

DLF CEMENT LIMITED

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7th

ANNUAL REPORT

1998-99

BOARD OF DIRECTORS

K P SINGH	-	Chairman
RAJIV SINGH	-	Vice Chairman
T C GOYAL		
A S MINOCHA	-	Managing Director
MARTIN M KRISTENSEN		
A KARATI	-	ICICI nominee
R S SHARMA	-	IFCI Nominee
S K NEOTIA		
N P GHUWALEWALA		
B L TAPARIA		
A C SINGHVI		
SNEHASIS KUMAR	-	Company Secretary

AUDITORS

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

BANKERS

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

HEAD OFFICE

1-E, Jhandewalan Extension
New Delhi - 110 055

WORKS/REGISTERED OFFICE

P.O. DLF Rabriyawas
Tehsil Jaitaran, District Pali
Rajasthan - 306709

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of DLF Cement Limited will be held on Thursday, the 30th March, 2000 at its registered office at P.O. DLF Rabriyawas, Tehsil Jaitaran, Dist. Pali, Rajasthan - 306709 at 10.30 AM to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 30th September, 1999 and the Profit & Loss Account of the Company for the period ended on that date and the Directors' and Auditors' Reports thereon.
2. To appoint Director in place of Shri T. C. Goyal who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s. A. F. Ferguson & Company, retiring Auditors, as 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

4. 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, Shri S. K. Neotia, who was appointed as an Additional Director of the Company and who under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notices in writing from some members, pursuant to the provisions of section 257 of the Companies Act, 1956, proposing the candidature of Shri S. K. Neotia for the Office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."
5. 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, Shri B. L. Taparia, who was appointed as an Additional Director of the Company and who under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notices in writing from some members, pursuant to the provisions of section 257 of the Companies Act, 1956, proposing the candidature of Shri B. L. Taparia for the Office of Director, be and is hereby appointed a 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 pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri A. C. Singhvi, who was appointed as an Additional Director of the Company and who under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notices in writing from some members, pursuant to the provisions of section 257 of the Companies Act, 1956, proposing the candidature of Shri A. C. Singhvi for the Office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

DLF CEMENT LIMITED

7. 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, Shri Narendra Ghuwalewala, who was appointed as an Additional Director of the Company and who under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notices in writing from some members, pursuant to the provisions of section 257 of the Companies Act, 1956, proposing the candidature of Shri Narendra Ghuwalewala for the Office of Director, be and is hereby appointed 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 a **SPECIAL RESOLUTION**:
- "RESOLVED that pursuant to Section 21 and all other applicable provisions, if any, of the Companies Act, 1956, the name of the Company be changed from DLF Cement Limited to 'Ambuja Cement Rajasthan Limited'."
- "RESOLVED FURTHER that the name 'DLF Cement Limited' wherever occurs in the Memorandum and Articles of Association of the Company, be substituted by the name 'Ambuja Cement Rajasthan Limited'."
- "RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts and deeds as may be deemed expedient and necessary to give effect to this resolution."

By order of the Board
For DLF CEMENT LIMITED

Date: 22nd February, 2000
Place: New Delhi

(SNEHASIS KUMAR)
COMPANY SECRETARY

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 AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE 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 Thursday, the 16th March, 2000 to Saturday, the 25th March, 2000 (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.

DLF CEMENT LIMITED**EXPLANATORY STATEMENT (Pursuant to Section 173(2) of the Companies Act, 1956)**

The following Explanatory Statement sets out all material facts relating to the special business under Item Nos. 4 to 8 of the accompanying Notice.

In respect of Item Nos. 4, 5, 6 and 7

The Company has put up a 1.43 million tonne cement plant in the Pali District of the State of Rajasthan in the year 1997. Right from the commencement of production of the Company, the cement industry in the country has been under severe recessionary conditions. The cement market has become highly competitive. As a result, the Company has been making losses and the accumulated losses as on 30th September, 1999 as per the audited accounts are Rs. 155.88 crores.

Under the aforesaid circumstances, the Directors were looking for various avenues for revival of the company including a resourceful partner who could join hands with the existing promoters for an earliest and speedy revival.

Gujarat Ambuja Cements Limited (GACL) has agreed to join the existing management for revival of the company. GACL is a leading cement company in the country who have achieved many land marks in a short span of time. To strengthen the Board, four representatives of GACL, viz., Shri S. K. Neotia, Shri B. L. Taparia, Shri A. C. Singhvi and Shri Narendra Ghuwalewala were appointed on the Board of Directors of the Company as Additional Directors w.e.f 13th December, 1999. Except for Shri Narendra Ghuwalewala, they are also the Directors on the Board of GACL. Shri Narendra Ghuwalewala is a senior executive of GACL.

All these four Additional Directors will hold office as Directors only upto the date of ensuing Annual General Meeting pursuant to Section 260 of the Companies Act, 1956.

The Company has received Notices pursuant to Section 257 of the Companies Act, 1956 from some of the members signifying their intention to propose the above Shri S. K. Neotia, Shri B. L. Taparia, Shri A. C. Singhvi and Shri Narendra Ghuwalewala as Directors. The Board considers that it would be in the interest of the Company to continue to avail the services of the above Directors.

The Board of Directors recommends passing of the resolutions at item Nos. 4, 5, 6, and 7.

Shri S. K. Neotia, Shri B. L. Taparia, Shri A. C. Singhvi and Shri Narendra Ghuwalewala are concerned or interested in the resolutions at item Nos. 4, 5, 6 and 7 respectively. Save as aforesaid, none of the Directors is, in any way, concerned or interested in the said resolutions.

In respect of Item No. 8

In view of Gujarat Ambuja Cements Limited (GACL) having agreed to join the existing management, it is desired to change the name of the Company so as to reflect the association with the "Ambuja Cement" group. It is, therefore, proposed to change the name of the Company to "Ambuja Cement Rajasthan Limited".

Shareholders approval is being sought in this regard pursuant to the provisions of Section 21 of the Companies Act, 1956.

The Board of Directors recommend passing of the special resolution at item No. 8 of the Notice.

Copy of the approval letter dated 21st February, 2000 for availability of the name granted by the Registrar of Companies, Rajasthan is open for inspection by the members during the business hours on any working day, at the registered office of the Company upto the date of the meeting.

None of the Directors is, in any way, concerned or interested in the said resolution.

By Order of the Board
For DLF CEMENT LIMITED

Date: 22nd February, 2000
Place: New Delhi

(SNEHASIS KUMAR)
COMPANY SECRETARY

DLF CEMENT LIMITED**DIRECTORS' REPORT**

To The Members,

The Directors present the Seventh Annual Report together with the Audited Statement of Accounts of the Company for the period ended 30th September, 1999.

Financial Results

The Company's corporate financial year has been extended by six months to end on 30th September, 1999. The operating results, therefore, are for the 18 months period from 1st April, 1998 to 30th September, 1999 :-

	Current Period (18 months) (Rs. in lac)	Previous Year (12 months) (Rs. in lac)
Sales	45206.93	26540.95
Operating Profit before interest, Depreciation & Tax	1085.54	1551.86
Less : Interest & Financial charges	7669.10	4669.14
Gross Loss before Depreciation & Tax	6583.56	3117.28
Add : Depreciation	3329.05	1900.27
Loss before taxation	9912.61	5017.55
Provision for tax	-	-
Loss after taxation	9912.61	5017.55
Add/(Less):		
Preliminary/Deferred Revenue Expenses	401.70	183.44
Adjustment relating to prior period	72.72	-
Net Loss	10387.03	5200.99
Loss brought forward from previous year	5200.99	-
Loss carried forward to next year	15588.02	5200.99

During the period of 18 months under review, the Company produced 19.49 lac tonnes of cement as against 11.55 lac tonnes in the previous year (12 months). The Company thus achieved average capacity utilisation of 93% during the period under review. During the same period under review, The Company sold 19.55 lac tonnes of cement as against the previous year's sale of 11.45 lac tonnes. In spite of fairly good production and sales, The Company incurred a loss of Rs.65.84 crores before depreciation as compared to Rs.31.17 crores in the previous year. The net loss after depreciation and certain adjustments amounted to Rs.103.87 crores during the period under review as against Rs.52.01 crores in the previous year. This is attributable mainly to the continuing recession in the cement industry. The prices were under tremendous pressure almost throughout the year due to excess supply. On the other hand, costs have gone up during the period under review.

Revival Plans - Induction of Gujarat Ambuja Cements Limited in the management.

As you are aware, the Company has been making losses right from the commencement of commercial production. The accumulated losses as of 30.9.1999 have mounted to Rs. 155.88 crores. The Directors were looking for various avenues for revival of the Company including inviting a resourceful partner who could join hands with the existing promoters to revive the Company.

Gujarat Ambuja Cements Ltd. (GACL) has agreed to join the existing management for revival of the Company. GACL is a leading cement company in the country. It has achieved many landmarks in a short span of time. Even in the worst of times of the cement industry, GACL has performed exceedingly well.

The existing promoters have transferred and agreed to transfer, subject to certain compliances, their shareholding amounting to face value of Rs.65.31 crores at a price of Rs.12.65 per share to GACL. GACL has nominated 4 of its representatives on the Board of the Company in the month of December, 1999.

Consequent to the aforesaid transaction for transfer of shares, GACL has also made an open offer to the existing shareholders of the Company to purchase from them their shares upto 20% of the equity share capital of the Company as required under SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997. This offer has been made by GACL at a price of Rs.13.85 per share as per SEBI's Regulations.

It is strongly felt that the Company will be revived very soon with the full fledged induction of GACL's expertise in all the areas after completion of the formalities under the above referred Regulations of SEBI.

Increase In Share Capital

1. Pursuant to the approval of shareholders and debentureholders in their respective meetings held on 29th September, 1999, the Company has converted 107.90 lac Multi Optional Convertible Debentures of Rs.35/- each alongwith interest of Rs.1.13 lacs accrued thereon as of 31st March, 1999 into 284.46 lac equity shares of Rs.10/- each at a price of Rs.13.28 per share amounting to Rs.37.78 crores. The issue price of Rs.13.28 per share was determined as per SEBI's Guidelines. This has resulted in increase in the share capital by Rs.28.45 crores and share premium account by Rs.9.33 crores.
2. The Financial Institutions under their loan agreements have exercised their right of conversion of part of their loans amounting to Rs.35.20 crores into equity shares of Rs.10/- each at par with effect from 1st April, 1999. The Company has, accordingly, allotted equity shares of the aggregate face value of Rs.35.20 crores to these Financial Institutions in the month of December, 1999. This has resulted in increase in the share capital of the Company by a further sum of Rs.35.20 crores.

Consequent to the issue of capital as referred to in paras (1) & (2) above, the total equity share capital of the Company stands increased from Rs.166.64 crores to Rs.230.29 crores.

3. In addition to the above, shareholders at the Extra-ordinary General Meeting held on 12th January, 2000 have approved issue of 15 crores equity shares of Rs.10/- each at a price of Rs.13.85 per share by way of preferential allotment to Gujarat Ambuja Cements Limited aggregating to a sum of Rs.207.75 crores to improve the net worth of the Company. The issue price of the shares has been determined as per SEBI's guidelines. The Board of Directors shall offer, issue and allot the equity shares upto the face value of Rs.150 crores as and when thought appropriate.

Projections v/s Performance

In the prospectus it was projected that the Company will earn a net profit of Rs.93.30 crores during the year 1998-99 (extrapolated for 18 months). As against this the Company has incurred a net loss of Rs.103.87 crores during the year 1998-99 (18 months). The Company has incurred such a huge loss inspite of achieving capacity utilisation of 93% during the period under review. The main reasons for not achieving the projected profitability are as under:-

- (i) Severe recession in the cement industry.
- (ii) The growth of demand particularly in the natural markets of the Company was extremely poor, whereas the supply continued to be far in excess.
- (iii) The above situation resulted in highly depressed market prices and unbelievably poor realisation.
- (iv) Increase in various input costs.
- (v) Higher freight and distribution costs.
- (vi) Increased interest costs.

The variations between the projections and actual performance for the corporate financial year 1998-99 (18 months) are given below:-

Particulars	Projections*	Actuals
Capacity utilisation (%)	100	93
Sales Value (Rs. Crores) **	287.40	233.56
Net Profit (Loss) after tax (Rs. in Crores)	93.30	(103.87)
* Extrapolated for eighteen months		
** Exclusive of Excise duty, Sales Tax, Dealers Commission/Discounts and Freight.		

Present Scenario and Future Prospects

The cement industry continued to be in the grip of recession during the financial year 1998-99. The domestic demand during the financial year 1998-99 has grown by about 8%, whereas the supply has increased by more than 8%. Thus the situation of excess supply has aggravated further.

The financial year 1999-2000 has commenced with an optimistic note. The demand from April, 1999 to December, 1999 has grown by about 18% over the corresponding period of the previous year. The priority and emphasis given by the government to housing and infrastructure sectors, augurs well for the cement industry. Demand is expected to continue growing reasonably well during the coming years. It is expected that the years ahead will bring a lot of opportunities for the cement industry.

DLF CEMENT LIMITED**Erosion of net worth by more than 50% under SICA**

The accumulated losses of the Company as per the annexed accounts for the period ended 30th September, 1999 have resulted in erosion of more than 50% of the peak net worth during the immediately preceding four financial years. Under the Provisions of the Sick Industrial Companies' (Special Provisions) Act, 1985, (SICA), the Company is required to hold General meeting of the shareholders to consider the said erosion of the net worth at the General meeting. For this purpose, it is proposed to hold an Extraordinary General meeting of the Company on 30th day of March, 2000 for which notice is being sent separately.

A report of the Board of Directors as to such erosion and its causes in accordance with the provisions of the said Act will be annexed to the notice sent to the shareholders for that purpose.

Y2K Compliance

The Company has had a successful transition into the new millennium without facing any Y2K problem in respect of all of its business IT applications and process control systems. The costs incurred in this connection were not significant.

Directors

Shri T. C. Goyal, Director of the Company retires by rotation at the ensuing Annual General Meeting and has offered himself for re-appointment.

Shri S. K. Neotia, Shri B. L. Taparia, Shri Narendra Ghuwalewala and Shri A. C. Singhvi were appointed as Additional Directors on the Board. These Directors would hold office only upto the date of the ensuing Annual General Meeting and have offered themselves for appointment. The Board recommends their appointment.

Dr. D. V. Kapur and Mr. S. S. Bagai, Directors of the Company have resigned from the Board. The Directors place on record their appreciation for the valuable services rendered by them during their tenure as Directors.

Auditors

Observations made by the Auditors in their Report have been fully clarified in the relevant notes forming part of the accounts. Hence, no further comments or explanations are called for.

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. The Board recommends their appointment.

Public Deposits

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.

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, 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 set out in Annexure 'A' and forms part of this 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 and forms part of this Report.

Acknowledgement

The Directors express their gratitude to the Government of India, Government of Rajasthan, Local Authorities, Financial Institutions, International Finance Corporation Washington, Bankers to the Company and various other agencies for their co-operation and guidance extended to the Company.

The Directors also express their gratefulness to all of you, the shareholders, as well as to the Debentureholders for your support to the Company.

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

By Order of the Board of Directors

Dated : 27th January, 2000
Place : New Delhi

A. S. Minocha
(Managing Director)

B. L. Taparia
(Director)