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Ambuja Cement Eastern Limited

AMBUJA CEMENT EASTERN LIMITED

ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

Suresh Neotia, Chairman

A L Kapur

P B Kulkarni

A C Singhvi

S V Haribhakti

A K Puri

R S Rathore, Special Director, BIFR

Santosh Senapati

Harshvardhan Neotia, Managing Director

CORPORATE OFFICE

'Vishwakarma'
86C, Topsia Road (S)
Kolkata 700 046

COMPANY SECRETARY

R Kalidas

REGISTERED OFFICE

Village – Rawan
Tehsil – Baloda Bazar
District – Raipur
Chhattisgarh – 493 331

AUDITORS

Lodha & Co.
N. M. Raiji & Co.

BANKS

State Bank of India
Canara Bank
State Bank of Travancore
Bank of India
Union Bank of India
Credit Lyonnais

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Ambuja Cement Eastern Limited will be held at the Registered Office at Village : Rawan, Tehsil: Baloda Bazar; Dist: Raipur, Chhattisgarh - 493 331 on Saturday, the 12th October, 2002 at 4 PM to transact the following business :-

1. To consider and adopt the Profit and Loss Account for the Corporate Financial Year ended 30th June, 2002 and the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri S K Neotia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A C Singhvi who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Lodha & Co., and M/s N M Raiji & Co., retiring Auditors, as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :-
"RESOLVED THAT Shri Shailesh Haribhakti be and is hereby appointed Director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :-
"RESOLVED THAT Shri Ajindra Kumar Puri be and is hereby appointed Director of the Company, liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :-
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act as amended and subject to the approval of the Central Government and such other permissions, consents and approvals from various other authorities as may be required and subject to such conditions, if any, that may be imposed by any authority while granting

their permissions, consents and approvals and which the Board of Directors is hereby authorized to accept, the Company hereby accords its consent and approval to the re-appointment of Shri Harshavardhan Neotia as Managing Director of the Company for a period of 5 (five) years with effect from 9th December, 2002 on the terms and conditions set out below and to be incorporated in an agreement to be executed between the Company and Shri Harshavardhan Neotia :

I. Remuneration :

a) **Salary** : Rs. 1,80,000/- p.m. in the scale of 1,80,000 – 30,000 – 4,50,000.

b) Perquisites :**i) Housing**

1. Residential Accommodation or House Rent Allowance at the rate of 60% of salary.
2. Expenses pertaining to electricity will be borne/reimbursed by the Company.
3. Company shall provide such furniture, fixtures and furnishings as may be approved by the Board of Directors from time to time.

ii) Medical expenses

Reimbursement of actual medical expenses incurred in India and/or abroad including cost of travel, hospitalisation, nursing home and surgical charges for self and family.

iii) Leave/Holiday Travel Expenses

Reimbursement of all the expenses incurred during Leave/Holiday Travel period in respect of himself and family while proceeding on leave/holiday to any place in India or abroad subject to a ceiling of one month's salary per annum. The entitlement in respect of any one year to the extent not availed of shall be allowed to be accumulated upto the next two years.

iv) Club Fees

Reimbursement of membership fees for upto 3 clubs in India including admission and life membership fees.

v) Personal Accident Insurance

Personal Accident Insurance Policy of such amount as may be decided by the Board of Directors,

premium of which shall not exceed Rs.20,000/- per annum.

vi) **Contribution to Provident Fund, Superannuation Fund and Annuity Fund**

Company's contribution to Provident Fund and Superannuation or Annuity Fund not exceeding 30% of salary in aggregate.

vii) **Gratuity**

Gratuity at the rate of half month's salary for each completed year of service.

viii) **Leave**

Leave with full pay or encashment thereof as per rules of the Company.

ix) **Other Perquisites**

Subject to the overall ceiling on remuneration as mentioned hereinbelow, the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may, from time to time, decide.

Explanation :

Perquisites shall be evaluated as per Income tax Rules, 1962, wherever applicable and in the absence of any such rules, perquisites shall be valued at actual cost.

c) **Amenities :**

i) **Conveyance facilities**

Company shall provide suitable conveyance facilities as may be required by the Managing Director.

ii) **Communication facilities**

Company shall provide telephone, telefax and other communication facilities at the Managing Director's residence as may be required.

ii. **Overall remuneration :**

The aggregate of salary and perquisites in any corporate financial year shall not exceed the limits prescribed from time to time under Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 as may for the time being be in force. In the event of loss or inadequate profits in any financial year, the aggregate

of salary and perquisites shall not exceed the amount as may be approved by the Central Government."

By order of the Board of Directors

Place: Mumbai
Date: 24th July, 2002

R. Kalidas
Company Secretary

NOTES :

1. Brief Resume of the Directors retiring by rotation and proposed for reappointment is given in the Corporate Governance Report annexed to the Annual Report as per the requirements of the Listing Agreement with the Stock Exchanges.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be valid must be deposited with the Company at its Registered Office not less than 48 hours before the Meeting.
3. The Register of Members and the Share Transfer Books will remain closed from 28th August, 2002 to 3rd September, 2002 (both days inclusive).
4. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is attached.
5. The Company's shares have been activated for dematerialisation both with National Securities Depository Ltd. and Central Depository Services Ltd. Members can hold their shares in dematerialised form through any of the depositories as above.
6. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrars and Share Transfer Agents **Messrs MCS Ltd., 77/2A, Hazra Road, Kolkata- 700 029**, enclosing their original share certificates to enable them to consolidate their holdings into one folio.
7. Members are once again requested to surrender their old share certificates held in the erstwhile Modi Cement Limited ["MCL"] to the Company's Registrars and Share Transfer Agents Messrs MCS Ltd., enclosing their original share certificates to enable them to issue fresh share certificates in exchange thereof in terms of the reduced share capital pursuant to the rehabilitation scheme of the BIFR. The old share certificates of MCL have been cancelled and are not acceptable for dematerialisation.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

In respect of Item No. 5

Shri Shailesh Haribhakti was appointed as an Additional Director by the Board on 28th March, 2002. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Shri Haribhakti holds office till the conclusion of this Annual General Meeting. The company has received a notice pursuant to Section 257 of the Companies Act, 1956, alongwith the requisite deposit from a member proposing the candidature of Shri Haribhakti as a Director. Shri Haribhakti, being eligible, offers himself for reappointment as a Director.

Shri Haribhakti is 46 years of age. He is a practising Chartered Accountant and is a partner of Haribhakti & Co., a reputed firm of Chartered Accountants in Mumbai. He is also a Director on the Board of various other companies.

The Board considers that Shri Haribhakti's appointment as Director would be in the best interest of the Company and accordingly, recommends his appointment.

Save and except Shri Haribhakti, none of the other directors of the Company is deemed to be interested or concerned with the said appointment.

In respect of Item No. 6

Shri Ajindra Kumar Puri was appointed as an Additional Director by the Board on 28th March, 2002. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Shri Puri holds office till the conclusion of this Annual General Meeting. The company has received a notice pursuant to Section 257 of the Companies Act, 1956, alongwith the requisite deposit from a member proposing the candidature of Shri Puri as a Director. Shri Puri, being eligible, offers himself for reappointment as a Director.

Shri Puri is 66 years of age. He is an eminent banker having retired as the Deputy Managing Director of State Bank of India. He was also a member of BIFR, Ministry of Finance, Government of India and U P State Disinvestment Commission.

The Board considers that Shri Puri's appointment as a Director would be in the best interest of the Company and accordingly, recommends his appointment.

Save and except Shri Puri, none of the other directors of the Company is deemed to be interested or concerned with the said appointment.

In respect of Item No. 7

Shri Harshavardhan Neotia was appointed as Managing Director of the Company on 9th December, 1997 for a period of 5 years. Having regard to the precarious financial position of the Company at that point of time, Shri Neotia did not draw any remuneration at the time of his appointment.

Under Shri Neotia's able leadership, the Company has recorded an all-round improvement in its performance. At the time of his

appointment, the Company was in a very difficult position. The Plant was hardly operational and the Company was saddled with huge debts and accumulated losses. Shri Neotia has been largely instrumental in carrying out improvements in the Company's operational efficiencies, reduction in costs, increased productivity, improvement in work culture and inculcating amongst the employees a sense of belongingness and team spirit across the organisation.

Under Shri Neotia's astute leadership, the Company has taken several strategic decisions such as the setting up of clinker grinding unit at Sankrail, West Bengal, the setting up of a captive power plant of 10MW at Bhatapara, Chhattisgarh and upgradation of plant facilities at Bhatapara. These steps have over the period resulted in substantial improvement in the efficiency parameters, the quality of cement as well as reduction in the cost of production. The Company's market share has also been consolidated in its primary markets in West Bengal and other North-Eastern States. The Company's brand has also emerged as a premium segment brand in its markets.

In consequence of the above initiatives, the Company's working results have shown a remarkable improvement. The Company achieved a maiden profit of Rs. 6.89 crores in the year 2000-01. In the year 2001-02, it has registered a net profit of Rs. 11.83 crores, an increase of 71% over that of the previous year, which is a significant achievement in the face of sluggish demand conditions, severe competition and increase in cost of inputs, all of which have characterised the Cement Industry in the last year. The Company is poised to achieve better results in the future and to this end Shri Neotia's contribution would be invaluable.

In recognition of the contribution made by Shri Harshavardhan Neotia, the Board of Directors unanimously decided to pay him remuneration from 1st April, 2001 for the remainder of his present tenure of office. The remuneration being paid to Shri Neotia was approved by the members at the last Annual General Meeting and was also approved by the Central Government.

Shri Harshavardhan Neotia is also holding the office of Managing Director in Bengal Ambuja Housing Development Ltd., a joint sector company, promoted jointly by West Bengal Housing Board and Gujarat Ambuja Cements Ltd. for development of housing projects to cater to the housing requirements of all sections of the Society. Shri Neotia is being paid remuneration by the said Company within the limits laid down in section 309(3) read with section 198 of the Companies Act, 1956.

The present term of office of Shri Harshavardhan Neotia as Managing Director ends on 8th December, 2002. The Board of Directors as well as the Remuneration & Compensation Committee have unanimously approved the re-appointment of Shri Harshavardhan Neotia as Managing Director for a further period of five years and the payment of remuneration as proposed in the resolution.

As the proposed remuneration and the period will exceed the limits stipulated in Schedule XIII, approval of the Central Government will be required for the purpose of payment of remuneration to Shri Neotia.

The Board recommends the passing of the resolution as a special resolution.

Save and except Shri Harshavardhan Neotia, none of the other directors of the Company is deemed to be interested or concerned

in the said Resolution.

The draft of the Agreement proposed to be entered into with the Managing Director subject to the requisite approval of the Central Government shall be available for inspection at the Registered Office of the Company on all working days during working hours till the date of Annual General Meeting. The particulars mentioned above and in the resolution may be treated and deemed to be the abstract under section 302 of the Companies Act, 1956.

IN ACCORDANCE WITH THE REQUIREMENTS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956, AS AMENDED, A STATEMENT PROVIDING THE REQUIRED INFORMATION FOR THE RE-APPOINTMENT AND PAYMENT OF REMUNERATION TO SHRI HARSHAVARDHAN NEOTIA IS GIVEN BELOW :-

I. General Information :

- | | |
|---|---|
| 1. Nature of Industry | · Manufacture of Cement |
| 2. Date or expected date of commencement of commercial production | The Company has two manufacturing units at Bhatapara, Chhattisgarh State and at Sankrail, West Bengal with an aggregate installed capacity of 2 million tonnes. The Bhatapara and Sankrail Units of the Company have commenced commercial production in the years 1987 and 2001 respectively. |
| 3. In case of new companies, expected date of commencement of activities as per projects approved by Financial Institutions appearing in the prospectus | Not Applicable |
| 4. Export performance and net foreign exchange collaborations | Year 2000-01 - Exports - Rs. 400.39 lacs
Year 2001-02 - Exports - Rs. 257.08 lacs |
| 5. Foreign Investments of Collaborators, if any. | Nil |

II. Information about appointee :

- | | |
|------------------------------------|--|
| 1. Background details | Shri Harshavardhan Neotia is an Industrialist and holds a Bachelor's degree in Commerce with Honours. He has completed Owner President Management Programme from Harvard Business School, USA. |
| 2. Past remuneration | Rs. 2,53,333 p.m. with perquisites as approved by Central Government. |
| 3. Recognition or Awards | <ul style="list-style-type: none"> ● Awarded the prestigious "Padmashree" by the Honorable President of India in the year 1999. ● Past Chairman of Confederation of Indian Industry [CII], [Eastern Region]. ● Chairman - National Housing Committee - CII ● Chairman - Youth Forum - CII [Eastern Region]. |
| 4. Remuneration proposed | As per details contained in the Notice for the Annual General Meeting. |
| 5. Job Profile and its Suitability | Overall managerial responsibility of the Company subject to supervision of the Board of Directors. Shri Harshavardhan Neotia has been associated with Cement, Housing and Infrastructure sectors for the past several years. Considering his background, he is eminently suitable to hold the position of Managing Director in the Company. |

- | | |
|--|--|
| 6. Comparative remuneration with respect to Industry Standards | The proposed remuneration is in line with the remuneration payable to the managerial personnel holding similar stature/position in the Industry. |
| 7. Any Pecuniary Relationship | Shri Neotia has no pecuniary relationship directly or indirectly with the Company except for the remuneration paid/payable to him. |

III. Other Information :

- | | |
|--|--|
| 1. Reasons for loss or inadequate profit | <p>The Company was registered as a "sick industrial undertaking" with the BIFR in the year 1994 consequent upon the erosion in its total networth. The primary reasons for the losses incurred by the Company were :</p> <ul style="list-style-type: none"> ● Project cost overrun due to delay in implementation of project; ● High interest burden on account of Institutional term loans and Company's inability to sustain interest obligations due to negative working results and operational performance; ● High cost of manufacturing and distribution; ● Recession in the Cement Industry; ● Under utilisation of Plant capacity due to market constraints. |
| 2. Steps taken/ proposed to be taken for improvement | <p>The management of the Company was taken over by Gujarat Ambuja Cements Ltd. in December, 1997 and Shri Harshavardhan Neotia was appointed Managing Director. Under the stewardship of Shri Neotia, the following steps have been taken by the Company to increase efficiency and improve profitability :-</p> <ul style="list-style-type: none"> ● Upgradation of the plant and improvement in operational efficiencies. ● Reduction in overall cost of production. ● Commissioning of captive power plant at Bhatapara, Chattisgarh, leading to reduction in power costs. ● Commissioning of 1 million tonne grinding unit at Sankrail, West Bengal in 2001 within a record time of 12 months. ● Enhancement of clinkerisation capacity through Plant upgradation at Bhatapara Unit. ● Improvement in logistics management leading to reduction in selling and distribution costs. ● Realignment of markets to improve the realisation. ● Introduction of positive changes in work culture, team spirit and promotion of a sense of belongingness amongst employees across the organisation. |
| 3. Projected Increase in productivity /profit | <p>The Company has taken effective steps which has led to savings in costs all round. In addition, it has strengthened its market position in its primary markets. Plant improvements are being carried out which will increase the run factor in the Plant thus contributing to increased production. The Company is thus poised to achieve better profitability in the future.</p> |

- IV. Disclosures:** The Remuneration package proposed to be paid to the Managing Director, Shri Harshavardhan Neotia is given in the Resolution.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

To The Members,

We have pleasure in presenting to you the Twentieth Annual Report together with the Audited Statement of Accounts of the Company for the corporate financial year ended 30th June, 2002.

The year 2001-02 saw the overall demand of cement grow at about 12.5% in the Eastern Region. However, due to significant over supply in the market, the cement price levels remained under pressure. The price levels were 6-8% lower than the previous year.

Considering this scenario, our performance has been satisfactory. Against the record output of 13.99 lac mt last year, we could this year achieve an output of 14.37 lac mt. This year we reworked our business model. We focussed on feeding the primary market in West Bengal, which gives us the highest realisation (from our Grinding Unit at Sankrail). This helped us increase our market share in West Bengal from 10% to 13.5% which constitutes about 55% of our total dispatches.

We continued with our all out efforts to reduce costs. Our variable cost per tonne of cement for the Company, reduced by 8% over the previous year.

By rationalization and improved logistics management, there has been overall reduction in distribution cost.

These efforts helped us to achieve a net profit of Rs.11.83 crores in 2001-02 as compared to Rs.6.89 crores last year.

Our commitment of strict compliance of all quality standards and pledge to give the best cement to our customers has continued.

A major plant overhaul at Bhatapara is being carried out in August, 2002. This will enable us to produce more cement in the coming years.

With increased productivity and further reductions of costs, we expect to improve the profitability significantly in 2002-03.

FINANCIAL RESULTS

The Operating & Financial Results for the financial Year ended 30th June, 2002 are as summarised below :-

	2001-02 Rs. in lacs	2000-01 Rs. in lacs
Sales (Net of Excise Duty)	31505.53	29527.68
Operating Profit	5547.36	3705.92
Interest & Finance Charges	2252.72	1149.55
Gross Profit	3294.64	2556.37
Depreciation & Amortisation	2700.10	1867.30
Profit before exceptional item & Taxation	594.54	689.07
Exceptional item - Cess written back	588.62	—
Profit after exceptional item but before taxation	1183.16	689.07
Provision for Tax	—	—
Profit after Tax	1183.16	689.07
Transfer to Debenture Redemption Reserve	1000.00	600.00
Balance brought forward from previous year	(18864.25)	(18953.32)
Balance carried to Balance Sheet	(18681.09)	(18864.25)

REVIEW OF PERFORMANCE**Production**

We were able to increase the productivity of the Kiln at Bhatapara by 15% due to various modifications done during this year. However, we could not get the desired run factor of the Kiln. With frequent stoppages and breakdowns, we could not increase our clinker production. The clinker production during the year was similar to the last year's production of about 10 lac mt. Our technical team has identified the areas for increased availability of the Kiln and necessary efforts will be taken during the current year.

Marketing

Our total sales for the year was 14.66 lac tonnes against 14.03 lac tonnes achieved in the last financial year, an increase of 4%. In value terms, our turnover was Rs.36635.39 lacs against Rs.34406.57 lacs, representing an increase of 6%.

With the full commissioning of the Grinding Unit at Sankrail, our marketing strategy has been realigned with an increased focus on West Bengal. From Sankrail, there is advantage of lower distribution cost in the form of primary freight, secondary freight and handling costs.

We are pleased to report that, during the current year our sales in West Bengal increased by about 56% as against the overall growth in demand of 19%. 92% of our total production has been sold in our primary markets (West Bengal, Chhattisgarh, Orissa, North East, Jharkhand and Bihar, in order of importance) during the year as against 77% in the previous year.

The "Ambuja" brand has gained widespread acceptability in these markets. The fact that we are able to provide fresh cement has led to an increase in customer loyalty. We could successfully introduce PPC in West Bengal. With a view to strengthen our presence further, we have also increased our dealer network.

Quality Control & Customer Satisfaction

Our quest towards excellence is a continuing process. We are happy to report that our Sankrail unit has already received ISO 9002 for quality management in April, 2002. ISO 14000 Certification for environment management system is under progress and we are hopeful of obtaining the accreditation shortly. This reiterates our commitment towards introducing appropriate quality standards as also our concern for protecting our environment.

The Technical Services Cell has continued its efforts in enhancing consumer confidence. Mason meets were organized on a regular basis. Further, to make the consumer develop greater awareness regarding state-of-the-art construction practices, the Technical Services Cell has also organised a series of lectures by eminent practitioners in the field. A customer guidance center is also being set up in Kolkata. These have strengthened our bonding with the customers.

Cost Reduction efforts

In the highly competitive environment and excess supply scenario, our people are conscious of the fact that profits have to come

from within. Therefore, our constant endeavour has been to bring about a reduction in costs all-round and we are happy to report that we have achieved fair success in the following areas :-

- (i) Cost of raising limestone has dropped by 9% inspite of an increase in cost of diesel and other inputs.
- (ii) In the last year, we had reported to you about the commissioning of the 10 MW DG Set at Bhatapara. This has led to a savings of 13% in the cost of power.
- (iii) Fuel cost is down by 6% over the previous year.
- (iv) Further improvement in additives mix have improved the overall cost of production. Reductions were also effected in the costs of other raw materials through optimization in their usage.
- (v) With the shift in emphasis on markets in Eastern India, we could optimize freight and other distribution costs. Though there was increase in price of diesel, by streamlining distribution and close monitoring of freight rates, we could achieve a reduction in freight cost by about 7% over the previous year.
- (vi) Right sizing of manpower through VRS during the year will result in reduced wage bill by about Rs.2.25 crores p.a. in future.

ECONOMY AND BUSINESS ENVIRONMENT

Growth in demand for cement in the year 2001-02 stood at a healthy 12.6% as compared to the negative growth during the last year. This growth could be achieved inspite of the economic slowdown and recessionary conditions that prevailed in the economy.

Our major market is West Bengal. Demand in the State increased by 19%. Demand in the rural areas picked up in the face of good monsoon. The proposed outlay in infrastructural projects both in the States of West Bengal and Orissa augurs well for the industry and your Company in particular.

The industry envisages a growth of 9% in demand on all India basis in the coming year. With no substantial increase in capacities in the offing in the form of greenfield projects, the existing gap between demand and supply should narrow down further. The proposed golden quadrilateral highway, rural road development projects and the continued thrust by the Government on housing through provision of fiscal incentives coupled with easy financing options carrying low interest should provide the much needed stimulus to the industry. We believe that there is, therefore, an enormous potential for growth in the industry and we hope to be able to avail of such opportunities.

RISKS AND CONCERNS

In West Bengal, future availability of cement is likely to increase as all major players are likely to push more cement in the market. This will lead to increased competition, which will put further pressure on margins. With prices of crude oil firming up both in the domestic and international markets, fuel costs, which is a major constituent to the total costs, will move up. Transportation

costs are also likely to increase which will adversely impact costs and profitability.

The cement industry is greatly dependent on Government outlay for infrastructure creation and on monsoon which generates huge rural demand. Any slow down in infrastructural development by the Government and inadequate monsoon will have an adverse impact on cement demand.

Human Resources

Our people have played a significant role in steering the fortunes of the Company. With a view to enhance skills, our efforts at providing training have continued.

Through training programmes and value based teachings, we have tried to keep motivational levels high amongst our people. Adequate training has been provided to enhance the skill levels and inculcate a work culture, which is the ethos of Ambuja Group. Industrial relations within the Company as well as public relations with all outside agencies have been most cordial.

Voluntary Retirement Scheme

The Company has been having manpower much in excess of its requirements. With a view to rightsize the total employee strength in the organisation, a Voluntary Retirement Scheme was successfully implemented in the period April - May, 2002. This has resulted in a reduction of about 300 persons.

INTERNAL CONTROL SYSTEM

The Company is constantly endeavouring to improve the standards of internal control in various areas. The existing set-up of the Internal Control System is commensurate with the size of the Company's operations and its nature of business. However, realising the significance of the contribution that sound Internal Control Systems can make to any organisation, the Company is taking steps to further strengthen the Internal Control System.

High degree of transparency is endeavoured in all activities. The Audit Committee of the Board meets regularly to review the performance as also to determine the adequacy of the internal audit and control process.

FIXED DEPOSITS

The Company has not received any fixed deposits from the shareholders / public during the year under review.

BIFR SCHEME - IMPLEMENTATION

The implementation of the rehabilitation scheme has progressed as scheduled. The Company has made payments to both the secured and unsecured creditors as per stipulations contained in the scheme.

DIRECTORS

Shri B L Taparia, Shri S K Dewan and Shri P N Sekhsaria resigned from the directorship of the Company with effect from 28th March,

2002. The Board of Directors place on record their sincere appreciation for the valuable contribution made by the outgoing directors during their association with the Company.

Shri Shailesh Haribhakti and Shri A K Puri were appointed as additional directors effective from 28th March, 2002 and will hold office till the next Annual General Meeting. Separate notices pursuant to Section 257 of the Companies Act, 1956 have been received from a member, proposing the candidature of Shri Shailesh Haribhakti and Shri A K Puri as directors at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956, Shri A C Singhvi and Shri S K Neotia, being longest in office, retire by rotation and being eligible, offer themselves for re-appointment.

Managing Director

The present tenure of Shri Harshavardhan Neotia, Managing Director of the Company expires on 8th December, 2002. It is proposed to appoint him for a further term of five years with effect from 9th December, 2002. Resolutions for the re-appointment and approval of the remuneration payable to Shri Harshavardhan Neotia, have been proposed at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE CODE

The Corporate Governance Code as contained in the Listing Agreement with the Stock Exchange, has become applicable to the Company with effect from 1st April, 2002. Necessary steps have been taken for ensuring the compliance of the Code. A separate section on Corporate Governance is annexed and forms an integral part of this Report.

AUDITORS

M/s Lodha & Co. and M/s N M Raiji & Co., Statutory Auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for re-appointment.

You are requested to re-appoint the Auditors and to fix their remuneration.

M/s N Radhakrishnan & Co., Cost Accountants, have been re-appointed as Cost Auditors of the company for the year 2002-03, subject to the approval of the Central Government.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your directors have :

a. followed in the preparation of the Annual Accounts, the

applicable Accounting Standards with proper explanation relating to material departures;

b. selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;

c. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities and

d. prepared the Annual Accounts on a going concern basis.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to 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 is annexed hereto marked Annexure-I and forms part of this Report.

EMPLOYEES

Labour relations continued to be cordial at the plants. Information required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 is annexed hereto and marked Annexure-II and forms part of this report.

ACKNOWLEDGEMENTS

We are extremely thankful to the Governments of West Bengal and Chhattisgarh for their continued cooperation and support.

Our grateful thanks also go to the Financial Institutions and Banks for their active support and encouragement.

We place on record our sincere appreciation of the total commitment, dedication and hardwork put in by all the employees of the Company.

We also thank our shareholders, the BIFR and various Departments of Central and State Governments and local authorities for their continued support.

For and on behalf of the Board

Place: Mumbai
Date: 24th July, 2002

Suresh Neotia
Chairman