

Binani

BINANI CEMENT LIMITED

ANNUAL REPORT 2004 - 05



Contents ►

Report  junction.com

BIL Profile	01
Binani Cement Limited	02
Board of Directors	04
Directors' Report	06
Auditors' Report	14
Balance Sheet, Profit & Loss Account & Schedules	18
Cash Flow Statement & Part IV	37



Binani Industries Limited ▶

The industrial powerhouse of Binani now known as Binani Industries Ltd. was founded in 1872 by Seth Govardhandas Binani also known as Metal King of India. The zinc business was a pioneering effort of Late Ghanshyam Binani and the munificent legacy continues under the able leadership of Braj Binani, the chairman of Binani Group of Companies.

Today the Group has a significant presence in Cement, Glass Fibre and Composite business besides Zinc as well thus emerging as a multi-product, multi location conglomerate.

Turn over: Rs. 8000 million (US\$ 175 million)

Asset base: Rs. 13000 million (US\$ 280 million)

Major business

- ▶ Binani Cement Ltd. : 2.2 Mio TPA, Binanigram
- ▶ Binani Zinc Ltd. : 30,000 TPA, Binanipuram, Kerala
- ▶ Goa Glass Fibre Ltd. : 9,750 TPA, Colvale, Goa

Binani Cement Limited

Report  junction.com



Beckoned by the invaluable professional experience and success in project implementation in the core sector industry, the company has broadened the horizons to yet another segment. Binani Cement Limited, a wholly owned subsidiary of BIL launched in 1996, produces "Binani Cement" to match the best that the world offers. Sale is focused in the North Indian, Gujarat and Rajasthan markets.

The plant is spread across a strategic location at Pindwara, a village in Sirohi, Rajasthan. The site known as Binanigram, is advantageous for its easy accessibility to superior grade limestone mines from the Aravali range of Pindwara belt. Its strategic location meets the demand of speedy deliveries, lesser freight cost, including the export potential and the import of coal being close to the port. We lease a large area with the raw material, which is guaranteed to last for about the next 70 years at the current capacity levels.

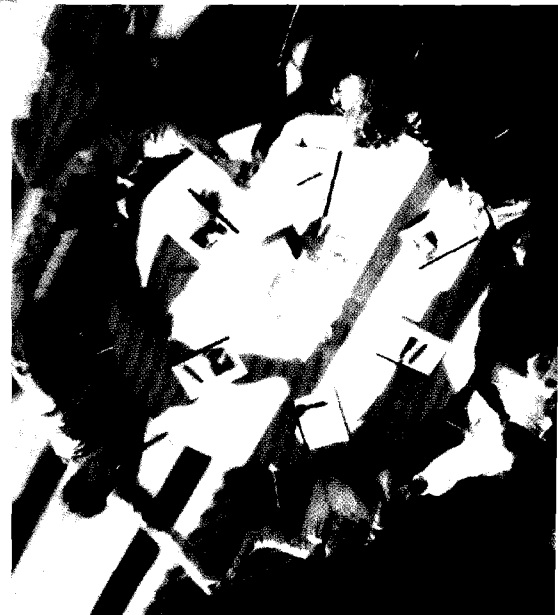
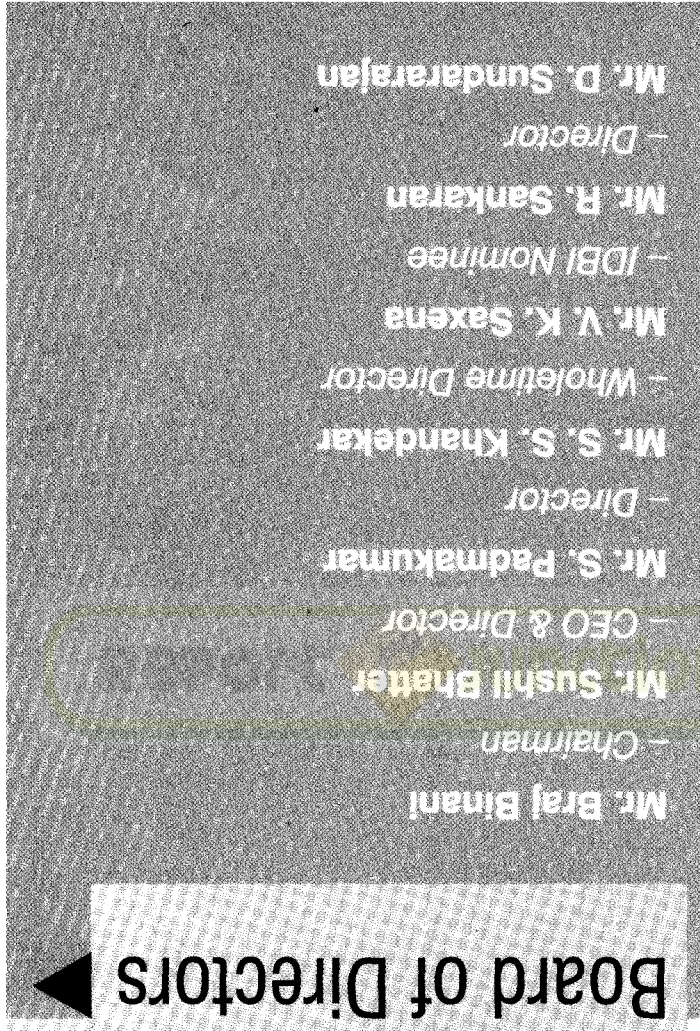
This 2.20 MTPA high-tech plant created with the support of Denmark based F. L. Smidth and Larsen and Toubro was complemented by a 25 MW thermal power plant & completed within a record time of 18 months since inception.. Apart from ensuring 100% utilisation by meeting our cent percent power requirements the captive power is a significant part of our cement complex. The year wise production is shown at annexure.

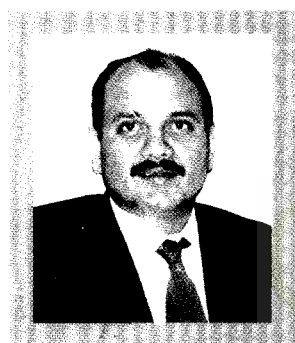
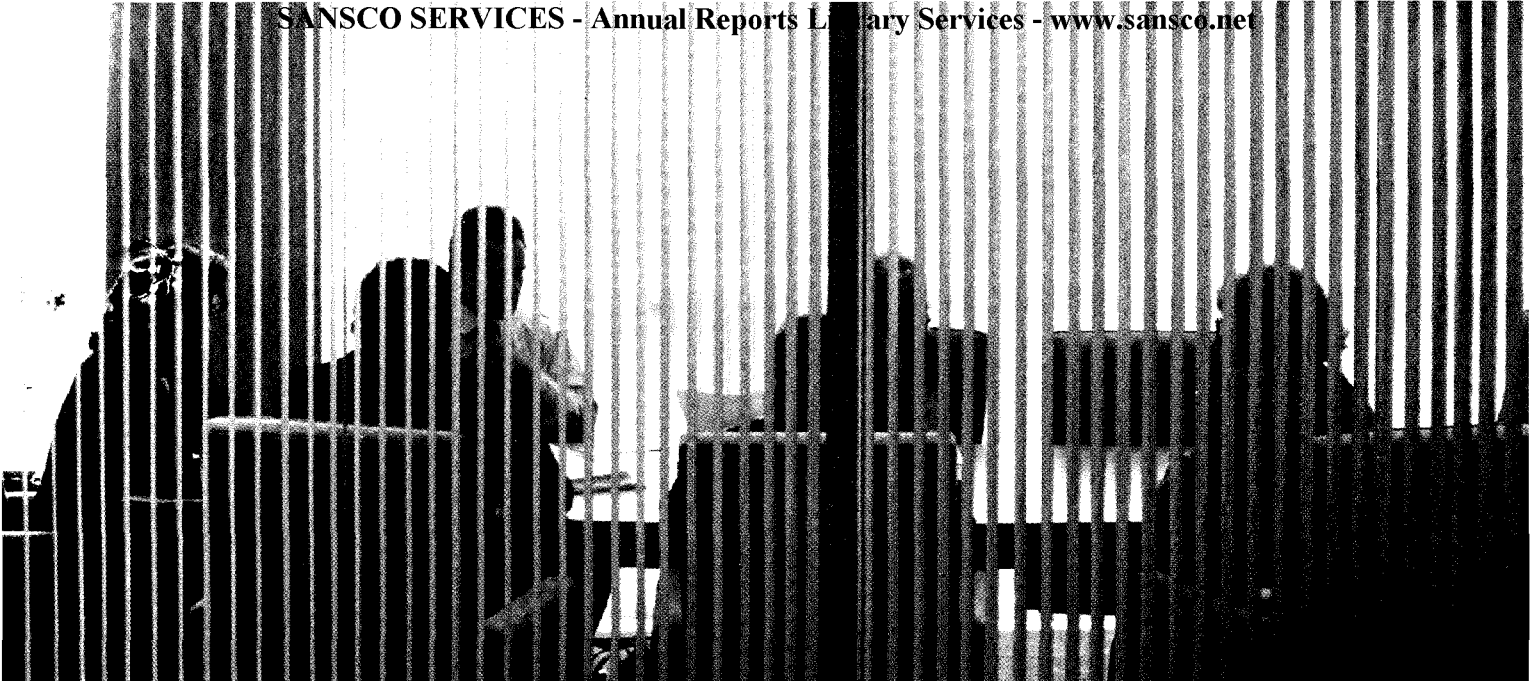
Highlight:

- ▶ Binani Cement Ltd. is a wholly owned subsidiary of Binani Industries Limited.
- ▶ Designed with the ultra-modern dry process technology the plant incorporates Six Stage Pre-heater technique with Pre-calciner for the production of clinker.
- ▶ It is a zero waste company.
- ▶ Every product produced in the plant matches that of world's best.
- ▶ 102% capacity utilisation is achieved with a total production of 2.25 mtpa of 53, 43 and P P C grade Cement for the year 2004-05.
- ▶ Binani Cement is the first plant in India to receive ISO 9001, ISO 14001 and OHSAS 18001 certifications in a short span of 5 years of the commercial production.
- ▶ Binani Cement enjoys a share of 15% in Rajasthan and 8% in Gujarat.
- ▶ It has set a new trend of marketing strategy of Cash-N-Carry policy, which has gained an amazing response.

The Road Ahead...

- ▶ Plans are on the move to increase the capacity of 2.0 mtpa to 4.0 mtpa clinker in the existing set up.





Braj Binani
Chairman



Sushil Bhatler
CEO & Director



S. Padmakumar
Director



S. S. Khandekar
Wholetime Director



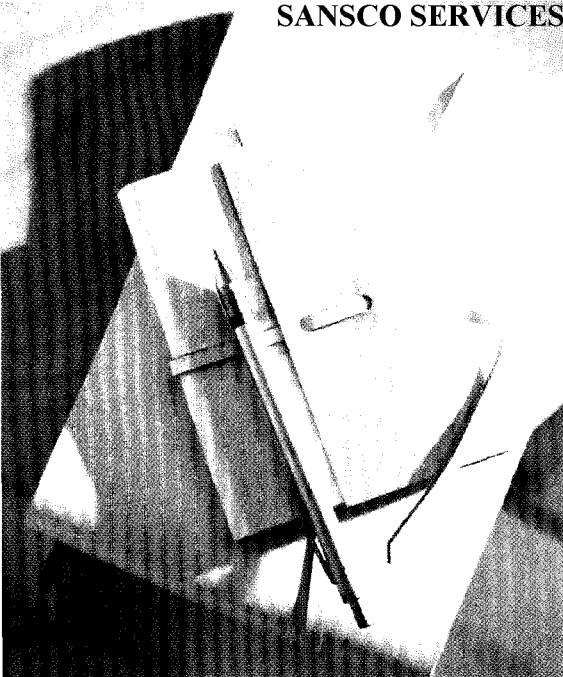
V. K. Saxena
IDBI Nominee



R. Sankaran
Director



D. Sundararajan
Executive Director



Directors' Report ►

Dear Shareholders,

Your Directors are pleased to present herewith the Ninth Annual Report of the Company alongwith the Audited Accounts for the year ended 31st March, 2005.

OVERVIEW

Your Company's key market, North India, is in a significantly positive phase with regional demand exceeding regional supply. With the demand continuing to grow at 7 - 8% CAGR and no significant additional capacities coming on stream before the year end the demand supply situation is further expected to improve.

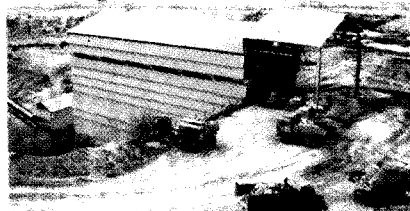
Our performance during the year 2004-05 was better

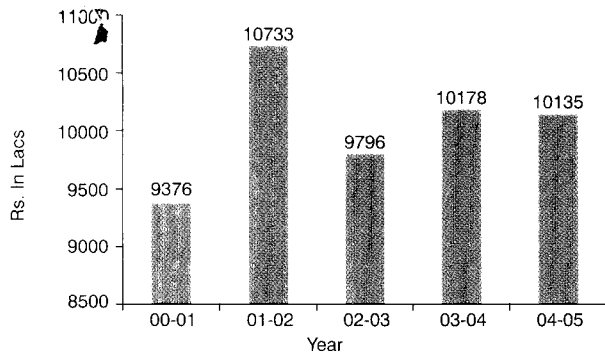
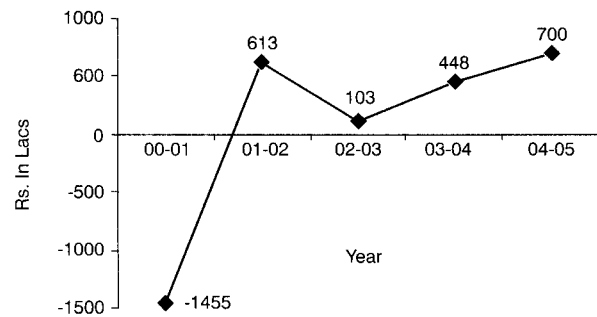
than the previous year due to higher production and sale of cement. We have produced 22.40 Lacs MT & sold 22.38 Lacs MT of Cement as against 22.02 Lacs MT produced & 21.90 Lacs MT sold in the previous year. The average sales realization for the Company was higher by approx. 12%. However, increase in sales realization has not resulted in corresponding increase in EBIDTA level due to significant increase in operating costs. While sales increased by 16.5%, the operating cost went up by 22.7% resulting in EBIDTA for 2004-05 remaining flat. Due to reduction in interest rate with effect from 1/10/04 consequent to comprehensive restructuring package sanctioned by the Lenders, the net profit was higher in 2004-05.

FINANCIALS

The financial results for the year ended 31st March, 2005 are as summarized below :

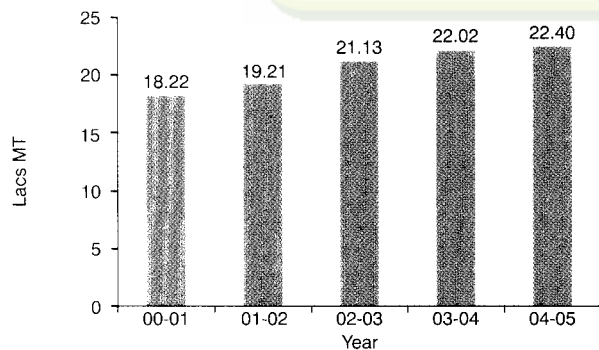
	Rs. in Lacs	
	2004-05	2003-04
Sales (net of ED) and Other Income	44009	37911
Operating Costs	33874	27733
EBIDTA	10135	10178
Interest & Financial charges	5235	5602
Cash Profit	4900	4576
Depreciation and Amortization	4200	4128
Profit before Tax	700	447
Profit after Tax	645	413



EBIDTA**Net Profit/ (Loss)****FINANCIAL RESTRUCTURING**

Your Company was granted a restructuring package in 2003 which gave some relief in interest rate and extended repayment period. However, the Holding Company M/s. Binani Industries Limited continued to hold loans, which were earlier availed for our Company. Based on our request to comprehensively restructure the debt profile of the group, the lenders in particular

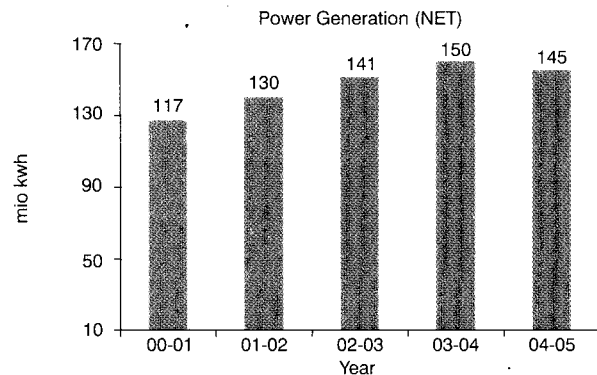
IDBI have agreed to our request. Accordingly, the loans of IDBI (principal portion) and loans of IIBI lying in BIL have been transferred / assigned to our Company. The lenders have reduced the interest rate substantially and extended the repayment period further taking into account the viability of the Company. The full effect of the reduction of interest rate will be felt from financial year 2005 – 06.

PERFORMANCE REVIEW
Operations

In its pursuit towards continual improvement, your Company has been again able to increase the cement production and has bettered all its previous records. This has been the result of untiring efforts and continuous modifications / technical improvements carried out from time to time which have enhanced the plant's availability and productivity. Increased share of Portland Pozzolana Cement has also contributed towards higher volumes as compared to the previous year. Captive Thermal Power Plant supplied 84% of the total requirement for the current year as against 85% in 2003 – 04.

The production/generation details are as under :-

Production	2004-05	2003-04
Cement (MT)	2240237	2202377
Cinker (MT)	1849623	1997400
Power Generation- (lakhs Kwh)	1444.59	1504.81

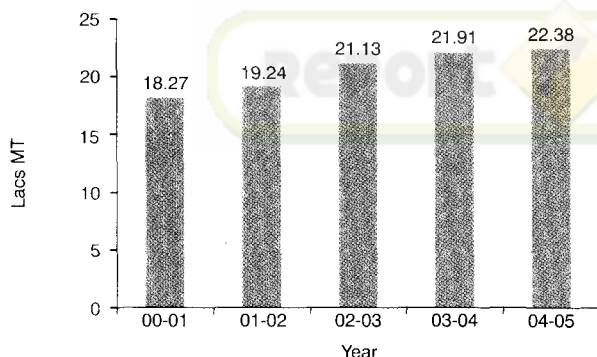


Marketing

Sales during the year were higher at 22.38 Lacs MT - an increase of 2.18% over the previous year. In its endeavour to increase the share of Portland Pozzolana Cement (PPC) which gives better yields, your Company has been successful in increasing the share of PPC from 21.55% to 28.64% of the total sales. Due to the overall improved market and consequently prices, there has been a reasonably good growth in the sales turnover.

In Rajasthan, which is our primary market, our market share continues to be around 15% so as to hold the No.1 slot in the state. We have been able to carve out a niche for our 'BINANI' brand, which enjoys a strong dealer/ customer loyalty in our all marketing domain which includes the states of Rajasthan, Gujarat, Haryana, Delhi, Punjab and U.P.

Our marketing strategy is based on quality product, strong dealer network, increasing sales in the areas closer to the plant, strong logistics and endeavor to push up sales of PPC.



Costs and Margins

Your Company continues to reduce / control the costs of various inputs/ expenses which have sharply increased during the year. The cost of production of loose cement has increased by 16%. The increase has been mainly due to the following :

- Due to rising international prices of coal, there has been a steep increase in the cost of imported coal and consequently sharp increase in the total fuel cost for the Company.
- Increase in royalty on limestone by Rs.5/ MT w. e.f. 14.10.2004.
- New Electricity duty @ Rs.0.25 / Rs. 0.20 per kwh (as per applicable slab) on captively generated power used for self consumption imposed w.e.f. 12.7.2004.

d) Levy of education cess @ 2% on Excise Duty (Rs. 8/MT of cement) with effect from 9.7.2004.

e) Increase in average freight on cement sales.

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 :

- Usage of alternative fuels (mostly agro wastes) in pyro-processing to keep the overall fuel cost under control. This has also helped to conserve the non-renewable source of energy and also to safeguard the environment.
- Increased production of PPC along with higher usage of fly ash.
- Higher usage of lignite in proportion to coal resulting in reducing the cost of fuel for captive power generation.

ECONOMY & BUSINESS ENVIRONMENT

The Rs. 30,000-crore cement industry is cyclical in nature and in the recent times it is on an upswing. Industry demand has been growing at a CAGR of about 5~8% over the last three years and is expected to grow at 7~8% over the next three years.

Housing construction has been the key contributor to cement demand, consuming more than 54% of total cement. Infrastructure projects have contributed to 29% and the balance from industry. The key drivers of cement demand are as under :

- Housing sector boom :** Demand in the housing sector is expected to remain robust for the next few years. Factors like low real estate prices, tax relief against interest cost on housing finance, stable interest rates, increasing competition in housing finance, and availability of housing finance for as long as 30 years are the positives behind this. Rural housing is also likely to see increased investment due to higher rural income on back of good monsoons last year.
- Infrastructure spending on the rise :** Infrastructure spending in the country is on the rise. The government has undertaken various initiatives for the development of roads, railways, ports and power. With the various projects being implemented, the demand for cement is bound to increase in the future.
- GDP growth of 7% :** Growth in the cement industry has a correlation of about 1.2X with GDP growth. With the Indian GDP growing at the rate of 7%, the cement industry is also expected to grow at the rate of 8-9% for the next 2-3 years.