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Annual Report

MYSON CEMENTS LTD.



MYSORE CEMENTS LTD.

FORTIETH ANNUAL REPORT 1998-99

BOARD OF DIRECTORS

Shri S.K.Birla
Chairman

Shri Sidharth Birla
Vice Chairman

Shri P.L. Agarwal

Shri. Izhak Davidi

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

Executive Director

Registered & Corporate Officeiii

Golden Enclave,
Tower B-1,
3rd & 4th Floors,
Airport Road,
Bangalore - 560 017

Plants

Ammasandra (Karnataka)

Damoh (Madhya Pradesh)

Jhansi (Uttar Pradesh)

BOARD COMMITTEES

Audit Committee

Shri A.S.Shankare Gowda

Shri H.K.Kejriwal

Shri R.Pichai

Shri S.Ragothaman

Share Committee

Shri D.P.Dhanuka

Shri A.S.Shankare Gowda

Shri H.K.Kejriwal

Shri V.Dwaraknath Reddy

Shri N.L.Hamirwasia

Shri N.Lodha

Directors Committee

Shri S.K.Birla

Shri S. Birla

Shri A.S.Shankare Gowda

Shri H.K.Kejriwal

Shri R.Pichai

Shri N.L.Hamirwasia

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

Legal Advisors

Khaitan & Co.
Bangalore

MANAGEMENT TEAM

Corporate Office

Shri N.L.Hamirwasia
Managing Director

Shri Nirbhaya Lodha
Executive Director

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

Ammasandra Unit

Shri N.C.Panicker
Executive Vice President

Shri B.K.Kumar
Vice President (Finance)

Shri B.S.Ganapathy
General Manager (Works)

Shri S.R.S.Rao
General Manager (Marketing)

Damoh Unit

Shri M.K. Chaudhary
President (Diamond Cements)

Shri A.K. Mathur
Vice President (Works)

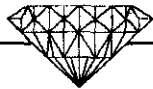
Shri J. Seru
Vice President (Marketing)

Jhansi Unit

Shri Alok Mehrotra
General Manager

Thermal Power Station

Shri J.K. Bhatnagar
Vice President (Power Plant)



MYSORE CEMENTS LTD.

NOTICE TO MEMBERS

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NOTICE is hereby given that the 40th Annual General Meeting of Mysore Cements Limited will be held at 3.30 PM on Friday, the 17th December, 1999 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 year ended 30th June, 1999 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 D.P.Dhanuka, A.S.Shankare Gowda, H.K.Kejriwal and V.Dwaraknath Reddy, 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 pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s. Lodha & Company, Chartered Accountants and M/s.Hariharan & Company, Chartered Accountants, 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 applicable service tax and reimbursement of 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 Shri Izhak Davidi be and is hereby appointed a Director of the Company liable to retire by rotation."
5. 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 (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board) for mortgaging and/or charging 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 ICICI Limited as Trustees for holders of the Debentures aggregating to Rs.1,800 lacs (Rupees one thousand eight hundred lacs only) privately placed with The Industrial Finance Corporation of India Ltd. (IFCI) together with interest at the agreed rate, additional interest, liquidated damages, commitment charge, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to IFCI and ICICI Ltd. as Agents and Trustees in terms of their Subscription Agreement/Trusteeship Agreement/Trust Deed/Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the aforesaid Debentures and to the Board agreeing with IFCI and ICICI Ltd. as Agents and Trustees in terms of the Subscription Agreement/Trusteeship Agreement/Trust Deed/Letters of Sanction/Memorandum of Terms and Conditions to reserve the 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."

6. AS AN ORDINARY RESOLUTION

"RESOLVED that in supersession of the Resolution No. 8 passed as an Ordinary Resolution by the Members of the Company at the Annual General Meeting held on 15th December, 1998, 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 of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by 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 deem 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:-

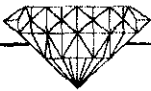
- i. State Bank of Mysore (SBM),
- ii. State Bank of India (SBI),
- iii. The Federal Bank Ltd.(FBL) and
- iv. The Industrial Finance Corporation of India Ltd. (IFCI)

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 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."

7. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby modified and altered to the extent and in the manner as hereinafter stated:

- i. In Article 2, the existing clauses (m) and (n) be renumbered as (t) and (u) and before the said clauses so renumbered, the following interpretations shall be inserted:
 - (m) "Beneficial Owner" means a person or persons whose name is recorded as such with a Depository.
 - (n) "Bye-laws" means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996.
 - (o) "Depositories Act" means the Depositories Act, 1996 and includes any statutory modification or re-enactment thereof for the time being in force.
 - (p) "Depository" means a company formed and registered under the Act and which has been granted a certificate of registration to act as a Depository under the Securities & Exchange Board of India Act, 1992.



MYSORE CEMENTS LTD.

- (q) "SEBI" means the Securities & Exchange Board of India.
- (r) "Record" includes the records maintained in the forms of books or stored in a computer or such other form as may be determined by regulation made by SEBI Board.
- (s) "Security" means such security as may be specified by SEBI from time to time.
- ii. After the existing Article 7, the following Article 7A along with the marginal note be inserted:

Allotment of Securities dealt with in a Depository

- 7A. Notwithstanding anything contained in the Act or the Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
- iii. After the existing Article 14, the following Article 14A along with the marginal note be inserted:

Register and Index of Beneficial owners

- 14A. The Register and Index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.
- iv. After the existing Article 18, the following Articles 18A, 18B, 18C and 18D along with the marginal notes be inserted:

Dematerialisation of Securities

- 18A. Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialise its securities, rematerialise its securities held in the Depository and/or to offer its fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.

Option for Investors

- 18B. Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required security certificates.
- If a person opts to hold his securities with a Depository, the Company shall intimate the details of allotment of the securities to such Depository and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the securities.

Securities in Depositories to be in fungible form.

- 18C. All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the Depositories.

Distinctive Numbers of Securities held in a Depository

- 18D. Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.

- v. After the existing Article 25, the following Article 25A along with the marginal note be inserted:

Transfer of Securities

- 25A. Nothing contained in Section 108 of the Act or the Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

- vi. After the existing Article 28, the following Article 28A along with the marginal note be inserted:

Right of Nomination

- 28A. a. Notwithstanding anything contained in these Articles, every holder of shares or debentures of the Company may, at any time, nominate a person to whom his shares or debentures shall vest in the event of his death and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination.
- b. No person shall be recognised by the Company as a nominee unless an intimation of the appointment of the said person as nominee has been given to the Company during the lifetime of the holder(s) of the shares or debentures of the Company in the manner specified u/s. 109A of the Act.
- c. The Company shall not be in any way responsible for transferring the shares and/or debentures consequent upon such intimation.
- d. If the holder(s) of the shares or debentures survive the nominee, then the nomination made by the holder(s) shall be of no effect and shall automatically stand revoked.

- vii. After the existing Article 72, the following Article 72A along with the marginal notes be inserted:

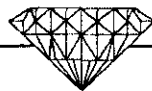
Voting Rights of Depositories and Beneficial owners

- 72A. i. Notwithstanding anything contained in the Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of a beneficial owner.
- Save as otherwise provided above, the Depository as a registered owner of the securities shall not have any voting rights or any other rights in respect of securities held by it.
- ii. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of his securities which are held by a Depository.

- viii. The existing Article 82 along with the marginal note be substituted by the following Article 82 along with the marginal note:

Qualification Shares not necessary

- 82. A Director need not hold any shares in the Capital of the Company to qualify him to act as a Director of the Company.



- ix. After the existing Article 141, the following Article 141A along with the marginal note be inserted:

Service of Documents

141A. Notwithstanding anything contained in the Act or the Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs."

8. AS A SPECIAL RESOLUTION

"RESOLVED that the Equity Shares of the Company be delisted from Madras Stock Exchange Ltd., Chennai in accordance with SEBI guidelines in this regard and subject to compliance with such conditions and modifications as may be imposed by any authority while granting any approval, permission or sanction that may be necessary for this purpose.

FURTHER RESOLVED that the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by 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, doubt that may arise in regard to the delisting of the shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit."

The Register of Members of the Company will remain closed from 1.12.99 to 15.12.99 (both days inclusive).

Registered Office:

'Golden Enclave',
Tower B-1, 3rd Floor,
Airport Road,
Bangalore : 560017

By Order of the Board

G.K.SUREKA

Company Secretary

31st August, 1999

NOTES:

1. 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.
2. 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.
3. 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 : 560017** 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.
4. Members are requested to intimate any change in their address to the Company immediately with the postal pin code.
5. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the Financial Year 1994-95 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.

In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed dividends from the Financial Year 1995-96 and thereafter will be transferred to the Investor Education and Protection Fund ('the Fund') established by the Central Government in accordance with Sec. 205C of the Companies Act, 1956 after the expiry of 7 years from the date of transfer of dividend to the Unpaid Dividend Account of the Company. Members, who have not yet claimed their Dividend for any of the aforesaid financial years, may claim it now from the Company before the same is transferred to the Fund. It may be noted that no claims shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund and no payment shall be made in respect of any such claim.

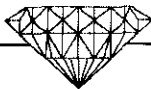
6. Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall. Attendance at the Annual General Meeting will not be allowed without production of the attendance slip duly signed.
7. Persons attending the Annual General 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.
8. Members holding Shares in the same name but 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 for endorsement of the consolidated folio number.
9. For any further information regarding the aforesaid Accounts, advance intimation be given and the members are requested to ensure that the same reaches the Registered Office of the Company at least 15 days before the date of the ensuing Annual General Meeting.
10. **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: Pursuant to Article 84 of the Articles of Association of the Company, Shri Izhak Davidi, a senior executive of Neshor Israel Cement Enterprises Ltd., Israel ("Neshor") was appointed as an Additional Director of the Company on 31.8.99 and holds office upto the date of the forthcoming Annual General Meeting. The Company has received in writing a notice in terms of Section 257 of the Act from a member of the Company signifying his intention to propose the appointment of Shri Izhak Davidi as Director of the Company liable to retire by rotation. Shri Davidi has filed with the Company his consent pursuant to Section 264(1) of the Act indicating his willingness to act as Director of the Company.

It may be noted that Neshor has subscribed to 50,00,000 Equity Shares (9.07% of the Paid-up Equity Share Capital) of the Company pursuant to the Preferential Offer approved by the Members at the last Annual General Meeting held on 15.12.98. Neshor is a part of one of the largest Industrial Groups in Israel with varied interests and has extensive experience in cement industry with an installed capacity of around 7.5 mil. tonnes p.a. The Company will gain immensely from having Neshor's nominee, Shri Davidi, on the Board and hence, recommends the Resolution set out in item no.4 of the notice for your approval.

Shri Izhak Davidi is concerned and/or interested in the Resolution concerning his appointment as aforesaid.

Item No.5: The Company has privately placed Non-Convertible Debentures aggregating to Rs.18 crores with The Industrial Finance



MYSORE CEMENTS LTD.

Corporation of India Ltd. (IFCI) in order to meet the normal capital expenditure. The said debentures are secured by mortgage/charge on the assets of the Company both 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 mortgage/charge by the Company of its immovable and movable properties as aforesaid in favour of IFCI and ICICI Ltd. as the Lenders/Agents and Trustees respectively may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass the Resolution u/s. 293(1)(a) of the Act.

The Director nominated by ICICI Ltd. may be deemed to be interested in the said Resolution.

Item No.6: 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(s)), if any. 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 the Resolution u/s. 293(1)(a) of the Act.

Item No.7: The Companies (Amendment) Act, 1999 has provided the facility of nomination to the share/debenture holders. The introduction of the nomination facility will enable nomination of any person in whom the interest of the holder of the shares and/or debentures shall vest in the event of the death of the holder. Consequently, it is proposed to insert Article 28A in the Articles of Association of the Company to provide for the facility of nomination in respect of the shares and debentures issued by the Company.

With the introduction of the Depositories Act, 1996 and the Depository System becoming operational, some of the provisions of the Act relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The investors at their option are now able to hold and transact in securities in dematerialised form through a Depository. The Depository System of holding securities in an electronic form is a safer and more convenient method of holding and trading in the securities of a company. The Company may consider to join the Depository System in the near future whereupon its securities can be dematerialised. It is, therefore, proposed that the Articles of Association of the Company be suitably altered, as set out in the Resolution to enable dematerialisation of securities issued by the Company and to spell out the rights of the beneficial owner of the securities in such a system.

Article 82 of the Articles of Association of the Company presently requires a Director of the Company other than a Director nominated

by an Institution to hold qualification shares of the nominal value of Rs.5,000/-. It is proposed to delete the said requirement. Hence, all Directors other than Institutional nominees, are interested in the aforesaid amendment.

The Directors recommend the Resolution for approval by the members.

Item No.8: The Equity Shares of the Company are listed on the Stock Exchanges at Bangalore, Calcutta, Chennai, Mumbai and the National Stock Exchange. It has been observed that the bulk of the trading of the shares of the Company takes place on the Stock Exchanges other than on Madras Stock Exchange Ltd., Chennai. In fact, there has been no trading of Company's shares on Madras Stock Exchange Ltd. after 7.3.97. The Company has been spending considerable amount of money on listing fees, advertisements in newspapers in respect of various provisions of the listing agreements and also on communication in the form of fax intimations, couriered letters, etc. which expenditure is not commensurate with the benefits derived by the shareholders. As a part of its cost reduction measures, the Company has proposed delisting of its shares from the said Stock Exchange and in line with the SEBI Regulations for voluntary delisting, the approval of the members is sought by a Special Resolution for delisting the shares of the Company from the said Stock Exchange.

The Company will comply with the other formalities specified in the SEBI Regulations like publication of notice of the Resolution in the Press and providing exit route to the shareholders in the said region after fixing a record date. The Shareholders/Investors in this region will not suffer due to delisting since with the introduction of screen-based trading on National Stock Exchange and the recently formed Inter-Connected Stock Exchange, they will have ready access to the national market for securities. The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance 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:

- Notice received under Section 257 of the Act referred to in item no.4.
- The undernoted Letter of Intent/Letter of Sanction from the Institution/Bank and the agreements and other documents executed:
 - IFCI - Letter of Intent No.Blore/Chem.52/98-2408 dated 6.10.98 together with the Memorandum of Terms and Conditions and Subscription Agreement dtd. 12.10.98 as well as Trusteeship Agreement dtd. 28.1.99 and Trust Deed dtd. 25.1.99 with ICICI Ltd.
 - SBM - Letter of Sanction No.IFB/ADV/MCL/1999-2000/767 dtd. 6.3.1999 as leader of the consortium together with Joint Deed of Hypothecation and Working Capital Consortium Agreement both dtd. 25.3.1999.
- The Articles of Association of the Company along with a copy thereof reflecting the proposed alterations as set out in item no.7.

DISCLOSURE OF INTEREST

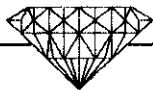
Save and except as stated in item nos. 4, 5 and 7, none of the Directors is interested in the aforesaid Resolutions except as shareholders of the Company in general.

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

By Order of the Board

31st August, 1999

G.K.SUREKA
Company Secretary



MYSORE CEMENTS LTD.

DIRECTORS' REPORT TO THE MEMBERS

We present our 40th Annual Report together with the audited Accounts of the Company for the year ended 30.6.99.

REVIEW OF OPERATIONS

This was the third full consecutive year of depressed economic conditions in our Country. All round deceleration in the manufacturing sector with consequent unutilised capacities, declining sales and cut-throat competition were prevalent throughout the year under review. The Country's industrial growth for the year came down to 3.8% from 6.6% and that of the manufacturing sector, to 4.1% against 6.7% of last year. The Cement Industry, in anticipation of a spurt in demand, had increased its capacity by over 10% during 1998-99 while the actual consumption grew only by 7.9% resulting in reduced capacity utilisation at 78%. Even then, mismatch in supply and demand continued in most of the markets thereby keeping prices under severe pressure.

However, we take encouragement, in that the advent of the current year has brought some welcome change. The Economy has started looking up and demand for cement during the first 4 months of the current fiscal year April-July period, has gone up by 22% as compared to the corresponding period of last year. The Finance Minister, while presenting the last Union budget, had announced certain incentives for the Housing and Infrastructure Sectors, as a result of which there has been a spurt of activities in these sectors. We, therefore, expect a growth rate of 11 - 13% in demand for cement during the current year which besides providing much needed relief, should put the Cement Industry on a sound footing for the future.

The Company's total sales of cement during the year at 1.70 Mil. tonnes showed an annualised increase of 4.7% over the previous year and our capacity utilisation at 80% compares well with the Industry's average of 78%. In the April-June quarter we were able to produce and sell 4.71 and 4.98 lac tonnes respectively. This establishes the capacity benchmark at 2.0 Mil. tonnes; which should be achieved with improvement in market conditions.

The Company has in the meanwhile taken a number of steps to achieve all round economy and improved efficiency. Measures have been introduced to minimise fixed expenses and reduce manufacturing costs, particularly in power and coal which account for the major share of manufacturing cost. Power availability has improved by installing captive Diesel Generating Sets at our Ammasandra unit and Damoh's grinding plant at Imlai. The new 15 MW Thermal power plant is under installation and with its commissioning Damoh's clinkerisation plant at Narsingarh will also become fully self sufficient in power. We have thus been able to control manufacturing costs and efforts to effect further savings are on; besides services of the well-known international firm of Consultants, M/s. Andersen Consulting has been retained to study and advise us measures on further cost reduction. We are also taking help and advice on technical aspects from Neshor Israel Cement and also from Blue Circle Industries of the U.K. in relevant areas.

Production

	1998-99	1997-98 (annualized)
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Clinker	1413023	1361722
Cement	1673065	1632325

Sales turnover for the year was Rs. 329.10 Crs. against Rs. 401.42 Crs. of the previous period (15 months) and operating profit amounted to Rs. 14.71 Crs. against Rs. 24.13 Crs. (annualized) of the previous period. Finance charges increased from Rs.39.81 Crs. (annualized) to Rs. 44.80 Crs. for the year. While due to the oversupply and depressed market conditions, we once again incurred a cash loss, nevertheless the present position and signs of improved demand now give us considerable cause for optimism.

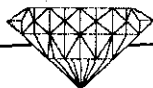
FINANCIAL HIGHLIGHTS

	Amount Lac Rs.	Amount Lac Rs.
Working for the year (after providing Rs. 588.08 lacs towards leasing charges) resulted in a deficit of	3008.86	
To which is added:		
- Loss b/f from the previous period	2368.24	
- Depreciation	1888.64	
- Prior Period Adjustment (Net)	42.64	
		(7308.38)
From which is subtracted:		
- Investment Allowance Reserve no longer required	65.00	
- Debenture Redemption Reserve no longer required	250.00	
		315.00
Leaving a balance of which has been carried to the Balance Sheet.		(6993.38)

In view of the loss, your Directors regret their inability to recommend any Dividends.

The Company, in accordance with the approval of the members and to augment its long term resources, allotted on a preferential basis 50,00,000 Equity Shares to Neshor Israel Cement Enterprises Ltd., Israel and 30,00,000 Equity Shares to M/s. R P & C International Ltd. - A/c. The Indiaman Fund (Mauritius) Limited, a Foreign Investing Institution at a total price of Rs.20 per share, including premium of Rs.10.

The second redemption instalment of 5,00,000 - 20% Secured Non-Convertible Debentures (A-Series) and of 10,00,000 - 20% Secured Non-Convertible Debentures (B-Series) aggregating Rs. 5.25 Crs., including premium of Rs.0.50 Crs. on redemption for B-Series, were paid on schedule during the year. Further, Non-Convertible Secured Debentures aggregating Rs.18 Crs. were privately placed with



MYSORE CEMENTS LTD.

The Industrial Finance Corporation of India Ltd. during the year for normal capital expenditure and the proceeds have been fully utilised for the said purpose.

Birla Resource Leasing Ltd. ceased to be a subsidiary of the Company during the year by virtue of its amalgamation with Janardhan Trading Co.Ltd.

We would like to place on record our unstinted appreciation and thanks for the guidance, advice and support of all the Financial Institutions and Banks, and our Lead Institution ICICI, at all times.

NEW PROJECTS

In the proposed Gulbarga Cement Project, prospecting of deposits has been completed by the Department of Mines & Geology of the Government of Karnataka and samples are now being analysed. Based on the results, the necessary mining plan is being prepared for the application to be submitted to the Government of Karnataka for grant of the formal mining lease.

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

AWARDS

1. Our limestone mines at Ammasandra won at the zonal level the first prize for Environmental Conditions & Dust Suppression. They also won the first prize for Welfare Amenities. They won the second prize for Best Maintenance & Services besides for House Keeping and also for Overall Performance.
2. Our Damoh unit won the second prize for maximum percentage reduction in Electrical Energy consumption and lowest Thermal Energy consumption from MP Chamber of Energy Conservation. They also won the second prize for Reclamation & Rehabilitation of the limestone mines at the regional level.

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

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 during the year.

INDUSTRIAL RELATIONS

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

STATUTORY STATEMENTS

Fixed Deposits received and outstanding as on 30.6.1999 stood at Rs. 94.39 lacs. Deposits amounting to Rs. 2.40 lacs due for repayment on or before 30.6.99 remained unclaimed by the depositors at that date, of which Rs. 1.18 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 Section 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.

LISTING OF COMPANY'S SHARES

Presently, the Equity Shares of the Company are listed on the Stock Exchanges at Bangalore, Calcutta, Chennai, Mumbai and the National Stock Exchange. The facility of screen based trading on National Stock Exchange and the recently formed Inter-Connected Stock Exchange now enables the Investors in the Company's Shares throughout the country to access the national market in securities. It has been observed that the bulk of the trading in Company's shares takes place on Stock Exchanges other than that at Chennai but the Company is incurring listing fee and other expenses for the Madras Stock Exchange Ltd also, though trading in our shares is minimal. The Company, therefore, intends to delist its Equity Shares from Madras Stock Exchange Ltd., Chennai. In accordance with the guidelines issued by the Securities and Exchange Board of India, the proposal to delist has to be approved by a Special Resolution of the members and accordingly, is included in the notice for the Annual General Meeting.

DIRECTORS

As approved by the members at the last Annual General Meeting, Shri N.L. Hamirwasia was appointed as the Managing Director of the Company not liable to retire by rotation for a further period of 5 years with effect from 2.3.1999.

Shri Izhak Davidi, who was appointed as Additional Director of the Company on 29.4.1999, vacated his office on 29.6.1999 pursuant to Section 283(1)(a) of the Companies Act, 1956. He has been again appointed as Additional Director of the Company on 31.8.1999 and holds office upto the date of the forthcoming Annual General Meeting of the Company. Shri Izhak Davidi is the President of and a nominee of Neshor Israel Cement Enterprises Ltd., Israel. The Company has received a notice under Section 257 of the Companies Act proposing his appointment as a Director of the Company liable to retire by rotation.

Sarvashri D.P.Dhanuka, A.S. Shankare Gowda, H.K. Kejriwal and V. Dwaraknath Reddy retire from office by rotation and being eligible, offer themselves for re-election.

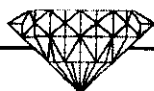
ACKNOWLEDGMENT

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
31st August, 1999

S.K.BIRLA
Chairman



MYSORE CEMENTS LTD.

ANNEXURE : A TO THE DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

- a. Number of steps for conservation of energy were taken in all the units of the Company. The continued use of low ash coal helped in reducing fuel and power consumption at Ammasandra unit. Commissioning of slip power recovery system and DC drives for fans besides kiln hood and tertiary air duct modification at Ammasandra unit and cooler duct modification and change of grinding media pattern at Damoh unit has helped to bring down power consumption.
- b. Proposals under consideration:
 - i. Installation of high efficiency waste gas fans.
 - ii. Slip power recovery system for Raw mill vent fans.
 - iii. Cement transport from Mill to storage silo by bucket elevator.
 - iv. Positive Displacement Blowers for coal firing.
- c. Impact of measures at **a** and **b** above for reduction of energy consumption and consequent impact on cost of production: The measures explained under **a** have already brought saving in cost of production. Measures enumerated under **b** are expected to reduce energy consumption further.
- d. The required data as per form A of the Annexure to the aforesaid Rules as applicable to the Cement Industry is furnished below:

I. POWER AND FUEL CONSUMPTION

	Units		Total Amount		Avg. Rate/Unit	
	Current Year ended 30.6.99	Previous Period ended 30.6.98	Current Year ended 30.6.99	Previous Period ended 30.6.98	Current Year ended 30.6.99	Previous Period ended 30.6.98
	(Lac Units)		(Lac Rs.)		(Rs./Unit)	
1. Electricity						
a. Purchased	656.01	724.51	2901.35	3145.15	4.42	4.34
b. Own generation						
i. Through Diesel Generators	852.41	1105.62	-	-	2.82	2.60
Units per Litre of diesel/ furnace oil	3.56	3.54	-	-	-	-
ii. Through Steam Turbine/ Generator	337.19	341.03	-	-	2.80	3.51
Units per Kg. of coal	0.75	0.74	-	-	-	-
	(Million K. Cal)				(Rs./Million K. Cal)	
2. Coal						
In process	1216904	1417416	4667.84	6063.00	383.58	427.75
In Thermal Power Plant	194808	213721	763.95	715.30	392.15	334.69
	(K. Ltrs)				(Rs./Ltrs)	
3. Furnace Oil						
In Generators	12099	16638	794.70	1078.41	6.57	6.48
In Kilns	79	1727	5.55	116.30	6.99	6.73
4. Diesel						
In Generators	13357	16109	1280.68	1502.80	9.59	9.33
In Kilns	62	74	5.87	6.67	9.54	9.03
	(Lac Units)				(Rs./Unit)	
5. Waste heat recovery	7.00	5.07	0.79	1.08	0.11	0.21