



BINANI
CEMENT
LIMITED



Binani

Binani Cement Limited

(Subsidiary of Binani Industries Limited)

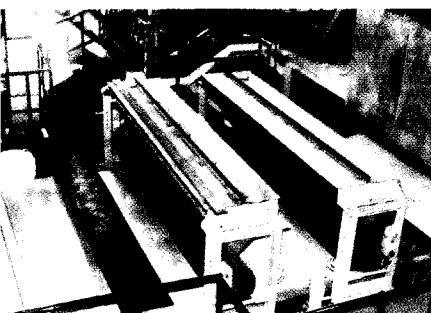
annual report 2005-2006

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THE BINANI GROUP



The seed sown in 1872 by the legendary Seth Govardhandas Binani has grown into a mighty Oak spreading its branches across the industrially developed western corridor of India and spanning across diverse products.

In 1872 Seth Govardhandas Binani set up a modest non-ferrous metals trading firm. His vision, enterprise and business acumen helped him establish the Binani name in the Indian metals trade and also earned him the sobriquet of "Metal King of India" from Calcutta to Bombay and beyond, the London Metals Exchange.

The first manufacturing unit was set up at Kolkata under the name of Binani Metal Works Ltd., which operated facilities for alloy castings from 1941 to 1976.

Post Independence, when the Indian economy started to pick up steam and industrial growth was spurred on by favourable government policies, Seth Govardhandas Binani realized that the need to enter the manufacturing sector on a bigger scale. His dreams were realized in 1967 when, under the able leadership of his son Late Ghanshyam Binani, the group's pioneering venture was set up to produce zinc in technical and financial collaboration with Cominco of Canada.

Today the Binani group has diversified manufacturing interests in zinc, cement, glass fibre and downstream products of glass fibre. As on March 31, 2006, the Binani group has about 1200 employees and an asset value of Rs. 14.4 billion and annual turnover of Rs. 8.7 billion.

Under the able leadership of Shri Braj Binani, Chairman, the Group has recast itself in recent years to be able to retain its leadership position.

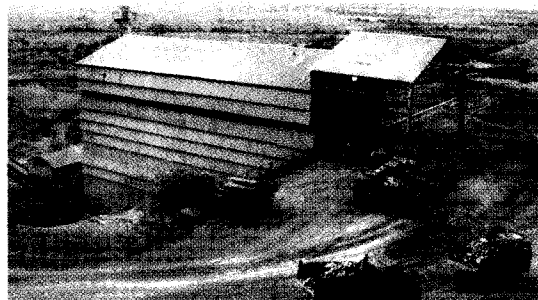
BINANI INDUSTRIES LIMITED



Binani Industries Limited presently is the holding company controlling the manufacturing businesses of the Binani Group. It was incorporated originally as Cominco Binani Zinc Limited, It was formed with technical and financial cooperation from M/s. Cominco, Canada. The company commenced commercial production of Zinc in 1967 and was the pioneer in manufacture of Electrolyte Zinc.

In 1991, Cominco divested their holdings as part of their global investments strategy. To reflect the change in the ownership, the company was rechristened Binani Zinc Limited. In 1996 Binani Zinc was again renamed as Binani Industries Limited to reflect the addition of new manufacturing businesses. The company added Cement and Glass Fibre. To ensure that each of these businesses grow to its fullest potential the Cement and Glass Fibre divisions were hived-off into separate subsidiaries in 1997 & 1998 respectively as Binani Cement Limited and Goa Glass Fibre Ltd. The Zinc operation of BIL was hived-off into Binani Zinc Limited (BZL) in 2002.

Binani Industries Limited will continue to guide the fortunes of the group's manufacturing businesses. This company will form the core think-tank for the Group's future business strategies and implementing plans that would help keep Binani a force to reckon with.



BINANI CEMENT LIMITED

Binani Cement Limited, the flagship company of Binani group, has facilities for manufacture of 2.25.MTPA of cement along with 25 MW coal/lignite based captive power plant at Sirohi, Rajasthan.

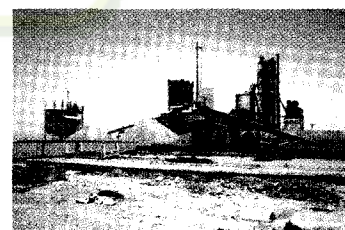
The Sirohi facility right from its inception has been a unique achiever:

- The project was completed within a record time of 19 months.
- The first cement company to be certified as ISO9001: 2000, ISO14001: 1996 & OHSAS 18001: 1999 within 5 years of commissioning of the plant.
- The first cement company to be certified ISO14001: 2004.

Binani Cement today is one of the leading players in the buoyant cement markets of North India and parts of Western India. Binani Cement has carved out in Rajasthan a 13.4% market share. Similarly, it has significant presence in Gujarat, Haryana and Delhi markets primarily on account of product attributes such as strength, quality and consistency.

Binani Cement has one of the highest operational efficiency compared to its competitors. With good technical base, low overheads, international standard manufacturing facilities and effective marketing network the Company has shown consistent growth in revenues. It has also maintained stringent control over its operating costs. The Company's power consumption norms are among the lowest in the industry at 73 Kwh/ MT. The Company has two limestone mines in close proximity to the manufacturing plant with proven reserves adequate to last for over 30 years on the enhanced capacity.

While Binani Cement's product quality has found ready acceptance of the consumers, the company's strong fundamentals attracted JP Morgan Special Situations Asia LLC, a wholly owned subsidiary of J P Morgan Chase & Co. USA. In September 2005, JP Morgan Special Situations Asia LLC through its investment arm – Silver Peak Investments (Mauritius) Limited, acquired a 25% equity stake. JP Morgan also extended a Term Loan of Rs. 1.3 billion to the Company through its Indian arm, J P Morgan Securities India Private Limited towards part-financing the Company's expansion project. BCL has undertaken brownfield expansion to increase capacity to 5.3 mio tpa along with additional 2x20 MW CPP at a cost of Rs. 575 crores. The financial closure is complete and new capacity will come online by end March 2007. BCL is also in process of acquiring its own railway siding within the factory premises. The project is expected to be commissioned by October 2006.



BINANI CEMENT LIMITED

BOARD OF DIRECTORS

Mr. Braj Binani	Chairman
Mr. S. Padmakumar	Director
Mr. Sushil Bhattar	Director & Group CEO
Mr. D. Sundararajan	Executive Director
Mr. Arun Singhapurkar	Whole time Director
Mr. Bradley Landes	Director
Mr. Sanjay Vohra	(Alternate Director to Mr. Bradley Landes)
Dr. V. C. Shah	Director
Mr. V. Subramanian	Director



Mr. Braj Binani
Chairman



Mr. S. Padmakumar
Director



Mr. Sushil Bhatler
Director & Group CEO



Mr. D. Sundararajan
Executive Director



Mr. Arun Singnapurkar
Whole time Director



Mr. Bradley Landes
Director



Mr. Sanjai Vohra
*(Alternate Director to
Mr. Bradley Landes)*



Dr. V. C. Shah
Director



Mr. V. Subramanian
Director



DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Tenth Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2006.

INDUSTRY OVERVIEW

The overall outlook for the industry is very positive on the back of robust demand from housing construction, Phase-II of NHDP and other infrastructure development projects. For the first time in last 5 years, the industry has seen a double digit growth. Most of the projects for additional capacities which are in pipeline are expected to get operational only in FY 2007-08 and therefore supply for cement is likely to remain tight, which in turn would keep the cement prices high at least for a year.

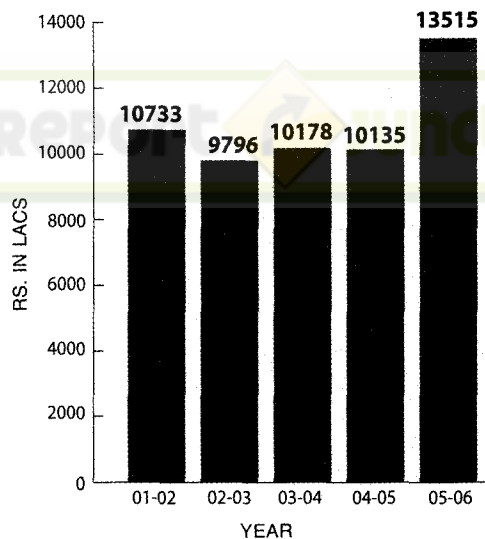


FINANCIALS

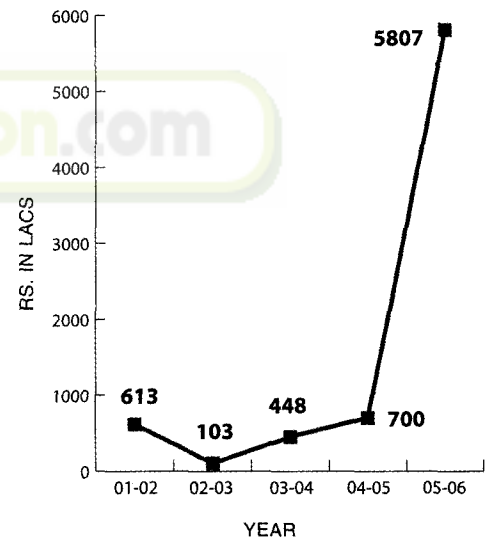
The financial results for the year ended 31st March, 2006 are as summarised below:

	2005-06 Rs. in Lakhs	2004-05 Rs. in Lakhs	% Change	
Sales (net of excise duty) and Other Income	49325	44009	12	↑
Operating Costs	35810	33874		
EBIDTA	13515	10135	33	↑
Interest & Financial charges	3417	5235		
Cash Profit	10098	4900	106	↑
Depreciation and Amortisation	4291	4200		
Profit before Tax	5807	700	730	↑
Profit after Tax	5296	645	721	↑

EBIDTA



PROFIT BEFORE TAX



CAPITAL STRUCTURE

In September 2005, JP Morgan Special Situations Asia LLC, a wholly owned subsidiary of J P Morgan Chase & Co. USA, through its investment arm Silver Peak Investment (Mauritius) Limited, acquired 25% equity stake in the Company by purchasing its existing equity from the holding Company, Binani Industries Ltd. (BIL). JP Morgan has also extended a Term Loan of Rs. 1.3 billion to the Company through its Indian arm, J P Morgan Securities India Private Limited towards part-financing the Company's expansion project.

Binani Cement Limited

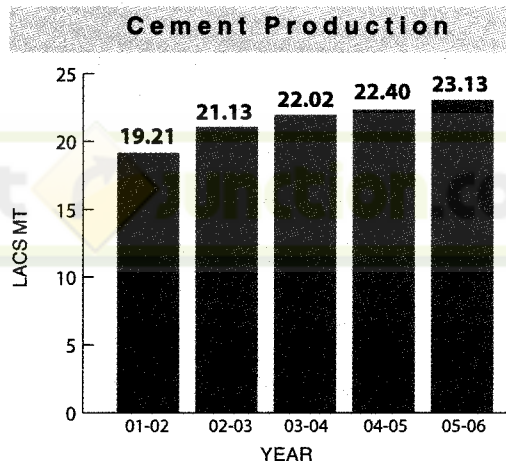
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PERFORMANCE REVIEW

Your Company's performance during the year 2005-06 has surpassed all the previous years due to higher production / sales and substantial increase in net sales realization over the previous year. Your Company produced 23.13 lacs MT & sold 23.43 lacs MT of cement as against 22.40 lacs MT produced & 22.38 lacs MT sold in the previous year. The product mix of OPC vs PPC has also undergone substantial change, with PPC's share increasing from 29% in 2004-05 to 37% in 2005-06. Due to sustained higher level of cement production, the cement plant's installed capacity has been uprated from 22.00 lacs MTPA to 22.50 lacs MTPA w.e.f. 31.12.2005. On the enhanced capacity, the average capacity utilization has been 104.55%, which is much above the average capacity utilization of the entire industry (89%).

The average sales realisation for the Company increased from Rs. 2362/ MT in 2004-05 to Rs.2493 / MT in 2005-06 i.e. an increase of Rs. 131/ MT or 5.55% over previous year. This has significantly contributed to the bottomline during the year.

OPERATIONS



The operation of Captive Power stopped for almost two months due to a breakdown in its cooling tower. Despite this setback, the production of cement plant continued uninterrupted as the necessary power was immediately arranged from the state power grid.

The Cement Production and Power Generation details are as under:

Production	2005-06	2004-05
Cement (MT)	2313019	2240237
Clinker (MT)	1965666	1849623
Power Generation - (lakhs kWh)	1257.69	1444.59

