

MYSORE CEMENTS LTD.

THIRTYNINTH ANNUAL REPORT 1997-98

THE MANAGEMENT TEAM

CORPORATE OFFICE

Shri N.L. Hamirwasia
Managing Director

Shri Nirbhaya Lodha
Director (Finance)

Shri G.K. Sureka
Company Secretary & Vice President (Legal)

AMMASANDRA UNIT
Shri N.C. Panicker
Executive Vice President

Shri B.D. Nanaiah
Vice President (Marketing)

Shri B.K. Kumar
Vice President (Finance)

Shri D.S. Puttasiddiah
Vice President (MIS)

DAMOH UNIT
Shri M.K. Chaudhary
President (Diamond Cements)

Shri B.M. Gagrani
Vice President (Finance)

Shri A.K. Mathur
Vice President (Works)

JHANSI UNIT
Shri Alok Mehrotra
General Manager

THERMAL POWER STATION
Shri J.K. Bhatnagar
General Manager (Power Plant)

REAL ESTATE DIVISION
Shri H.G. Gupta
Executive Vice President

PLANTS
Ammasandra (Karnataka)
Damoh (Madhya Pradesh)
Jhansi (Uttar Pradesh)

THE BOARD OF DIRECTOS

Shri S.K. Birla
Chairman

Shri P.L. Agarwal
Shri Sidharth Birla
Shri D.P. Dhanuka
Dr. V.K. Gangwal
Shri A. Ghosh
Shri A.S. Shankare Gowda
Shri H.K. Kejriwal
Dr. K.B. Lall
Dr. A.C. Muthiah
Shri R. Pichai
Shri S. Ragothaman
Shri V. Dwaraknath Reddy
Shri K.J.M. Shetty

Shri N.L. Hamirwasia
Managing Director

Shri Nirbhaya Lodha
Director (Finance)

REGISTERED OFFICE

Golden Enclave
Tower B-1, 3rd Floor
Airport Road,
Bangalore - 560 017

CORPORATE OFFICE

Golden Enclave
Tower B-1, 4th Floor
Airport Road,
Bangalore - 560 017

REAL ESTATE DIVISION

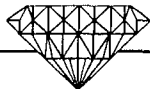
Golden Enclave
Tower B-1, 3rd Floor
Airport Road,
Bangalore - 560 017

BANKERS

State Bank of Mysore
State Bank of India
The Federal Bank Ltd.

AUDITORS

M/s. Lodha & Co.
New Delhi
M/s. Hariharan & Co.
Bangalore



MYSORE CEMENTS LTD.

NOTICE TO MEMBERS

NOTICE is hereby given that the 39th Annual General Meeting of Mysore Cements Limited will be held at 4.00 PM on Tuesday, the 15th December, 1998 at Woodlands Hotel, 5, Raja Rammohan Roy Road, Bangalore : 560 025 to transact the following business:

1. To consider and adopt the Profit and Loss Account for the 15 months period ended 30th June, 1998 and the Balance Sheet as at that date and the Reports of the Directors and Auditors of the Company.
2. To appoint Directors in place of Sarvashri S.K.Birla, P.L.Agrawal, Dr.K.B.Lall and Dr.A.C.Muthiah, who retire from office by rotation and being eligible, offer themselves for re-election.
3. To appoint Auditors and to fix their remuneration and for this purpose, to pass with or without modification, the following Resolution which will be proposed as a Special Resolution:

"RESOLVED that M/s. Lodha & Company and M/s.Hariharan & Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board plus reasonable out of pocket expenses that may be incurred by them."

SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications, the following Resolutions:

4. AS AN ORDINARY RESOLUTION

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as the "Board") of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of all or any of the following viz:-

- i. The Industrial Credit & Investment Corporation of India Ltd. (ICICI),
- ii. The Industrial Finance Corporation of India Ltd. (IFCI),
- iii. Industrial Development Bank of India (IDBI),

A. to secure :

- i. Rupee Term Loan not exceeding Rs. 3100 lacs (Rupees three thousand one hundred lacs only) lent and advanced/agreed to be lent and advanced by ICICI to the Company,
- ii. Rupee Term Loan not exceeding Rs. 2150 lacs (Rupees two thousand one hundred and fifty lacs only) lent and advanced/agreed to be lent and advanced by IFCI to the Company under Equipment Finance Scheme, and
- iii. Rupee Term Loan not exceeding Rs. 3500 lacs (Rupees three thousand five hundred lacs only) and Working Capital Loan not exceeding US\$ 2.75 million equivalent to about

Rs. 1000 lacs (Rupees one thousand lacs only) lent and advanced/ agreed to be lent and advanced by IDBI to the Company

together with interest at the respective agreed rates, additional interest, liquidated damages, commitment charges, premium on prepayment or costs, charges, expenses and all other moneys payable by the Company to ICICI, IFCI and IDBI in terms of their respective Loan Agreements/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said Term Loans and

- B. to the Board agreeing with all or any of the said ICICI, IFCI and IDBI in terms of their respective Loan Agreements/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms and Conditions to reserve a right to take over the management of the business and concern of the Company in certain events.

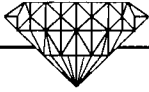
RESOLVED FURTHER that the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above by and with the authority of the Board be and are hereby approved and confirmed".

5. AS AN ORDINARY RESOLUTION:

"RESOLVED that in supersession of the Resolution No.2 passed as an Ordinary Resolution by the Members of the Company at the Extra Ordinary General Meeting held on 7th February, 1995, the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as the "Board") for mortgaging and/or charging on such terms and conditions and at such time or times and in such form or manner as it may think fit, all or any of the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the one or more of the undertaking(s) of the Company as the case may be together with the power to enter upon and take possession of the assets of the Company in certain events to or in favour of:-

- i. State Bank of Mysore (SBM),
- ii. State Bank of India (SBI),
- iii. The Federal Bank Ltd. (FBL)
- iv. The Industrial Finance Corporation of India Ltd. (IFCI)

and/or such other Bank(s), Institution(s) or entities which may from time to time be members of the Consortium providing Working Capital Facility (fund & non-fund based) aggregating to Rs. 10,600 lacs (Rupees ten thousand six hundred lacs only) or such other amount as may be sanctioned and disbursed by the banks/institutions/entities to the Company to secure the Working Capital Facility together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other monies, such security to rank second or subservient to the mortgages and/or charges already created or to be created in future by the Company in favour of the Trustees for Debentureholders and Term Lending Institutions or in such manner as may be agreed to and as may be thought expedient by the Board".



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6. AS AN ORDINARY RESOLUTION :

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as the "Board") for mortgaging and/or charging in addition to the mortgages/charges created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default in favour of the Agents and Trustees/Trustees/Lenders for securing privately placed Non-Convertible Debentures aggregating to Rs. 1000 lacs (Rupees One thousand lacs only) together with all interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, remuneration payable to the Trustees, costs, charges, expenses and all other monies payable by the Company in respect of the said Debentures in terms of the Trust Deed and other documents to be finalised and executed between the Company and the Agents and Trustees/Trustees/Lenders and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board and the Agents and Trustees/Trustees/Lenders.

FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the aforesaid issue of Debentures and further to finalise and execute all such deeds, documents and writings as may be necessary, desirable or expedient as it may deem fit.

RESOLVED FURTHER that the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above by and with the authority of the Board be and are hereby approved and confirmed.

7. AS AN ORDINARY RESOLUTION :

"RESOLVED that pursuant to the provisions of Article 118 of the Articles of Association of the Company and Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Shri N.L.Hamirwasia as the Managing Director of the Company, not liable to retire by rotation, for a period of five years with effect from 2nd March, 1999 with liberty to either party to terminate the appointment on three months' notice in writing to the other, at a remuneration and on the terms set out below:

1. Salary : Rs. 65,000/- per month, subject to such periodic increments as the Chairman of the Board may approve provided that all emoluments paid shall in any case be within the overall limits laid down by Schedule XIII of the Companies

Act, 1956 and any amendment/re-enactment thereof.

2. Commission : Not exceeding 1% of the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act; however, the actual amount of commission to be paid will be determined by the Board in respect of every year or part thereof and may be considered at the 'nil' level for the time being unless further reviewed by the Board at a subsequent date.

3. Perquisites :

Category : A

- i. The expenditure by the Company on hiring unfurnished accommodation will be subject to a ceiling of 60% of the salary, over and above 10% payable by the Managing Director. However, expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income-tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary.
- ii. Medical reimbursement: As per Rules of the Company.
- iii. Leave Travel Concession: As per Rules of the Company.
- iv. Club Fees: Subject to a maximum of two Clubs. This will not include Admission and Life Membership Fee.
- v. Personal Accident Insurance: Premium not to exceed Rs. 4,000/- per annum.

The overall amount of perquisites, in addition to salary and commission, shall be restricted to Rs. 2,70,000/- per annum.

Category : B

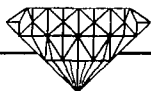
In the computation of the ceiling on remuneration specified in Paras 1, 2 and 3 above, The following perquisites shall not be included.

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- iii. Encashment of leave at the end of the tenure.

Category : C

Provision of Car for use on Company's business and telephone at residence not to be considered as perquisites. However, personal long distance calls and use of car for private purpose will be billed by the Company.

Notwithstanding where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration but within the limits specified in Schedule XIII of the Companies Act, 1956.



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8. AS A SPECIAL RESOLUTION

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, which may be agreed to by the Board of Directors of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back such number of shares of the Company as may be thought fit by the Board from the holders thereof in such proportion and manner as may be permitted by law, not exceeding such percentage of the Capital of the Company and from such funds of the Company as may be permitted to be used for the purpose or out of the proceeds of any issue made by the Company and on such terms and conditions as may be prescribed by law.

RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper.

RESOLVED FURTHER that nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company or the Board to buy back any shares from the holders thereof".

9. AS A SPECIAL RESOLUTION:

"RESOLVED that in accordance with the provisions of Section 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals from Financial Institutions and/or such other authorities as may be necessary and subject also to such terms, conditions and modifications as may be prescribed by any of them while granting such approval(s) and agreed to by the Board of Directors' of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot in accordance with the Guidelines on Preferential Issues of Securities & Exchange Board of India (SEBI) in this behalf Equity Shares to Neshor Israel Cement Enterprises Ltd. and/or their associates and/or Foreign Investing Institutions, Overseas Corporate Bodies and Mutual Funds either in Rupees or in such appropriate foreign currency as may be permissible for an aggregate amount not exceeding Rs. 20 crores (inclusive of such premium as may be decided by the Board) but not exceeding 15% of the ultimate paid up Equity Share Capital of the Company on preferential basis on such terms and conditions as the Board may deem fit in consultation with the Merchant Bankers and Advisers, if any.

FURTHER RESOLVED that the Equity Shares be offered for subscription to the persons as aforesaid by an Offering Document as may be approved by the Board stating the terms of the offer including a provision therein that the offer if not accepted within such time as may be specified in the Offering Document or within such further time as may from time to time be extended by the Board shall be deemed to have been declined.

FURTHER RESOLVED that the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be necessary in accordance with the terms of the offering and that all such Equity Shares shall rank pari passu with the existing Equity Shares of the Company except that with regard to any dividend in respect of the Company's financial year in which each such new Equity Share is allotted, it shall be eligible for dividend prorata to the amount actually paid upon it and proportionate to the period during which it is held in that financial year beginning from the date of allotment of that Share.

FURTHER RESOLVED that for the purpose of giving effect to the above, the Board be and is hereby authorised to agree to and make and accept all such conditions, modifications and alterations stipulated by any of the relevant authorities while according approvals or consents to the issue as may be considered necessary, proper or expedient and to take all actions as may be necessary, desirable or expedient to effect such modifications and to resolve and settle all questions and difficulties that may arise in the proposed issue and allotment or allotments of the new Equity Shares and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in their absolute discretion deem fit without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution".

The Register of Members of the Company will remain closed from 1.12.98 to 15.12.98 (both days inclusive).

Registered Office:
Golden Enclave,
Tower B-1, 3rd Floor,
Airport Road,
Bangalore : 560 017

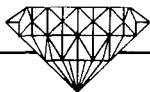
By Order of the Board

27th August, 1998

G.K.SUREKA
Company Secretary

NOTES:

1. As informed earlier, the Registered Office of the Company has been shifted to 'Golden Enclave', Tower B-1, 3rd Floor, Airport Road, Bangalore : 560 017 and the members are requested to note the change.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
3. The instrument appointing a proxy has to be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.



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4. The share transfer instruments, complete in all respects, should be sent to the **Registered Office of the Company at 'Golden Enclave', Tower B-1, 3rd Floor, Airport Road, Bangalore : 560 017** well in advance so as to reach the Company prior to book closure. Shares under any defective transfer (unless defect is removed prior to book closure) and/or instruments of transfer received during the period of book closure shall be considered after re-opening of the books.
5. Members are requested to intimate any change in their address to the Company immediately with the pin code of the Post Office.
6. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the Financial Year 1993-94 have been transferred to the General Revenue Account of the Central Government. The Company had individually informed the Shareholders concerned about the particulars of the unclaimed dividend transferred to the General Revenue Account. Shareholders who have not encashed the Dividend Warrants upto the said period are requested to claim the amount from the Registrar of Companies, Karnataka, Bangalore, by submitting an application in the prescribed form. The unclaimed dividends for the Financial Year 1994-95 will also be transferred to the said Account of the Central Government on 2.11.98. Members, who have not yet claimed their Dividend for the said year, may claim it now before the same is transferred to the General Revenue Account of the Central Government.
7. Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall. Attendance at the Annual General Meeting will not be allowed without production of the attendance slip duly signed.
8. Persons attending the Annual General Meeting are requested to bring their copies of the Annual Report as the practice of distribution of copies of the Annual Report at the meeting has been discontinued.
9. Members holding more than one Share Certificate in the same name under different Ledger Folios are requested to apply for consolidation of such folios and send the relevant Share Certificates to the Registered Office of the Company.
10. For any further information regarding the aforesaid Accounts, advance intimation be given and the members should ensure that the same reaches the Registered Office of the Company at least 15 days before the date of the ensuing Annual General Meeting.
11. **EXPLANATORY STATEMENT** pursuant to Section 173 of the Companies Act, 1956 ("the Act") in respect of the Special Business stated above is appended below:

Item No. 4: The Company has been sanctioned financial assistance as under:

ICICI – Rupee Term Loan not exceeding Rs. 3100 lacs vide Letter of Intent No. MC/4193 dtd. 19.1.98 for meeting a part of the Normal Capital Expenditure and Additional Working Capital requirement.

IFCI – Rupee Term Loan not exceeding Rs. 2150 lacs vide Letter of Intent No. C-III/2/97-22628 dtd. 24.7.97 as amended by Letter of Intent No. B'lore/Che.52/97 dtd. 14.8.97 and further amended by Letter of Intent

No. B'lore/Che. 52/97-4336 dtd. 10.9.97 under the Equipment Finance Scheme for meeting a part of the cost of installation of power generating equipment at Narsingarh and Jhansi.

IDBI – Rupee Term Loan not exceeding Rs. 3500 lacs being Corporate Loan for long term working capital requirement and normal capital expenditure vide Letter of Intent No. HO.CFD-II.01.B.18/326 dtd. 23.4.98 and Working Capital Loan not exceeding US\$ 2.75 million equivalent to about Rs. 1,000 lacs vide Letter of Intent No. HO.CFD-I-(WCL)/315 dtd. 19.9.97.

The aforesaid financial assistance from the above referred Institutions have been secured by mortgage/hypothecation of the immovable and movable properties of the Company.

Section 293(1)(a) of the Act provides inter alia that the Board of Directors of a Public Company shall not without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking.

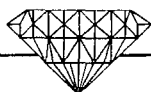
Since the mortgage by the Company of its immovable and movable properties as aforesaid in favour of the above Financial Institutions may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution u/s 293(1)(a) of the Act.

The Directors nominated by ICICI and IDBI may be deemed to be interested in the resolution.

Item No. 5: The Company has been sanctioned working capital limits both fund and non-fund based by State Bank of Mysore, State Bank of India, The Federal Bank Ltd. and The Industrial Finance Corporation of India Ltd. aggregating to Rs. 10,600 lacs (including ad hoc limit). The said working capital facilities are reviewed annually. One of the conditions of the sanction of the working capital facilities is, that the same shall be secured by mortgage and/or charge in favour of the Banks and Institution on second charge basis on the plant and machinery, present and future. Section 293(1)(a) of the Act provides inter-alia that the Board of Directors of a Public Company shall not without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Since the charging by the Company of its plant and machinery, in favour of the Banks/Institution may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass a resolution u/s. 293(1)(a) of the Act.

Item No. 6: The Company has proposed to issue Secured Non-Convertible Debentures aggregating to Rs. 1000 lacs by way of private placement on such terms and conditions as may be agreed to with the Lenders. The said issue of Debentures would required to be secured by mortgage/charge of the immovable and movable properties of the Company, both present and future, on a second and subservient charge basis.

Section 293(1)(a) of the Act provides inter alia that the Board of



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Directors of a Public Company shall not without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking.

Since the mortgage/charge by the Company of its immovable and movable properties as aforesaid in favour of the Agents and Trustees/Trustees/Lenders may be regarded as disposal of the Company's properties/undertakings, the resolution u/s 293(1)(a) of the Companies Act, 1956 approving the creation of the mortgage/charge is proposed for approval of the members.

Item No. 7: The present term of five years of Shri N.L. Hamirwasia as Managing Director of the Company comes to an end on 1.3.1999. In the interest of the continued growth of the Company, the Board of Directors in its meeting held on 27th August, 1998 considered it desirable to appoint Shri N.L. Hamirwasia as Managing Director of the Company not liable to retirement by rotation for a period of five years with effect from 2.3.1999. The appointment and remuneration payable to Shri Hamirwasia as Managing Director require the approval of the Company in General Meeting in terms of Part III of Schedule XIII and under Section 309 of the Act.

An abstract of the terms and conditions as to the remuneration as set out in resolution at Item No. 6 of the convening Notice and the terms proposed satisfy the conditions laid down in Parts I and II of the Schedule XIII. Accordingly, the Board recommends the same.

This resolution with the explanatory statement may also be treated as an abstract of the terms of the appointment of Shri Hamirwasia as Managing Director as required under Section 302 of the Act.

Shri N.L. Hamirwasia is concerned and/or interested in the resolution concerning his appointment and remuneration as Managing Director.

Item No. 8: The buy back of own shares by companies is presently not allowed under the Act. The proposed legislation in respect of companies seeks to lay down operative provisions to regulate the buy back of shares/securities by companies. Hence, it is expected that in due course the law would permit such buy back and in anticipation thereof, Article 6-B providing for buy back of the shares of the Company had been added in the Articles of Association of the Company.

Subject to necessary enactment in this regard, it is proposed to buy back shares on a proportionate basis and/or from the open market and/or from the holders of odd lots i.e. smaller than market lots and/or by purchasing the shares issued to the employees of the Company whether pursuant to any scheme of stock option or otherwise to the extent of such percentage of the total voting right relating to the shares of the Company as may be permissible under the Act as may hereafter be provided.

The buy back of shares as aforesaid would entail investing of an amount which would not be less than the market value of the shares of the Company and shall be met out of such sources as may be permitted by law including the free reserves and/or the securities premium account and/or out of the proceeds of an issue

specifically made for the purpose. The shares so bought back shall be cancelled forthwith unless re-issue thereof is permitted under the then prevailing law.

The resolution, if approved, will be operative and be given effect to within such period from the applicable date as may be prescribed in this regard.

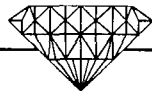
The Board is of the opinion that it will be in the best interest of the Company if the members approve the said resolution permitting such buy back so that the Company will be able to implement this resolution as and when the law is amended.

Item No. 9: This Resolution relates to a proposal to issue, offer and allot Equity Shares from time to time by way of preferential allotment to Neshor Israel Cement Enterprises Ltd and/or their associates who are being inducted as Co-Promoters of the Company and/or Foreign Investing Institutions, Overseas Corporate Bodies and Mutual Fund for an aggregate value of Rs. 20 crores (including premium) but not exceeding 15% of the ultimate paid up Equity Share Capital of the Company. The said issue, the pricing thereof and allotment will be in accordance with the Guidelines for Preferential Issues of Securities & Exchange Board of India dtd. 4.8.1994 and consents as necessary of the appropriate authorities including Financial Institutions will be obtained.

The listing agreement with the Stock Exchanges provides that issue of further shares by the Company shall be offered to the existing members of the Company unless decided otherwise in a General Meeting. Section 81 of the Act also provides inter-alia that when it is proposed to increase the Issued Capital of a Company by allotment of further shares, such further shares shall be offered to the existing members of the Company in the manner laid down in the said Section unless the members in a General Meeting decide otherwise.

In compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the Company has forwarded a copy of the Board Resolution dtd. 27.8.1998 for the aforesaid Issue to Stock Exchanges where the shares of the Company are listed. In accordance with the said Regulations, the following information is furnished:-

Proposed allottees of the Securities	Neshor Israel Cement Enterprises Ltd. and/or their Associates ("Neshor") and/or Foreign Investing Institutions, Overseas Corporate Bodies and Mutual Funds.
Present holding of the proposed Allottees	As detailed below
Price at which the Securities are proposed to be issued	At a price not less than the price determined in accordance with SEBI Guidelines on Preferential Issues dtd. 4.8.1994.
Purpose and reason for such Allotment	The Board has proposed to take Neshor as a Co-Promoter of the Company in view of their expertise and long experience in the Cement Industry. Hence, it is considered in the interest of the Company to give



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them a financial stake. Part of the issue will be made to Foreign Investing Institutions, Overseas Corporate Bodies and Mutual Fund for raising long term working capital requirements.

Consequential changes, if any, in the Board of Directors of the Company

Nesher will be entitled to appoint one director on the Board of the Company.

Consequential changes, if any, in the voting rights.

By allotment of shares under the present offer, the voting right in the Company upto a maximum of 15% of the ultimate paid up Equity Share Capital of the Company will vest in Nesher and/or Foreign Investing Institutions, Overseas Corporate Bodies and Mutual Funds, depending on the shares ultimately allotted. There will be no change in the control over the Company by such allotment.

Shareholding pattern

	Existing		Proposed Issue		Post Issue	
	No. of Equity Shares	%	No. of Equity Shares	%	No. of Equity Shares	%
a. Promoters	17258567	36.58			17258567	31.10
b. Nesher Israel Cement Enterprises Ltd. - proposed co-promoter	-	-	5000000	9.01	5000000	9.01
c. Financial Institutions	18592727	39.41			18592727	33.50
d. Foreign Investing Institutions 22122 Overseas Corporate Bodies 460000 Mutual Funds 1152814	1634936	3.47	3325000	5.99	4959936	8.93
e. Non Resident Indians	277544	0.59			277544	0.50
f. Others	9414208	19.95			9414208	16.96
	47177982	100.00	8325000	15.00	55502982	100.00

In the long term interest of the Company, the Directors commend the Resolution for approval by the members.

INSPECTION OF DOCUMENTS

The following documents are open for inspection at the Registered Office of the Company between 11.00 AM to 1.00 PM on any working day prior to the date of the Annual General Meeting:

- The undernoted Letters of Intent/Letter of Sanction from the Institutions/Bank and the correspondence/agreements and other documents executed:

ICICI - Letter of Intent No. MC/4193 dtd. 19.1.98 and Loan Agreement dtd. 26.2.98 for Rupee Term Loan not exceeding Rs. 3100 lacs.

IFCI - Letter of Intent No.C-III/2/97-22628 dtd. 24.7.97 as amended by IFCI Letter of Intent No. B'lore/Che.52/97 dtd. 14.8.97 and further amended by Letter of Intent No. B'lore/Che.52/97-4336 dtd. 10.9.97 and Loan Agreement dtd. 12.9.1997 for Rupee Term Loan not exceeding Rs. 2150 lacs under the Equipment Finance Scheme.

IDBI - Letter of Intent No. HO.CFD-II 01-B.18 dtd. 23.4.98 and Loan Agreement dtd. 29.4.98 for Rupee Term Loan not exceeding Rs. 3500 lacs and Letter of Intent No. HO.CFD-1(WCL)/315

dtd. 19.9.97 for Working Capital Loan not exceeding US\$ 2.75 Million equivalent to about Rs. 1000 lacs and Loan Agreement dtd. 29.10.97.

Letter of Sanction No.IFB:ADV:MCL:686 dtd. 23.10.97 of State Bank of Mysore as the Lead Bank and Loan Agreement dtd. 6.11.97 and Letter of Sanction No. C.III/2/97-64197 dtd. 5.12.97 and Loan Agreement dtd. 22.12.97 of IFCI for Working Capital Facility.

- The appointment letter dated 15.3.1994 issued to Shri N.L. Hamirwasia for his present term upto 1.3.1999.
- The Memorandum and Articles of Association of the Company.

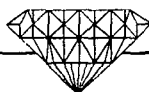
Disclosure of Interest

Save and except as stated in item nos. 4 and 7, none of the Directors is interested in the aforesaid resolutions except as shareholders of the Company in general.

Registered Office:
Golden Enclave,
Tower B-1, 3rd Floor,
Airport Road,
Bangalore : 560 017
27th August, 1998

By Order of the Board

G.K. SUREKA
Company Secretary



MYSORE CEMENTS LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Gentlemen:

We present our 39th Annual Report together with the audited Accounts of the Company for the period ended 30.6.98, covering a period of 15 months from 1.4.97.

REVIEW OF OPERATIONS

In our last report we had mentioned about the major difficulties being faced by the cement industry. The hopes that the economy would pick up momentum in 1998 however did not materialise and in fact there was a further deepening of the recessionary trends, especially in the core sectors. The cement industry in particular, which has had two consecutive years of depressed conditions, therefore failed to fare better. Thus the period under review was the most difficult one in the history of our Company as it was, in various degrees, to most of the units in the industry. Though overall cement production increased by 9.6% in 1997-98, the industry faced a paradoxical situation of depressed selling prices and soaring input costs. This was more pronouncedly so in the case of cement units situated in the Northern region which, as explained in our last report, is the principal market for our Damoh and Jhansi units which together account for nearly 70% of our production. Growth of the Industry in the April-July '98 period was maintained at 5.2 %, which is the same as in April-July '97.

Input costs continued their upward march due to increase in the administered prices of coal, electricity and petroleum products; even the railway freight on coal went up due to change in classification. Decontrol of coal brought in a steep increase in certain categories of coal and consequently the State power tariffs went up.

While the Company had no control over such cost increases, in order to contain the manufacturing costs to the extent possible, it undertook extensive programmes to reduce costs. Thus, steps such as use of low ash coal, lowering electricity consumption, installation of captive power plants to meet the full requirements of our units at Ammasandra and Imlai (Damoh Grinding) at reasonable costs and general cost control were undertaken. We are happy to report that as a result we have been able to achieve significant reduction in production costs already and efforts to effect further savings are on. A 15 MW Thermal Power Plant is under installation and with its commissioning, the Damoh plant will also become self-sufficient in power. Besides, upgradation of technology at Damoh should result in further savings.

The cement industry has been granted a two-year exemption from the mandatory use of jute packaging with effect from 1.7.97 by the Government. Meanwhile the Standing Advisory Committee has submitted its recommendation for total exemption and the Government's decision is awaited.

In the context of the overall situation pertaining to the cement industry and the poor off-take and price realisations, particularly in the Northern regions, a cutback on our production became inevitable to avoid increasing losses. On an annualised basis our production and despatches fell from 1.71 mil. tons to 1.63 mil. tons. Sales turnover for the 15 months period was Rs. 401 crs. against Rs. 348 crs. during the previous year. The operating profit was Rs. 18.86 crs. against Rs. 21.18 crs. achieved during the previous year. Interest outgo

increased substantially from Rs. 19.12 crs. to Rs. 38.46 crs. for the 15 months period mainly due to additional borrowing for augmenting captive power generation. The depreciation at Rs. 22.24 crs. for the 15 months period was also naturally higher compared to Rs. 15.84 crs. in the previous 12 months period. Thus the net loss for the period amounted to Rs. 41.84 crs. as against net loss of Rs. 13.78 crs. in the preceding year.

PROSPECTS

The Government, in order to boost the economy, has announced several measures which, if implemented, will result in improved cement off-take. The expeditious clearance of infrastructure projects and their implementation would generate more demand for cement and steel which in turn will have a positive impact on the economy. Besides the Government's plan to construct two million dwellings during the year and opening up the sector to foreign investment will give a further fillip to cement demand. It is expected that a further package of measures will be announced shortly in regard to housing, cement and steel, to lift these from the morass of continuing recession and resuscitate them.

The cement industry, despite slowdown and dwindling profitability, has, in terms of production, performed reasonably well considering the large capacity additions that took place in the recent past. The Industry crossed the production target of 75 mil. tons for the year 1997-98 registering a growth of 9.6% over the previous year. Cement consumption during the year was up by 8.5%. With the expected growth of demand in the domestic sector the low per capita consumption base is bound to change and the production target may go up to around 110 mil. tons by the terminal year of the IX 5-year plan, which would necessitate addition of 25 mil. tons of new capacity at an investment cost of around Rs. 10,000 crs. in the next 4 years. This additional investment can only come in with adequate profit margin in the Industry.

Thus the industry hopefully has an assured and bright future.

NEW PROJECTS

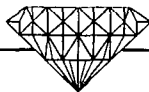
Gulbarga Cement Project - The prospecting of deposits has been completed by the Department of Mines and Geology. The core samples are being analysed. Based on the results, the necessary mining plan would be prepared and application submitted to the Government of Karnataka for grant of mining lease.

No action on any other project is being taken for the time being.

AWARDS

1. Our limestone mines at Damoh was awarded the first prize for management of sub-grade mineral and second prize for reclamation and rehabilitation at the regional level.
2. Our limestone mines at Ammasandra won the first prize in transport of minerals and second prize for maintenance of machinery and safety education at the zonal level.

We continued our efforts throughout the period to not only reduce energy consumption but also bring down further the emission and pollution levels at all our plants.



MYSORE CEMENTS LTD.

FINANCIAL HIGHLIGHTS

	Amount Rs.	Amount Rs.
Working for the period (after providing Rs.9,60,24,099 towards leasing charges) resulted in a deficit of	(19,60,33,644)	
From which is subtracted:		
- Profit b/f from the previous year	1,84,59,685	
- Investment Allowance Reserve no longer required	56,00,000	
- Debenture Redemption Reserve no longer required	2,50,00,000	
- Set off against General Reserve	15,00,00,000	30,26,041
From this, provisions have been made for:		
- Depreciation	22,23,72,289	
- Prior Period Adjustment (Net)	1,74,77,974	23,98,50,263
Leaving a negative balance of which has been carried to the Balance Sheet.		(23,68,24,222)

In view of the loss, your Directors regret their inability to recommend a dividend.

The Company and the holder of 20,00,000 Redeemable Cumulative Preference Shares aggregating Rs. 20 crs. have agreed to extend the terms of redemption of the said Preference Shares by increasing the dividend payable thereon from 15.33% to 17.75% with effect from 15.2.98.

The first instalment aggregating Rs. 5.25 crs. for 5,00,000 - 20% Secured Non-Convertible Debentures (A Series) of Rs. 5 crs. and for 10,00,000 - 20% Secured Non-Convertible Debentures (B Series) of Rs. 10 crs. were re-paid during the year.

To augment the long term resources of the Company a preferential issue of Equity Shares upto Rs. 20 Crs. has been proposed for your consideration in the forthcoming AGM of the Company.

AUDITORS' REPORT

Points raised in the Auditors' Report are self-explanatory and are covered in the Notes to the Accounts.

COST AUDIT

As directed by the Government, Cost Audit has been carried out for the period.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the period under review and there was all round co-operation. The employees, at all levels, continued to put in their best in the service of the Company and we record our sincere appreciation for their dedication and loyalty.

STATUTORY STATEMENTS

Fixed Deposits received and outstanding as on 30.6.98 stood at Rs. 96.93 lacs. Deposits amounting to Rs. 2.04 lacs due for repayment on or before 30.6.98 remained unclaimed by the depositors at that date, of which Rs. 0.38 lacs have since been repaid/renewed. Reminders have been sent to the depositors, whose deposits are still outstanding.

The prescribed details as required under Sec.217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure "A" forming part of this Report. Particulars of employees as required under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure "B" and also form part of this Report. Further, the prescribed details under Section 212 of the Companies Act, 1956 in respect of the Subsidiary Company - Birla Resource Leasing Ltd. are furnished along with this Report.

DIRECTORS

The five year term of Shri N.L. Hamirwasia, who was appointed as Managing Director on 2.3.94, gets over on 1.3.99. The Board of Directors at its meeting held on 27.8.98 have, subject to the approval of the members, re-appointed Shri N.L. Hamirwasia as Managing Director for a further period of five years with effect from 2.3.99.

Sarvashri S.K. Birla, P.L. Agarwal, Dr K.B. Lall and Dr A.C. Muthiah retire from office by rotation and being eligible, offer themselves for re-election.

We deeply condole the passing away of Shri A.C.Shive Gowda and recall his valuable contribution to the Company for over 26 years as a member of the Board.

ACKNOWLEDGMENT

We express our sincere thanks to all the Financial Institutions led by ICICI and Banks for their consistent support and guidance to us at all times.

We are grateful to the Shareholders, Depositors, Sales Representatives and Stockists of the Company for all their co-operation and goodwill.

For and on behalf of the Board

Bangalore
27th August, 1998

S.K. BIRLA
Chairman