

Binani

BINANI CEMENT LIMITED

A N N U A L R E P O R T 2 0 0 3 - 2 0 0 4

BINANI CEMENT LIMITED

(Subsidiary of Binani Industries Limited)

BOARD OF DIRECTORS

Mr. Braj Binani Chairman & Managing Director
Mr. S. S. Khandekar Wholetime Director
Mr. V. K. Saxena IDBI Nominee
Mr. R. Sankaran
Mr. S. Padmakumar
Mr. Deo Hirawat
Mr. Sushil Bhatler (from 26-03-04)

CHIEF FINANCIAL OFFICER

Mr. M. K. Chattopadhyaya

COMPANY SECRETARY

Mr. Sanjay R. Lotlikar

AUDITORS

M/s. S. R. Batliboi & Co., Mumbai

M/s. Deloitte Haskins & Sells, Mumbai
 (Proposed to be appointed at the
 8th Annual General Meeting)

BANKERS

Bank of Baroda
 Bank of India
 Allahabad Bank
 IndusInd Bank
 Punjab National Bank
 The South Indian Bank Limited
 State Bank of Travancore
 Jammu & Kashmir Bank Limited

AUDIT COMMITTEE

Mr. S. Padmakumar
 Mr. R. Sankaran
 Mr. V. K. Saxena
 Mr. Deo Hirawat

LOCATIONS**Registered Office :**

706, Om Tower,
 32, Chowringhee Road,
 Kolkata - 700 071

Corporate Office :

Mercantile Chambers,
 12, J.N. Heredia Marg,
 Ballard Estate,
 Mumbai - 400 001

Mumbai Office :

Feltham House, 1st Floor,
 10, J.N. Heredia Marg,
 Ballard Estate,
 Mumbai - 400 001

Marketing Offices :

1. 703-704, Sakar II, Ellisbridge,
Ahmedabad - 380006
2. A-309, Defence Colony,
New Delhi - 110024
3. 40, Gopal Bari,
Jaipur - 302001

Works :

Binanigram, Pindwada,
 Dist - Sirohi,
 Rajasthan - 307025

ADVISORS

Mr. H.L. Jain (Marketing)
 Mr. R. C. Mittal (Operations)

MANAGEMENT COMMITTEE

Mr. S. S. Khandekar -- Wholetime Director
 Mr. Sushil Bhatler -- Director
 Mr. M. Mehta -- Sr. Vice President (Commercial)
 Mr. R. K. Vaishnavi -- Sr. Vice President (Operations)

MARKETING OFFICES**Delhi :**

Mr. Vinay Wadhwa -- Sr. Vice President (Marketing)

Jaipur :

Mr. K. G. Sharma -- Asst. Vice President (Marketing)

Ahmedabad :

Mr. B. M. Khara -- General Manager (Marketing)

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present herewith the Eighth Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2004.

OVERVIEW

The overall demand of Cement during 2003-04 in the Company's market domain increased by about 7%. The Cement price levels however remained more or less at 2002-03 levels due to over supply in the market.

Our performance for the year has been better than the previous year. Against an output of 19.18 lac tonnes clinker in 2002-03, we could achieve a growth of over 4% to 19.97 lac tonnes along with a 3.7% growth in Cement despatches.

Efforts to reduce operating costs by use of alternate fuel for power generation and kiln fuel coupled with improvement in operational efficiencies and productivity, better resource management etc. have been successful in offsetting the impact of rising costs of freight, coal etc. Our specific variable cost reduced by 2% compared to previous year.

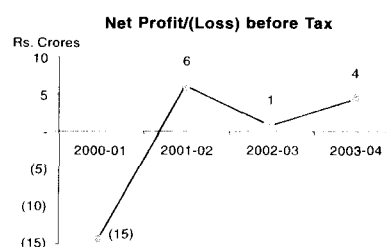
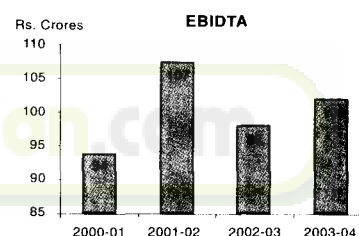
As a result of the above, the Company achieved Earnings before Interest, Depreciation and Tax (EBIDTA) of Rs. 10,178 lakhs (an increase of 4% over the previous year) and a net profit of Rs. 448 lakhs before tax, compared to Rs. 103 lakhs during 2002-03.

The increase in demand due to strong infrastructural growth coupled with rising prices should better our results in 2004-05.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2004 are as summarised below:

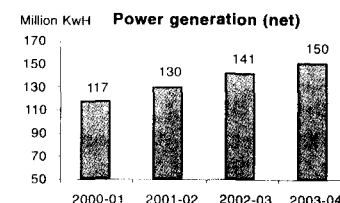
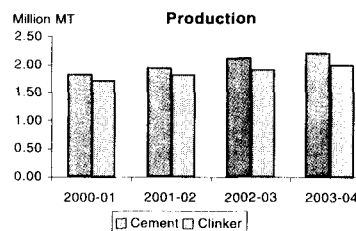
	Rs. lacs	
	2003-04	2002-03
Sales & Other Income	37,911	36,933
Operating Costs	27,733	27,137
EBIDTA	10,178	9,796
Interest & Financial Charges	5,602	5,634
Cash Profit	4,576	4,162
Depreciation & Amortisation	4,128	4,059
Profit before Tax	448	103
Profit after Tax	413	103



PERFORMANCE REVIEW

Operations

Your Company has been able to increase the Clinker and Cement production, year after year, due to the various technical improvements and debottlenecking being pursued relentlessly, which has resulted in reduced downtime and greater plant availability. Captive power generation from the coal based thermal power plant has kept pace with the requirement generating over 6% more energy than 2002-03.

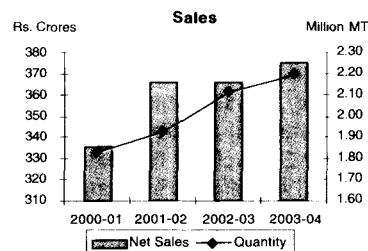


Binani Cement Limited
 annual report 2003 - 2004

Marketing

Sales during the year recorded a new high with an increase of over 4% compared to 2002-03.

You may recall that your Company had, during 2002-03, entered the PPC market. From a mere 3%, our sale of PPC has grown to a high of 27% during March '04, thanks to our strong brand equity !



Our market share in Rajasthan continued to be around 15%, giving us the No.1 slot amongst our competitors. This has been the market with the highest realisation for us as well.

A strong Market Organiser and Dealer network, with an established brand equity for 'BINANI' brand augurs well for the future years for the continued customer loyalty in our domain.

Costs and Margins

In this fiercely competitive market, it has been the endeavour of your Company to reduce costs, wherever possible, more so due to the following sharp increases in input costs:

- Steep rise in international coal prices and ocean freight rates, although partly offset by reduction of basic customs duty and removal of SAD in January, 2004.
- Load restrictions imposed by the local government sent freight rates sky rocketing.
- Excise duty hike from Rs.350 per tonne to Rs.400 per tonne with effect from 1-3-2003.

The following measures to improve operational efficiencies and resource management have met with considerable success in offsetting the impact of the increase in input costs:

- Use of Petcoke as an alternate kiln fuel has kept the rising fuel cost under check.
- Reduction in specific power consumption from 78.26 Kwh to 77.08 Kwh per tonne Cement, coupled with better availability of captive power has had a major impact in the reduction of power cost. Moreover, use of lignite in place of more expensive coal has further helped in the lowering of power cost.
- Higher usage of Fly Ash for production of PPC has resulted in additional gains.
- Specific thermal energy consumption in Kiln came down from 692 K.Cal/Kg Clinker to 680 K.Cal/Kg Clinker.

Overall, though the plant performance has been quite satisfactory, our technical team has identified areas of concern which would need to be attended during the course of the coming year to improve and maintain overall operational efficiency and plant availability.

ECONOMY & BUSINESS ENVIRONMENT

Growth in demand for Cement, buoyed by a late surge in infrastructure project spending and general market sentiments, stood at approximately 5.50% year to year.

Rajasthan and Gujarat, our major markets, showed an increase in demand by 6.2% and 7.4% respectively.

The industry envisages CAGR of between 8 - 9% over the coming years, strong enough to support up to 50 mio. tonnes capacity addition.

Up to 20% of this demand could be met through increase in blended cement output.

Your Company foresees a robust price outlook in the near future, a trend which is evident since last quarter 2003-04. This augurs well for the Cement industry's growth prospects and your Company intends to take advantage of this opportunity.

FUTURE PLANS

Your Company is in process of setting up a Ready Mix Concrete Plant at Gurgaon (Haryana) with an installed capacity of 99,000 Cubic meter p.a. The investment would be fully financed through internal accruals. The production is likely to commence during 3rd quarter 2004 and is expected to improve the Company's profitability.

RECOGNITIONS AND AWARDS

During the year, your Company has won the Second Best Quality Excellence Award - An Award for Quality excellence in Cement Industry, for the year 2001-02 presented by National Council for Cement and Building Materials, New Delhi. Your Company has also won Certificate of Excellence -2003 award in the Cement Sector from Rajasthan State Productivity Council for the year 2002-03, won various prizes during the "27th Mines Safety Week 2003" and also during the "XIVth Mines Environment & Mineral Conservation Week 2003-04" Ajmer region. The Quality Circle 'Pragati' of your Company has won the "Excellent Presentation status" at the 17th National Convention on Quality Circle, organised by Quality Circle Forum of India at Madurai.

The Company has a special distinction of being the only Cement Company in the Country to have been accredited with ISO 9001:2000, ISO 14001:1996 & OHSAS 18001:1999 within five years from the commencement of its operations.

SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

Your Company continues to fulfil its responsibility towards the development of the community along with its pursuit to achieve its own growth and development. Education and healthcare remain at the centre-stage of various community development activities undertaken during the year by the Company.

Your Company has been organising eye camps every year at Binanigram. In March 2004, 57 operations were performed during the eye camp. This has been the highest number of operations under any single eye camp organised by any organisation in the district in this year. Further, during acute drought in the region earlier during the year, around 1.50 lakhs litres of drinking water was provided to Pindwara town. Besides, various direct and indirect assistance was provided to the people of the nearby areas, which included constructions, donations and organising of an animal husbandry camp. The Binani Ladies Club also contributes towards community development and charities through distribution of free furniture, school dresses, books, clothes etc. to the needy people.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Your Company firmly believes that its biggest assets are its people. Their development, growth and proper management therefore assume top priority in the Company.

To remain competitive, regular sharpening of individual skills and enhancing their competency levels are necessary. Accordingly, the training needs of employees are assessed regularly and based on this assessment, they are deputed for external or in-house training programmes. Even for the in-house training programmes, external faculties are engaged wherever internal expertise is not available. In house programmes, though more convenient, but are not necessarily more economical. Yet we prefer to conduct more and more in house programmes for the benefit of a larger section of the employees. Substantial amount is spent each year for such programmes. The Company's commitment towards the development of its employees is reflected in the fact that on an average 4.11 mandays per person have been spent on training during the year. In the long term, this enhances the competitive edge of the Company also.

The various departmental Quality Circles continue to strengthen the team spirit of the employees. This is clearly visible through the very healthy working environment within the Company.

The Company continued to maintain cordial industrial relations throughout the year.

DIVIDEND

In view of the inadequate profit for the year, the Directors are not in a position to recommend any dividend payment for the year.

AUDIT COMMITTEE

Following are the members of the Audit Committee :

1. Mr. S. Padmakumar
2. Mr. R. Sankaran
3. Mr. V.K. Saxena
4. Mr. Deo Hirawat

BOARD OF DIRECTORS

Mr. S. S. Khandekar has been reappointed as Wholtime Director designated as President for the period from 19th February, 2004 to 31st March, 2006 subject to necessary approvals. The proposal for his reappointment and remuneration payable to him has been placed before you for your approval.

Mr. Sushil Bhattar has been appointed as Additional Director of the Company at the meeting of the Board of Directors held on 26th March, 2004. In accordance with the provisions of the Companies Act, 1956, he would hold office of Director upto this Annual General Meeting of the Company. The Company has received a notice from a shareholder of the Company proposing his appointment as Director of the Company alongwith a deposit of Rs.500/- as required by law.

In accordance with Article 100 of the Articles of Association of the Company, Mr. S. Padmakumar and Mr. R. Sankaran retire by rotation and being eligible offer themselves for re-appointment.

During the year under review, the Remuneration Committee has been constituted comprising of the following members :

1. Mr. S. Padmakumar
2. Mr. R. Sankaran
3. Mr. V.K. Saxena

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants, have expressed their inability to continue as the Statutory Auditors of the Company. M/s. Deloitte Haskins & Sells have expressed their willingness to be appointed as the Statutory Auditors in place of M/s. S. R. Batliboi & Co. Necessary certificate has been obtained from M/s. Deloitte Haskins & Sells as per Section 224(1) of the Companies Act, 1956 and the proposal has also been placed before you for approval.

In terms of the order of the Ministry of Law, Justice and Company Affairs, the Company is required to conduct Audit of Cost Accounts maintained by the Company at the factory at Sirohi, every year. Approval of the Central Government for the appointment of M/s. K.G. Goyal & Associates, Cost Accountants, Jaipur as Cost Auditors for the year 2004-05 is being obtained.

AUDITORS' OBSERVATIONS

Observations made in the Auditors' Report have been extensively dealt with in the Notes to the Accounts at appropriate places and are self-explanatory.

PARTICULARS UNDER SECTION 217

• Energy Conservation, Technology Absorption, Foreign Exchange Earnings & Outgo :

Statement of particulars as required under Section 217(1)(e) of the Companies Act, 1956 regarding conservation of energy, technological absorption, foreign exchange earnings and outgo is annexed.

• Particulars of Employees:

The Company has no employee of the category specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

• Directors' Responsibility Statement:

In accordance with Section 217(2AA) of the Companies Act, 1956, the Directors state that :

- a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and proper explanation relating to material departures, if any, have been furnished;
- b) accounting policies as listed in Schedule 17 to the financial statements have been selected, consistently applied and prudent judgements and estimates have been made so as to give true and fair view of the state of affairs of the Company as on 31st March, 2004 and of the profit of the Company for the year ended on that day;

- c) proper & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act has been taken so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continued co-operation and support received from the Holding Company, Banks & Financial Institutions, various State and Central Government agencies, valued Customers, Dealers, Distributors, Market Organisers, Suppliers, Contractors and all who have directly or indirectly contributed in the success of your Company.

Your Directors also take this opportunity to appreciate the committed and dedicated services of the employees at all levels.

By Order of the Board
For **Binani Cement Limited**

Place : Mumbai
Date : 28th April, 2004

Braj Binani
Chairman and Managing Director



ANNEXURE TO DIRECTORS' REPORT**PARTICULARS UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.****A. CONSERVATION OF ENERGY****a) Energy conservation measures taken**Cement Plant

1. Inlet boxes of Kiln & Calcliner fans have been enlarged.
2. EVASE angle of Sepax fan of both cement mills has been reduced from 30 to 19.5 degrees.
3. Speed reduction of Limestone hopper top JPF fan (311FN2) & removal of fan inlet damper.
4. Speed reduction of surge Bin top JPF fan (221FN1) & removal of fan inlet damper.
5. Speed reduction of Screening plant JPF fan (211FN2) & removal of fan inlet damper.
6. Speed reduction of Bag-house transport JPF (391FN8) & removal of fan inlet damper.
7. Inlet boxes of Raw Mill Fan enlarged.
8. Segmented dip tube installed in the K-6 cyclone.
9. Segmented dip tube installed in the K-4/C-4 cyclone.
10. Provide Sand Sealing Arrangement in the Divertors of Preheater Cyclones Below K-6 & C-5 Cyclone.
11. Speed reduction of D31CP1 Compressor.
12. Existing Riser & Inlet of Calcliner String Cyclone C-2 modified partially.
13. Constructed C.C. Road to connect National Highway NH-14.
14. Time optimisation of Raw Mill Magnetic Divertor.
15. Removal of dampers from P & V System fans.
16. Increase of no. of steps in Cement Mill sepax fans GRC for better efficiency.
17. Increase of no. of steps in Raw Mill fan GRC for better efficiency.
18. Shifting of LT capacitor near load end to improve power factor and reduce losses.
19. Energy saving bricks installed in calcining zone.
20. Location of calcliner fan feeder Optimised reduce cable losses.
21. Change of operating characteristic and voltage level of V/F controlled motors to reduce losses.
22. Oil purification unit installed and commissioned.
23. C-6 cyclone dip tube height increased.
24. Four additional guide shoes provided in cooler 1st Compartment (better cooling efficiency of cooler).
25. Modified side replaceable lip plates introduced in cooler.
26. Drive orientation carried out in 491 CV4 for proper layout of venting pipes.
27. R.A. Fan optimised by reducing its speed.

Thermal Power Plant

1. High capacity auxillary cooling water pump changed to required capacity.
2. Stoppage of operation of DM water transfer pump as the water is supplied by atmospheric pressure to condenser hotwell which is under vacuum.
3. Speed reduction of coal crusher.
4. Impeller trimming of filter water pump and potable water pump.
5. Replacement of Two nos. cooling tower fan by energy efficient fan.
6. Speed reduction of instrument air compressor.
7. Optimisation of operation of softener & Pumps.

b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of Energy

Cement Plant

1. Optimisation packages will be installed for Raw Mill, Kiln & Cement Mills.
2. A system to be devised for feeding Pulverised Pet-Coke to calciner (For utilisation of alternative fuel).
3. Existing Riser & Inlet of Calciner String Cyclone C-2 & C-3 will be modified.
4. Installation of energy saving bricks in preburning & calcining zone.
5. Introduction of energy efficient Sodium Vapour Lamps in place of conventional Sodium Vapour Lamps.
6. Upgradation of recirculation elevators of CM2.

Thermal Power Plant

1. Balance two Nos. of cooling tower fan to be replaced.
2. Boiler feed pump pressure to be reduced by providing dummy impeller.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Due to various energy conservation measures, there was saving in power and fuel coal consumption.

d) Total Energy consumption and Energy consumption per unit of Production:

Please refer Form A attached.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Not Applicable.

C. TECHNOLOGY ABSORPTION - RESEARCH & DEVELOPMENT

Not Applicable.

D. FOREIGN EXCHANGE EARNINGS & OUTGO

	Rs. in Lakhs
1. Foreign exchange earned	1.20
2. Foreign exchange used	5628.15

FORM A

Form as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2004.

CONSERVATION OF ENERGY

Total Energy Consumption and Energy Consumption per unit of production.

A. Power & Fuel Consumption :

		For the year ended 31/03/2004	For the year ended 31/03/2003
1. Electricity			
a. Purchased			
Unit	(KwH)	25267053	31319220
Total Amount	(Rs. Lakhs)	1191.80	1464.70
Rate / Unit	Rs./KwH	4.72	4.68
b. Own Generation			
Unit	(KwH)	150481174	141090961
Amount of HSD / LDO Consumption	(Rs. Lakhs)	3.48	3.91
Amount of Coal Consumption	(Rs. Lakhs)	1816.99	1678.16
Amount of Lignite Consumption	(Rs. Lakhs)	434.33	375.33
Amount of Fuel Consumption (Coal, Lignite, HSD / LDO etc.)	(Rs. Lakhs)	2254.80	2057.40
Cost / Unit	Rs./KwH	1.50	1.46
2. a. Coal-Imported (Steam Non-coking) (Used in Kiln for Clinker Production)			
Quantity	(M.T.)	199118	215585
Total Cost	(Rs. Lakhs)	5447.55	5724.98
Cost / Unit	Rs./M.T.	2735.84	2655.55
b. Lignite - (Used in Kiln for Clinker Production)			
Quantity	(M.T.)	1200	5756
Total Cost	(Rs. Lakhs)	12.13	59.55
Cost / Unit	Rs./M.T.	1011.26	1034.68
c. Pet Coke (Used in Kiln for Clinker Production)			
Quantity	(M.T.)	20195	0.00
Total Cost	(Rs. Lakhs)	539.01	0.00
Cost / Unit	Rs./M.T.	2669.02	0.00
d. Lignite - (Used in Captive Power Plant)			
Quantity	(M.T.)	42303	37031
Total Cost	(Rs. Lakhs)	434.33	375.33
Cost / Unit	Rs./M.T.	1026.72	1013.56
e. Coal - Imported (Steam Non-coking) - (Used in Captive Power Plant)			
Quantity	(M.T.)	68015	63265
Total Cost	(Rs. Lakhs)	1816.99	1678.16
Cost / Unit	Rs./M.T.	2671.45	2652.58
3. a. HSD / LDO - (Used in Kiln for Clinker Production)			
Quantity	(Litre)	177951	136317
Total Cost	(Rs. Lakhs)	31.53	17.29
Average Rate	Rs./Litre	17.72	12.68
b. HSD / LDO - (Used in Captive Power Plant)			
Quantity	(Litre)	19815	24930
Total Cost	(Rs. Lakhs)	3.48	3.91
Average Rate	Rs./Litre	17.55	15.70

B. Consumption per ton of Cement Production :

Electricity (KwH)		Coal, Lignite & Pet Coke		HSD / LDO (Ltrs.)	
2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
77.08	78.26	0.10	0.10	0.08	0.06