



Accelerating growth

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Annual Report 2007-08



Dalmia Cement (Bharat) Ltd.

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Accelerating Growth



Today's successful businesses have set a clear goal for themselves. They continuously focus on creating and delivering value to their stakeholders. Something that can only be measured in terms of company's strategic relevance to its stakeholders.

The last few years have seen Dalmia Cement (Bharat) Ltd. (DCBL) move from strength to strength. Our revenues have more than doubled; volumes have grown; and brand awareness has improved considerably. All of this has been made possible by an astute business plan, careful execution and extensive market mapping.

This is also a result of back-breaking efforts put in by our 3300 employees, all of whom have not just believed in the DCBL story, but also in its culture of excellence, and in the future that it is walking fast towards...

To us, growth is a sustained activity. Our achievements in the past year are just the stepping stones towards the future that we have envisioned for the Company and its stakeholders.

This past year has seen strategic restructuring keeping in view our future goals. We have launched large scale projects in cement, accepted key business challenges, explored diversification opportunities, took initiatives towards organization building and brought about process and system improvements.

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Evening view of our cement plant at Dalmiapuram





Letter from Vice Chairmen

Dear Shareholder,

Financial Year 2008 was a year of challenges and accomplishments for your Company. On many counts, it was a landmark year as the accelerated growth momentum continued for a major part of the year. As a proof of economy with sound fundamentals, India achieved a GDP growth rate which is amongst the best in the global arena.

Having clocked over 9% growth in the preceding two years, India has again logged a GDP growth of 9% in FY 2008. With a CAGR of 8.8% in the past 5 years, our belief is that the economy shall continue to grow at a higher CAGR in the coming 5 years.

With an accelerated rate of GDP growth, improving infrastructure, rising per capita income and overall consumption and burgeoning success of small and medium enterprises, Indian economic growth momentum is further going to establish its importance globally. The bottleneck though, could be the rising inflation and interest costs and the over dependence on imported petroleum products. The government, with the participation of concerned institutions and private organisations is taking effective steps to address these concerns.

The India growth story is being augmented by both manufacturing and services sectors. Manufacturing sector has consistently grown at 9%. This coupled with 12% growth in services sector has led to a veritable construction boom across the country. Over a sustainable period of three years, growth of the construction sector has outpaced that of the GDP.

This boom has been beneficial for cement industry. In the last five years, the Indian cement industry had added 49 MnTPA capacities and its production has grown by 60 MnTPA, registering a CAGR of 6% and 9% respectively. Going forward, we firmly believe that cement demand will grow at a double digit CAGR on a long term basis even though yearly growth numbers may be a bit volatile.

From being a highly fragmented and a bit localised industry some decades ago, cement industry is registering rapid transition into a more consolidated industry with key players making pan India manufacturing and sales presence. As the anticipated demand growth looks promising in medium to long term, cement players are investing heavily in rapidly expanding capacities.

Having been in the industry for almost seven decades, your Company has envisaged the future of cement industry much in advance and undertook capacity addition program in the year gone by. After adding 2 MnTPA capacity at its plant at Dalmiapuram, it initiated Greenfield expansion in Andhra Pradesh and Tamil Nadu. Having identified the southern region (in context of demand supply situation) amongst the most promising areas and leveraging its brand strength amongst customers, your Company will be amongst the frontrunners to benefit from the booming cement demand in years to come. Construction and developmental activity at both these projects is in full swing and we expect the same to be completed well within the stipulated time. To expand its footprint from Southern region towards Eastern India, your Company acquired 21.7% stake in the equity capital of OCL India Ltd., consequent upon amalgamation of its subsidiary, Dalmia Cement (Meghalaya) Limited.

Other area of your Company's operation – Sugar is also expected to witness a sweeter time ahead. Sugar production in the current sugar season of 2007-08 is expected to be 25 MnT after sitting on the record production in previous fiscal which led to lower realisations. This is likely to continue in coming years as the availability of sugar cane is expected to reduce on account of reduced acreage of cultivation. Based on these macro parameters, we envisage the domestic sugar prices to firm up. Value added segments of power co-generation and distillery from the by products shall add to the bottom line of integrated players like your Company.

Let us now share with you your Company's excellent financial performance for FY 2008, highlights of which are given below.

- Net Revenue from your Company's operations increased by 50% to Rs. 14,807 million.
- Profit before depreciation, interest and taxes (PBDIT) increased by 56% to Rs. 6,334 million.
- Profit before tax (PBT) grew by 46% to Rs. 4,341 million.
- Profit after tax (PAT) grew by 52% to Rs. 3,472 million.

These are creditable results in the distinctly different economic environments of your Company's two dominant business segments, cement and sugar, both of which are cyclical plays. The entire credit goes to the Company fraternity for their untiring efforts in making this possible. Needless to say, we are grateful to all our stakeholders for their faith and trust reposed in us.

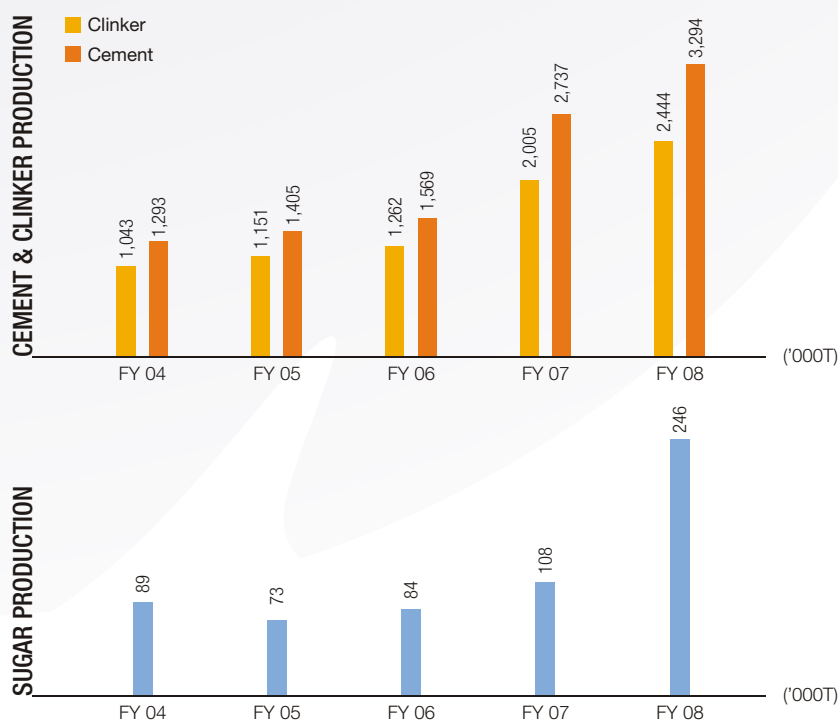
**Jai Hari Dalmia****Yadu Hari Dalmia**



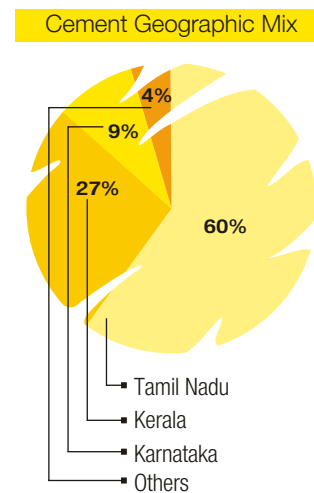
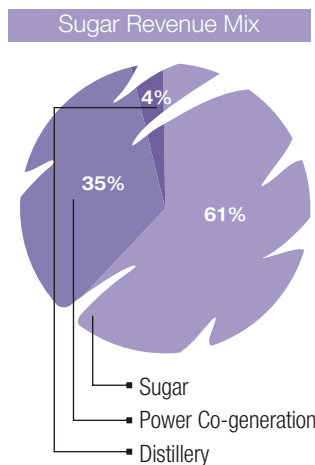
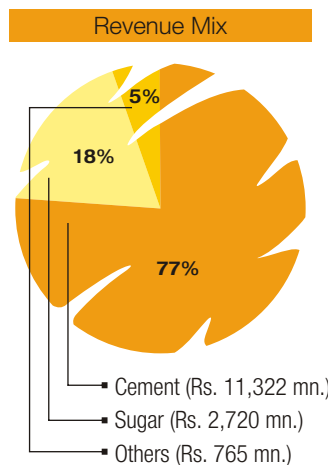
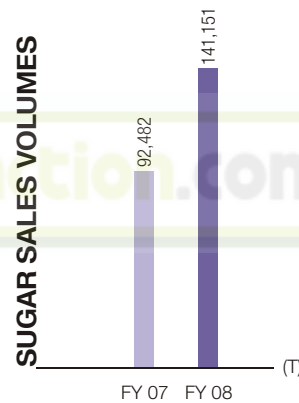
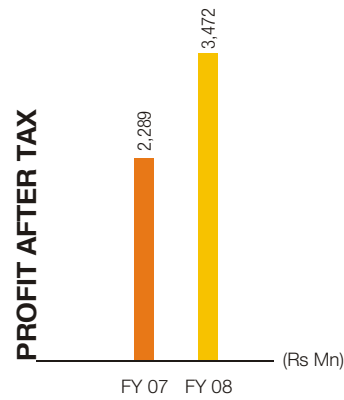
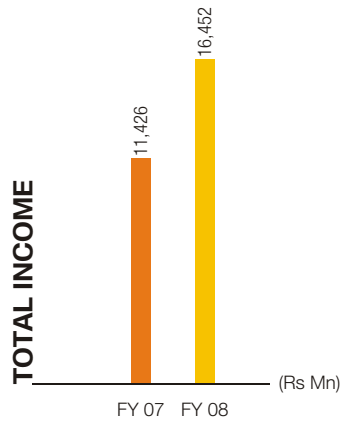
Key Financial Highlights

Particulars		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Total Income	Rs. Mn	4,017	4,743	6,506	11,426	16,452
Operating Profit (PBDIT)	Rs. Mn	789	785	1,603	4,054	6,334
Cash Profits	Rs. Mn	433	535	1,267	3,403	4,673
Profits before Tax (PBT)	Rs. Mn	309	357	1,089	2,964	4,341
Profit after Tax (PAT)	Rs. Mn	254	309	848	2,289	3,472
Share Capital	Rs. Mn	77	77	77	85	162
Reserves & Surplus	Rs. Mn	3,407	3,507	4,199	7,449	11,310
Loan Funds	Rs. Mn	2,825	4,988	6,832	10,146	15,833
Gross Block	Rs. Mn	7,049	7,691	10,446	16,971	18,830
Net Current Assets	Rs. Mn	1,783	2,130	2,199	1,752	4,536
Operating Profit Margin		20%	17%	25%	35%	39%
Net Profit Margin		6%	7%	13%	20%	21%
Return on Average Net Worth		7%	9%	22%	39%	37%
Debt Equity Ratio	x	0.81	1.39	1.60	1.35	1.38
Interest coverage	x	2.1	2.6	5.6	6.5	4.8
Current Ratio	x	2.89	2.38	1.93	1.35	1.68
EPS (fully diluted)	Rs.	4.27	4.91	11.78	29.18	42.87 [#]
Cash EPS (fully diluted)	Rs.	7.29	8.52	17.60	43.40	57.70 [#]
Dividend per share	Rs.	5*	5*	2	3	4
Dividend Rate		50%	50%	100%	150%	200%
Share Price	Rs.	287.9*	392.0*	264.5	361.3	284.8
Market Capitalization	Rs. Mn	2,203	2,999	10,119	15,438	23,020

*Face Value Rs 10 per share, split to Rs 2 per share in FY 06. #Based on shares outstanding at year end.



Year at a Glance



Directors' Profile



Pradip Kumar Khaitan

Chairman and Non-Executive Director

Mr. Pradip Kumar Khaitan, 67, has been associated with the cement industry for over 41 years. He was co-opted as a Director of the Company in 1996. He holds an LL.B. degree from the University of Calcutta. As a partner of Khaitan & Co., Solicitors and Advocates, he has extensive experience in legal and commercial matters. He is a Director of several leading public limited companies in India.



Jai Hari Dalmia

Vice-Chairman

Mr. J. H. Dalmia, 63, holds a B.E. degree in electrical engineering from Jadavpur University and a Master's degree in electrical engineering from the University of Illinois, Urbana Champagne. He has more than 36 years of experience cutting across various industries which includes wide knowledge and experience of refractory, sugar and cement businesses. Mr. J.H. Dalmia has vast experience in research and development having personally received several patents for the Company's businesses and has been instrumental in establishing the Company's research and development efforts more than 20 years ago.



Yadu Hari Dalmia

Vice-Chairman

Mr. Y. H. Dalmia, 60, holds a B.Com (Hon) degree from Delhi University and is a Fellow Member of the Institute of Chartered Accountants of India. He has more than 35 years of experience in the cement industry. Mr. Y.H. Dalmia has served as President of the Cement Manufacturers Association and is a known figure in the cement industry.



Puneet Dalmia

Managing Director

Mr. Puneet Dalmia, 35, holds a B.Tech. degree from the Indian Institute of Technology, Delhi and is a gold medalist from the Indian Institute of Management, Bangalore in strategy and marketing. He has eleven years of experience in the industry having started his career as the co-founder and Chairman of one of the most profitable e-recruitment websites in India, JobsAhead.com, which was later acquired by Monster.com, a Nasdaq-listed multinational company. Mr. Puneet Dalmia conceptualized the growth strategy and governance architecture for the Company to focus on its core businesses and is spearheading the growth plans for the group.



Gautam Dalmia

Joint Managing Director

Mr. Gautam Dalmia, 40, holds B.S. and M.S. degrees in electrical engineering from Columbia University. He has 15 years of experience in the cement and sugar industries. He was part of the team that led the diversification of the Company into sugar business in 1994. He was personally responsible for implementing a new strategy to turnaround the sugar business. He has led the effort to design and implement the Company's integrated sugar, ethanol and cogeneration business. He is directly responsible for managing the sugar business and is leading all operations and execution of cement projects besides providing leadership to the commercial functions for the group.



Mridu Hari Dalmia

Non-Executive Director

Mr. Mridu Hari Dalmia, 66, is a gold medallist in chemical engineering from Jadavpur University. He was co-opted as a Director of the Company in 2005. In his present capacity he is the President and CEO of OCL having been associated with the Company since 1970. He brings with him wealth of over 38 years of experience in the cement industry and has led the Group in various sectors in national and international operations. He has held leadership positions in various Indian business associations and has been associated with various industry organisations in the past including those as Managing Committee member of the Federation of Indian Chambers of Commerce and Industry, President of Indian Refractories Manufacturers Association, Cement Manufacturers Association and National Council for Cement and Building Materials. Currently he is a member of the Management Committee and the Expert Committee on Direct Taxes of the Associated Chambers of Commerce and Industry.

Directors' Profile



Nil Ratan Khaitan

Independent Non-Executive Director

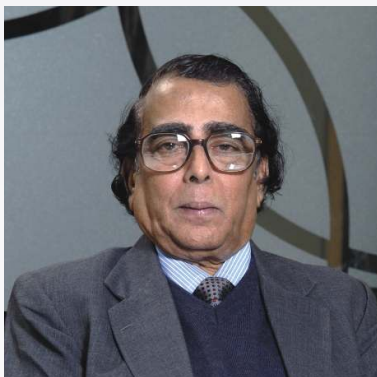
Mr. Nil Ratan Khaitan, 71, holds an LL.B. degree from the University of Calcutta. He has over 22 years of experience in the cement industry. He was co-opted as a Director of the Company on August 24, 1979. He is an advocate by profession and has extensive experience in legal, taxation and commercial matters. He holds directorships in two public companies, namely, Universal Conveyor Belting Limited and Jay Cylinders Limited.



J. S. Bajjal

Independent Non-Executive Director

Mr. J. S. Bajjal, 77, holds an M.A. degree in economics from Allahabad University. A senior fellow in Harvard University, USA, he joined the Indian Administrative Service (IAS) in 1954 and has held the posts of Secretary, Finance, Government of Orissa; Joint Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs; Director of National Fertilizers Limited, IFFCO; Minister Economic, Embassy of India, Washington D.C.; Chairman of the Industrial Development Corporation of Orissa; Officer on Special Duty with the Reserve Bank of India; Secretary, Irrigation & Power, Government of Orissa; Additional Secretary to the Government of India, Health & Family Welfare; Additional Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs; Ex-officio Director of the Mineral & Metals Trading Corporation of India Limited, ONGC Limited, and Punjab National Bank; Secretary to the Government of India, Planning Commission; and Executive Director, World Bank, International Finance Corporation, and International Development Association, Washington. After his retirement, he has held positions as Director of HDFC Bank Limited, before being appointed as a Director of the Company on May 31, 1999. He is a Trustee of Morgan Stanley Mutual Fund since 1994 and has over eight years of experience in the cement industry.



M. Raghupathy

Independent Non-Executive Director

Mr. M. Raghupathy, 71, holds an M.A. degree in Economics from Madras University, with Statistics as the special subject. He was Co-opted as a Director of the Company in 1997. He is the Chairman of the Audit Committee and Shareholders' Committee of the Company. He joined the Indian Administrative Service (IAS) in 1960 and has held various positions in the Government of Tamilnadu such as Deputy Secretary to Government in the Revenue Department, Collector of Salem District, Director of Rural Development, Managing Director of TamilNadu Dairy Development Corporation, Commissioner of Animal Husbandry Department, Commissioner & Secretary to Government of TamilNadu in various departments like Transport, Housing and Urban Development, Agriculture (as Agriculture Production Commissioner) & Textiles, Principal Commissioner of Land Administration, Land Reforms and Revenue departments of the Government of Tamilnadu, Chairman of Thiruvalluvar Transport Corporation Limited, Chairman of the Tamilnadu Transport Development Finance Corporation, Chief Electoral Officer of Government Of Tamilnadu, Principal Vigilance Commissioner and Principal Commissioner of Revenue Administration. He has over 11 years of experience in the cement industry.