



MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓

SIXTH
ANNUAL REPORT
Report 1997-98 www.reportjunction.com



DLF CEMENT LTD.

DLF CEMENT LIMITED



BOARD OF DIRECTORS

K P SINGH	- Chairman
RAJIV SINGH	- Vice Chairman
D V KAPUR	
HASMUKH SHAH	
S S BAGAI	
MARTIN MICHAEL KRISTENSEN	
A KARATI	- ICICI NOMINEE
T C GOYAL	
A S MINOCHA	- Managing Director
NARENDER GUPTA	- General Manager (Corporate Affairs) & Company Secretary

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AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
Scindia House, K.G.Marg,
New Delhi - 110 001.

BANKERS

State Bank of India
ABN AMRO Bank
Canara Bank
ICICI Bank
State Bank of Bikaner & Jaipur

HEAD OFFICE

1-E, Jhandewalan Extension
New Delhi - 110 055

WORKS/REGISTERED OFFICE

Village Rabriyawas
P.O. Jaitaran, District Pali
Rajasthan - 306302

DLF CEMENT LIMITED**NOTICE**

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of DLF Cement Limited will be held on Wednesday, the 30th September, 1998 at its registered office at Village Rabriyawas, P.O. Jaitaran, Dist. Pali, Rajasthan - 306302 at 9.30 AM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31.3.1998 and the Profit & Loss Account of the Company for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri K. P. Singh who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri S. S. Bagai who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment.
4. To appoint Auditors 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 A. Karati, who was co-opted as an Additional Director of the Company under Article 92 of the Articles of Association of the Company and who holds such office upto the date of this Annual General meeting and in respect of whom the Company has received notice in writing, pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the Office of Director, be and is hereby appointed as Director of the Company and who will not be liable to retirement by rotation."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION :-

"RESOLVED that pursuant to Section 61, 81 of the Companies Act, 1956 and all other applicable provisions if any, of the Companies Act, 1956 and prospectus dated 6.5.1994, Debenture Trust Deed dated 9.12.1994 and subject to all other approvals such as SEBI, Debenture Trustees etc., If necessary, consent of the shareholders be and is hereby given to the Board of Directors of the company to do the following :

1. To give an option to the debentureholders at their discretion to convert their existing debentures under Option I i.e. payment of interest on half yearly basis to Option II i.e. payment of interest on cumulative basis at the end of 9th year from the date of allotment with compounding to be done on half yearly basis, with the first compounding to be done with effect from 1.4.1998 or such other date as may be decided by the Board of Directors of the Company.
2. To redeem the non-convertible portion at the end of 9th year from the date of allotment alongwith interest accrued thereon, if any, instead of the existing redemption schedule of 6th, 7th, 8th and 9th year from the date of allotment.
3. The payment of interest, however, will be subject to deduction of tax at source as applicable to the respective categories from time to time.

RESOLVED FURTHER that the Board of Directors will have the discretion to advance, prepone or postpone the period/date or amount of redemption or payment of interest at such rate and on such terms and conditions as the Board may deem proper and/or as may be prescribed by law from time to time subject, however, to approval of SEBI, Debenture Trustees etc., If necessary.

RESOLVED FURTHER that the Board of Directors will have the discretion to compulsorily convert the amount of interest and/or the amount of non-convertible portion of debentures with or without cumulative interest payable thereon on or before the date of redemption either into equity shares or preference shares whether cumulative or non-cumulative, or combination thereof on such dates as may be decided by the Board of Directors and subject, however, to such approvals as may be required under the law and subject to such terms and conditions as may be decided.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the above."

By Order of the Board
For DLF CEMENT LIMITED
Sd/-

NARENDER GUPTA
GENERAL MANAGER (CORPORATE AFFAIRS)
& COMPANY SECRETARY

Place: New Delhi
Date: 30.7.1998

DLF CEMENT LIMITED**Notes**

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- 3) The register of members and share transfer books will remain closed from 16.9.98 to 30.9.98 (both days inclusive).
- 4) Members are requested to intimate any change in their address to the Company by quoting their Folio No.
- 5) Members wishing to require any information pertaining to Annual Accounts of the Company, are requested to write at least 10 days in advance from the date of the Annual General meeting.
- 6) Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5**

The company has availed financial assistance from the ICICI. ICICI is entitled to nominate one Director on the Board of Directors of the Company. Accordingly, Shri A. Karati was nominated as Additional Director in terms of Article 92 of the Articles of Association of the Company and as such he will hold office upto the date of this Annual General Meeting in terms of provisions of Section 260 of Companies Act, 1956. The Company has received notice in writing from a Member u/s 257 of the Companies Act, 1956 signifying his intention to propose Shri A. Karati as Director of the Company. The Board, therefore, recommends his appointment as nominee Director and he will not be liable to retirement by rotation.

None of the Directors except Shri A. Karati is concerned or interested in the resolution.

Item No. 6

The Company had issued through prospectus for public subscription, the Secured Redeemable Multi Option Convertible Debentures (MOCDS) of Rs.85/- each at par. Under one of the options i.e. Option I, Part-A, i.e. Rs. 50/- per MOCDS was converted into 5 equity shares of Rs. 10/- each at par at the time of allotment. Part-B of Rs. 35/- was to carry interest @ 17% per annum from the date of allotment and the interest was payable half yearly on 31st March and 30th September each year and on redemption. Since the date of commencement of commercial production i.e. 1.4.1997, your company has achieved the capacity utilisation at an average of about 83% and on some occasions the capacity utilisation has been even more than 100%.

Despite having achieved remarkable parameters of production and marketing, the margins of the company have been severely affected. Since the date your company commenced commercial production, the cement industry has been in the grip of sluggish demand as a result of which the cement prices were under pressure. Coupled with this, the unprecedented rise in the cost of inputs has further squeezed the operating margins. With the result during the year under review, despite a turnover of Rs. 265 crores, your company has suffered a net loss of Rs. 52 crores. This recessionary phase has adversely affected both profitability and cash flow position of the company because of low margins, higher cost of production, higher distribution charges and also due to high capital cost and financial charges.

Though the cement industry is passing through a recessionary period, but the steps taken by the government in the Budget 1998-99 has signalled that such recession is only for short to medium term. It is therefore, expected that the years ahead would bring in lot of opportunities for the cement industry. To overcome the present situation, in addition to other measures being adopted by the company, it is desired that the Board of Directors of the Company may be authorised, at their discretion, to give an option to the debentureholders to convert the debentures under Option I (Simple interest option) to Option II (Cumulative interest option) and also to redeem the principal amount of debentures at the end of 9th year from the date of allotment, including interest accrued thereon. In case, the cash flow of the company will permit, the redemption may be preponed at the discretion of the Board of Directors of the company. In the unlikely event of non-improvement in the cash flow, the Directors may at their discretion consider compulsory conversion of the debentures either in full or in part together with cumulative interest or interest accrued thereon either into equity shares or preference shares or combination thereof on such terms and conditions as may be decided by the Board of Directors, and subject to the provisions of Trust deed, Obtaining approval from SEBI, Debenture Trustees etc., If necessary.

The Board of Directors recommends to pass the proposed resolution.

None of the Directors is interested in the resolution.

By Order of the Board
For DLF CEMENT LIMITED
Sd/-

NARENDER GUPTA
GENERAL MANAGER (CORPORATE AFFAIRS)
& COMPANY SECRETARY

Place: New Delhi
Date: 30.7.1998

DLF CEMENT LIMITED**DIRECTORS' REPORT**

To

The Members,

Your Directors present the Sixth Annual Report for the year ended 31.3.1998. This is the first report with operational results as your Company commenced commercial production with effect from 1.4.1997. The financial results are given below :-

	(Rs. in lac)
Sales including Excise and Taxes	26540.95
Other Income	578.90
Profit before Interest, Depreciation & Tax	1551.86
Less Interest & Financial charges	4669.14
Gross Profit/(Loss) before Depreciation & Tax	(3117.28)
Less Depreciation	1900.27
Provision for Tax	—
Preliminary/Deferred Revenue Expenses	183.44
Net Profit/(Loss)	(5200.99)

You would be pleased to note that during the period under review, your company has achieved the capacity utilisation at an average of about 83% and on some occasions the capacity utilisation has been even more than 100%. The production facilities are now reasonably stabilised to achieve the consistent level of production.

Despite having achieved remarkable parameters of production and marketing, the margins of the company have been severely affected. Since the date your company commenced commercial production, the cement industry was already in the grip of sluggish demand as a result of which the cement prices were under pressure. Coupled with this, the unprecedented rise in the cost of inputs has further squeezed the operating margins. With the result during the year under review, despite a turnover of Rs. 265 crores, your company has suffered a net loss of Rs. 52 crores. In view of the losses your Directors have not been able to consider the declaration of any dividend.

Projections V/S Performance

Although, in the projections which were published at the time of public issue, it was projected that the company will be able to earn profit in the first full year of production itself, but since then there has been a tremendous increase in input costs. Hike in the cost of various inputs has been to the tune of Rs. 12/- per bag during April, 1997 to March, 1998. Further the impact of the recent Budget Proposal will further push up the cost of production and distribution by around Rs. 16/- per bag. Though the input cost has gone up substantially, the cement price has not picked up on the same proportion due to excess capacity and prevailing recessionary conditions in the cement market. A cost study for the cement industry was published by the Industrial Credit & Investment Corporation of India Ltd. based on normative retail prices of cement in 1991. Since then the average increase in input cost has been to the tune of Rs. 64/- per bag. Based on this, the price of the cement bag should have been between Rs. 167 to 192 against an actual price of Rs. 120 to 145/- per bag. Therefore, the company despite having achieved capacity utilisation of 83% and selling the entire product in the market, the company has not been able to earn profit. The company's product is widely accepted in the market. The company has 29 Depots, 700 Dealers and more than 3500 sub-dealers throughout the marketing territory. The cash flow of the company has been adversely affected due to low margins, higher cost of production, higher distribution charges and also due to high financial charges.

A statement of Projections V/S Performance is annexed as Annexure - C to the Report.

Present Scenario

Contrary to the expectations of the cement industry, the demand of the cement has not picked up. Lot of capacities which has been created between the years 1992-97 have not been fully utilised due to the demand recession prevailing in the industry. Substantial build up in capacity in the recent past has lead to a situation of over supply.

Further the demand from the infrastructure sector which was anticipated to increase substantially has not picked up. The Government which used to buy almost 40% of the total production has virtually come to a halt due to lack of developmental projects.

The index for wholesale price for cement has witnessed continuous decline thereby affecting the margins of the cement companies.

DLF CEMENT LIMITED**Future Prospects**

Despite the Cement industry being going through a severe recessionary phase at present, the industry saw a continued growth of 9% achieving peak production of 76.73 million tonne in large sector. This is to be seen with the background of GDP growth coming down to around 5% as compared to 7.5% in the previous year.

Although the cement industry is passing through recessionary trend at present, it is however, re-assuring that the Budget 1998-99 has signalled that government is giving importance to housing and infrastructure which is the fuel for the growth of cement industry. It is therefore, expected that the years ahead would bring in lot of opportunity for this industry.

Increase in Equity Share Capital

To improve the debt equity ratio, the Shareholders and Debentureholders of the Company at their respective meetings held on 23.9.1997 had approved and authorised the Board of Directors of the Company to prepone at their discretion the date and time for conversion of debentures under Option III into equity shares. Accordingly, 1,09,01,920 debentures under option III were converted into 3,81,56,720 equity shares of Rs. 10/- each on 5th June, 1998. Consequent to the above, the Equity Share Capital of the Company stands increased from Rs.128,48,41,070 to Rs. 166,64,08,270.

Public Deposit

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956, during the year under review.

Auditors' Report

Observations made by the Auditors in their Report have been fully clarified in the relevant notes forming part of the accounts.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo, pursuant to Section 217(1)(e) of the Companies Act, 1956 is set out in Annexure 'A' (Form A & B) to the Report.

Particulars of Employees

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is annexed hereto as Annexure B to the Report.

Directors

Shri K. P. Singh and Shri S. S. Bagai, retire by rotation, from the Board of Directors at the ensuing Annual General Meeting and they have offered themselves for re-appointment. The Board recommends their re-appointment.

Auditors

Messrs A. F. Ferguson & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

Acknowledgement

The Directors express their gratitude to the Government of India, Government of Rajasthan, All India Financial Institutions, International Finance Corporation (IFC) Washington, Bankers to the Company, C&F Agents, Dealers, and various other agencies for the co-operation extended to the Company.

Our special thanks are also due to all our customers who have provided us a foothold in the highly competitive market and helped us in achieving a good market share in the first year of operations.

Our sincere thanks are also due to all of you as well as to the Debentureholders who have extended full support to the Company during this testing time.

The Directors also wish to place on record their appreciation for the contribution made by employees at all levels.

By Order of the Board

Place : New Delhi
Dated : 30.7.1998

K.P. SINGH
CHAIRMAN

DLF CEMENT LIMITED**ANNEXURE-A**

REPORT OF BOARD OF DIRECTORS UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998.

Form 'A'

Form for disclosure of particulars in respect of Conservation of Energy:-

I. CONSERVATION OF ENERGY**A) Energy Conservation Measures Taken**

- i) Plant operation through CCR operated on DCS for the full plant.
- ii) Installation of Waste Heat Recovery System for preheating CPP boiler feed water.
- iii) Installation of Low Pressure Cyclones in PH to reduce power consumption.
- iv) Installation of PID loops for all critical control parameters for optimal operations with minimised power and fuel consumption.
- v) Installation of three channel burner for fuel economy.
- vi) Installation of dust collector at Coal Mill PC firing line, separately for minimising coal feeding fluctuation in the kiln.
- vii) Continuous air leakage monitoring is being done and proper corrective action is being taken to reduce power and fuel consumption.
- viii) Installation of capacitors for all HT drives for improved power factor.
- ix) Speed control of process fans to reduce power consumption.
- x) Use of high quality coal to reduce coal consumption.

B) Additional investments and proposals, if any, being implemented for reduction in Consumption of Energy.

- i) Mines development and optimisation of raw mix design.
- ii) Installation of ROM screening system to avoid multiple handling of raw material.
- iii) Installation of new crusher to reduce operating hours.

A. POWER AND FUEL CONSUMPTION

	Current Year 1997-98	Previous Year 1996-97
1. Electricity		
a) Purchased unit (KWH)	11,55,60,099	2,97,78,511
Total Amount (Rs.)	35,96,94,757	8,74,47,822
Rate/Unit (Rs.)	3.11	2.94
b) Own Generation		
i) Through Diesel Generator	-	-
Unit (KWH)	-	-
Unit per Ltr. of Diesel Oil	-	-
Cost/Unit	-	-
2. Coal (Specify Quality and where used)		
Quality C,D & E Grade Slack Coal Used for Calcining of Raw Material		
Quantity (Tonnes)	1,72,108	53,608
Total Cost (Rs.)	40,94,89,704	11,80,40,550
Average Cost (Rs.)	2,379.27	2,201.91
3. Furnace Oil	-	-
4. Others/Internal Generation	-	-

DLF CEMENT LIMITED**B. CONSUMPTION PER UNIT OF PRODUCTION**

		Industry Standard	Current year 1997-98	Previous Year 1996-97
Production Unit		Cement Metric Tonne		
1.	Electricity (PMT of Cement KWH)	120	102	113
	Furnace Oil	-	-	-
	Coal (K.Cal./Kg. of Cement)	850	724	772
	Other (Specify)	-	-	-

II. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption are furnished in Form-B as under :-

FORM - B**A. RESEARCH & DEVELOPMENT (R&D):**

Specific area in which R&D carried out

- Preventive maintenance schedules being introduced.
- Optimisation of quality control parameters, raw mix design and kilnfeed to clinker factor.
- Pollution control (environmental impact assessment).
- Process control optimisation.
- Safety audit.
- Market research and analysis on customer awareness, sales distribution, customers confidence level etc.

B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION:

- i) Modification in cooler across its width for better heat recuperation.
- ii) Installation of new PH meal pipes for trouble-free operation in kiln.
- iii) Installation of additional seal air fan for higher heat recuperation in cooler.
- iv) Regular reversal of wear parts to achieve higher life.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange earned and used : (Rs.)

- a) Earnings Nil
- b) Outgo (CIF value of imports & expenditure in foreign currency) 11,75,34,753

For & on behalf of the Board of Directors

Place : New Delhi

Dated : 30.7.1998

K.P. Singh
Chairman

ANNEXURE-C (DIRECTORS' REPORT)**STATEMENT SHOWING VARIATIONS BETWEEN PROJECTED AND ACTUAL PERFORMANCE UPTO 31.3.1998****Performance vs Projections for the financial year 1997-98**

Particulars	Projections	Actual
Commencement of commercial production	January '96	April '97
Capacity utilisation (%)	100	82.47
Sales Value (Rs. Lacs)	19,160	13,586
Net Profit/(Loss) after tax (Rs. Lacs)	5,720	(5,200)

Sales value is exclusive of Excise Duty, Sales Tax, Dealers Commission/Discount and Freight

Reasons for variations

1. Due to delay in taking physical possession of land & repeated equipment failure the commercial production commenced from April, 1997.
2. The year 1997-98 being the first year of operation, the stabilisation process took little longer than expected & hence capacity utilisation was lower.
3. The cost of all major inputs & freight has gone up substantially whereas the increase in selling price was only marginal due to recessionary conditions in the cement industry, which has resulted into loss.

For & on behalf of the Board of Directors

Place : New Delhi

Dated : 30.7.1998

K.P. Singh
Chairman