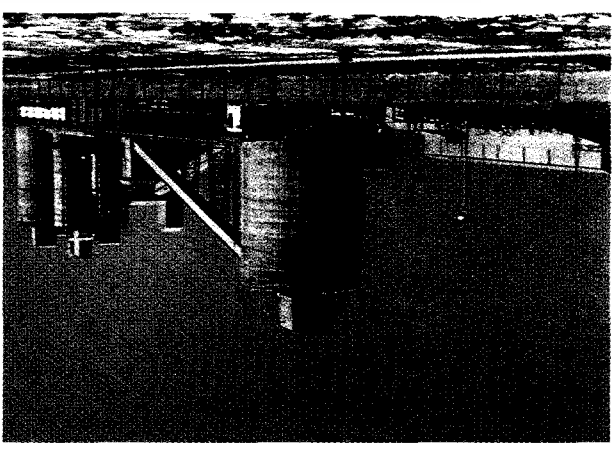
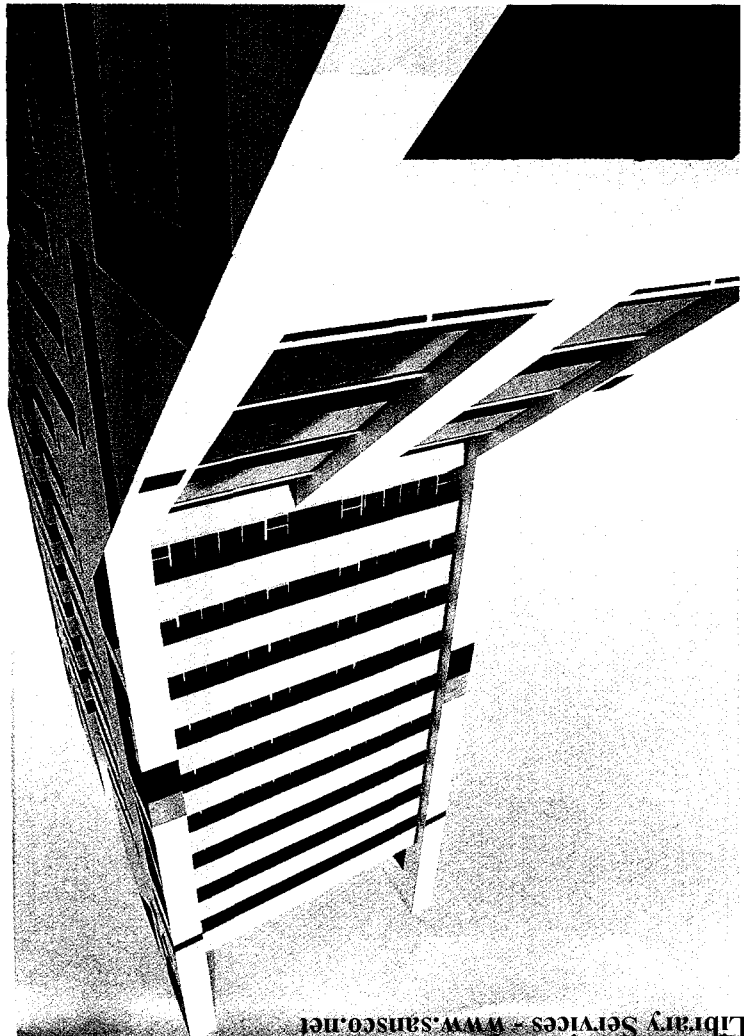
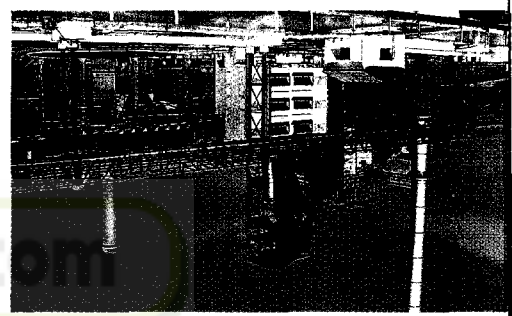
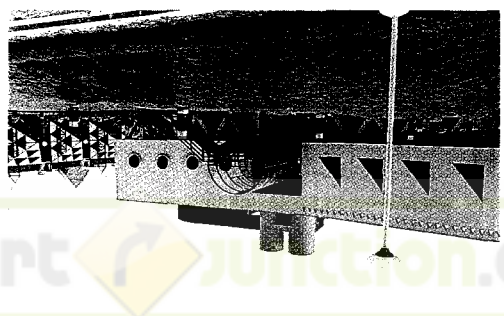
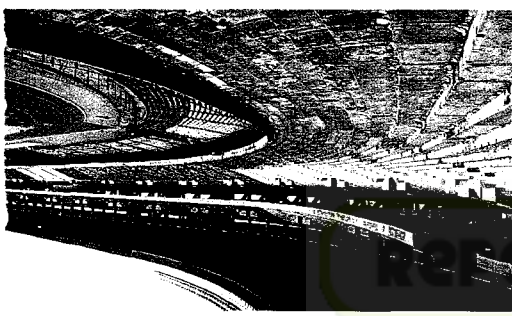
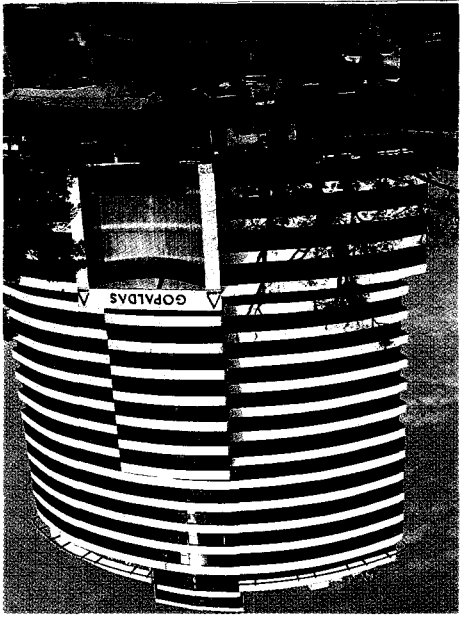
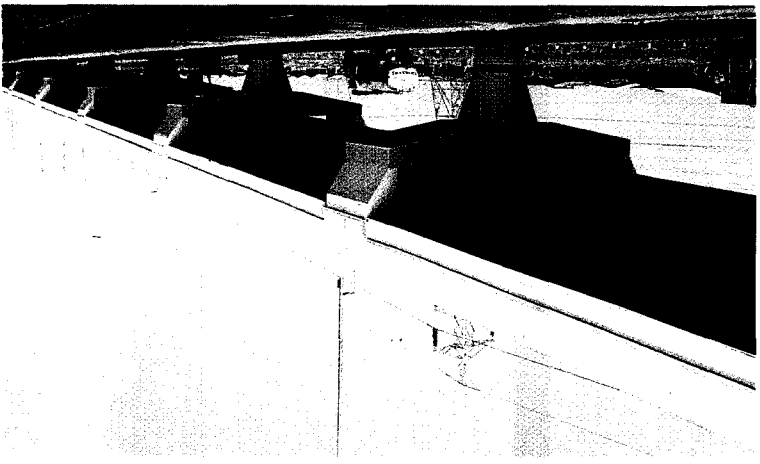




**THE ASSOCIATED CEMENT COMPANIES
LIMITED**



The concrete gallery



ANNUAL REPORT 1998-99

BOARD OF DIRECTORS

Mr. N. A. Palkhivala

Chairman Emeritus

Mr. Pallonji S. Mistry

Chairman

Dr. S. Ganguly

Vice-Chairman

Mr. T.M.M. Nambiar

Managing Director

Mr. S. R. Vakil

Mr. P. K. Mistry

Mr. P. J. Jagus

Mr. N. A. Soonawala

Mr. O. P. Dubey

Dr. A. K. Chatterjee

Wholtime Director

Mr. M. L. Narula

Wholtime Director

Mr. P. K. Sinor

Wholtime Director & Company Secretary

Mr. J. N. Godbole

Nominee Director of Industrial Development Bank of India

Mr. Amitabha Ghosh

Nominee Director of Unit Trust of India

Mr. B. Ramakrishna

Special Director nominated by State Government of Andhra Pradesh

Mr. K. Jayabharath Reddy, IAS

Special Director nominated by State Government of Andhra Pradesh

BANKERS

STATE BANK OF INDIA

BANK OF BARODA

BANK OF INDIA

CENTRAL BANK OF INDIA

CANARA BANK

STATE BANK OF HYDERABAD

STATE BANK OF BIKANER & JAIPUR

ANZ GRINDLAYS BANK

BANK OF AMERICA

CITI BANK N.A.

THE HONGKONG & SHANGHAI

BANKING CORPORATION LIMITED

AUDITORS

MESSRS A.F. FERGUSON & CO.

MESSRS K.S. AIYAR & CO.

SOLICITORS

S. R. VAKIL

MESSRS PAYNE & CO.

MESSRS GAGRAT & CO.

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REGISTERED OFFICE

CEMENT HOUSE

121, MAHARSHI KARVE ROAD,

MUMBAI 400 020.

ANNUAL REPORT OF SUBSIDIARY COMPANIES

ACC Machinery Company Limited

The Cement Marketing Company of India Limited

ACC-Nihon Castings Limited

Bulk Cement Corporation (India) Ltd.

Damodhar Cement and Slag Limited

ANNUAL GENERAL MEETING

On Wednesday, July 7, 1999,
at 3.45 p.m.

at Birla Matushri Sabhagar,
19, Sir Vithaldas Thackersey Marg,
Mumbai 400 020

Members are requested to kindly
bring their copies of the Annual
Report to the Meeting.



NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTY-THIRD ANNUAL GENERAL MEETING OF THE ASSOCIATED CEMENT COMPANIES, LIMITED will be held at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, on Wednesday, July 7, 1999 at 3.45 p.m. to transact the following business:-

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the financial year ended March 31, 1999 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Mr. N.A. Palkhivala who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Dr. A.K. Chatterjee who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. M.L. Narula who retires by rotation and is eligible for reappointment.
6. To appoint a Director in place of Mr. O.P. Dubey who was appointed a Director of the Company with effect from March 25, 1998, in the casual vacancy on the Board caused by the resignation of Mr. K.P. Narasimhan and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 262 of the Companies Act, 1956, but who is eligible for reappointment and in respect of whom the Company has received notices in writing from some Members proposing his candidature for the office of Director under the provisions of Section 257 of the Act.

RATIFICATION OF PAYMENT OF REMUNERATION TO MANAGING/WHOLETIME DIRECTORS

7. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :—

"RESOLVED that pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby ratifies and confirms the payment of remuneration amounting to Rs.22,77,267 to Mr. T.M.M. Nambiar, Managing Director, Rs.17,50,721 to Dr. A.K. Chatterjee, Rs.15,18,520 to Mr. M.L. Narula and Rs.15,19,032 to Mr. P.K. Sinor, Wholetime Directors, (inclusive of exempted perquisites viz contribution to Provident Fund and Superannuation Fund) for the financial year ended March 31,1999 and subject to the approval of the Central Government waives the recovery of the sum of Rs.9,84,267 from Mr. T.M.M. Nambiar, Rs.5,38,721 from Dr. A.K. Chatterjee, Rs.3,06,520 from Mr. M.L. Narula and Rs.3,07,032 from Mr. P.K. Sinor being the remuneration paid/ payable to them in excess of the statutory limits laid down under the Act and approves of the consequential retention thereof by them."

REVISION IN TERMS OF REMUNERATION OF MANAGING/WHOLETIME DIRECTORS

8. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :—

"RESOLVED that in partial modification of Resolution Nos.11, 13 & 14 passed at the Annual General Meeting of the Company held on August 28, 1996 for the appointment and terms of remuneration of Mr. T.M.M. Nambiar as Managing Director, Dr. A.K. Chatterjee and Mr. M.L. Narula as Wholetime Directors of the Company respectively and in partial modification of Resolution No.8 passed at the Annual General Meeting held on September 3, 1997 for the appointment and terms of



remuneration of Mr. P.K. Sinor as Wholtime Director of the Company and in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the change in salary scale applicable to Mr. T.M.M. Nambiar, Managing Director, Dr. A.K. Chatterjee, Mr. M.L. Narula and Mr. P.K. Sinor, Wholtime Directors (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of their respective appointments) with authority to the Board of Directors to fix their salaries within their respective scales, increasing thereby, proportionately, all benefits related to the quantum of salary, with effect from April 1, 1999 for the remainder of the tenure of their contracts as set out in the respective draft Supplemental Agreements submitted to this Meeting and initialled by a Director for the purpose of identification which Agreements are hereby specifically sanctioned."

**INCREASE IN THE
BORROWING LIMITS**

9. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :—

"RESOLVED that in supersession of Resolution No.16 passed at the Sixtieth Annual General Meeting of the Company held on August 28, 1996 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing, from time to time, any sum or sums of moneys which, together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate, for the time being, of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of moneys so borrowed by the Board shall not at any time exceed Rupees three thousand crore."

**CREATION OF CHARGES/
MORTGAGES IN FAVOUR
OF FINANCIAL
INSTITUTIONS/ BANKS
ETC. AS SECURITY
AGAINST LOANS**

10. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :—

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as the Board may direct, on such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of all or any of the financial institutions/banks/any other investing agencies/Trustees for the holders of debentures/bonds/other instruments which may be issued to and subscribed by all or any of the financial institutions/banks/any other investing agencies or any other person(s)/bodies corporate by way of private placement or otherwise, to secure rupee/foreign currency loans, debentures, bonds or other instruments of an equivalent aggregate value not exceeding Rupees Three thousand crore together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, costs, charges, expenses and all other moneys payable by the Company to the aforesaid parties or any of them under the Agreements/Arrangements entered into/to be entered into by the Company in respect of the said loans, debentures, bonds or other instruments.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to finalise with the aforesaid parties or any of them, the

documents for creating the mortgages/charges/hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

INCREASE IN AUTHORISED CAPITAL

11. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :—

"RESOLVED that the Authorised Capital of the Company be increased from Rs.225,00,00,000 divided into 22,50,00,000 Equity Shares of Rs.10 each to Rs.325,00,00,000 divided into 22,50,00,000 Equity Shares of Rs.10 each and 10,00,00,000 Preference Shares of Rs.10 each by the creation of 10,00,00,000 Preferences Shares of Rs.10 each and that Clause V of the Memorandum of Association of the Company be altered accordingly."

AMENDMENT TO ARTICLES OF ASSOCIATION

12. To consider and, if thought fit, to pass with or without modification the following Resolution as a Special Resolution :—

"RESOLVED that the Articles of Association of the Company be altered pursuant to Section 31 of the Companies Act, 1956 in the manner following :

For Article 4, the following Article shall be substituted :

'4 The Share Capital of the Company is Rs.325,00,00,000 divided into 22,50,00,000 Equity Shares of Rs.10 each and 10,00,00,000 Preference Shares of Rs 10 each.'

ISSUE OF PREFERENCE SHARES

13. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :—

"RESOLVED that pursuant to Sections 80, 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof) and the Articles of Association of the Company and subject to such other consents and approvals, if any, as may be necessary and subject to such conditions and modifications as may be prescribed in granting such consents and approvals and which may be agreed to by the Board of Directors (hereinafter referred to as "the Board" which term shall include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot such number of Redeemable Preference Shares of the face value of Rs.10/- each of an aggregate nominal value not exceeding Rs.100 crore (Rupees one hundred crore), exclusive of such premium if any, as may be determined by the Board, in one or more private offerings including private placement, in Indian markets to Indian/ foreign investors (whether institutions/banks and/or incorporated bodies (including companies) and/or any other body corporate and/or trusts and/or mutual funds and/or local bodies and/or any combination thereof) and whether or not such investors are members of the Company, on such terms and conditions, bearing such dividend and in one or more tranches as may be decided by the Board in its absolute discretion.

"RESOLVED FURTHER that without prejudice to the generality of the above, the Board be and is hereby authorized to determine as to when the said Preference Shares are to be issued, the types and classes of investors to whom the Preference Shares are to be offered, the number and value of the Preference Shares to be issued in each tranche, utilisation of the issue proceeds, the terms and conditions



subject to which the Preference Shares are to be issued (including combination of terms for Preference Shares issued at various points of time), including but not limited to the number of shares to be issued, the rate of dividend, period of redemption, manner of redemption (including by conversion to equity, if permissible in law), premium on redemption or premature or early redemption at the option of the Company and/or the investor, terms for cumulation or otherwise of dividends including disposal of the unsubscribed portion of the Preference Shares and all such terms as are provided in offerings of a like nature.

"RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable, and pay any fees and commission and incur expenses in relation thereto."

SERVICE TAX

14. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :—

"RESOLVED that Messrs A.F. Ferguson & Co. and Messrs K.S. Aiyar & Co., Chartered Accountants, be paid an amount not exceeding Rs. 1.61 lakhs being the amount representing the service tax on audit fees for carrying out the statutory audit of the accounts of the Company for the period April 1, 1998 to March 31, 1999."

REAPPOINTMENT OF AUDITORS

15. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :—

"RESOLVED that Messrs A.F. Ferguson & Co. and Messrs K.S. Aiyar & Co., Chartered Accountants, be and are hereby reappointed Auditors of the Company for the financial year 1999-2000 to hold office from the conclusion of the Sixty-Third Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.8.10 lakhs to each of them and that they also examine and audit the accounts of the factories and branch offices of the Company on a further remuneration to any one of them of Rs.72,000 for each factory and overseas projects, Rs.30,000 for each branch office, Rs.3,600 for each cement warehouse and Rs.10,000 for each Ready Mixed Concrete Plant and that they be entitled to fees as agreed upon for any other consultation or certification work as may be required plus service tax, out-of-pocket, travelling and living expenses."

Notes : (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

(b) The Register of Members and Transfer Books of the Company will be closed from Monday, June 7, 1999 to Tuesday, June 22, 1999 both days inclusive.

(c) The Dividend when sanctioned will be paid on and from July 15, 1999 to those shareholders whose names stand on the Register of Members on June 22, 1999. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares as on 7th June 1999, as per details furnished by the Depositories for this purpose.



- (d) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 6 to 15 as set out above are annexed hereto.
- (e) As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available for shareholders, debentureholders and fixed deposit holders in respect of the shares, debentures and deposits held by them. Nomination forms can be obtained from the Share Department/Fixed Deposit Section of the Company.

By Order of the Board,
For THE ASSOCIATED CEMENT COMPANIES, LIMITED,

T.M.M. NAMBIAR
Managing Director

Mumbai, May 10, 1999
Registered Office :
"Cement House"
121, Maharshi Karve Road,
Mumbai 400 020.

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EXPLANATORY STATEMENTS

The following Explanatory Statements as required by Section 173 of the Companies Act, 1956, set out all material facts relating to the business under Items 6 to 15 mentioned in the accompanying Notice dated May 10, 1999.

2. **Item 6 :** At the request of Life Insurance Corporation of India (LIC), the Board of Directors has appointed Mr. O.P. Dubey, Zonal Manager, Eastern Zonal Office, as a Director of the Company with effect from March 25, 1998 in the casual vacancy of Mr. K.P. Narasimhan.

3. Under Section 262 of the Companies Act, 1956, Mr. Dubey holds office only till the date upto which Mr. Narasimhan in whose vacancy he has been appointed would have held office, viz., till the date of the forthcoming Annual General Meeting.

4. Notices under Section 257 of the Act have been received from some Members signifying their intention to propose the appointment of Mr. Dubey as a Director of the Company. It is in the interest of the Company to avail of Mr. Dubey's expertise and guidance.

5. **Item 7 :** Members will recall that pursuant to their approval, Agreements were entered into between the Company and Mr. T.M.M. Nambiar, Managing Director and Dr. A.K. Chatterjee, Mr. M.L. Narula and Mr. P.K. Sinor, Wholtime Directors, for payment of remuneration to them which *inter alia* provide under the 'Minimum Remuneration' clause that where in any financial year the Company has no profits or its profits are inadequate, the Company would pay them the remuneration by way of salary, perquisites and allowances specified in their respective Agreements as minimum remuneration. No commission however is payable to these Directors.

6. Under Section 309 of the Companies Act, 1956 the payment of remuneration to the Managing/Wholtime Directors cannot exceed 10% of the net profits of a company as computed under Section 349 of the Act. The total managerial remuneration cannot exceed, under Section 198 of the Act, 11% of the net profits of a company. As per Section 198(4) of the Companies Act, 1956, if in any financial year there is an absence or inadequacy of profits, the company cannot pay its directors, remuneration, in excess of the limit specified in Schedule XIII, Part II Section II of the Act without the express approval of the Central Government. Under Section 309(5A) of the Act, any sums paid in excess of these statutory limits become refundable to the company unless the company waives recovery of the amount paid in excess of the limits and such waiver is approved by the Central Government.

7. In spite of the best efforts of the Management, the profitability of the Company for the financial year ended March 31, 1999 was once again low. This coupled with higher depreciation under Section 350 due to major investments, has resulted in a loss under Section 309(5) of the Companies Act, 1956.

8. The Board is of the opinion that, but for the major investments made by the Company in setting up additional capacities and modernising plants, both of which are in the interest of the Company as also in the national interest, the Directors would have been entitled to receive the full remuneration sanctioned. The absence of profits under Section 349 of the Companies Act, 1956, is mainly on account of the calculation of depreciation on the basis of the Written Down Value Method as required under Section 350 of the Act, resulting in provision for higher depreciation as compared to the depreciation provided in the books for the year 1998-99 on the

basis of the Straight Line Method. The Board is of the view that the Directors should therefore be permitted to retain the salary, perquisites and allowances as per their respective Agreements approved by the Members and paid/payable to them during the financial year ended March 31, 1999 though these are in excess of the statutory limits to the extent set out in the Resolution.

9. Since the remuneration paid/payable (which includes exempted perquisites viz. Contributions to Provident Fund and Superannuation Fund) to the Managing/ Wholtime Directors as per the Members' approval is higher than the limit prescribed under Schedule XIII as mentioned above, the specific approval of the Central Government and the Members is necessary for the amounts paid in excess of the above limits as set out in Resolution at Item 7. The Central Government's approval is being sought to the retention by the Directors of the excess remuneration paid/ payable to them and being treated by the Department of Company Affairs as increased remuneration.

10. Members' ratification, and confirmation of the payment of remuneration made to these Directors as set out in the Resolution at Item 7 and the approval for the retention of remuneration in excess of the statutory limits laid down in Sections 198, 309 and 310 of the Act is requested. The Board commends the Resolution for acceptance by the Members.

11 Mr. T.M.M. Nambiar, Dr. A.K. Chatterjee, Mr. M.L. Narula and Mr. P.K. Sinor, Directors of the Company are concerned or interested in the Resolution.

12. **Item 8 :** At the Annual General Meeting of the Company held on August 28, 1996, the Members had approved of the appointment of Mr. T.M.M. Nambiar as Managing Director of the Company on a salary of Rs.50,000 in the salary scale Rs.25,000 – Rs.75,000, Dr. A.K. Chatterjee and Mr. M.L. Narula as Wholtime Directors of the Company on a salary of Rs.30,000 in the salary scale Rs.25,000 – Rs.60,000 together with such perquisites and commission as specified in the Explanatory Statement annexed to the Notice of the Meeting.

13. Thereafter, at the Annual General Meeting of the Company held on September 3, 1997, the Members had approved of the appointment of Mr. P.K. Sinor as Wholtime Director of the Company on a salary of Rs.35,000 per month in the salary scale Rs.25,000 – Rs.60,000 together with such perquisites and commission as specified in the Explanatory Statement annexed to the Notice of the Meeting.

14. As the Members are aware, Government had liberalised Schedule XIII to the Act in 1994 enhancing the limits of managerial remuneration, but the Company had set for itself certain limits in this regard. The present salary scales of the Managing Director and the Wholtime Directors were based on the internal limits of the Company as framed in 1996 and as approved by the Members. It is now proposed to revise the salary scales of the Managing Director and the Wholtime Directors with effect from April 1, 1999 as follows :

The salary scale for Mr. T.M.M. Nambiar, Managing Director be enhanced to Rs.35,000 - Rs.1,50,000 per month and that of Dr. A.K. Chatterjee, Mr. M.L. Narula and Mr. P.K. Sinor, Wholtime Directors of the Company be enhanced to Rs.25,000 - Rs.1,00,000 per month (with proportionate increase in the value of the benefits related to salary) for the remainder of the tenure of their contracts i.e. upto