

Binani Industries Limited

annual report 2004-2005

BOARD OF DIRECTORS

Mr. Braj Binani Chairman
Mr. S. Padmakumar
Dr. V. C. Shah
Mr. A.C. Chakrabortti
Mr. Sushil Bhatler
Mr. G. Venkatakrishnan
Mr. B.K. Batra

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. T.R.C. Nair

CHIEF FINANCIAL OFFICER

Mr. M.K. Chattopadhyaya

CORPORATE MANAGEMENT

Mr. Braj Binani - Co-ordinator
Mr. Sushil Bhatler - Chief Executive Officer (CEO)
Mr. S.S. Khandekar - Advisor & Director (BCL)
Mr. D. Sundararajan - Executive Director (BCL)
Mr. T.R.C. Nair - Executive Vice President (Corporate & Legal)
Mr. Perumal Pillai - Group Head - Marketing (Corporate)

ADVISORS

Mr. Ibrahim Ali
Mr. V. Subramanian
Mr. Ram Mohan.

MUMBAI OFFICE

Mr. M.K. Chattopadhyaya - Sr.Vice President (Corporate)
Mr. A.K. Jain - Vice President (Finance & Banking)
Mr. K. Sasikumar - Asst. Vice President (Accounts)

PROJECTS

Mr. Murali Subramanian - Vice President (Projects)
Mr. Amit Singha - Vice President (Projects, New Delhi)
Mr. R. Srinivasan - Asst.Vice President (Projects)

AUDITORS

M/s. Kanu Doshi Associates, Mumbai

BANKERS

Bank of Baroda
Bank of India
Allahabad Bank
Punjab National Bank
The South Indian Bank Ltd.
State Bank of Travancore

LOCATIONS:

Registered Office of the Company & its Subsidiaries (Except R.B.G. Minerals Inds. Ltd. and Ess Vee Alloys Private Limited)

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

Corporate Office of the Company & its Subsidiaries & Registered Office of Ess Vee Alloys Pvt. Ltd.

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

Mumbai Office of the Company & its Subsidiaries

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

SUBSIDIARIES

Binani Zinc Limited

Binanipuram, Ernakulam, Kerala - 683 502

Binani Cement Limited

Binanigram, Pindwara
Dist. Sirohi, Rajasthan - 307 025

Goa Glass Fibre Limited

Colvale, Bardez, Goa - 403 513

Binani Lead Limited

Wada, Dist. Thane, Maharashtra

BT Composites Limited

C5 to C9, C12 to C-16 Madkaim Industrial Estate
Mardol Post, Madkaim,
Goa - 403 404

Ess Vee Alloys Private Limited

Plot No.113, D.S.S.Industrial Estate
Piparia, Silvassa - 396 230
Dadra & Nagar Haveli (U.T.)

R.B.G. Minerals Industries Limited [Registered Office]

226 (3A), Sardarpura,
Udaipur - 313 001 (Rajasthan)

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BINANI INDUSTRIES LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Second Annual General Meeting of the Company will be held at 9.30 a.m. at **Kala Mandir, 48, Shakespeare Sarani, Kolkata- 700 017** on Monday, the 20th June, 2005 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, 2005.
2. To appoint a Director in place of Mr. S. Padmakumar who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. A.C. Chakrabortti who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. Braj Binani, who was appointed as an Additional Director/ Chairman and who in terms of Section 260 of the Companies Act, 1956 read with Article 89 of the Articles of Association of the Company holds such office upto 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 Director along with a deposit of Rs.500/-, be and is hereby appointed as a Director of the Company."

By Order of the Board
For Binani Industries Limited

Mumbai
28th April, 2005

(T.R. Chandramohan Nair)
Executive Vice President
(Corporate & Legal) & 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 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 Wednesday, the 15th June, 2005 to Monday, the 20th June, 2005 (both days inclusive).
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all Unclaimed / Unpaid Dividends upto and inclusive of financial year 1994-1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from The Registrar of Companies, West Bengal, Nizam Palace, II M.S.O Building, 234/4, A.J.C. Bose Road, Kolkata - 700 020. Those members who have not encashed their dividend warrants for the financial years ended 31st March, 1998, 31st March, 1999 and 31st March, 2000 may claim or approach the Company as the balance will be transferred to the fund established by the Central Government on or before the respective dates indicated below:

Dividend for the year ended 31.03.1998 - 25.01.2006

Dividend for the year ended 31.03.1999 - 21.01.2007

Dividend for the year ended 31.03.2000 - 11.11.2007

After the respective dates, the shareholders are not entitled to claim these amounts pursuant to the provisions of Section 205C (2) of the Companies Act, 1956.

In respect of the dividend for the years ended 31.3.1996 and 31.3.1997 the balances as on 27.8.2003 and 2.12.2004 respectively have been transferred to Investor Education & Protection Fund.

5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 of the notice along with a brief write-up about the Directors coming up for reappointment as required by the listing agreement are annexed hereto.

6. The accounts, the reports and all other documents required under the law to be annexed thereto including that of subsidiaries 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 who are holding shares in identical names under different ledger folios are requested to apply for consolidation of such folios and send the relevant equity share certificates to M/s MCS Ltd.
8. Members who are holding shares in single name are advised, in their own interest to get the shares transferred in joint names. There is a facility available for nomination and shareholders are advised in their own interest to nominate persons for transferring the interest on those shares. Nomination form is available on request.
9. Those shareholders who have not received the adhesive stickers for affixing on the share certificates consequent upon change of name are advised to write to the Registered Office indicating the number of share certificates held.
10. As per Securities and Exchange Board of India (SEBI) communication to the Company dated 25th April, 2000, the Equity Shares of the Company are compulsorily traded in Dematerialised form only, with effect from 21st March, 2000 at the Stock Exchanges at Mumbai, Kolkata, Kochi (since delisted) and Chennai (since delisted) by all investors including individuals.

The Company has entered into Agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) which are functioning as the Depositories through intermediaries called Depository Participants (DPs). Details are available at Company's Website.

11. Members may note that the Company's website is www.binani.com
12. **In spite of repeated requests, some shareholders (mostly upto Folio No. 34409) are still holding certificates of Rs.100/- each. They are requested to surrender them immediately for exchange into shares of Rs.10/- each to the Registered Office of the Company.**
13. The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued as a measure of economy. Members are therefore requested to bring their copy of the Annual Report and Attendance Slip duly completed to the Meeting.
14. Members are requested to send all correspondence relating to shares including requests for transfers, change of address, change of status, change of mandate, fresh mandate etc. to our Share Registrars and Transfer Agents:

M/s MCS Ltd.

Unit: Binani Industries Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C. Area, Andheri (East), Mumbai - 400 093. Tel. No.2821 5235 - Fax: 28350456, E-mail: mcsnum@vsnl.com

15. Shareholders who hold the shares of the Company in the dematerialised form should notify change of address, if any, to the concerned Depository Participant (DP) only.
16. Binani Zinc Limited (BZL) had forwarded Physical Share Certificates to all shareholders including those who were holding shares in Dematerialised mode in the Company. Since BZL's request for in principle listing has been rejected by the Stock Exchange, Mumbai, their shares cannot be Dematted. Therefore the Physical Share Certificates were despatched to all Shareholders as per the scheme of arrangement for hiving off the erstwhile Zinc Division to BZL. These Shares have been issued free of cost which means the shareholders of the Company in addition to their continued shareholding in the Company have also become shareholders of BZL. Those shareholders who have not received BZL's Share Certificates are requested to contact BZL or MCS Limited immediately.
17. Pursuant to the exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, the Directors' Report, Auditors' Report, Balance Sheet, Profit and Loss Account of the Subsidiaries viz. Binani Cement Limited, Binani Zinc Limited, Goa Glass Fibre Limited, BT Composites Limited, Binani Lead Limited, Ess Vee Alloys Pvt. Limited and R.B.G. Minerals Industries Limited for the year ended 31st March, 2005 are not attached to this report. The same will be furnished to the shareholders free of cost on request. They have been kept for inspection at the Registered Office of the Company and have been posted at Company's Website www.binani.com and also on SEBI website under EDIFAR. Consolidated Financial Statements for the year ended 31st March, 2005 form part of the report annexed hereto. As directed by the Central Government abstract of the Financial Statements of the Subsidiaries are attached to this report.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 AND DETAILS AS REQUIRED UNDER LISTING AGREEMENT

Item No.2 (Mr. S.Padmakumar)

After a distinguished academic career, Mr. S.Padmakumar (71 years) joined the Indian Administrative Service in 1957. He has served in the Kerala Cadre of the IAS for 35 years in various positions such as Industries Secretary, Finance Secretary, CMD of Kerala State Industrial Development Corporation (KSIDC) etc. before retiring as Chief Secretary to the Government of Kerala. Mr. S.Padmakumar was inducted into the Board in June 1981 as the Nominee Director of KSIDC. He resigned as Nominee Director and was appointed as Additional Director on 24th October, 2000. The shareholders of the Company had appointed him as a Director liable to retire by rotation at the Annual General Meeting held on 18th December, 2002.

In addition to Binani Industries Limited, Mr. S.Padmakumar serves on the Boards of Directors of BPL Limited, English Indian Clays Limited, Rubfila International Limited, Binani Cement Limited, Goa Glass Fibre Limited and Binani Lead Limited and as Chairman of City Theatres (P) Limited. He also functions as the Chairman of the Audit Committee of Rubfila International Limited, Binani Industries Limited, Binani

Cement Limited and as Member of Investor Relations Committee of BPL Limited and Binani Industries Limited, as Member of the Audit Committee of BPL Limited, Goa Glass Fibre Ltd. and Binani Lead Limited, as the Chairman of Nominations Committee of BPL Limited and as the Member of Finance Committee of BPL Limited, as the Chairman of Finance Committee of Binani Cement Limited, as the Chairman of Remuneration Committee of BPL Limited and as the Member of Remuneration Committee of Binani Cement Limited and Binani Industries Limited.

Item No. 3 (Mr. A.C. Chakrabortti)

Mr. A. C. Chakrabortti, aged 75 years is a Chartered Accountant and Member of the Institute of Chartered Accountants, England & Wales and Institute of Chartered Accountant of India. He was a Partner of M/s. S. R. Batliboi & Co. and he has long association with Industrial houses of repute. He was also associated with the Company as Auditor. Mr.A.C. Chakrabortti was inducted into the Board in the year 1997.

In addition to Binani Industries Limited he is the Chairman of M/s. La Opala Glass Limited, Peerless Hospitex Hospital & Research Centre Limited, Vice Chairman of Grindwell Norton Limited and Director of Calcutta Metropolitan Group Limited, Calcutta, Rasoi Industries Limited, Jagsonpal Pharmaceuticals Limited, Texmaco Limited, GIS Limited, Peerless General Finance & Investment Company Limited, Chandras' Chemical Enterprise Limited, Denso India Limited and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited. He also functions as Chairman of the Audit Committee of Texmaco Limited, Peerless General Finance & Investment Company Limited, Grindwell Norton Limited, Denso India Limited & GIS Limited. He is member of Audit Committee of Opala Glass Limited, Binani Industries Limited and Jagsonpal Pharmaceuticals Limited.

Item No. 5 (Mr. Braj Binani)

Mr. Braj Binani, B.Com (Hons) aged 44 years was functioning as coordinator from June 1983, inducted as a Director of Binani Industries Limited with effect from 5th July, 1988 and he was appointed as the Managing Director with effect from 1st January, 1997. He was appointed as the Vice Chairman of Binani Industries Limited with effect from 14th October, 1998 and as the Chairman with effect from 3rd October, 2000. Mr. Braj Binani was also CMD of Binani Cement Limited and Binani Zinc Limited, and Chairman of Goa Glass Fibre Limited and Binani Lead Limited, Subsidiaries of the Company. He has rich entrepreneurial skills coupled with long years of industrial experience and knowledge in commodity business.

In addition to Binani Industries Limited, Mr. Braj Binani serves on the Boards of Directors of Binani Metals Limited, Binani Cement Limited, Binani Lead Limited, Goa Glass Fibre Limited, Binani Zinc Limited and Binani Cement Factory LLC, Dubai. He is the member of the Investor Relations Committee and Finance Committee of Binani Industries Limited and member of Finance Committee of Binani Cement Limited, and member of the Share Transfer Committee of Binani Metals Limited.

He has ceased to be Managing Director of the Company and its Subsidiaries, namely Binani Cement Limited and Binani Zinc Limited with effect from 31st March, 2005. Consequent upon the acceptance of the resignation, he was appointed as Additional Director and Chairman of the Company, Binani Cement Limited and Binani Zinc Limited with effect from 1st April, 2005.

Mr. Braj Binani was appointed as Additional Director/Chairman of the Company with effect from 1st April, 2005 by the Board of Directors at their meeting held on 28th January, 2005 and he would hold office upto the date of this Annual General Meeting. The Company has received notice from a member of the Company along with a deposit of Rs. 500/- proposing the appointment as Director of the Company.

Your Directors recommend appointment of Mr. Braj Binani as Director of the Company. None of the Directors is in any way concerned or interested in this resolution except Mr. Braj Binani to the extent of his appointment.

The relevant documents under the above items are available for inspection by the members of the Company 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 upto the date of this meeting.

By Order of the Board
For Binani Industries Limited

(T.R. Chandramohan Nair)
Executive Vice President
(Corporate & Legal) & Secretary

Mumbai
28th April, 2005

DIRECTORS' REPORT & MANAGEMENT DISCUSSION & ANALYSIS REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Forty Second Annual Report together with the Audited Statement of the Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS

(Rs.Lakhs)

	For the year ended 31.03.2005	For the year ended 31.03.2004
Gross Sales and other Income	1276.26	2554.97
Loss before Taxation & Depreciation	(3507.43)	(4054.80)
Provision for Depreciation	115.70	50.80
Loss before Taxation & Extraordinary Item	(3623.13)	(4105.60)
Loan to Subsidiary written off	866.17	—
Provision for Taxation including deferred tax	1.66	—
Loss for the year	(4487.64)	(4105.60)
APPROPRIATIONS/ADJUSTMENTS		
Balance of Profit /(Loss) brought forward	(5193.56)	(1087.96)
Transfer from General Reserves	—	—
Balance carried to Balance Sheet	(9681.20)	(5193.56)

Since your Company is a holding Company having no significant manufacturing activity, we deal with each of our subsidiaries.

2. BINANI CEMENT LIMITED (BCL)

Industry outlook

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 monsoon 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.
- **Robust Export Demand:** Export demand, especially from the Middle East market has emerged as the new stabilizing factor for the Indian cement industry. The demand from Dubai (on account of high construction activity in the region) has resulted in the surplus from the Coastal Gujarat plants being absorbed.

Review of operations

The production and sales have surpassed the previous record. The Company has 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. Increased share of Portland Pozzolana Cement (PPC) also contributed to higher volumes.

However profitability was affected due to steep increase in the price of imported coal, increase in royalty on limestone, increase of education cess @ 2% on Excise duty, increase of Electricity duty on Power generation etc. The details are as under:

(Rs. Lakhs)

	2004-05	2003-04
Sales (Incl. Excise Duty) and Other Income	44009	37777
Operating Costs	33875	27600
EBIDTA	10135	10178
Interest & Financial charges	5235	5602
Cash Profit	4900	4576
Depreciation and Amortization	4200	4128
Profit before Tax	700	448
Profit after Tax	645	413

Financial Restructuring

Binani Cement Limited (BCL) 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 BCL. 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 BCL. 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.

Future Plans

BCL has plans to emerge as one of the long term serious players in the Indian Cement market, backed by its presence in the supply deficit north market, along with its operational efficiencies and control over costs.

BCL has plans of increasing its clinker capacity by about 4 million tonnes over the next 5 year horizon, partly at its existing location and partly at a new location. It is also setting up a Ready Mix Concrete plant at Gurgaon.

As part of its overall plans, BCL is in the process of finalizing the first phase expansion at its existing facilities at Sirohi by expanding its clinker capacity by 2.00 million MT and adding another 25MW captive power plant. Having completed its existing facilities in a record time of 19 months, despite it being a Greenfield project, the new brownfield plant is expected to be commissioned by March, 2007. The cost of the Project is estimated to be Rs. 425 crores – Rs. 450 crores for the Cement and 25MW power plant. The aforesaid cost estimates have been based on the block costing prepared by Holtec, the leading Cement consultant firm in India.

Social Responsibility and Community Development

BCL continues to fulfill 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 besides providing drinking water during drought. Various direct and indirect assistances were provided to the people in the nearby areas including providing hand pumps and organizing animal husbandry camp.

Human Resources and Industrial Relations

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

BCL's commitment towards the development of its employees is reflected in the fact that on an average 3.36 mandays per person have been spent on training during the year. The various departmental Quality Circles continue to strengthen the team spirit of the employees.

3. GOA GLASS FIBRE LIMITED (GGFL)

Industry Outlook

The glass fibre industry across the world witnessed a continued double digit growth and Composite materials using glass fibre has been the dominant "emerging engineering material". Today, high performance fibre reinforced plastics (FRP) have started challenging metals such as steel, aluminium and other plastics in industries such as automobile, civil infrastructure etc.

In the domestic front, strategic initiatives in pricing, reduction in cost of production, quality etc. has been focus areas for the Indian manufacturers to compete and curtail cheap imports. The domestic volume growth has come from replacement market and indigenisation of applications in industry segments like automobile, electrical, process industries. The per capita for India has grown to 0.4 kg compared to 4.2 kg for North America, 3.5 kg for Europe and a world average of 1.4 kg and India will continue to see growth in the consumption of Glass Fibre.

China continues to be the largest exporter from single country backed by subsidies in spite of its poor per capita consumption. Indian institutions and industry have been taking steps towards educating end users, application segments to expand usage of FRP in replacement of metals and other plastics.

Review of operations

During the year under review ending March 31, 2005, GGFL has recorded an overall growth in its revenue and gross margins, supplemented by the capacity increase after furnace rebuild. The sales revenue during the year stood at Rs. 5961 lacs - an increase of 22% over the previous year.

In spite of stiff competition witnessed during the year from Chinese producers, the Company was able to record higher growth due to the focused marketing efforts and renewed sales strategies.

	(Rs. Lakhs)	
	2004-05	2003-04
Sales & Related Income	5961	4855
EBIDTA	1226	486
Interest and Finance Charges	239	286
Cash Profit / (Loss)	988	200
Depreciation	850	761
Net Profit / (Loss) before Tax	138	(561)
Net Profit / (Loss) after Tax	127	(561)

EPCG Obligation

The Company had imported capital goods for the Furnace Rebuild & Expansion project under the EPCG Scheme. The Export Obligation (EO) to be fulfilled within 8 years of license date with a moratorium for initial 2 years.

As of March 31, 2005, the Company has already achieved an EO fulfilment of 76.24% and is confident of fulfilling the balance in the next financial year itself, way ahead of the stipulated period.

Future prospects

The Company targets further increase in production and sales levels in 2005-06. The focus will be on maximising revenues through sale of products which yield maximum contribution. Considerable part of volume growth to come from new products for larger application segments in both domestic and export markets.

The key focus areas identified to achieve volume growth in international and domestic market are:

- Opening up new markets in European block besides tapping North America, Latin America & Asia Pacific.
- While retaining the leadership in Chopped Strand Mat, product diversification through Direct Rovings, Spray Up Rovings, Chopped Strands.
- Targeting selective OEMs as direct outlets for customised products.

4. BINANI ZINC LIMITED (BZL)**Industry Outlook**

The market for Zinc continues to be robust and the year witnessed strong growth signs in all the consuming sectors.

Demand for Zinc metal has been steadily increasing at well over 6-7% CAGR in the last 5 years. Over the next 5 years demand for metal is expected to increase at a minimum CAGR of 7%.

The rapid growth in steel demand fuelled by China, augurs well for the Indian industry. Besides, per capita consumption of Zinc in the country is still way behind the levels achieved in the Developed West as well as China and other newly industrialized countries. This offers tremendous potential for future growth.

Prices on LME touched historic highs in March 2005. The weakening of the dollar had its impact on commodity markets with Hedge Funds, Pension Funds and CTA's investing heavily as a protection against the dollar slide.

The interim budget of July 2004 reduced duty on Zinc Metal to 15%. This was further reduced to 10% in February 2005. Certain other changes were also affected in terms of education cess of 2% widening of service tax net, increase in service tax to 10%, bringing service tax also under the preview of cenvat credit etc.

Review of operations

The performance of the Company during 2004-05, though adversely affected by various external factors, remained satisfactory with significant gains recorded in terms of operating efficiencies, cost reduction measures & improved prices.

Capacity utilization was lower at 88%, due to shutdown of operations for revamp of Roaster-acid plant in the early part of the year. However a firming up of LME prices resulted in turnover & top line growth.

The Company's financials were affected by the twin import duty reductions on zinc metal effected in July 2004 & February 2005. The year also witnessed a rapidly deteriorating situation in terms of raw material availability & cost, primarily on account of a demand-supply mismatch in Asia, unprecedented freight cost & continued weakness in the development of new mines.

(Rs. Lakhs)

	2004-05	2003-04
Net Sales & Other Income	18595	18297
Operating Costs	17754	17278
EBIDTA	841	1019
Interest & Financial Charges	137	136
Cash Profit	704	883
Depreciation & Amortisation	604	637
Profit before Tax	100	246
Profit after Tax	53	131

Opportunities/ Threats/Risks/Concerns

The company has a strong brand equity, powered by quality of its product and strong technological & manufacturing base.

The major external factors that can have significant bearing on the company's performance are:

- 1) Economic performance in the industrialised west and its impact on prices, costs & interest rates,
- 2) The impact of the VAT regime from 1st April, 2005 and
- 3) The metal & concentrate market dynamics in the near term.

Future Plans

To mitigate the threat arising out of the tight concentrate market and its reliance on costly grid power, the Company has drawn up plans so as to sustain its operations in the long term. As part of the above, the Company has drawn up a three pronged strategy of (a) upgradation of its smelter to improve recoveries and efficiencies to international bench mark level (b) installation of 25MW capacity

Thermal Power Plant for its captive requirements and (c) development of captive mine and beneficiation plant to provide assured supply of Zinc Concentrate.

Human Resources/Industrial Relations

BZL's Industrial Relations remained smooth and cordial.

"Learning and Employee Development" has been a key focus area. Training in all key functional areas and Systems like ISO 9001, ISO 14001, OHSAS 18001, SA 8000 & 5S Housekeeping was imparted to employees. Skill upgradation through systematic training is undertaken by the Company in all areas and this has contributed significantly to the creation of a committed and skilled workforce.

The Company's initiatives in Community relations and Corporate Social Responsibility are managed through its unique programs organized by the Ghanshyam Binani Health Centre (GBHC) as well as the facility created for community functions viz. the Ghanshyam Binani Community Hall, which has been identified as an institution of Public Health importance.

Monthly medical camps were conducted for employees, dependents & community, including Cancer detection camps. State Level training in First aid was imparted.

5. BT COMPOSITES LIMITED (BTCL)

During the year, production interruptions due to low order booking had an adverse impact on the Company's performance. The comparative production, sales, turnover, gross and net loss are as under:

(Rs. Lakhs)

	2004-05	2003-04
Production (MT)	96	173
Sales (MT)	76	158
Gross Turnover	96	274
Interest	-	213
Depreciation & Amortisation of Misc. Exp.	102	116
Net Loss	(205)	(334)
Cash Loss	(103)	(218)

As the Company has become a Sick Industrial Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985, the Directors of the Company have decided to make a formal reference to the Board for Industrial & Financial Reconstruction (BIFR). The BIFR has registered the case under Sl. No.218/2004 and the hearing is awaited.

6. ESS VEE ALLOYS PRIVATE LIMITED (EVAPL)

As part of its strategy to enter into value-addition business, BZL has acquired Ess Vee Alloys, a unit located at Silvassa engaged in the manufacture of Zinc and Aluminium Alloys.

The Company became a wholly owned subsidiary of Binani Zinc Limited during the year under review and has become an indirect subsidiary of the Company. The comparative production and sales figures are as under.

(Rs. Lakhs)

	2004-05	2003-04
Sales	52.64	106.13
Profit/(Loss) before Tax	(7.75)	(1.58)
Net Profit/(Loss) after Tax	(7.75)	(1.58)
Balance of Profit/(Loss) b/f	4.78	8.03
Balance Carried to Balance Sheet	(2.97)	4.78

Though the Company is capable of producing both Aluminium Alloys, the strategy of the Company will be to focus on Zinc Alloy business on the strength of the superior quality of Special High Grade Zinc sourced from BZL.

Though the alloy market is predominantly credit driven, the Company has managed to carry out its business on cash and carry basis by strategic and competitive pricing.

7. BINANI LEAD LIMITED (BLL)

Continued restrictions by the Government of India on the import of battery scrap coupled with duty reduction on Lead Metal has resulted in the proposed facility for manufacture of Secondary Lead become unviable and hence on a review of the matter, it has been decided to abandon the Project. Consequently during the year the Company has written off Capital Work in Progress/pre-operative expenses amounting to Rs. 8,80,75,205. An amount of Rs. 8,66,17,021 advanced by Binani Industries Limited, Holding Company towards the Project has been written back thereby charging a net amount of Rs.14,58,184 to Profit & Loss Account for the year.

8. R.B.G. MINERALS INDUSTRIES LIMITED (RBG)

R.B.G. Minerals Industries Limited was jointly promoted by Binanis, Gujarat Mineral Development Corporation (GMDC) and Rajasthan State Mineral Mining Limited (RSMML). It has become a wholly owned subsidiary of Binani Zinc Limited on 31st March, 2005 on acquisition of all the remaining issued shares by BZL.

Exploration conducted at Ambaji, Deri and Basantgarh in Gujarat/ Rajasthan have confirmed proven deposits with Zinc, Copper and Lead bearing Ore. BZL has acquired the shares of R.B.G. Minerals Industries Limited with a view to extract Zinc Concentrate for its captive consumption. The Project feasibility has been carried out by SRK Consultants, USA.

9. FINANCIAL RESTRUCTURING

Corporate Debt Restructuring (CDR) Cell vide letter No. BY.CDR/162 dated 26th April, 2005 have approved a comprehensive debt restructuring package modifying the earlier CDR package. As per the revised CDR package, the loans originally raised for Binani Cement Limited (BCL), Binani Zinc Limited (BZL) and Goa Glass Fibre Limited (GGFL) but continued in the books of the Company have been transferred to the respective Companies. As a result IDBI loans aggregating to Rs. 89 Crore and IIBI loans aggregating to Rs. 24 Crore have been transferred to BCL, FITL of IDBI aggregating to about Rs. 47 Crore have been transferred to Binani Zinc Limited (BZL) and ICICI Bank Ltd. loan aggregating to about Rs. 35.95 Crore have been transferred to GGFL, leaving only the UTI NCDs with the Company.

Simultaneously all the institutions have also given us relief by reducing the interest rates substantially and extending the repayment period. The package has given significant savings resulting in improvement in the bottomline of the group.

10. DIVIDEND

In view of the losses, the Directors do not recommend any dividend.

11. BOARD OF DIRECTORS

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

Mr. Braj Binani resigned as Chairman & Managing Director with effect from 31st March, 2005 and he was appointed Additional Director/ Chairman with effect from 1.4.2005. He holds the office of Director upto the date of this Annual General Meeting and consequently the proposal for his appointment as regular Director has been placed before you. Mr. B.K. Batra was nominated as a Director of the Company by Industrial Development Bank of India Limited (IDBI).

12. AUDITORS' OBSERVATIONS

Responses of the Directors to the comments of the Auditors in their report on consolidated financial statements are as follows:

- 1) The holding and subsidiary (BCL) companies have given effect to the order of the Hon'ble High Court of Kolkata in regard to merger/ restructuring, as the case may be. However, on consolidation of the accounts of the holding company with the subsidiary (BCL), a difference of Rs. 130 Crores has been derived, the assets being higher than the liability. This difference has arisen due to the fact that certain adjustments made in the accounts of the subsidiary have not been considered by the holding company. The Directors are of the opinion that the subsidiary has tremendous potential which is evident from the improvement in the operations and therefore adjustment of the amount of Goodwill to Revenue Reserve/Share Premium Account would not be appropriate. It must also be mentioned that the loss sustained by the subsidiary was during the gestation period which is inherent in a situation of this nature. In these circumstances, the Directors feel that no adjustment is called for.
- 2) During the year the Company has given effect to the modified debt restructuring package (RP) sanctioned by Industrial Development Bank of India Limited (IDBI) and has accounted for the interest charge on various loans/ FITL at a lower rate as per the RP, resulting into a reduction of interest aggregating to Rs. 1361.21 Lakhs. This reduction in interest has been converted to a Zero Coupon Loan (ZCL) by IDBI and a view will be taken by IDBI for waiver of the same on annual review and compliance of terms of the RP to the satisfaction of IDBI. However, the Company has not accounted for the ZCL as it is hopeful of getting the waiver as it has already pledged 51% of the holding of BIL in BCL and is in the process of complying with the other conditions of RP such as furnishing guarantees, implementation of TRA Mechanism etc.
- 3) As regards investments of the erstwhile Munga Holding Limited (since merged with Binani Cement Limited), the Board of Directors of Binani Cement Limited (BCL) at its meeting held on 27th April, 2005 have approved a Scheme of Arrangement between BCL and Daisy Commercials Pvt. Limited (DCPL) and their respective Shareholders for transfer of the investment division of BCL consisting of Investments / application money for investments in various unlisted Companies for Rs. 2316.16 Lakhs (held by erstwhile Munga Holdings Limited to DCPL with effect from 1st April, 2005 for which DCPL will issue and allot 1,39,66,434 Equity Shares of Rs. 10/- each fully paid up aggregating to Rs. 1396.64 lakhs to the shareholders of BCL on cancellation of equivalent number of shares held by them in BCL. The difference arising on the transfer of the investment division to DCPL and cancellation of equity shares of BCL for Rs. 919.52 lakhs shall be adjusted against the balance in the Profit and Loss Account/Revenue Reserve. The above scheme will be subject to the approval of the members of the respective Companies, Hon'ble High Court at Kolkata and the Financial Institutions and Banks as applicable and will be given effect to in the accounts after the aforesaid approvals are obtained.

13. AUDITORS

M/s. Kanu Doshi Associates, the retiring Auditors are eligible for reappointment and the proposal has been placed before you.

14. SUBSIDIARY COMPANIES

The statement pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiaries i.e. "Binani Cement Limited", "Goa Glass Fibre Limited", "Binani Zinc Limited", "BT Composites Limited", "Ess Vee Alloys Pvt. Limited", "Binani Lead Limited" and "R.B.G. Minerals Industries Limited" is annexed to this report.

15. PARTICULARS UNDER SECTION 217

Statement of particulars under Section 217(1) (e) regarding conservation of energy and technology absorption are not applicable to the Company. Details of foreign exchange earnings and outgo are annexed to this report.

16. CORPORATE GOVERNANCE

The Company has since implemented all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance. The Annual Report contains a separate section on the same.

As required under the said provisions, the Company has obtained the Certificate from the Auditors of the Company which is annexed to and forms part of the Annual Report.

The Management Discussion and Analysis Report forms part of the Annual Report.

17. 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, all 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 16 to the financial statements have been selected and consistently applied and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2005 and of the loss of the Company for the Accounting Year ended on that day.
- c) proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of this act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities and
- d) the annual accounts have been prepared on a going concern basis.

18. STOCK EXCHANGES — COMPLIANCE OF LISTING AGREEMENTS

The Company's Equity Shares are listed at the Stock Exchange, Mumbai and The Calcutta Stock Exchange Association Limited and Company has paid the listing fee.

As required by the Listing Agreements with the Stock Exchanges and AS-21, Consolidated Balance Sheet of the Company as on 31.3.2005 and Profit & Loss Account for the year ended on that date and Auditors' Report thereon have been annexed forming part of the Annual Report.

19. ACKNOWLEDGEMENT

Your Directors acknowledge the assistance and goodwill received from the concerned departments of the State and Central Governments, Financial Institutions, Banks, Customers, Selling Agents, Dealers, Distributors, Employees at all levels and the Shareholders.

By order of the Board

Mumbai
28th April, 2005

BRAJ BINANI
Chairman

Annexure to Directors' Report

FOREIGN EXCHANGE EARNINGS & OUTGO

	Rs. Lakhs
Total foreign exchange earnings	1151.49
Total foreign exchange outgo	44.73