DALMIA CEMENT (BHARAT) LIMITED

DIRECTORS

SHRI P.K. KHAITAN - Chairman
SHRI JAI HARI DALMIA - Vice Chairman (w.e.f. 1-4-2007)
SHRI Y. H. DALMIA - Vice Chairman
SHRI GAUTAM DALMIA - Joint Managing Director
SHRI PUNEET DALMIA - Managing Director
SHRI N.GOPALASWAMY - Whole-time Director
SHRI M. H. DALMIA
SHRI N. KHAITAN
SHRI M. RAGHUPATHY
SHRI J.S. BAIJAL
SHRI DONALD M. PECK

BANKERS

PUNJAB NATIONAL BANK
CANARA BANK
CORPORATION BANK
STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
BNP PARIBAS
U T I BANK LIMITED
INDIAN BANK
UNION BANK OF INDIA
YES BANK LIMITED
ICICI BANK LIMITED

HEAD OFFICE

11TH & 12TH FLOORS, 'HANSALAYA'
15, BARAKHAMBA ROAD
NEW DELHI-110001

REGISTERED OFFICE

DALMIAPURAM - 621 651
DISTRICT TIRUCHIRAPALLI
(TAMIL NADU)

AUDITORS

S.S. KOTHARI MEHTA & CO.
CHARTERED ACCOUNTANTS

5 YEARS FINANCIAL HIGHLIGHTS

					Rs. Million
	31.3.03	31.3.04	31.3.05	31.3.06	**31.03.07**
Sales and Other Income	4710	4654	5431	7316	**12878**
Operating Profit (PBDIT)	747	789	785	1603	**4055**
Gross Profit	466	516	560	1369	**3515**
Profit before tax	256	309	357	1089	**2964**
Profit after tax	199	254	309	848	**2289**
Fixed Assets (Net)	3813	3648	6159	7886	**13436**
Investments	1488	1485	873	1753	**3786**
Net Current Assets	1487	1783	2130	2199	**1522**
Share Capital	77	77	77	77	**85**
Reserves and Surplus	3313	3407	3507	4199	**7449**
Borrowings	2784	2825	4988	6832	**10146**
Earning per Share (Rs.)	5.20	6.63	8.07	22.18	**53.95**
Net Worth per Share (Rs.)	88.59	91.06	93.66	111.76	**176.34**
Debt-Equity Ratio	0.82	0.81	1.39	1.60	**1.35**
Current Ratio	2.94	2.89	2.38	1.93	**1.30**
Dividend (Rs. Million)	34	38	38	77	**128**

Dalmia Cement (Bharat) Limited
Annual Report 2006-07
Vice-Chairman's Letter

Dear Shareholder,

India has once again put itself in the forefront of the global economic performance. After 9% GDP growth in 2005-06, our country has achieved 9.2% for the year ended 31 March 2007. This has lifted India's compounded annual growth rate over the last four years to 8.5%.

Today, there is no doubt in anybody's mind that India has moved on to a significantly higher growth path. Even at current rates of infrastructure development, most economists believe that India can sustain 8%-8.5% GDP growth right up to 2012, i.e. the end of the Eleventh Five Year Plan. And if greater attention and investments are focused on infrastructure — as they certainly should — there is no reason why we cannot raise our year-on-year growth rate to 10% by 2011-12.

India's higher growth has been driven by both manufacturing and services. Let us focus a bit on the former. Today, we are seeing manufacturing consistently grow quarter-on-quarter at double digits. This, as well as over 11% growth in services, has resulted in a veritable construction boom throughout the country. In each of the last 12 quarters, growth of the construction sector has significantly outpaced that of GDP.

This boom has been beneficial for cement. In 2001-02, the Indian cement industry had a combined capacity of 130 million metric tons (MT) and produced 102 million MT of output, with a capacity utilisation of less than 79%. Between then and 2006-07, capacities have grown by 28% to 166 million MT; and output has increased by 54% to 155 million MT. With a 94% rate of utilisation, cement capacity in the country needs to be significantly augmented.

Company Performance

Let us now share with you your Company's excellent financial performance for 2006-07, whose highlights are given below.

- Revenue from your Company's operations (mostly comprising cement and sugar) net of excise duty increased by 73% to Rs. 9,865 million.
- Profit before depreciation, interest and taxes (PBDIT) increased by 153% to Rs. 4,055 million.
- Profit before tax (PBT) grew by 172% to Rs. 2,964 million.
- Profit after tax (PAT) grew by 170% to Rs. 2,289 million.
- Earnings per share on a fully diluted basis (EPS diluted) rose from Rs. 11.78 in 2005-06 to Rs. 29.18 in 2006-07.

These are creditable results, especially if one were to take into account the distinctly different economic environments of your Company's two dominant business segments — cement and sugar.

The cement industry has been booming in India over the last two years, and Dalmia Cements has leveraged additional capacities and generated greater efficiencies to produce excellent results. Your Company's additional 2 million MT capacity at Dalmiapuram fully came on stream in the first quarter of 2006-07. The 27 MW thermal power plant that was commissioned in 2005-06 provided assured, cost effective electric supply. There were further improvements in manufacturing efficiencies. New capacity ramp up encountered a few challenges in the first half of the year but the plant stabilised well in the second half. Our last quarter capacity utilisation was close to 95%. These factors led to a 74 per cent volume growth of your Company's cement sales from 1.58 million MT in 2005-06 to 2.71 million MT in 2006-07.

The story however, was nowhere as rosy for the sugar industry, which saw several challenges during 2006-07. A combination of record domestic output, ban on exports and zero duty on imports sharply reduced overall price realisations for the industry. Although the export ban was eventually lifted in January 2007, India missed the critical four month (October to January) selling window. There was further pressure on profits due to high government administered sugarcane prices. Consequently, while your Company's sugar production grew by 28% to 107,730 MT, sales volume declined by 6.4%; and gross sales of the sugar business decreased by over 10% to Rs. 1,714 million in 2006-07.

Investments in Scale

Both sugar and cement are cyclical industries. In order to ensure long term growth in shareholder value, it is imperative that apart from building scale, focused attention is continuously required for improving manufacturing efficiencies. This is something your Company is good at and does on an ongoing basis. We rank among the most efficient cement plants in India; and our recovery rate of 10.5% is amongst the best in the sugar industry. We intend to further increase manufacturing efficiencies and squeeze operating capital so as to get higher production and sales, reduce costs and generate greater profits for our shareholders.

2006-07 saw major expansions. During the year, the Company also installed two new sugar plants at Jawaharpur and Nigohi (Uttar Pradesh), each with a capacity of 7,500 MT of cane crushed per day. Moreover, your Company has installed a distillery to produce Industrial Alcohol/Ethanol from Mollases at its Jawaharpur plant with a capacity of 80 kiloliter per day.

The Company also commissioned two 27 MW bagasse-based co-generation plants at each of its sugar factories in Jawaharpur and Nigohi. Currently, it is in the process of commissioning another 25 MW bagasse-based co-generation plant at its facility in Ramgarh. Thus, by 2007-08, your Company will have co-generation capacity of 79 MW in Uttar Pradesh. It has signed a power purchase agreement with the Uttar Pradesh Power Corporation Limited to supply 52 MW to UP.

In order to strengthen our southern footprint in the cement business, we are exploring opportunities in other Southern States. The first step in this direction is in Andhra Pradesh where we have started construction of a new cement plant of 2 million MT per annum capacity with the possibility of increasing the same to 4 million MT per annum.

Business Cycles and the Regulatory Environment

Being critical commodities, both cement and sugar face regulatory constraints. In cement, the Government of India has been exhorting domestic producers to moderate cement prices. It is true that the long term growth of infrastructure in India depends on the assured supply of increasingly larger quantities of cement at reasonable prices. However, significant additions in capacities will occur after financial year 2009. Therefore, market economics suggest that cement prices will tend to remain firm at least up to the first half of 2009.

Cement industry is cyclical in nature and hence any decade on average witnesses four boom years accompanied by six lean ones. Better understanding and communication of the cyclical dynamics of the cement industry will go a long way towards creating a win-win relationship between the manufacturers, the customers and the Government.

Sugar is a heavily regulated industry. There are administered price floors on cane purchase; there is little or no flexibility in the source of purchase; and while prices are globally determined, there are periodic interventions by Government whenever sugar prices tend to firm up. Consistently pursuing a path of growth in such a strong, and occasionally arbitrary, regulatory environment requires capacities, world-class operational efficiencies and the ability to recognise new business opportunities ahead of the pack. Your Company has been successful on these fronts and it hopes to continue generating superior shareholder value in what is effectively an uncertain regulatory environment.

Your Company will continue to generate cash for financing investments and for tiding over challenges in the future. Simultaneously, it will further improve manufacturing efficiencies and organisational structures to generate greater productivity, higher sales and greater profits for its shareholders.

In doing so, however, your Company will never waver from a basic principle that while it must make profits, it has to equally bequeath value to the communities it serves. Good traditions are perfectly compatible with best-in-class business practices.

We are confident of your Company's future. Given the dedication of its employees, superior quality of its products and your consistent support, we are sure that Dalmia Cements will continue to do better with every passing year.

Thank you once again for your support.
With warm regards,

Yours sincerely,

Jai Hari Dalmia

Jai Hari Dalmia
Vice-Chairman

Y.H. Dalmia
Vice-Chairman

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2007

The Directors have pleasure in submitting the Annual Report and Audited Statements of Account of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

		(Rs. million)
	FY - 06	**FY - 07**
Net Sales Turnover	5697	**9865**
Profit before interest, depreciation and tax (EBITDA)	1603	**4055**
Less: Interest	235	**540**
Profit before depreciation and tax (PBDT)	1368	**3515**
Less: Depreciation	279	**551**
Profit before tax (PBT)	1089	**2964**
Provision for current tax	92	**330**
Provision for deferred tax	139	**333**
Fringe Benefit tax	10	**12**
Profit after tax (PAT)	848	**2289**
Add:		
(i) Surplus brought forward	1054	**1755**
(ii) Transfer from Debenture Redemption Reserve	151	**7**
(iii) Transfer from Reserve for Bad & Doubtful Debts	-	**17**
Profit available for appropriation	2053	**4068**
APPROPRIATIONS:		
General Reserve	100	**300**
Debenture Redemption Reserve	110	**139**
Interim/Proposed Dividend	77	**128**
Dividend Distribution tax thereon	11	**19**
Balance carried forward	1756	**3482**
	2053	**4068**

DIVIDEND

Your Directors had disbursed an interim dividend of 100 per cent amounting to Rs. 2/- per share of face value Rs.2/- each in March 2007. In addition to the interim dividend, your Directors have decided to recommend a final dividend of 50% amounting to Re. 1/- per share of the face value of Rs. 2/- each, thus making the total dividend payout for the year Rs. 3/- per share as against Rs. 2/- per share last year.

OPERATIONS AND BUSINESS PERFORMANCE

Please refer to the chapter on Management Discussion and Analysis for a detailed analysis of the performance of the Company during 2006-07. In addition, working results for key businesses have been provided as an annexure to this report (Annexure - A).

CORPORATE GOVERNANCE

The Company's corporate governance practices have been detailed in a separate chapter in this document. The Auditors certificate on the compliance of Corporate Governance Code embodied in Clause 49 of the Listing Agreement is attached as annexure and forms part of this Report.

LISTING OF SHARES

In terms of the resolution passed by the Shareholders in the Annual General Meeting held on 27 September 2003, the Company applied for delisting of its securities from dealings on the Calcutta Stock Exchange. The Company has received an 'in principle' approval from the Calcutta Stock Exchange in response to its application for delisting of the securities.

INDUSTRIAL RELATIONS

The industrial relations during the year under review remained harmonious and cordial. The Directors wish to place on record their appreciation for the excellent cooperation received from all employees at various units of the Company.

EMPLOYEES' PARTICULARS

The statement giving particulars of employees who were in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Rules and Notifications made thereunder, is annexed. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and Accounts are being sent to the Shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining copy of the same may write to the Company Secretary at the Registered Office.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE TRANSACTIONS

A statement giving details of Conservation of Energy, Technology Absorption and Foreign Exchange transactions, in accordance with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, forms a part of this report as Annexure – B.

SUBSIDIARIES

Dalmia Sugars Limited, a subsidiary of your Company got amalgamated with your Company effective 8-6-2005 under the orders dated 18-9-2006 of the High Court of Madras.

The Directors' Report and audited accounts of Anupama Investment Limited, Kanika Investment Limited, Ishita Properties Limited, Shri Rangam Properties Limited, Geetee Estates Limited, D.I. Properties Limited, Avnija Properties Limited, Hemshila Properties Limited, Himshikhar Investment Limited, Arjuna Brokers & Minerals Limited, Shri Radha Krishna Brokers & Holdings Limited, Shri Rangam Brokers & Holdings Limited, Dalmia Minerals & Properties Limited, Seeta Estates & Brokers Limited, Sri Kesava Mines & Minerals Limited, Sri Shanmugha Mines & Minerals Limited, Sri Subramanya Mines & Minerals Limited, Sri Swaminatha Mines & Minerals Limited, Sri Madhava Minerals & Properties Limited, Sri Dhandauthapani Mines and Minerals Limited, Eswar Cements Private Limited, Sri Madhusudana Mines and Properties Limited, Sri Trivikrama Mines and Properties Limited, and Dalmia Cement (Meghalaya) Limited, subsidiaries of your Company, for the year ended 31st March 2007 are enclosed with this annual report.

FIXED DEPOSITS

The total amount of deposits remaining due for payment and not claimed by the depositors as on 31st March 2007 was Rs. 0.50 million in respect of 9 depositors, out of which deposit amounting to Rs. 0.03 million in respect of 1 depositor has since been paid.

DIRECTORS

Shri Y.H. Dalmia, Shri Gautam Dalmia and Shri Puneet Dalmia were appointed as Vice-Chairman, Joint Managing Director and Managing Director, respectively, of the Company effective 16-1-2007 and their appointment was confirmed by the Shareholders by means of a Postal Ballot, the results of which were declared in March, 2007.

The following Directors retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting:

1. Shri P.K. Khaitan
2. Shri M. Raghupathy

The Company has obtained necessary intimations from them in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 to the effect that they have not incurred any disqualification under Section 274(1)(g) of the Companies Act, 1956 and they are eligible to be reappointed as Directors of the Company.

Shri Donald M. Peck was co-opted as an Additional Director on 26th July 2006. The Company has received a Notice from a Shareholder as required under the provisions of Section 257 of the Companies Act, 1956 to the effect that he intends to propose the name of Shri Donald M. Peck to be appointed as a Director of the Company liable to retire by rotation.

Shareholdings in the Company by its Directors are as under:

Name of the Director	No. of Shares of Rs. 2/- each held
Shri N. Khaitan	6,665
Shri Y.H. Dalmia	1,43,235
Shri Gautam Dalmia	1,76,500
Shri Puneet Dalmia	1,11,830

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year 2006-07.

CEO/CFO REPORT ON ACCOUNTS AND DIRECTORS RESPONSIBILITY STATEMENT

As required under clause 49 of the Listing Agreement, the CEO/CFO's Report on the Accounts is attached.

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956 your Directors declare that:

(a) in the preparation of the annual accounts, the applicable Accounting Standards have been followed and no departures have been made there from;

(b) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 of the Company for that period;

(c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and

(d) the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s. S.S. Kothari Mehta & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. As required under Section 224 of the Companies Act, 1956, the Company has obtained from them a certificate to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said Section.

For and on behalf of the Board

NEW DELHI
Dated: 11th May, 2007

CHAIRMAN