

Binani Cement Limited

(Subsidiary of Binani Industries Limited)

Binani

BOARD OF DIRECTORS

Mr. Braj Binani	Chairman
Mr. S. Padmakumar	
Mr. Sushil Bhatler	
Mr. D. Sundararajan	Executive Director
Mr. Arun Singnapurkar	Whole time Director (till 8.7.2006)
Mr. P. Sheoran	Wholetime Director (from 27.07.2006)
Mr. Bradley Landes	(till 11.06.2006)
Mr. Sanjai Vohra	(from 11-06-2006)
Dr. V.C. Shah	
Mr. V. Subramanian	

CHIEF FINANCIAL OFFICER

Mr. M. K. Chattopadhyaya

COMPANY SECRETARY

Mr. Atul P. Falgunia

AUDITORS

M/s. Deloitte Haskins & Sells

M/s Kanu Doshi Associates

BANKERS

Punjab National Bank

Dena Bank

Oriental Bank of Commerce

State Bank of Indore

Jammu & Kashmir Bank Limited

AUDIT COMMITTEE

Mr. S. Padmakumar

Dr. V.C. Shah

Mr. V. Subramanian

Mr. Sushil Bhatler

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. 212-3, Somdutt Chambers -II, 9, Bhikaji Cama Place, Delhi - 110066
3. 40, Gopal Bari, Jaipur – 302001.

Works

Binanigram, Pindwara, Dist. Sirohi, Rajasthan - 307025

SENIOR MANAGEMENT

Mr. I. C. Ahuja	Executive Director (Projects) Non Board - Mumbai
Mr. Krishan Goenka	Executive V.P. (Logistics)- New Delhi
Mr. R.S. Joshi	Executive V.P. - Jaipur
Mr. Darshan Lal	V.P. (Operations)
Mr. S.L. Parakh	V.P. (Engineering)
Mr. G. M. Nair	V. P. (H. R.D & Administration)
Mr. M.A. Bohra	Chief Project Manager
Mr. B.M. Khara	V.P. (Marketing)
Mr. K. G. Sharma	V.P. (Marketing)
Mr. Digvijay Singh	V.P. (Marketing)
Mr. S.S. Kothari	A.V.P. (Materials)

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the 11th Annual General Meeting of the Company will be held at 2.00 p.m. at Kala Mandir, 48, Shakespeare Sarani, Kolkata -700 017 on Monday, the 2nd July, 2007 to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Accounts in respect of the year ended 31st March, 2007.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Braj Binani, who, retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S. Padmakumar, who, retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Joint Statutory Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Haribhakti & Co. Chartered Accountants, 42, Free Press House, 4th Floor, 215, Nariman Point, Mumbai – 400021 be and are hereby appointed as Joint Statutory Auditors of the Company in place of M/s Deloitte Haskins & Sells, 12, Dr. Annie Besant Road, Opp. Shivsagar Estate, Worli, Mumbai- 400 018. and to hold office until the conclusion of the next Annual General Meeting of the Company including any adjournment thereof at such remuneration as may be determined by the Board."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Sanjai Vohra who was appointed as an Additional Director and who, in terms of Section 260 of the Companies Act, 1956 read with Article 85, 85A and Article 89 of the Articles of Association of the Company, holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, along with a deposit of Rs. 500/-, be and is hereby appointed as 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 P. Sheoran who was appointed as an Additional Director and who, in terms of Section 260 of the Companies Act, 1956 read with Article 85, 85A and Article 89 of the Articles of Association of the Company, holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, along with a deposit of Rs. 500/-, be and is hereby appointed as a Director of the Company liable to retire by rotation".

"RESOLVED FURTHER THAT subject to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if any, the approval of the Company be and is hereby accorded for the appointment of Mr. P. Sheoran, as Wholetime Director designated as President (Works) w.e.f. 1st August, 2006 to 31st December, 2006 and on revised terms w.e.f. 1st January, 2007 to 31st December, 2008 on the terms and conditions including remuneration and perquisites as set out in the agreements dated 28th July, 2006 and 31st January, 2007 entered into between the Company and Mr. P. Sheoran (a copy of which is placed before the meeting) with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreements as the Board of Directors may consider necessary and as may be agreed to by Mr. P. Sheoran within the overall limits as specified in Schedule XIII to the Companies Act, 1956 for the time being in force or any statutory modification or re-enactment thereof and /or any rules or regulations framed thereunder."

"Resolved further that even in the absence or inadequacy of profits in any Financial Year, subject to the approval of the Central Government and such other approvals as may be required, Mr. P. Sheoran be paid the same remuneration as mentioned in the Agreements dated 28th July, 2006 and 31st January, 2007 as minimum remuneration for the entire tenure or such period as may be approved by the Shareholders of the Company and Central Government ".

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9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if any, the approval of the Company be and is hereby accorded for the appointment of Mr. D. Sundararajan, as Wholtime Director designated as Executive Director w.e.f. 1st January, 2007 to 30th April, 2008 on the terms and conditions including remuneration and perquisites as set out in the agreement dated 28th February, 2007 entered into between the Company and Mr. D. Sundararajan (a copy of which is placed before the meeting) with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement as the Board of Directors may consider necessary and as may be agreed to by Mr. D. Sundararajan within the overall limits as specified in Schedule XIII to the Companies Act, 1956 for the time being in force or any statutory modification or re-enactment thereof and /or any rules or regulations framed thereunder.”

“Resolved further that even in the absence or inadequacy of profits in any Financial Year, subject to the approval of the Central Government and such other approvals as may be required, Mr. D. Sundararajan be paid the same remuneration as mentioned in the Agreement dated 28th February, 2007 as minimum remuneration for the entire tenure or such period as may be approved by the Shareholders of the Company and Central Government “.

By Order of the Board of Directors
For Binani Cement Limited

Atul P. Falgunia
Company Secretary

Date : 23rd April, 2007

Place : Mumbai

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 a proxy need not be a member of the Company.
2. Instruments appointing proxies should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 26th June 2007 to Monday, the 2nd July 2007 (both days inclusive).
4. Dividend, if declared will be paid to those members whose names appear on the Company's Register of Members on 2nd July, 2007 on the paid up capital of the Company as on 31st March, 2007. In respect of shares held in electronic form the dividend will be paid to the beneficial owners of shares as on 26th June, 2007 as per details furnished by the depositories for the purpose.
5. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 read with Department of Company Affairs Notification F. No. 5/48/2001/CL-V published in Gazette of India Extraordinary Part –II, Section 3, Sub Section (i) dated 16.01.02 in respect of item no. 8 and 9 of the notice are annexed hereto.
6. The documents required under the law will be available for inspection during working hours from 10.00 a.m. to 1.00 p.m. at the Registered Office of the Company on any working day except Saturdays and Sundays prior to the date of the Annual General Meeting.
7. Members are requested to bring their copy of the Annual Report and Attendance Slip duly completed to the Meeting.
8. Members are requested to send all correspondence relating to shares including requests for transfer, change of address, change of status, change of mandate etc to our Share Registrar and Transfer Agents : **M/s Intime Spectrum Registry Limited**, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai -400 078. In respect of shares held in Dematerialised Mode, the shareholders should inform their concerned Depository Participant only.
9. Members may note that the Company's website is www.Binani.com

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10. The contact telephone numbers and e.mail id of concerned officials of the Company and transfer agents for the purpose of complaints are as under :

Compliance Officer : 022- 22634951-53. (Mr. Atul P. Falgunia) e.mail : atul@binani.net

Kolkatta : 033 22882508-09 (Mr. A. Babu) e.mail : binanical@vsnl.net

Intime Spectrum : 022-25963838. (Mr. Rajesh Mishra) e.mail : rajesh.mishra@intimespectrum.com

Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

Item No. 6

The Company has received letter dated 23rd April, 2007 from one of the existing Joint Statutory Auditors M/s Deloitte Haskins & Sells, 12, Dr. Annie Besant Road, Opp. Shivsagar Estate, Worli, Mumbai - 400 018 informing that they do not desire to continue as the Statutory Auditors of the Company after the ensuing Annual General Meeting. M/s Haribhakti & Co., Chartered Accountants, 42, Free Press House, 4th Floor, 215, Nariman Point, Mumbai - 400 021 have accorded their willingness to act as the Statutory Auditors of the Company and have given their consent and certificate under Section 224(1) of the Companies Act, 1956. It is therefore proposed to appoint them as Statutory Auditors in place of M/s Deloitte Haskin & Sells.

The Directors recommend this resolution for your approval. None of the Directors is in any way concerned or interested in the Resolution.

Letter of M/s Deloitte Haskins & Sells and consent from M/s Haribhakti & Co. to act as Auditors of the Company was available for inspection by the members of the Company at the Registered Office of the Company.

Item No. 7

Mr. Sanjai Vohra was appointed as Additional Director [as nominee of M/s JPMorgan Special Situations (Mauritius) Limited vide their letter dated 11th June 2006] of the Company by the Board of Directors at their meeting held on 27th July 2006 and he would hold office upto the date of this Annual General Meeting. The Company has received notice from a member of the Company alongwith a deposit of Rs. 500/- proposing his appointment as regular Director of the Company.

Your Directors recommend appointment of Mr. Sanjai Vohra as Director of the Company.

None of the Directors is in any way concerned or interested in this resolution except Mr. Sanjai Vohra to the extent of his appointment.

Item No. 8

Mr. P. Sheoran was appointed as Additional Director of the Company by the Board of Directors at their meeting held on 27th July, 2006 and he would hold office upto the date of this Annual General Meeting. The Company has received notice from a member of the Company alongwith a deposit of Rs. 500/- proposing his appointment as Director of the Company.

Mr. P. Sheoran has also been appointed as Whole-time Director designated as President (Works) of the Company for the period from 1st August, 2006 to 31st December, 2006 and on revised terms from 1st January, 2007 to 31st December, 2008. The salient features of the appointment are as under:

1. Mr. P. Sheoran be appointed as Wholetime Director designated as "President (Works)" of the Company with effect from 1st August, 2006 to 31st December, 2006 and on revised terms from 1st January, 2007 to 31st December, 2008.

2. Salary: Rs.2,55,000/- (Rupees Two Lakh Fifty Five Thousand only) per month (Rs. 2,30,000 upto 31-12-2006).

The Basic Salary will be revised in the month of January, 2008 by an increment not exceeding 10% or such amount as may be determined by the Chairman.

3. Perquisites:

Category – A

1. Housing : Furnished Residential Accommodation will be provided.
2. Medical Reimbursement : 10% of the Basic Pay or such sum as applicable to M-0 grade of the Company from time to time*
3. Medical & Group Insurance : As per the rules as applicable to M- 0 grade of the Company from time to time*
4. Leave Travel Concession : One Month's Basic Salary per annum.

* (E-1 grade upto 31st December, 2006)

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Category - B

1. Provident Fund : 12% of Basic Pay
2. Gratuity : As Applicable
3. Leave : Leave with full salary as per rules of the Company. The leave accumulated but not availed may be encashed at the end of the tenure.

Category – C

1. Car : Company maintained car (without driver will be provided). All expenses of car for private purposes will be reimbursed to the Company at actuals.
2. Telephone : All personal STD calls to be reimbursed.

It is proposed to pay him the same remuneration as minimum remuneration even in the absence or inadequacy of profits subject to necessary approvals and hence the Special Resolution as set out in item 8 of the notice is proposed in terms of notification no.F.No.5/48/2001-CL(v) dated 16/01/2002. As on date the Company is a profit making Company and the Special Resolution is proposed as a measure of abundant caution.

Your Directors recommend the resolution for your approval. None of the Directors is in anyway concerned or interested in this resolution except Mr. P. Sheoran to the extent of his appointment.

Item No. 9

Mr. D. Sundararajan had been appointed as Whole-time Director designated as Executive Director of the Company for the period from 1st January, 2007 to 30th April, 2008 on the revised remuneration. The salient features of the appointment are as under:

1. Mr. D. Sundararajan be appointed as Wholetime Director designated as Executive Director of the Company with effect from 1st January, 2007 to 30th April , 2008.
2. Salary : Rs.5,00,000/- (Rupees Five Lakh only) per month.
3. Perquisites:

Category – A

1. Driver & Fuel : Rs. 40, 000 per month.
2. Leave Travel Concession : One Month's Basic Salary per annum.

Category - B

1. Provident Fund: Nil
2. Gratuity : Nil.
3. Leave : Leave with full salary as per rules of the Company. The Leave accumulated but not availed may be encashed as per the rules as applicable to M -0 grade of the Company from time to time.

Category – C

1. Other Allowance : Perquisites as applicable to M-0 grade of the Company while traveling on official tours either in India or abroad.

It is proposed to pay him the same remuneration as minimum remuneration even in the absence or inadequacy of profits subject to necessary approvals and hence the Special Resolution as set out in item no.9 of the notice is proposed in terms of notification no.F.No.5/48/2001-CL(v) dated 16/01/2002. As on date the Company is a profit making Company and the Special Resolution is proposed as a measure of abundant caution.

Your Directors recommend the resolution for your approval. None of the Directors is in anyway concerned or interested in this resolution except Mr. D. Sundararajan to the extent of his appointment.

By Order of the Board of Directors
For Binani Cement Limited

Atul P. Falgunia
Company Secretary

Date : 23rd April, 2007

Place : Mumbai

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eleventh Annual Report of the Company along with the Audited Accounts for the financial year ended 31st March, 2007.

INDUSTRY OVERVIEW

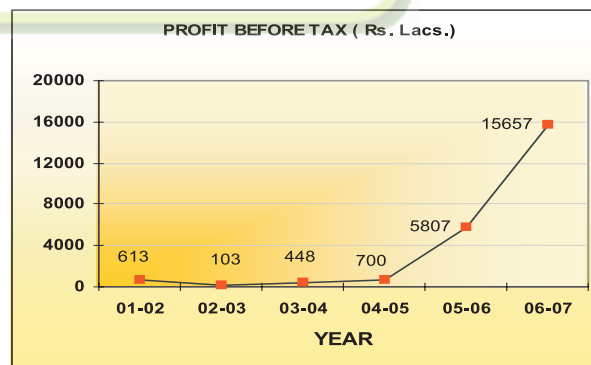
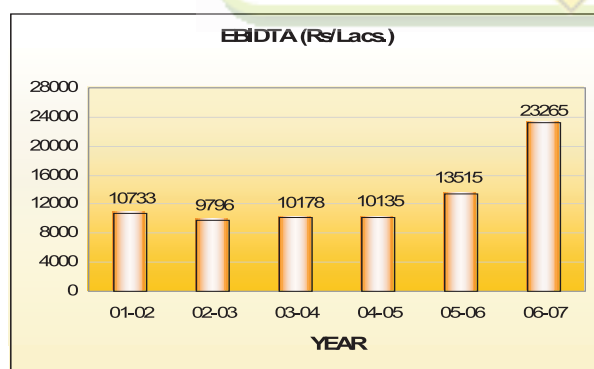
The cement industry in India is experiencing a boom on account of the overall growth of the Indian economy. The demand for cement, being a derived demand, primarily depends upon the industrial activity, real estate business, construction activity and investment in the infrastructure sector. India is experiencing growth on all these fronts and hence the cement market is flourishing like never before. Indian cement industry is globally competitive because the industry has witnessed healthy trends such as cost control and continuous technology upgradation. With increased demand from the respective sectors, industry has witnessed double digit growth for the second consecutive year.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2007 are summarised below:

(Rs. In Lacs)

	2006-07	2005-06	Increase
Net Sales and Other Income	68441	49325	39%
Operating Costs	44876	35810	
EBIDTA	23265	13515	72%
Interest & Financial Charges	3262	3417	
Cash Profit	20003	10098	98%
Depreciation and Amortisation	4346	4291	
Profit before Tax	15657	5807	170%
Profit after Tax	9561	5296	81%



CAPITAL STRUCTURE

In July 2006, Ganesha Prime Holdings (Mauritius) Limited , a wholly owned subsidiary of Credit Suisse Private Equity Partners Asia, L. P acquired an equity stake in the Company by purchasing 20,500,000 Equity Shares from Binani Industries Limited, the holding company for Rs. 1.50 billion at Rs. 73 per equity share. It currently holds 10.09% of the equity share capital of the Company alongwith its affiliate.

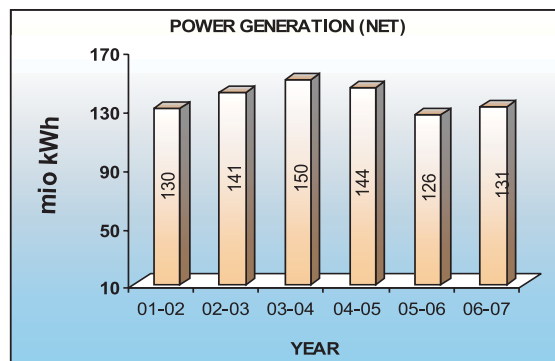
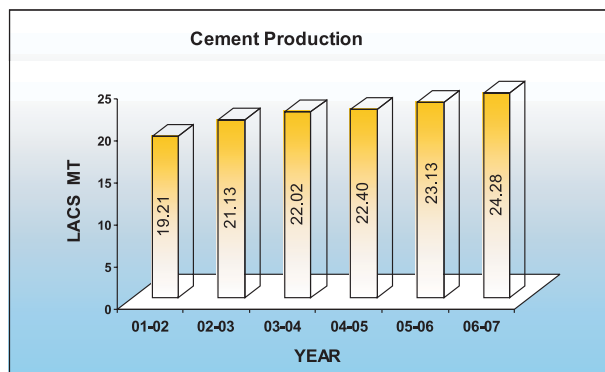
Further JPMorgan Special Situations (Mauritius) Limited has decided to divest 20,500,000 equity shares of Rs. 10/- each constituting 10.09% of the total paid up share capital of the Company to public through the 100% book building route. SEBI has already issued observations through letter dated 14th February, 2007 in respect of the draft Red Herring Prospectus filed for the offer for sale. The Company expects to open the issue on 7th May, 2007 and complete the entire allotment and listing by May, 2007. The Company's Shares will be listed in both National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)

PERFORMANCE REVIEW

Your Company's performance during the year 2006-07 has been its best ever. During the year the Company produced 24.28 lacs MT & sold 24.06 lacs MT of cement as against 23.13 lacs MT & 23.43 lacs MT respectively in the previous year. This could be achieved due to higher proportion of blended cement (PPC) which increased from 37% in the previous year to 49% in the year 2006-07. The capacity utilization during the year was 108% against 104% during the previous year

The average sales realisation for the year increased substantially which resulted in higher net profit.

OPERATIONS

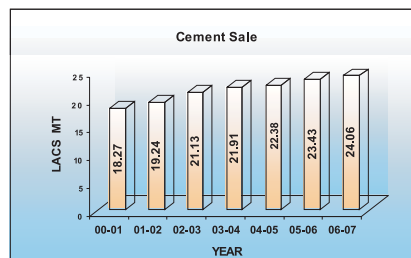


The Cement Production and Power generation details are as under:-

Production	2006-07	2005-06
Cement (MT)	2428359	2313019
Clinker (MT)	1992762	1965666
Power Generation - (lacs kWh)	1314.23	1257.69

MARKETING

The cement market continued to remain buoyant in current year also with rising demand from Housing, Industry and Infrastructure sector. During the year your Company once again achieved highest ever sale of 24.06 lacs MT, a growth of 2.69% over previous year. The sales of PPC also increased from 8.73 lacs MT in 2005-06 to 11.75 lacs MT in the current year being 48.82 % of the total sales as against 37.25% in previous year. The prices continued to remain firm in view of the higher demand during the whole of the year which resulted in a significantly higher turnover.



COSTS AND MARGINS

In the backdrop of a huge surge in the demand of cement, the cement prices rose sharply during the current year also. Besides, higher volumes and increase in share of PPC have not only resulted into good margins but have also adequately protected the increased cost of inputs as well as a hike in freight rates owing to the overloading restrictions brought through a Supreme Court Ruling in the previous year.

ECONOMY & BUSINESS ENVIRONMENT

As the economy is expected to maintain its growth path and the long-term demand fundamentals remain strong, your Company does not foresee any pressure on pricing for the next 24 months. As a result of the recent withdrawal of CVD and SAD on import of cement, there may be a marginal pressure on prices in coastal cities. The effect of rising interest rates on housing loans may marginally impact the demand from the housing sector.

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PROJECT OVERVIEW

Expansion Projects / Railway Sidings

The major work of 3.05 MTPA Cement expansion project has been completed and kiln was test fired on 16.03.2007. The commercial production of cement plant is expected to start by end May, 2007. Besides, your Company is also setting up two additional captive power plants having capacity of 22.3 MW each in 2 phases at its existing location at Binanigram. These are expected to be commissioned by June, 2007 and October, 2007 respectively.

In view of the increased production capacity, the Company has completed work for railway siding and track from factory to the nearest railway station Keshavganj, having a distance of 6.5 K.M which will be operational from May, 2007.

The total cost of the Cement expansion and the Power Plant is estimated to be Rs. 575 Crores.

Neem Ka Thana

Of the two grinding mills ordered as part of the expansion, one is being relocated to the Neem Ka Thana site so as to take advantage of proximity to fly ash source as well as the North markets. The required land has already been acquired and environmental clearances received. Necessary orders for civil works and procurement of balancing equipments have already been finalised. Construction work has commenced. The unit is likely to be commissioned by October, 2007. The cost of the project which will be funded through internal accruals is under finalization.

FUTURE PLANS

The Company is finalizing plans to increase its capacity upto 10 to 12 million tonnes Cement Production in the country during the coming 3 to 4 years and is evaluating Gujarat and Eastern India as possible Greenfield locations.

RECOGNITION AND AWARDS

During the 30th Mines safety Week organized by Directorate of Mines, Udaipur, your mines bagged best overall performance shield for the year 2006. Besides this, several other prizes were also won by Amli and Thandiberi Mines.

During the 17th Mines Environment and Mineral Conservation Week, your mines won 10 prizes including the most prestigious and coveted prize for overall performance.

At 5th chapter conventions of quality circles, your Company's Pragati Quality Circle bagged excellent award and Amar Jyoti Quality Circle got distinguished award.

Your Company has also been awarded the "Certificate of Merit" by Hon'ble Minister of Power, Government of India for energy conservation in Cement Industries and " Commendation Certificate" in appreciation of efforts in Energy Conservation for the year 2006 by Ministry of Power.

OPPORTUNITIES/THREATS/RISKS/CONCERNS

Strengths

The state of the art Cement Plant can be ranked amongst the best run plants in the country in terms of its energy and power consumption. Bulk of its power requirement is met through its captive power facility which operates on coal / lignite blend, keeping the cost of generation very competitive. The Company enjoys a very good brand image and strong net work of Market Organizers and Dealers. The policy of cash and carry is being maintained. The Company is in the process of more than doubling its capacity with the commissioning of its expansion by May, 2007.

Weakness

Being land – locked and away from ports the Company is presently unable to exploit the distant lucrative markets.

Opportunities

The cement market is growing upwards as a result of a boom in housing and infrastructure. The expanded plant capacity will enable your Company to leverage its strength and increase its presence in the cement deficient North markets. The railway siding will give the Company a much greater reach to exploit the more distant lucrative markets. The proportion of PPC is being increased to have better yields.

Threats, Risks and Concerns

The presence of multinationals and consolidation of industry may play a key role to decide the future of the industry. The proposed increase in production capacity by nearby cement plants would increase competition. Considerable increase in PPC production may lead to non availability of fly ash at economical rates which may affect the PPC market as well as margins. The

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Central Government has recently increased Excise Duty on cement and abolished the duty on cement import which may adversely affect the cement market.

SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT

Your Company's plant at Sirohi is a leading industrial unit in the region and therefore the people of the adjoining areas look forward to your Company for various social support. Your Company continues to discharge its social responsibilities along with the achievement of its own goals and objectives. Your Company continues to provide necessary support to economically backward people of the adjoining villages through various community development, education and health care programmes. These include providing donation, small constructions, repairing works, etc. Your Company has invested around Rs. 2 lacs for installation of new hand pumps and maintenance of old hand pumps. Your Company has donated tarpaulins to flood affected victims of Barmer District to the tune of Rs. 1 lacs. Around Rs. 2 lacs have been given towards donations for various social activities.

Your Company also continues to organize an eye camp at Binanigram in March every year. Your Company's doctor also visits the nearby villages on weekly basis and distributes free medicine to villager's.

The Binani ladies club also regularly contributes towards community development and charities through distribution of school uniforms, books, cloths to needy tribal people and blankets, mattresses and pillows to Adivasi Hostel, Pindwara.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company's commitment towards the development of its employees continues to be of high priority as is reflected in the fact that on an average 3.16 mandays per person have been spent on training during the year.

Employees also get motivated and their team spirit gets strengthened through the various departmental quality circles and other awareness programs being organized from time to time. The Company continues to maintain healthy working environment and cordial industrial relations throughout the year.

DIVIDEND

In view of the overall performance of the Company and keeping in mind the expansion plans of the Company, your Directors recommend a Dividend of 20%.

AUDIT COMMITTEE

The Company has complied with the requirements of Section 292A of the Companies Act, 1956. The Audit Committee comprised of 3 Independent Non Executive Directors and 1 Non Promoter and Non Executive Director. The Audit Committee members are as follows:

1. Mr. S. Padmakumar — Chairman of the Committee
2. Dr. V. C. Shah
3. Mr. V. Subramanian
4. Mr. Sushil Bhattar.

The Audit Committee is responsible for the financial reporting and ensuring compliance with the accounting standards and reviewing of financial policies of the Company. The Committee examines in detail the reports of the internal auditors, reviews the unaudited results every quarter and the audited results for the full year before submission to the Board of Directors. The Committee also recommends the appointment of Statutory Auditors, Internal Auditors, Tax Auditors and Cost Auditors and fix their fees.

Besides the Audit Committee members, the Executive Director of the Company , Executive Vice President (Corporate & Legal) & Secretary of Holding Company, Vice President (Corporate) & CFO, Representatives of Statutory Auditors and the Company Secretary of the Company attend all the Audit Committee Meetings.

REMUNERATION COMMITTEE

As required by Schedule XIII of the Companies Act, 1956 the Company has a Remuneration Committee which considers and approves the remuneration payable to the Wholetime and Executive Directors. The committee comprised of 3 independent non Executive Directors and 1 Non Promoter and Non Executive Director. The Remuneration Committee members are as follows :

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1. Mr. S. Padmakumar — Chairman of the Committee
2. Dr. V. C. Shah
3. Mr. V. Subramanian
4. Mr. Sushil Bhatler

The Non Executive Directors are remunerated by way of sitting fees as decided by the Board of Directors of the Company from time to time.

Further Mr. Braj Binani is not in receipt of any Salary /Perquisite from the Company or the Holding Company with effect from 1.4.2005.

BOARD OF DIRECTORS

In accordance with Article 100 of the Articles of Association of the Company , Mr. Braj Binani and Mr. S. Padmakumar retire by rotation and being eligible , offer themselves for reappointment.

Mr. Sanjai Vohra (Nominee of M/s JPMorgan Special Situations (Mauritius) Limited and Mr. P. Sheoran were appointed as Additional Directors of the Company at the Meeting of the Board of Directors of the Company held on 27th July, 2006. In accordance with the provisions of the Companies Act, 1956 they will hold office of Directors upto the date of this Annual General Meeting. The Company has received notices from shareholders of the Company proposing their appointment as Directors of the Company along with a deposit of Rs. 500 /- each as required by law.

Mr. P. Sheoran and Mr. D. Sundararajan were appointed as Wholetime Director designated as President (Works) and Executive Director of the Company on revised terms with effect from 1st January 2007. The proposal for both the appointment on revised terms have been placed before the members for their approval.

During the year Mr. Bradley Landes and Mr. Arun Singnapurkar resigned as Directors of the Company.

AUDITORS

M/s Deloitte Haskins & Sells Limited, Chartered Accountants and M/s. Kanu Doshi Associates, Chartered Accountants, the joint Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. M/s Deloitte Haskins & Sells Limited, Chartered Accountants have intimated that they do not desire to continue as the Joint Statutory Auditors of the Company after the Annual General Meeting. M/s Haribhakti & Co., have expressed their willingness to be appointed as the Statutory Auditors and accordingly it is proposed to appoint them as Statutory Auditors with M/s Kanu Doshi Associates at the ensuing Annual General Meeting. The Company has received a certificate under Section 224(1) of the Companies Act, 1956 from the Auditors that their appointment, if made will be in accordance with the limits as specified as per Section 224 (1) of the Companies Act, 1956 and the proposal has been placed before you for approval.

COMMENTS ON AUDITORS OBSERVATIONS.

The Auditors in their report have made some observations /qualifications and comments of directors against each observation/ qualifications are mentioned herein below :

As regards the non provision of interest of Rs. 1361.21 Lakhs arising out of the modification to the Restructuring Package (RP) agreed with Industrial Development Bank of India (IDBI) which was converted to Zero Coupon Loan (ZCL) by IDBI, the management is hopeful of getting waiver of the same since all the conditions of RP have since been complied with. Accordingly no provision is required to be made for the aforesaid interest.

COST AUDITORS

In terms of the order of the Ministry of 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 re-appointment of M/s. Goyal & Associates, Jaipur as Cost Auditors for the year 2007-08 is being obtained.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- 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;