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Ambuja Cement Eastern Limited

AMBUJA CEMENT EASTERN LIMITED

ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS

Suresh Neotia, Chairman

A C Singhvi

Paul Heinz Hugentobler

S V Haribhakti

A K Puri

Sandeep H. Junnarkar

Onne van der Weijde

Ramit Budhraj

Harshavardhan Neotia, Managing Director

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VICE PRESIDENT & COMPANY SECRETARY

R Kalidas

AUDITORS

Lodha & Co.

S. R. Batliboi & Associates

CORPORATE OFFICE

Viswakarma
86C, Topsia Road (S)
Kolkata 700 046

REGISTERED OFFICE

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

NOTICE

NOTICE is hereby given that the Twenty-third Annual General Meeting of the Members of the company will be held at the Registered Office at village : Rawan, Tehsil : Baloda Bazar, District : Raipur, Chattisgarh 493 331 on Saturday, the 25th of March, 2006 at 3 pm to transact the following business:

1. To consider and adopt the Profit and Loss Account for the eighteen months period ended 31st December, 2005, 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 Mr Suresh Neotia who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr A C Singhvi who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Shailesh V Haribhakti who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint S R Batliboi and Associates as the Statutory 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

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

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr Paul Heinz Hugentobler who was appointed as an Additional Director of the company and who u/s 260 of the Companies Act, 1956 holds Office only upto the date of this Annual General Meeting and being eligible, has offered himself for appointment and in respect of whom the company has received Notice in writing from a Member alongwith the requisite deposit pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying its intention to propose the candidature of Mr Hugentobler for the Office of Director, be and is hereby appointed as a 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 ordinary resolution :-

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr Onne van der Weijde who was appointed as an Additional Director of the company and who u/s 260 of the Companies Act, 1956 holds Office only upto the date of this

Annual General Meeting and being eligible, has offered himself for appointment and in respect of whom the company has received Notice in writing from a Member alongwith the requisite deposit pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying its intention to propose the candidature of Mr Onne van der Weijde for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as ordinary resolution :-

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr Ramit Budhraj who was appointed as an Additional Director of the company and who u/s 260 of the Companies Act, 1956 holds Office only upto the date of this Annual General Meeting and being eligible, has offered himself for appointment and in respect of whom the company has received Notice in writing from a Member alongwith the requisite deposit pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying its intention to propose the candidature of Mr Ramit Budhraj for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By order of the Board of Directors

R Kalidas

Place : Mumbai

Date : 23rd January, 2006

Vice President &
Company Secretary

NOTES:

1. 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 date of the Meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 14th February, 2006, to 17th February, 2006 (both days inclusive).
3. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the items of Special Business under Item Nos.6, 7 and 8 of the adjoining Notice is attached.
4. 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.
5. 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, Intime Spectrum Registry Ltd., 59C, Chowringhee Road, Kolkata 700 020, enclosing their original share certificates to enable them to consolidate their holdings into one folio.

6. Members are once again requested to surrender their old share certificates held in the erstwhile Modi Cement Limited (MCL) to the company's Registrars

EXPLANATORY STATEMENT

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

In respect of Item No. 6

Mr Paul Heinz Hugentobler, who is a Member of the Executive Committee of Holcim Ltd, Switzerland, was appointed as an Additional Director of the company by the Board of Directors at their Meeting held on 16th May, 2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr Hugentobler holds Office only until the date 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 Mr Hugentobler for appointment as a Director liable to retire by rotation. Mr Hugentobler, being eligible, has offered himself for reappointment as a Director.

Mr Hugentobler, who is 56 years old, has graduated from the School of Economics and Business from St. Gallen. He also holds a Bachelors' Degree in Civil Engineering from the Swiss Federal Institute of Technology, Zurich. He has also completed a programme in International Senior Management from the Harvard Business School.

Mr Hugentobler has been associated in various senior capacities with Holcim Ltd for more than two decades and is at present their head of operations for South Asia and ASEAN countries excluding Philippines.

The particulars of other Directorships held by Mr Hugentobler are as follows :

A. In Public Limited Companies

1. The Associated Cement Companies Ltd.
2. Siam City Cement Public Company Ltd., Thailand.
3. PT Semen Cibinong Tbk, Indonesia.
4. Holcim (Lanka) Ltd., Sri Lanka.
5. Ambuja Cement India Ltd.

B. In Private Limited Companies

1. Holcim (India) Private Ltd.
2. Holcim (Vietnam) Ltd.
3. Holcim (Bangladesh) Ltd.
4. Holcim Services (Asia) Ltd., Thailand.
5. Holcim (Malaysia) Sdn Bhd.
6. Holcim (Singapore) Pte Ltd.

Mr Hugentobler does not hold any shares in the company.

Save and except Mr Hugentobler, none of the other Directors is deemed to be interested or concerned with the said appointment.

The Board of Directors consider that Mr Hugentobler's

and Share Transfer Agents enclosing their original share certificates at the address stated above to enable them to issue new share certificates in exchange thereof in accordance with the rehabilitation scheme sanctioned by the BIFR. It may please be noted that the old share certificates of MCL have been cancelled and these are not acceptable for dematerialisation.

appointment as a Director would be in the best interest of the company and accordingly recommend his appointment.

In respect of Item No. 7

Mr Onne van der Weijde was appointed as an Additional Director of the company by the Board of Directors at their Meeting held on 16th May, 2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr Onne van der Weijde holds Office only until the date 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 Mr Onne van der Weijde for appointment as a Director liable to retire by rotation. Mr Onne van der Weijde being eligible offers himself for reappointment as a Director.

Mr Onne van der Weijde is 41 years of age. He holds a Bachelors' Degree in Economics and Accounting from Rotterdam, The Netherlands. He has also Degree in Business Administration from the University of Bradford, UK.

Mr Onne van der Weijde has held strategic positions in a senior capacity with the Holcim Group of Companies for more than a decade in many countries.

He is at present holding the position of Director and General Manager, Holcim (India) Pvt Ltd.

The particulars of other Directorships held by Mr Onne van der Weijde are as follows:-

1. Ambuja Cement India Ltd.
2. Holcim (India) Private Ltd.

Mr Onne van der Weijde does not hold any shares in the company.

Save and except Mr Onne van der Weijde, none of the other Directors is deemed to be interested or concerned with the said appointment.

The Board of Directors consider that Mr Onne van der Weijde's appointment as a Director would be in the best interest of the company and accordingly recommend his appointment.

In respect of Item No. 8

Mr Ramit Budhraj was appointed as an Additional Director of the company by the Board of Directors at their Meeting held on 16th May, 2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr Budhraj holds

Office only until the date 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 Mr Budhraj for appointment as a Director, liable to retire by rotation. Mr Budhraj, being eligible has offered himself for reappointment as a Director.

Mr Budhraj who is 45 years of age, is a Chemical Engineer from the IIT, New Delhi. He also holds a Post Graduate Diploma in Business Administration from the IIM, Bangalore. Mr Budhraj has been associated with the Holcim Group for the past 17 years having held several senior positions in different countries. He is at present based in India.

Mr Budhraj is also a Director with Holcim (Bangladesh) Ltd.

Mr Budhraj does not hold shares in the company.

Save and except Mr Budhraj, none of the other Directors is deemed to be interested or concerned with the said appointment.

The Board of Directors consider that Mr Budhraj's appointment as a Director would be in the best interest of the company and accordingly recommend his appointment.

By order of the Board of Directors

Place : Mumbai

Date : 23rd January, 2006

R Kalidas
Vice President &
Company Secretary

BRIEF RESUME OF DIRECTORS PROPOSED TO BE RE-APPOINTED AT THE 23RD ANNUAL GENERAL MEETING

1. Mr Suresh Neotia

Mr Suresh Neotia who is 69 years of age, holds Bachelors' Degrees in Commerce and Law. He is an industrialist of repute and has been associated with the company as Director since December 1997. He is also the Chairman of Gujarat Ambuja Cements Ltd. apart from being a Director in other reputed companies.

The details of his Directorships / Committee Memberships in other companies are as follows :-

A. Directorships

1. RKBK Ltd.
2. Ambuja Cement India Ltd.
3. Balrampur Chini Mills Ltd.
4. Dwarikesh Sugar Mills Ltd.
5. Gujarat Ambuja Cements Ltd.
6. Boutique Hotels India Ltd.
7. RKBK Automobiles (P) Ltd.
8. Gajraj Securities & Services (P) Ltd.
9. Ganpati Medical Institute
10. Ambuja Educational Institute
11. Ambuja Cement Foundation
12. RKBK Fiscal Services (P) Ltd.
13. Ganpati Enclave Private Ltd.

B. Committee Memberships	Audit Committee	Remuneration Committee
1. Balrampur Chini Mills Ltd.	Member	Member
2. Boutique Hotels India Ltd.	—	Chairman

Mr Suresh Neotia does not hold any shares in the company.

2. Mr. Anil Singhvi

Mr Anil Singhvi aged 46 years is a Chartered Accountant. He joined the Board of the company in December, 1997. Apart from being a whole time Director in Gujarat Ambuja Cements Ltd. He is also on the Board of several reputed companies.

The details of his other Directorships /Committee Memberships are as follows:-

A. Directorships

1. Gujarat Ambuja Cements Ltd.
2. Ican Securities & Research Ltd.
3. Ambuja Cement India Ltd.
4. Cement Ambuja International Ltd.-Mauritius.
5. GACL Finance Ltd.
6. ING Vysya Life Insurance CO. (P) Ltd.
7. Everest Industries Ltd.
8. Everest Finance Ltd.
9. Anagha Investments Pvt. Ltd.
10. Midigama Cements (P) Ltd.-Sri Lanka.
11. Ceylon Ambuja Cements (P) Ltd.-Sri Lanka.

B. Committee Memberships

Audit Committee

Investors' Grievance Committee

1. Gujarat Ambuja Cements Ltd. —
2. Ambuja Cement India Ltd. Member

Mr Anil Singhvi holds 175 equity shares in the company.

3. Mr Shailesh V Haribhakti

Mr Shailesh V Haribhakti aged 49 years, is a practising Chartered Accountant of repute. He is the Managing Partner and CEO of the Haribhakti Group. He joined the Board of the company in March 2002.

The details of his Directorships / Committee Memberships in other companies are as follows :-

A. Directorships

1. Pantaloon Fashion India Ltd.
2. IDBI Capital Market Services Ltd.
3. Everest Kanto Cylinder Ltd.
4. Morarjee Textiles Ltd.
5. Indian Petrochemicals Corporation Ltd.
6. Jindal South West Holdings Ltd.
7. Mahindra Gesco Developers Ltd.
8. Bihar Caustics & Chemicals Ltd.
9. Blue Star Ltd.
10. JBF Industries Ltd.
11. Kotak Mahindra Private Equity Trustees Ltd.
12. SIDBI Venture Capital Ltd.
13. Fortune Finance Services (India) Ltd.
14. Bobcards Ltd.
15. Haribhakti MRI Corporate Services Pvt. Ltd.
16. Advantage Moti India Pvt. Ltd.
17. Moores Rowland Consulting (P) Ltd.
18. E-Biz Chem Pvt. Ltd.
19. Alliance Capital Asset Management (India) Pvt. Ltd.

B. Committee Memberships

Audit Committee

- | | |
|---|----------|
| 1. Pantaloon Fashion (India) Ltd. | Chairman |
| 2. IDBI Capital Market Services Ltd. | Chairman |
| 3. Everest Kanto Cylinder Ltd. | Chairman |
| 4. Morarjee Textiles Ltd. | Chairman |
| 5. Indian Petrochemicals Corporation Ltd. | Member |
| 6. Jindal South West Holdings Ltd. | Member |
| 7. Mahindra Gesco Developers Ltd. | Member |
| 8. Bihar Caustics & Chemicals Ltd. | Member |
| 9. Blue Star Ltd. | Member |

Mr Shailesh V Haribhakti is not a shareholder of the company.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

We have pleasure in presenting to you the 23rd Annual Report together with the Audited statement of accounts of the company for the 18 months period ended 31st December 2005.

EXTENSION IN ACCOUNTING YEAR

At the outset, we would report that the accounting year of the company for the year 2004-05 was extended by a period of six months ending 31st December 2005 for which necessary approval was obtained from the Registrar of Companies. In consequence of the above, for holding the Annual General Meeting of the members of the company also before 31st March 2006, extension of time was obtained from the Registrar of Companies in accordance with statutory requirements.

During the 18 months period under review, the company has made significant strides both in terms of profitability as also in operational parameters. For the 18 months period, the company achieved record profit of Rs.136.63 crores before taxation. On an year on year basis too, profitability increased by 38% which is remarkable considering that this has been achieved in the face of stiff competition and on the back of a steep increase in cost of inputs, fuel costs as also in the cost of both inbound and outbound logistics.

The quantitative data relating to production and sales on a comparative basis is as under:

Description	(In Million Tonnes)	
	18 Months' Period Ended 31.12.2005	Year ended 30th June 2004
Clinker	1.76 (1.19)	1.17
Cement Production	2.57 (1.76)	1.62
Sale of Cement	2.57 (1.75)	1.62

Note : Figures in brackets represent figures for 12 Months ended 30th June 2005.

FINANCIAL RESULTS

The operating and financial results for the 18 months period ended 31st December 2005 are as follows :

	(Rs. In Crores)	
	2004-05 (18 Months)	2003-04 (12 months)
Sales (Net of Excise Duty)	691.84	406.39
Operating Profit	184.67	107.68
Interest & Finance Charges	7.25	10.63
Gross Profit	177.42	97.05

	2004-05 (18 Months)	2003-04 (12 months)
Depreciation & Amortisation	40.79	28.25
Profit before exceptional item & Taxation	136.63	68.80
Exceptional Item – Depreciation	—	1.87
Profit after exceptional item but before taxation	136.63	66.93
Provision for Tax		
a) Current Tax	11.00	—
b) Deferred Tax	49.54	21.86
c) Fringe Benefit Tax	0.59	—
d) Income Tax for earlier year	2.36	—
Profit after Tax	73.14	45.07
Balance brought forward from previous year	(1.83)	(46.91)
Balance carried to Balance Sheet	71.31	(1.83)

The Directors do not recommend any dividend due to the need for conserving resources for financing the future expansion projects of the company.

The operating margin on an year on year basis was 27.5% against 26% achieved in the previous year.

CHANGE IN SUBSIDIARY STATUS

The Directors inform that consequent upon the change in the shareholding of Ambuja Cement India Limited, the company's immediate holding company, effective from 7th April 2005, the company ceased to be a subsidiary of Gujarat Ambuja Cements Limited. The company is also now a subsidiary company of Holcim Limited, Switzerland which is the ultimate Holding Company. Holcim Limited is the second largest manufacturer of cement in the world having operations in over 70 countries. It is also a company which features in the Fortune 500 list and the Directors envisage that its association with Holcim will prove to be fruitful to the shareholders of the company in the long run.

REVIEW OF PERFORMANCE

Production

As stated earlier, clinker production for the 18 months period recorded a new high of 17.63,lacs MT. On an year on year basis, the production of clinker showed a marginal increase over last year's levels. Bhatapara Unit continued to achieve a satisfactory kiln run factor and Sankrail Unit too sustained its growth both in quantity as also in quality terms.

Sankrail Unit recorded the highest levels of production and despatches during the period under review. It also achieved the lowest plant specific power consumption per KWH/MT during the period. At Bhatapara also power consumption was optimized.

Going down memory lane, towards the end of the year 1997 when the resuscitation process of the company was set in motion, we have every reason to feel overwhelmed as also humbled by the significant progress that we have achieved within a short span of eight years. Our dedicated group of employees have contributed largely for the success achieved and deserve every accolade for their efforts.

Marketing

Net sales for 18 months period ended 31st December 2005 was Rs.691.84 crores. On an annualised basis, growth in sales in value terms was 16%. Annualized growth in volume was 8%. Our major markets continue to be in the eastern region with West Bengal being the predominant market. Growth in demand in West Bengal was 10.2% and we have continued to consolidate our position in the state. Prices were by and large stable in most markets for the most part of the year. In between there were however, seasonal upheavals in prices which is a normal phenomenon in the cement industry.

Quality Control & Customer Satisfaction

Our constant endeavour is to strive for achieving excellence in quality. Fly ash utilization at Sankrail was kept at optimum level without in any way sacrificing quality.

The Technical Services Cell continues to act as an invaluable foil to our Marketing efforts and has been largely instrumental in increasing consumer awareness about the product attributes. Mason meetings and training programmes were a regular feature.

Engineers' Meets involving participation of eminent Architects and experts were held during the period.

Other innovative promotional efforts were also carried out on a regular basis to increase the sense of bonding and loyalty of the dealers. More and more Dealers were brought within the ambit of 'Authorised Stockists Scheme.' Dealer Meets and Utsavs were also organised regularly involving participation of Dealers with their families to strengthen bonding.

Awards & Accreditations

Sankrail Unit also achieved a significant landmark. It was awarded during the period OHSAS: 18001: 1999 certification for Occupational Health & Safety. We feel proud that Sankrail Unit is one of the few units in the country to have achieved this distinction.

During the year Bhatapara Unit was awarded the following state level awards by the Government of Chhattisgarh.

- First prize for achieving maximum percentage reduction in electrical energy consumption, (Both for Clinker & Cement production).

- Second prize for maximum percentage reduction in thermal energy consumption.

The Directors wish to place on record their sincere appreciation to the entire team of employees at Sankrail and Bhatapara and at other locations for their outstanding efforts.

Costs & Profitability

Costs of major inputs such as Limestone, Gypsum registered a significant increase. Coal procurement was dearer and an upward spiral in the fuel costs also led to increase in outbound freight costs as also in procurement cost of inputs. Despite the over all cost increases, in view of the impressive gains registered in operational parameters and in sales margins, we were in a position to absorb the cost increases substantially.

CAPTIVE POWER PLANT AT BHATAPARA

The 15 MW captive power plant at Bhatapara was commissioned in May 2005 and the plant is running satisfactorily. The generation cost of power has already registered a decline. In the coming years we foresee significant savings in power costs due to the captive power plant. The total cost of the project was Rs.61 crores approx. and the entire cost was funded from internal accruals.

SECOND GRINDING UNIT AT FARAKKA, WEST BENGAL

The Directors are pleased to inform that the company is in the process of setting up a green field fly ash Cement grinding Unit at Farakka in West Bengal. Fly ash for the unit will be sourced from the nearby power station and clinker shall be procured from Bhatapara Unit. The foundation stone for the unit was laid on 17th December 2005 and we are hopeful that the plant will come into commercial production towards the end of the year 2006. Setting up of the grinding unit will further consolidate our presence in West Bengal and it will also enable us to cater better to the markets in Bihar, Jharkhand apart from North Bengal. The total cost of the project is estimated at Rs.115 crores and this is being funded entirely through internal accruals.

With a view to increase the clinker availability from Bhatapara Unit commensurate with the additional requirements, plans are also being finalized for carrying out necessary modifications/ upgradation to the existing facilities at Bhatapara.

Having regard to the need to conserve resources to finance the above ambitious expansion programmes launched by the company, the Directors as stated earlier, do not recommend any dividend on the Equity Shares for the period 2004-05.

OPEN OFFER TO SHARE HOLDERS

Following the change in the shareholding pattern in Ambuja Cement India Limited, in accordance with the requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, an open offer to acquire the balance shares of the company was made by Holcim Cements Private Limited along with Ambuja Cement India Limited as person acting in concert, in the month of June 2005. In consequence of the above exercise, the non-promoter holdings in the company has reduced to 3.06% against 5.92% at the end of the previous year.

ECONOMY AND BUSINESS ENVIRONMENT

The Indian economy has recorded a robust growth rate with the industrial sector growing by 9.7%. The prevailing economic indicators point to the possibility of the above growth rates being sustained, if not improved upon, in the near future. The Government continues to focus its attention on infrastructure development and this augurs well for the industry. After many years, the growth in demand in the cement industry has substantially kept pace with the growth in the Economy, thus neutralizing the demand-supply mismatch. We anticipate that this momentum shall be sustained in the future also.

RISKS AND CONCERNS

- (i) Demand for cement is inextricably linked to the vagaries of the monsoon as a major source of demand comes from rural India. Failure of the monsoon or the excess of it leading to floods, therefore, has a cascading effect on cement demand.
- (ii) Any perceptible shift in Government policies resulting into slowdown in infrastructure development will also adversely impact the cement industry.
- (iii) Wagon availability on a regular and consistent basis was a major concern in the previous year. This led to an increase in distribution costs apart from delaying dispatches. Availability of rolling stock on a regular basis will therefore be a cause for concern in the coming year. Hikes in fuel costs have also pushed up road transportation costs.
- (iv) Value Added Tax (VAT) was introduced at the state level in many states last year. The Central Government has indicated that the Central Sales Tax will be phased out in the next two years. However until such time VAT is introduced in all the states and the benefits of set off become available fully on inter-state movement of goods and further in the absence of a uniform floor rate, the distortions caused by the VAT regime will continue.
- (v) Fringe Benefit Tax (FBT) introduced in the last Union Budget is inequitous in the form in which it exists. There does not exist any scope in a tax regime for penalising legitimate business expenditure. It is therefore hoped that either necessary amendments to FBT be made in the ensuing year to iron out the imperfections in its

present form or alternatively FBT as a whole should be obliterated from the statute.

Given the above scenario, the future prospects of the industry have to be reviewed with cautious optimism.

HUMAN RESOURCES

The company firmly believes that its dedicated band of employees are its major source of strength. Accordingly our endeavour has been to continue with employee initiatives on a sustained basis so as to maintain motivation and the morale level of the employees. The 6-Sigma initiative which was launched in the previous year has contributed towards innovative exercises being carried out by employees across the organisation leading to reduction in costs apart from leading to improvement in systems and procedure in many areas. Performance Management System (PMS) exercise was launched during the period with a view to, inter-alia, ensure that the employee goals are in harmony with the corporate goals.

On the Industrial Relationship front our relationship with the employees continued to remain cordial as in previous years.

CODE OF CORPORATE GOVERNANCE

The provisions contained in Clause 49 of the Listing Agreement with the Stock Exchange in regard to corporate governance were revised by SEBI and these provisions have become operational effective from 31st December, 2005. The Board of Directors have taken the necessary initiatives to ensure compliance of all the revised requirements. A code of conduct as applicable to the Directors and members of the Senior Management has also been put in place as on the date of this report.

INTERNAL CONTROL SYSTEM

The company believes that a strong internal control system is a sine-qua-non for maintaining a high level of governance across the organization. With this objective in view, where necessary, control systems have been made more stringent based on the initiatives taken by a dedicated internal audit team.

The IT environment is being upgraded on a continuous basis with a view to keep pace with the rapid changes taking place in the external environment.

The Audit Committee constituted by the Board meets at regular intervals and discharges the responsibilities entrusted on it in line with the provisions contained in the Companies Act 1956 as also the provisions relating to corporate governance. The ambit of coverage of the Audit Committee has been enlarged further in line with the requirements of revised clause 49 of the Listing Agreement.

FIXED DEPOSITS

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

DIRECTORS

The following Directors tendered their resignations from the Board during the period under review:

1. Mr. A.L. Kapur
2. Mr. P.B. Kulkarni
3. Mr. Santosh Senapati

The Board of Directors place on record their sincere appreciation for the valuable contributions extended by the above named persons during the tenure of their association with the company as Directors.

The following persons were appointed as Additional Directors during the period.

1. Mr. Paul Heinz Hugentoubler
2. Mr. Onne Van der Weijde
3. Mr. Ramit Budhraj

Pursuant to the provisions of the Companies Act 1956 the above named Directors hold office only till the date of the next Annual General Meeting. Notices have been received in accordance with section 257 of the Companies Act 1956 from a member proposing the candidature of the above named persons for appointment as Directors at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act 1956, Mr.S.K.Neotia, Mr. Anil Singhvi and Mr. Shailesh Haribhakti, being longest in office retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS

Lodha & Company one of the two retiring Auditors have expressed their unwillingness to seek reappointment as statutory auditors. S.R. Batliboi & Associates, who will retire at the ensuing Annual General Meeting, have expressed their willingness to seek reappointment. Members are requested to reappoint S.R. Batliboi & Associates as the statutory Auditors and to fix their remuneration.

N. Radhakrishnan & Company, Cost Accountants have been re-appointed Cost Auditors of the company for the calendar year 2006, 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 period 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 and marked as Annexure-1 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 marked Annexure II and forms part of this report.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis may be considered as forward looking within the meaning of applicable securities laws and regulations. The actual results may differ materially from the views expressed.

Important factors that could influence the Company's operations include demand and supply conditions, availability of inputs and their prices both domestic and global, changes in government regulations, tax laws, the monsoon, economic developments within the country and other factors such as litigation and industrial relations.

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 hard work put in by all the employees of the Company.

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

For and on behalf of the Board

Harshavardhan Neotia
Managing Director

Place : Mumbai
Date : 23rd January, 2006

Onne van der Weijde
Director

ANNEXURE – I

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A) CONSERVATION OF ENERGY

a) Energy Conservation Measures

Bhatapara Unit :

1. Undergrate compartments have been properly sealed resulting into better heat recuperation efficiency.
2. Modification of outlet duct of VRM resulting into less press drop and reduction in energy loss.
3. Crusher Apron feeder DC drive replaced with VVVF drive.
4. First Chamber length of Cement Mill-1 shortened.
5. System for direct feeding of fly ash to feed bin eliminating double handling of fly ash.

Sankrail Unit :

1. Incorporation of water supply system through automation.
2. System installed for fly ash conveying to Mill directly.
3. Unloading of Bulker for fly ash.
4. Implementation of study of fan efficiency.

B) TECHNOLOGY ABSORPTION

Efforts made in technology absorption are given in prescribed Form B annexed.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :

	2004-05 (18 months)	2003-2004 (12 months)
Clinker Export (in MT)	—	2220
FOB Value of exports (Rs in lacs)	—	36.35

b) Total Foreign Exchange used and earned :

	2004-05 (18 months) (Rs in lacs)	2003-2004 (12 months) (Rs in lacs)
Used	687.02	698.19
Earned	—	36.35