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## **DALMIACEMENT(BHARAT)LIMITED**

### **DIRECTORS**

SHRI P.K. KHAITAN-Chairman  
SHRI N.GOPALASWAMY - Whole-time Director  
SHRI N. KHAITAN  
SHRI M. SANKARANARAYANAN (Nominee of Unit Trust of India)  
SHRI M. RAGHUPATHY  
SHRI J.S. BAIJAL

### **BANKERS**

PUNJAB NATIONAL BANK  
CANARA BANK  
CORPORATION BANK  
UNITED BANK OF INDIA  
STATE BANK OF TRAVANCORE  
BNP PARIBAS  
ICICIBANKLIMITED

### **HEAD OFFICE**

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

### **REGISTERED OFFICE**

DALMIAPURAM - 621 651  
DISTRICT TIRUCHIRAPALLI  
(TAMILNADU)

### **AUDITORS**

S.S. KOTHARI MEHTA & CO.  
CHARTERED ACCOUNTANTS

**5 YEARS FINANCIAL HIGHLIGHTS**

	31.3.00	31.3.01	31.3.02	31.3.03	Rs. Lakhs 31.3.04
Sales and Other Income	38564	42735	42881	47098	46541
Operating Profit (PBIDT)	7456	8836	8540	7469	7890
Gross Profit	4336	5588	5559	4655	5158
Profit before tax	2317	3612	3536	2555	3089
Profit after tax	2114	2880	2546	1989	2537
Fixed Assets (Net)	28873	28611	41486	38126	36476
Investments	4420	4902	7583	14884	14849
Net Current Assets	16415	18813	17911	14867	17826
Share Capital	765	765	765	765	765
Reserves and Surplus	22563	25012	32763	33892	34837
Borrowings	26381	26549	27321	27838	28247
Earning per Share (Rs.)	27.63	37.64	33.28	26.00	33.16
Net Worth per Share (Rs.)	304.94	336.89	438.19	442.95	455.29
Debt-Equity Ratio	1.12	1.03	0.81	0.82	0.81
Current Ratio	3.20	3.29	3.17	2.94	2.89
Dividend (Rs. Lakhs)	344	383	421	344	383

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31ST MARCH, 2004

The Directors have pleasure in submitting their Annual Report and Audited Statements of Account of the Company for the year ended 31st March, 2004.

**FINANCIAL RESULTS**

	This Year (Rs. in Lakhs)	Previous Year (Rs. in Lakhs)
<b>Gross Profit</b>	<b>5158</b>	4655
Less: Depreciation	<u>2069</u>	<u>2100</u>
<b>Profit before tax</b>	<b>3089</b>	2555
Less: Provision for tax	<b>827</b>	550
Provision for deferred tax	<u>(275)</u>	<u>16</u>
<b>Profit after tax</b>	<b>2537</b>	1989
Add: (i) Surplus brought forward/Excess		
Provision written back	<b>8115</b>	941
(ii) Amount transferred from General Reserve	—	6169
<b>Profit available for appropriation</b>	<b>10652</b>	<u>9099</u>
<b>APPROPRIATIONS:</b>		
General Reserve	<b>300</b>	500
Reserve for Bad and Doubtful Debts	<b>25</b>	—
Debenture Redemption Reserve	<b>633</b>	96
Proposed Dividend	<b>382</b>	344
Dividend Distribution tax thereon	<b>49</b>	44
Balance carried forward	<u><b>9263</b></u>	<u>8115</u>
	<b>10652</b>	<u>9099</u>

**DIVIDEND**

2. Your Directors take pleasure in recommending payment of dividend of Rs. 5/- per share of Rs. 10/- each as against Rs. 4.50 per share for the previous year.

**CEMENT DIVISION**

- 3.1 Production of Clinker and Cement and Cement despatches during the last three years are as follows:

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
	(Figures in '000 MT)		
Clinker Production	<b>1043</b>	1025	817
Cement Production	<b>1293</b>	1225	1045
Cement Sales	<b>1297</b>	1222	1042

- 3.2 During the financial year ended March 2004 while the All India cement consumption has grown by 5.8%, consumption in Tamil Nadu/ Kerala, the main marketing areas of your Company has grown by 3.3%, while Company's sales grew by 6.1%. Due to continued supply overhang in our area, pressure on prices continued.
- 3.3 Full impact of increase in power tariffs w.e.f. 16.3.2003 was felt during the year. Increase in oil prices also affected the cost of self-generated power as well as transport costs. By shifting focus from depot sales to direct sales significant savings in distribution expense was achieved. Company is installing a 29 MW Thermal Power Plant at Dalmiapuram at a cost of Rs. 72 crores, which is expected to be commissioned during the last quarter of 2004-05.
- 3.4 The Board of Directors of your Company are happy to announce that it has been decided to set up a brown field expansion project for manufacture of cement at Dalmiapuram, thereby increasing the capacity to

produce cement by another 1.6 million MT per annum. The cost of the aforesaid project is likely to be about Rs. 365 crores and it is expected, that barring unforeseen circumstances it would commence production by the second quarter of the financial year 2005-06. With growth in consumption and no significant capacity additions in the pipeline, supply overhang is gradually getting balanced.

#### DALMIA MAGNESITE CORPORATION

- 4.1 The production and sales of Dead Burnt Magnesite (including Monoliths) and Magnesia-Carbon Bricks for the last three years are as follows:

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
	(Figures in '000 MT)		
<u>DBM</u>			
Production	22	9	11
Sales	16	9	11
	(Figures in MT)		
<u>MgO-C/HTSR Bricks</u>			
Production	1916	1703	1521
Sales	1937	1660	1641

- 4.2 During the year 106 workers availed Voluntary Retirement and the unit spent about Rs. 206 lakhs. The entire amount incurred during the year on payments made under the scheme has been charged off to the Profit & Loss account.
- 4.3 New wage settlement was signed with the recognised Unions in January, 2004, which is valid upto December, 2006. This involves a one-time payment of Rs. 60 lakhs and a recurring impact on the annual wage bill of about Rs. 32 lakhs. Efforts are being made to control these increases by inducing further workers to opt for the Voluntary Retirement Scheme.
- 4.4 During the year the rate of royalty on raw magnesite was doubled to Rs. 52 per MT, resulting in the increase of about Rs. 33 lakhs for the year.
- 4.5 As a part of cost cutting, a new Magnetic Separator plant was installed during the year, at a cost of Rs.30 lakhs, which would help recycling of earlier rejected material.
- 4.6 New export markets were developed in the Middle East and South East Asia. Your Company has been approved as a vendor for Monoliths at the Vizag Steel plant. In the coming year, the Company expects approval also for the Magnesia-Carbon Bricks. Sales to Steel plants increased substantially due to continued efforts.

#### RAMGARH CHINI MILLS

- 5.1 The Cane crushing, Sugar and Molasses production and Sugar sales during the last three years are as follows:

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
	(Figures in '000' MT)		
Cane crushed	886	706	722
Sugar production	89	71	70
Sugar sales	66	97	67
Molasses production	47	36	37

- The highest ever crushing during the year 2003-04 was on account of more number of operating days.
- 5.2 The total Cane crushing during the Sugar season 2003-04 was 6.30 lakh MT with a recovery of 10% as against 7.80 lakh MT with a recovery of 10% during the previous season. The decline in cane crushing was on account of lower cane area as also the lower yield per hectare as compared to the previous season, which has been experienced by other neighbouring factories as well.
- 5.3 Even though the Sugar sales has declined by about 32% compared to last year, the profitability has improved due to lower cost of cane on account of industry deciding to pay only the statutory price fixed by the Central Government.

#### GOVAN TRAVELS

6. The net business done by this unit during the current year grew by 28% to Rs. 26.56 crores. With the revival of the economy, travel related services are growing and it is expected that it shall continue to register a satisfactory growth rate. To diversify the income sources, your Company is offering complete range of services for domestic tourism and travel insurance. For the first time, the Company offered its services through its website on internet, and the initial response was satisfactory. The business prospects through the internet appears to be promising.

#### DALMIA ELECTRONICS CORPORATION

7. All manufacturing activities of this Unit have been closed during the year under review.

#### ELECTRONICS DIVISION

- 8.1 The production and sales of Multilayer Ceramic Chip Capacitors & Chip Resistors for the last three years are as follows:

	Chip Capacitors			Chip Resistors		
	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
		(Nos. in Million)			(Nos. in Million)	
Production	9.18	12.75	13.21	12.44	19.53	4.08
Sales	10.07	12.91	16.06	12.32	19.85	4.76

- 8.2 Due to shift in wireless communication, demand for such components from manufacturers of land line has reduced considerably. Consequently, efforts have been made for approval of the products from Defence units and substantial orders were received from some of these units. Orders were also received from the manufacturers of Electronic Voting Machines. The sales of these products are expected to increase in future with better margins.

#### WIND ENERGY FARM

9. Plant load factor has been about 26% during the year, as compared to 25% in the previous year. This can be considered as satisfactory.

#### DALMIA REFRACTORIES

- 10.1 The production and despatches of refractories for the last three years are as under:

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
		(Figures in '000 MT)	
Production	21	20	25
Sales	20	21	21

- 10.2 The demand for the product continued to remain sluggish during the year under review. Efforts made to reduce costs further have met with success. With selective marketing and better realisations, the unit's performance has shown considerable improvement.

#### INDUSTRIAL RELATIONS

11. 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 the employees at the various units of the Company.

#### EMPLOYEES' PARTICULARS

12. During the year, no employee was 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.

#### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE TRANSACTIONS

13. 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 is annexed and marked as Annexure – A, forming part of this report.

## SUBSIDIARIES

14. 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 and Himshikhar Investments Limited, subsidiaries of your Company, for the year ended 31st March, 2004 are annexed.

## FIXED DEPOSITS

15. The total amount of deposits remaining due for payment and not claimed by the depositors as on 31st March, 2004 was Rs. 37.98 Lakhs in respect of 35 depositors, out of which deposits amounting to Rs. 1.20 Lakhs in respect of 5 depositors have since been paid/renewed.

## DIRECTORS

16. Shri N. Khaitan and Shri J.S. Bajjal, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. 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.

## PARTICULARS REQUIRED AS PER LISTING REQUIREMENTS

- 17.1 In accordance with the Listing requirements a note on Corporate Governance and Management Discussion and Analysis in respect of the major units of the Company are enclosed.
- 17.2 In terms of the Resolution passed by the Shareholders in the Annual General Meeting held on 27-9-2003, the Company applied for delisting of its securities from dealings on the Delhi Stock Exchange and Calcutta Stock Exchange. While the securities of the Company stand delisted from dealings on the Delhi Stock Exchange with effect from 11-2-2004, the approval of the Calcutta Stock Exchange for delisting of the securities is awaited.

## DIRECTORS RESPONSIBILITY STATEMENT

17. 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 therefrom;
- (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

18. M/s. S.S. Kothari Mehta & Co., Chartered Accountants, retire 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.

NEW DELHI  
Dated: 25th May, 2004

For and on behalf of the Board  
P.K. Khaitan  
CHAIRMAN



**PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO AND EARNINGS**

**A. CONSERVATION OF ENERGY**

- (a) Energy Conservation measures taken:
- (i) Energy Audit for manufacturing process.
  - (ii) Usage of alternate fuel in pyro-processing.
  - (iii) Installation of HT & LT Capacitors for Power Factor improvement.
  - (iv) Variable Frequency drives for Cooler Fans.
  - (v) High Efficiency Fan retrofit.
  - (vi) Compressed Air usage optimisation.
  - (vii) Addition of dry fly-ash in Pozzolona Cement for reducing paid heat.
  - (viii) High efficiency dynamic Classifier for Coal grinding unit.
  - (ix) Harmonic Filters for improving the power factor and suppressing the harmonics on LT side.
  - (x) Designing of Sugar Boiling House suitable for flow of process material by gravity.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
- (i) Harmonic Filters for improving the power factor and suppressing the harmonics on HT side.
  - (ii) Retrofitting low efficiency fans with high efficiency fans.
- (c) Impact of measures taken already and proposed vide (a) and (b) above are aimed at:
- (i) Enable the Company to save electrical energy and thermal energy as compared to previous levels.
- (d) Total energy consumption and consumption per unit of production as per Form "A" attached.

**B. TECHNOLOGY ABSORPTION**

- (e) Efforts made in technology absorption as per Form "B" attached.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- (f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services, and export plans:
- (i) Cement: The Company has exported 6,678 MT's Portland Cement during the year.
  - (ii) Magnesite/Refractories: Ramming Mix, etc valued at US \$ 1,91,443 F.O.B., was exported to Gulf countries. Efforts are being made to explore possibilities of exports to nearby Asian Countries.
- (g) Total foreign exchange used and earned during the year:

	(Rs. Lakhs)
(i) Used	2562.58
(ii) Earned	220.33

## FORM 'A'

(Form of Disclosure of Particulars with respect to Conservation of Energy)

	<u>Current year</u>	<u>Previous year</u>
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY:</b>		
a) Purchased:		
Units (KWH in Lakhs)	410.81	377.75
Total Amount (Rs. Lakhs)	2010.40	1812.65
Rate/Unit (Rs.)	4.89	4.80
b) Own Generation:		
i) Through Diesel Generator:		
Units (KWH in Lakhs)	527.18	573.08
KWH per Litre of HSD/FO	4.15	4.14
Rate/Unit (Rs.)	3.51	3.22
ii) Through Steam Turbine:		
(Generated out of own bagasse consumption)		
Units (KWH in Lakhs)	287.65	226.34
<b>2. COAL-SLACK/STEAM – GRADES B TO E, LIGNITE AND COKE BREEZE</b>		
Quantity ('000 MT)	132	127
Total Cost (Rs. Lakhs)	3406.40	3329.63
Average Rate (Rs. / MT)	2579	2620
<b>3. FURNACE OIL INCLUDING (LSHS &amp; HSD)</b>		
Quantity (MT)	17869	17002
Total Amount (Rs. Lakhs)	2172.67	2055.05
Average Rate (Rs. / MT)	12159	12087
<b>4. OTHERS/INTERNAL GENERATION</b>		
Quantity (Lakh MT)	1.29	1.02
Total Amount (Rs. Lakhs)	401.28	428.80
Average Rate (Rs. / MT)	310	421

**B. CONSUMPTION PER UNIT OF PRODUCTION:**

PRODUCT	CEMENT			DEAD BURNT MAGNESITE		
	Standard if any	Current year	Previous year	Standard if any	Current year	Previous year
Electricity (Units/MT)		71	75		100	159
Furnace Oil (including LSHS) (Kgs. /MT)		0.52	0.82		212	232
Coal (Kgs. / MT)		102	112		NIL	NIL
PRODUCT	SUGAR			MgO-CARBON BRICKS		
	Standard if any	Current year	Previous year	Standard if any	Current year	Previous year
Electricity (Units/MT)		331	333		200	216
Diesel Oil (including LSHS) (Kgs. /MT)		N.A.	N.A.		31	36
PRODUCT	REFRACTORIES					
	Standard if any	Current year	Previous year			
Electricity (Units/MT)		N.A.	N.A.			
Furnace Oil (including LSHS) (Kgs. /MT)		12.63	19.32			
Coal (Kgs. / MT)		158.39	127.96			



**FORM "B"**

(Form of Disclosure of Particulars with respect to Absorption)

**RESEARCH AND DEVELOPMENT (R&D)****1. Specific areas in which R&D is carried out by the Company:**

- (a) Development of Special and Blended Cements.
- (b) High Thermal Shock Resistance Magnesite Bricks developed in house are being used in our Rotary Kiln for manufacture of Dead Burnt Magnesite. Evaluation in Cement Plant is still not over. Paid trials in Dolomite sintering Rotary Kiln at Bokaro Steel Plant are expected to commence in the financial year 2004-05.
- (c) Development of Quick Repair Mix for repairing concrete pavements and flexible pavements, including field testing, was completed. Field tests are completed at the Highways Research Station. Based on the feedback information, development work completed to improve the 'working time' of the mix.
- (d) Development of Tundish Spray Mix for use in Tundish to replace Tundish Boards in Mini Steel Plants using cheaper indigenous materials, was completed and commercial trials are expected in financial year 2004-05.
- (e) Trials for LD Converter Gunning Mix were successfully completed in Vizag Steel Plant. The Company has been approved as a vendor for this product.
- (f) Development of all purpose Monolith, Dalmag-86 for use in Mini Steel Plants was completed and commercialised during the year.
- (g) Development of Micro Carbon fully tempered Magnesite Brick for use in VOD and small EAF application. Trial orders were received and it is expected that the product will be commercialised in the next financial year.
- (h) Use of waste derived and other alternative fuels.
- (i) Recycling of waste refractory products is continuing and this has resulted in substantial savings to the Company.

**2. Benefits derived as a result of the above R&D:**

Production of value added items resulting in increased turnover and conservation of scarce foreign exchange for the Country. Also to offer price and performance wise superior products to customers to enable them to reduce their specific consumption.

Use of waste fuels and other waste materials resulted in cost reduction in operation and helped in reducing environmental pollution.

**3. Future plans of action:**

- (a) Development of Special and Blended Cements.
- (b) Use of alternative non-conventional energy sources.
- (c) Conduct further test firing of high thermal shock resistant Magnesite Bricks, and more evaluation by potential customers.
- (d) Development of High Value and High Voltage Capacitors.
- (e) To obtain quality certification of Electronic Components for Automotive Electronics.
- (f) Development of Dry Mortar Mixes.
- (g) Use of Waste derived and alternative fuels.
- (h) Product development is a continuous process.

**4. Expenditure on R&D:**

	(Rs. Lakhs)
(a) Capital	Nil
(b) Recurring	9.62
(c) Contribution/Expenditure on Research and Development	1.50
(d) Total	11.12
(e) Total R&D Expenditure as a percentage of turnover	0.03 %

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION****1. Efforts in brief, made towards technology absorption, adaptation and innovation:**

- (a) The Company has absorbed the technology of using High Efficiency Separator for Cement grinding.
- (b) Technology for manufacture of Oil Well Cement with improved additive response (in-house development) is being implemented.
- (c) Considerable improvement in the life of expensive spare parts as a result of introduction of control charts and continuous monitoring.

**2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.:**

The Company as a result of the above efforts, has made improvement in the product quality and saved energy resulting into cost savings. Considerable improvement in the life of expensive spare parts as a result of introduction of control charts and continuous monitoring.

**3. No technology has been imported for the last five years.**

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Organisation

The Company's business is organized around the following main divisions: -

	% Sales
Cement (including Wind Farm)	70
Sugar	21
Magnesite	5
Others	4

### Cement Division

#### Industry Structure and Developments

- Indian Cement industry is second largest in the world, with a capacity of 145 million MT as on 31.3.2004, and technologically upto date with global trends.
- During 2003-04 domestic consumption was 114 million MT, with exports of cement & clinker at about 9 million MT. CAGR of consumption over last 10 years has been 8.6 % and over last 5 years 7.4 %. Per capita consumption at about 100 Kgs is still very low even when compared to many developing countries. Thus a growth rate of about 7% to 8% per year can reasonably be expected, with steady growth in GDP.
- Cement, though a basic construction material, has been a heavily taxed commodity both in terms of Central as well as State levies. Central and State levies account for over 45% of the ex-factory value of cement. It is expected that with introduction of VAT at State level, this would get rationalised.
- Cement Industry in India is still very fragmented. Consolidation which started a few years back continues.

#### Operational and Financial performance

- Summarised performance of the Division was as under :-

	Unit	03-04	02-03
<b>Quantitative</b>			
Capacity	'000 MT	1234	1234
Production	'000 MT	1293	1225
Sales	'000 MT	1297	1222
<b>Financial</b>			
Sales	Rs./Cr.	291	265
Profit*	Rs./Cr.	37	38

\*Before interest and common HO expenses.

#### Future Outlook

- The cement consumption in Tamil Nadu and Kerala, which are your Company's main markets, has grown by only 3.3% in 2003-04 (Previous year 12.4%) against a CAGR of 6.8% over last 10 years. In coming years normal growth in consumption can be expected.
- The excess supply situation that prevails presently is likely to maintain pressure on prices. With no significant capacity additions in pipeline, it is expected that supply overhang should reach a reasonable balance, over next 2 to 3 years. With withdrawal of sales tax incentives, it can be expected that future capacity additions would be more rationale. Introduction of VAT is expected to bring in simplification of the tax structure, which should result in stabilisation in the prices.