

CHIRAWA CEMENTS LIMITED

Regd.Office: 30, Bharti Artist Colony, Main
Vikas Marg, New Delhi-110032.
Corp. Off: C-42, RDC, Raj Nagar,
Ghaziabad, U.P.-201002

DIRECTORS' REPORT

To,
The Members
CHIRAWA CEMENTS LIMITED

Your Directors have pleasure in presenting the 16th Annual Report with Audited Statement of Accounts of the Company for the year ended 31st March 2007.

Financial Results:

Financial results of the company for the year under review are summarized as below :

| Particulars | (Rs. In Lacs) | |
|---|--------------------------|--------------------------|
| | Year Ended 31.03.2007 | Year Ended 31.03.2006 |
| Sales & Other Income | 3915.10 | 1856.67 |
| Profit Before Depreciation , Interest & Tax | 27.50 | 06.06 |
| Interest & Depreciation | 03.04 | 01.16 |
| Profit/(Loss)Before Tax | 24.46 | 04.90 |
| Provision for Tax – Current | 2.00 | 0.50 |
| - Fringe Benefit Tax | 0.47 | 0.22 |
| - Deferred | 0.00 | 0.00 |
| Profit/(Loss) after Tax | 21.99 | 04.18 |
| Loss Brought Forward from Previous Year | (106.56) | (110.75) |
| Loss Carried to Balance Sheet | (84.58) | (106.56) |

Performance Review :

During the year under review, your company achieved turnover of Rs 3881.04 Lacs as compared to Rs. 1844.92 Lacs in the previous year. Net profit after tax is Rs.24.46 Lacs as compared to net profit of Rs. 04.40 Lacs in the previous year. Your directors are exploring the possibilities to expand the business activities of the Company and are taking necessary steps accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS :**Economy and Business Environment**

While the cement industry grew by 8.9%, the Indian economy as a whole, registered growth of 4.5%. Growth would be far better if the agriculture sector was not adversely affected by the severe drought conditions which prevailed in large swathes of country results in negative growth in that sector.

Growth in the cement industry was powered largely by infrastructure, housing and commercial construction. Growth picked up smartly in the housing sector due to attractive interest rates on housing

loans. As a result, all of a sudden, housing which was out of reach of many households becomes much more affordable to own.

Consolidation in the Cement industry continued, albeit at a slow pace. Faster consolidation would have helped to ease the tremendous pressure on prices in the market place due to fragmented, irresponsible supplies, which led to continued trend of declining prices.

Outlook, Risk and Concern

Coal, Power, Government levies and duties are major cost components in the cement industry and the same are under the control of the government. Cement demand also depends heavily on the Government's policy on infrastructure and housing development. Therefore, any change in government policy may have significant impact on the industry. The excise duty on cement is also very high which has put further strain on company's profitability. The implementation of value added tax has also pose a great challenge to trade and industry.

The Company is exposed to normal industry risk factors as economic, political and social risk. The Company shall however meet these challenges and concerns by adopting more prudent and comprehensive business policies

Adequacy of Internal Control System

The company has proper and adequate system of internal control to monitor proper recording of transaction according to policies and procedures laid down by the company. The company regularly monitors that all regulatory guidelines are complied with at all levels.

The Audit Committee constituted by the Board reviews the adequacy of Internal Control System. The Internal Auditors' Report dealing with the internal control system is considered by the Audit Committee and appropriate actions are taken wherever deemed necessary.

Financial Performance

Operational Results, 2006-07 Versus 2005-06:

(Rs. in Lacs)

| Particulars | | |
|------------------------------|--------|--------|
| Total Income | 72.80 | 26.40 |
| Interest & Financial Charges | 1.49 | 0.00 |
| Expenses | 45.30 | 20.34 |
| Depreciation | 1.55 | 1.16 |
| Total Expenditure | 48.34 | 21.50 |
| Profit before Tax(PBT) | 24.46 | 4.90 |
| Provision for Tax | 2.47 | 0.72 |
| Profit after tax (PAT) | 21.99 | 4.18 |
| Paid up Equity Capital | 520.86 | 520.86 |
| Reserves & Surplus | 17.80 | 17.80 |
| Earning per Share | 0.06 | 0.00 |

Dividend :

Your Directors express their inability to recommend any dividend in view of low profits during the year under review as well as heavy accumulated losses of the earlier years.

Fixed Deposits :

Your Company has not accepted any deposits from public. There are no unclaimed or unpaid deposits as on 31st March, 2007.

Directors :

Sh. Anuj Gupta, Director of the company, retires by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

Sh. Naresh Kumar aged about 46 years has an rich experience of 20 years.

Sh. Arvind Sharma is aged about 38 years is a Civil Engineer having more than 14 years of working experience.

Mr. Girish R. Gupta aged about 49 years is Chairman cum Managing Director and has an rich experience of 22 years.

Material Changes :

There are no material changes and commitments, affecting the financial position of the company between the end of the financial year of your company to which balance sheet relates and the date of Directors' Report.

Auditors :

M/s. Vidya & Co., Chartered Accountants, the Auditors of the company retires at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee and your Board recommend their reappointment as Auditors of the Company. The company has received letter from them to the effect that their appointment, if made would be within prescribed limit under Section 224(1B) of the Companies Act, 1956.

Auditors' Report :

The notes to accounts appearing in the schedule and referred to in the Auditors' Report are self explanatory and therefore do not call for any further explanation under Section 217(3) of the Companies Act 1956.

Dematerialization of Share :

As the members are aware, your company's shares are tradable compulsorily in electronic form. Accordingly, your company has established connectivity with both the depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Members may avail the facility of dematerialization of company's shares on either of the Depositories as aforesaid.

Directors' Responsibility Statement :

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- iv) That the Directors have prepared the accounts for the financial year ended 31st March 2007 on 'going concern' basis.

Personnel:

Relations with the employees continued to be cordial throughout the year. Your directors wish to place on record their deep appreciation of the dedicated and efficient services rendered by the staff and work force of the Company.

Your Company has no employee drawing remuneration as prescribed under section 217 (2A) of the Companies Act, 1956 during the year under review.

Conservation of Energy, Technology Absorption:

As required under Section 217(1)(e) of the Companies Act, 1956 and the rules made thereunder, the concerned particulars relating to Conservation of Energy, Technology Absorption:

Conservation of Energy: The Company ensures conservation of energy through an optimum utilization of power, fuel and water at its factory.

Technology Absorption: Your Company has not imported technical know-how during the year under review.

Foreign Exchange Earnings and Outgo:

Foreign Exchange Earnings and Outgo: Nil


Corporate Governance:

A report on Corporate Governance appears in this Annual Report. A certificate from Statutory Auditors M/s. Vidya & Co., Chartered Accountants, with regard to Compliance of the Corporate Governance code by your company is annexed hereto as Annexure and forms part of this report.

Acknowledgement:

Your directors take this opportunity to offer their sincere thanks to the bankers of the company, business associates, vendors, shareholders and esteemed clients for their unstinted support and assistance and look forward to the same in the times ahead.

For and On Behalf of the Board


(Girish R. Gupta)
Chairman cum Managing Director

Place: New Delhi
Dated: 31.07.2007

Auditor's Report

TO,
The Members,
Chirawa Cements Limited
New Delhi

1. We have audited the attached Balance Sheet of **CHIRAWA CEMENTS LIMITED**, as at 31st March 2007 and also the Profit & Loss Account and Cash Flow Statement for the year ended on that annexed thereto. These financial Statement are the responsibility of the company's management. Our responsibility is to express an opinion of these financial statement based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit include examine on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management. As well as evaluating the overall financial statement presentation. We believe the our audit provides a reasonable basis for our opinion.
3. as required by the companies (Auditor's Report) Order 2003, issued by the Department of Company Affairs in terms of sub Section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comment in paragraph 3 above, we report that :-
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of accounts, as required by law have been kept by the company, so far as appears from our examination of such books.
 - (iii) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with books of accounts.
 - (iv) In our opinion, the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in Sub - Section (3C) of Section 211 of the Companies Act, 256.
 - (v) On the basis of written representation received from the directors and taken on the record by the board of directors, we report that none of director is disqualified as on 31st March 2007 from being appointed as director in terms of section 274(1)(g) of the Companies Act, 1956.
 - (vi) In our Opinion and to the best of our information and according to explanations given to us the said account read with the Notes there to, give the information required by the Companies Act, 1956 in the manner as

required and give a true and fair view in conformity with the accounting principles generally accepted in India :-

- (a) In the case of Balance Sheet , of the state of affairs of the Company as at 31st March 2007.
- (b) In case of the Profit & Loss Account of the Profit of the Company for the year ended on that date.
- (c) In case of Cash Flow Statement , of the cash flow of the company for the year ended on that date.

For Vidya & CO.
Chartered Accountants
S.P. Agarwal
(S.P. Agarwal)
Partner

Place: New Delhi
Date: 31.07.2007

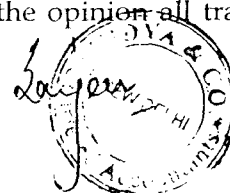


ANNEXTURE TO THE AUDITOR'S REPORT

ANNEXTURE

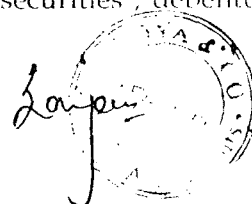
Annexure referred to in paragraph 3 of the Auditor's Report of even date to the Members of CHIRAWA CEMENTS LIMITED. On the accounts for the year ended 31st March 2007

1.
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets.
 - (b) As per the information and explanations given to us, there is a phased programme of physical verification of fixed assets adopted by company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the company and nature of its business.
 - (c) During the year, the company has disposed off a major part of its fixed assets. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of said part of fixed assets has not effected the going concern.
2.
 - (a) As per the information furnished, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, having regard to the nature and location of stocks, the frequency of physical verification is reasonable.
 - (b) In our opinion, and according to the information and explanations given to us, procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventories. In our opinion, the discrepancies verification of stocks were not material in relation to the operation of company and the same have been properly dealt with in the books of accounts.
3. The company is neither taken nor granted any loans and advances in the nature of loans to parties covered in the register maintained under section 301 of the Companies Act, 1956 hence the question of reporting whether the terms and conditions of such loans are prejudicial to interest of company whether reasonable steps for recovery/repayment of over dues of such loan are taken does not arise.
4. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regards to purchase of stores and fixed assets and for the sale of shares/debentures. During the course of our audit, no major weakness had been noticed in the internal controls.
- 5(a) Based on the audit procedure applied by us and according to the information and explanation provided by the management, we are of the opinion all transactions that



need to be entered into the register maintained under section 301 of the Act have been so entered.

- (b) Based of the information and explanations given to us , it is our opinion that these transactions have been made at reasonable process having regards to the prevailing market price.
6. Based on our scrutiny of the company's record and according to the information and explanations provided by the management , the company has not accepted any deposits so far up to 31.03.2007.
7. In our opinion , the company has an internal audit system commensurate with the size of the company and the nature of business.
8. We have been informed by the management , no cost records have been prescribed under section 209(1)(d) of the Companies Act , 1956.
- 9(a) According to the information and explanations given to us and records examined by us , the company is regular in deposition , with the appropriate authorities , undisputed statutory dues including income tax , wealth tax , cess and other statutory dues , applicable to it.
- (b) according to information and explanations given to us , no undisputed amount payable in respect of income tax , wealth tax , cess and other statutory dues were outstanding as at 31st March 2007 for a period of more than six months from the date they became payable.
- (c) There are no dues of Sales tax , Income tax / wealth Tax , excise duty/cess , which have been deposited on account of any dispute.
10. The Accumulated losses of the company are not more than fifty percent on its net worth at the end of the financial year. The Company has incurred cash loss during the financial year covered by our audit and immediately proceeding financial year.
11. Based on our audit procedure and on the information and explanations given by the management , we are of the opinion that the company has not defaulted in the repayment of dues to financial institutions or banks or debentures holders as the company has paid all outstanding during the year.
12. Based on our examination of the records and information and explanations given to us , the company has not granted any loans and advances on the basis of security by way of pledge of shares , debentures and other securities.
13. As per the information and explanation given to us the provision of any Special Status applicable to chit Fund do not apply to the Company. The Company is also not a nidhi /mutual benefit fund/society.
14. As per records of the company and the information and explanations given to us by the management. Company is not dealing or trading in shares securities , debentures and other investments.

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "CHARTERED ACCOUNTANT" around the perimeter and "15/03/2007" in the center.