

70th Annual Report 2005

(For the period April - December 2005)



The Associated Cement Companies Limited

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ANNUAL REPORT 2005

BOARD OF DIRECTORS

(As on February 17, 2006)

Mr. N. S. Sekhsaria

Chairman

Mr. Paul Hugentobler

Deputy Chairman

Mr. M. L. Narula

Managing Director

Mr. A. L. Kapur

Mr. S. M. Palia

Mr. Naresh Chandra

Mr. Markus Akermann

Mr. D. K. Mehrotra

Mr. R. A. Shah

Dr. Nirmalya Kumar

Mr. Shailesh Haribhakti

Mr. Anil Singhvi

Mr. A. K. Jain

Wholtime Director

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

STANDARD CHARTERED BANK

BANK OF AMERICA

CITIBANK, N.A.

THE HONGKONG & SHANGHAI

BANKING CORPORATION LIMITED

INDUSTRIAL DEVELOPMENT BANK

OF INDIA LTD.

HDFC BANK LTD.

ICICI BANK LTD.

AUDITORS

MESSRS A.F. FERGUSON & CO.

MESSRS K.S. AIYAR & CO.

MESSRS S.R. BATLIBOI & ASSOCIATES

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REGISTERED OFFICE

CEMENT HOUSE

121, MAHARSHI KARVE ROAD,
MUMBAI 400 020.

Website: www.acclimited.com

ANNUAL REPORT OF SUBSIDIARY COMPANIES

ACC Machinery Company Limited

ACC-Nihon Castings Limited

Bulk Cement Corporation (India) Ltd.

Tarmac (India) Private Limited

The Cement Marketing Company of
India Limited

ANNUAL GENERAL MEETING

On Wednesday, April 12, 2006
at 3.30 p.m. at Yashwantrao Chavan
Pratishthan, Gen. Jagannath Bhosale
Marg, Next to Sachivalaya
Gymkhana, Mumbai 400 021.

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



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NOTICE

NOTICE IS HEREBY GIVEN THAT THE SEVENTIETH ANNUAL GENERAL MEETING OF THE ASSOCIATED CEMENT COMPANIES LIMITED will be held at Yashwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021 on Wednesday, April 12, 2006 at 3.30 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Profit and Loss Account for the nine months period ended December 31, 2005, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. A L Kapur who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. S M Palia who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. Naresh Chandra who retires by rotation and is eligible for reappointment.

APPOINTMENT OF AUDITORS

6. To appoint Messrs K S Aiyar & Co. and Messrs. S R Batliboi & Associates, Chartered Accountants, as Auditors of the Company on such remuneration as agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of service tax and all out of pocket expenses in connection with the audit of the Accounts of the Company for the year ending December 31, 2006.

SPECIAL BUSINESS

APPOINTMENT OF MR D K MEHROTRA AS DIRECTOR

7. To appoint a Director in place of Mr. D K Mehrotra who was appointed by the Board of Directors an Additional Director of the Company with effect from October 14, 2005 and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director.

APPOINTMENT OF MR R A SHAH AS DIRECTOR

8. To appoint a Director in place of Mr. R A Shah who was appointed by the Board of Directors an Additional Director of the Company with effect from January 24, 2006 and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director.



**APPOINTMENT OF
DR. NIRMALYA KUMAR
AS DIRECTOR**

9. To appoint a Director in place of Dr. Nirmalya Kumar who was appointed by the Board of Directors an Additional Director of the Company with effect from January 24, 2006 and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director.

**APPOINTMENT OF
MR ANIL SINGHVI
AS DIRECTOR**

10. To appoint a Director in place of Mr Anil Singhvi who was appointed by the Board of Directors an Additional Director of the Company with effect from February 17, 2006 and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director.

**REAPPOINTMENT &
TERMS OF
REMUNERATION OF
MR M L NARULA
MANAGING DIRECTOR**

11. 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 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the reappointment and remuneration of Mr M L Narula, Managing Director of the Company, for a period of one year commencing from November 1, 2005 upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profits in the financial year during the aforesaid period) set out in the draft Agreement submitted to this Meeting and signed by a Director for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said reappointment and/or Agreement in such manner as may be agreed to between the Directors and Mr Narula”.

**PAYMENT OF
COMMISSION TO
NON EXECUTIVE
DIRECTORS**

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

“RESOLVED THAT in accordance with the provisions of Section 198, 309(4) and all other applicable provisions of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, the Articles of Association of the Company and subject to all applicable approval(s) as may be required, the consent of the Company be and is hereby accorded to the payment of commission for a period of five years commencing from 1st January 2006, to the non executive Directors of the Company as may be decided by the Board from time to time provided that the total commission payable to the non executive Directors per annum shall not exceed one percent of the net profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act 1956, with authority to the Board to determine the manner and proportion in which the amount be distributed among the non executive Directors.”

**CHANGE OF NAME
OF THE COMPANY**

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

“RESOLVED that in accordance with Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the name of the Company be changed from “The Associated Cement Companies Limited” to “ACC Limited”

RESOLVED FURTHER that the name “The Associated Cement Companies Limited” wherever it appears in the Memorandum and Articles of Association of the Company be replaced with the new name of the Company.”

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 Saturday, April 1, 2006 to Wednesday, April 12, 2006 both days inclusive.

(c) The Dividend, after declaration, will be paid to those shareholders whose names stand on the Register of Members on April 12, 2006. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares whose names appear in the list furnished by the Depositories for this purpose as on March 31, 2006. The dividend will be paid on and from April 25, 2006.

(d) The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend.

(e) During the current financial year 2006, the Company will be required to transfer to the Investor Education & Protection Fund, the unpaid/unclaimed Dividend for the year ended March 31, 1999. Those shareholders who have not encashed their warrants are requested to immediately return the outdated warrants to the Company or to write to the Company in the matter to enable the Company to issue Demand Drafts in lieu thereof.

(f) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 6 to 13 as set out above are annexed hereto.



- (g) As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from the Share Department of the Company.

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

A Anjeneyan
Company Secretary.

Mumbai, February 17, 2006

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 13 mentioned in the accompanying Notice dated February 17, 2006.

2. **Item 6:** Messrs A F Ferguson & Co., Chartered Accountants who were one of the Statutory Auditors of the Company have informed the Company that they do not wish to seek reappointment. The Members are accordingly requested to appoint Messrs K S Aiyar & Co. and Messrs S R Batliboi & Associates as Auditors for the current year and to authorize the Board of Directors to fix their remuneration.

3. The Directors commend the Resolution at Item 6 for acceptance by the Members.

4. **Items 7 to 10:** Mr D K Mehrotra was appointed as an Additional Director on the Board with effect from October 14, 2005. Mr Mehrotra holds a B.Sc.(Honours) degree. He is the Managing Director of Life Insurance Corporation of India (LIC) and is also a director on the Board of Directors of some of LIC's Subsidiary Companies. He represents LIC on the ACC Board.

5. Further, with a view to making the Board of Directors more broad based and bringing about greater effectiveness in the decision making process and to represent the shareholding pattern of Ambuja Cement India Limited (ACIL) in ACC, the Board of Directors has at the request of ACIL appointed Mr R A Shah, Dr. Nirmalya Kumar and Mr Anil Singhvi as Additional Directors of the Company. While Mr R A Shah and Dr. Nirmalya Kumar have been appointed with effect from January 24, 2006, Mr Anil Singhvi has been appointed with effect from February 17, 2006. Mr R A Shah, Dr Nirmalya Kumar and Mr Anil Singhvi are not Independent Directors as per Clause 49 of the Listing Agreement.

6. Mr. R.A. Shah is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley and Co., a firm of Advocates & Solicitors. He specializes in a broad spectrum of corporate laws in general, with special focus on Foreign Investments, Joint Ventures, Technology and Licence Agreement, Intellectual Property Rights, Mergers and Acquisitions, Industrial Licensing, and Anti Trust Laws, Company Law and Taxation. He is a Director on the Boards of various public limited companies and is Chairman of the Board in many of these public limited companies. He is also on the Audit Committees of some of the companies on which he is a Director.

7. Dr. Nirmalya Kumar is Professor of Marketing, Director of Centre for Marketing, and Co-Director of Aditya Birla India Centre at London Business School. He received his B.Com. from Calcutta University, MBA from the University of Illinois at Chicago and PhD in marketing from Kellogg Graduate School of Management. Prior to his present assignment at London Business School, Dr. Kumar taught at Columbia University, Harvard Business School, IMD (Switzerland), and Northwestern University and has won several awards for his teaching. He has worked with various Fortune 500 companies as consultant and has served on the Boards of reputed Indian Companies.

8. Mr Anil Singhvi is a Fellow Member of the Institute of Chartered Accountants of India. He started his career in 1982. He joined Gujarat Ambuja Cements Limited



(GACL) in 1986 and has held very senior managerial positions in that Company. He was elevated to the Company's Board of Directors in 1999 as a Wholtime Director responsible for Corporate Finance, Treasury, Mergers and Acquisitions, Strategic plans and General Corporate Affairs. Mr Singhvi is appointed as the Managing Director of GACL with effect from January 30, 2006. He is also on the boards of several associate and subsidiary companies of GACL which are engaged in cement and other activities. Mr Singhvi was ranked the best CFO in 2001 by The Economist Intelligence Unit, India. He has served on several committees constituted by SEBI and CII.

9. Under Section 260 of the Companies Act 1956, Mr D K Mehrotra, Mr R A Shah, Dr. Nirmalya Kumar and Mr Anil Singhvi hold office as Directors only till the date of the forthcoming Annual General Meeting.

10. The Board commends the above appointments.

11. Mr D K Mehrotra, Mr R A Shah, Dr Nirmalya Kumar and Mr Anil Singhvi are concerned or interested in their respective Resolutions at Items at 7, 8, 9 and 10 of the Notice.

12. **Item 11:** The tenure of appointment of Mr M L Narula Managing Director of the Company was for a period December 1, 2002 till October 31, 2005. The Board of Directors of the Company at its Meeting held on August 31, 2005 reappointed Mr Narula as the Managing Director for a period of one year with effect from November 1, 2005 subject to the approval of the shareholders in general meeting.

13. Mr Narula received his B.Sc. Engineering (Electrical) degree from Punjab University and is a Fellow of the Institute of Engineers. Mr Narula joined ACC in 1963 as a junior engineer and has a total experience of around 43 years with the Company in various positions including as a Wholtime Director since April 1996.

14. The terms of reappointment and remuneration of Mr Narula inter alia contain the following principal terms and conditions :

- i) **SALARY** : Rs 2,00,000 per month in the grade Rs 1,00,000 – Rs 2,50,000.

The annual increment will be effective April 1, 2006 and will be decided by the Board or the Compensation Committee of the Board and will be merit based and take into account the Company's performance.

- ii) **PERFORMANCE INCENTIVE**

Such remuneration by way of Performance Incentive payment upto an amount equivalent to a maximum of twenty four months of his salary, in addition to the salary, perquisites and allowances payable, in a particular financial year as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act,

1956. The specific amount payable to the Managing Director will be decided by the Board or the Compensation Committee of the Board.

iii) PERQUISITES & ALLOWANCES

In addition to the salary and performance incentive as outlined above, Mr Narula shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself and his family, club fees, personal accident insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors and Mr Narula, such perquisites and allowances will be subject to a maximum of 125% of his annual salary.

Perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

iv) PROVIDENT FUND, SUPERANNUATION / ANNUITY FUND

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

v) MINIMUM REMUNERATION

Notwithstanding anything herein, where in any financial year during the currency of the tenure of office of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above, subject to the requisite approvals being obtained.

vi) The terms and conditions of Mr Narula's reappointment as Managing Director may be varied, altered, increased, enhanced or widened from time to time by the Board as it may in its discretion deem fit, within the maximum amounts payable in accordance with the provisions of the Companies Act, 1956 or any amendments made hereafter in this regard.