

# MYSORE CEMENTS LTD.

# Annual Report 1999-2000

**MYSORE CEMENTS LTD.****FORTY FIRST ANNUAL REPORT 1999-2000****BOARD OF DIRECTORS**

Shri S.K. Birla

*Chairman*

Shri Sidharth Birla

*Vice Chairman*

Shri P.L. Agarwal

Shri K. Bharathan - *Nominee of ICICI*

Shri I. Davidi

Dr. V.K. Gangwal

Shri A. Ghosh - *Nominee of IDBI*

Shri A.S. Shankare Gowda

Shri H.K. Kejriwal

Dr. K.B. Lall

Dr. A.C. Muthiah

Shri R. Pichai

Shri G.J. Prasad - *Nominee of IFCI*Shri R. Ramalingam - *Nominee of GIC*

Shri V. Dwaraknath Reddy

Shri N.L. Hamirwasia

*Managing Director*

Shri Nirbhaya Lodha

*Executive Director***REGISTERED &****CORPORATE OFFICE**

Golden Enclave,

Tower B-1,

3rd &amp; 4th Floors,

Airport Road,

Bangalore - 560 017

**PLANTS**

Ammasandra (Karnataka)

Damoh (Madhya Pradesh)

Jhansi (Uttar Pradesh)

**BOARD COMMITTEES****Audit Committee**Shri R. Pichai - *Chairman*

Shri A.S. Shankare Gowda

Shri H.K. Kejriwal

Shri K. Bharathan

**Share Committee**Shri H.K. Kejriwal - *Chairman*

Shri A.S. Shankare Gowda

Shri V. Dwaraknath Reddy

Shri N.L. Hamirwasia

Shri Nirbhaya Lodha

**Directors Committee**Shri S.K. Birla - *Chairman*

Shri Sidharth 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 &amp; Co.

New Delhi

M/s. Hariharan &amp; Co.

Bangalore

**LEGAL ADVISORS**

Khaitan &amp; 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

*Vice President***THERMAL POWER PLANT**

Shri S.M. Gagrani

*General Manager (Power Plant)*



## NOTICE TO MEMBERS

NOTICE is hereby given that the 41<sup>st</sup> Annual General Meeting of Mysore Cements Limited will be held at 3.30 P.M on Saturday, the 30<sup>th</sup> September, 2000 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 period ended 31<sup>st</sup> March, 2000 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 Sidharth Birla, P.L. Agarwal, Dr.V.K. Gangwal and R. Pichai 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, New Delhi and M/s. Hariharan & Company, Chartered Accountants, Bangalore 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 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 Ltd. to

secure the Rupee Term Loan not exceeding Rs.3000 lacs (Rupees three thousand lacs only) 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 ICICI Ltd. in terms of their Loan Agreement/Hypothecation Agreement/Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the aforesaid Term Loan and to the Board agreeing with ICICI Ltd. in terms of the Loan Agreement/Hypothecation Agreement/Letter 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."

## 5. AS AN ORDINARY RESOLUTION

"RESOLVED that in supersession of the Resolution No.9 passed as an Ordinary Resolution by the Members of the Company at the Annual General Meeting held on 17<sup>th</sup> December, 1999, 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)



## MYSORE CEMENTS LTD.

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."

### 6. AS AN ORDINARY RESOLUTION

"RESOLVED that pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Financial Institutions, and subject to such other consents, sanctions, approvals or permissions, as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee for the time being exercising the powers conferred by the Board) to sell, lease or otherwise dispose of the Land & Buildings and other Assets of the Company including immovable and/or movable properties of and/or any or all of the undertakings of the Company as may be considered necessary by the Board in the process of re-organising and/or streamlining the business activities in such form and in such manner as and when and upon terms as the Board in its absolute discretion consider necessary or deem fit in the best interest of the Company and to take all steps and do such things as may be necessary or expedient for such purposes.

RESOLVED FURTHER that the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as they in their absolute discretion deem necessary, including determining the proposed closing date and to sign and execute all such applications, agreements, deeds, other documents and writings as they may consider necessary, fit and proper for the purpose of giving effect to this Resolution and the Board be and is hereby also authorised to make and accept such modifications in the foregoing as it may, in the best interest of the Company and the Shareholders, deem appropriate."

The Register of Members of the Company will remain closed from 16.9.2000 to 30.9.2000 (both days inclusive).

#### Registered Office:

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

By Order of the Board

G.K.SUREKA

Company Secretary

30th June, 2000

#### 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 : 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.
4. The Company has entered into necessary arrangements with National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDS) to enable the Shareholders to dematerialise under ISIN:INE578A01017 their shareholding in the Company for which they may contact the Depository Participants of either of the above Depositories. **It may be noted that the Shares of the Company have been included in the list of Securities for compulsory trading in dematerialised form for all investors w.e.f. 24.7.2000.**
5. Members are requested to intimate any change in their address to the Company immediately with the postal pin code.
6. Pursuant to Section 205A of the Companies Act, 1956 prior to amendment vide Companies (Amendment) Act, 1999, 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,



## MYSORE CEMENTS LTD.

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 the financial year 1995-96 and thereafter, 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.

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. Members whose shares are in the dematerialised form, are requested to bring their Depository Account Number for identification.
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 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.
10. 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.
11. **EXPLANATORY STATEMENT** pursuant to Section 173 of the Companies Act, 1956 ('the Act')/Code for Corporate Governance:

**Item No.2:** A brief resume of the Directors offering themselves for re-election is given below.

**Shri Sidharth Birla**, Vice Chairman, aged 43 years is a Science Honours Graduate and holds

a Master's degree in Business Administration. He has extensive experience of over 21 years in industry and business. Shri Sidharth Birla is Chairman of Xpro India Ltd and also on the Board of Directors of Birla Holdings Ltd, Birla VXL Ltd, Birla Healthy Life Ltd, India Trade Promotion Organisation, Shree Cement Ltd, Sutlej Cotton Mills Supply Agency Ltd, VXL Landis & Gyr Ltd and YPO (Delhi Chapter).

Shri Sidharth Birla is a member of the Committee of Directors of our Company and besides being member of Committee of Directors of Birla VXL Ltd, he is Chairman of the Nomination Committee and Remuneration and Evaluations Committee of Xpro India Ltd.

Except for Shri Sidharth Birla and Shri S K Birla, no other director is interested in the aforesaid Resolution.

**Shri P.L.Agarwal**, aged 58 years is a senior advocate and partner of the leading firm of Advocates & Notaries, M/s. Khaitan & Co., Calcutta. He is on the Board of Directors of Albert David Ltd., Alfred Herbert (India) Ltd., Cookson India Ltd., Dhunseri Tea & Industries Ltd., Dharampal Premchand Ltd., Karamchand Thapar & Bros. (Coal Sales) Ltd., MSL Industries Ltd., Tezpor Tea Co.Ltd., Usha Breco Ltd. and The Oodlabari Co.Ltd. He is also an alternate Director on the Board of Nicco Corporation Ltd.

Except for Shri P.L.Agarwal, no other director is interested in the aforesaid Resolution.

**Dr. V.K.Gangwal**, aged 57 years, is an Industrialist and Economist from Gwalior. He has over 30 years of extensive experience in the field of Industry and Business. Dr. V.K.Gangwal is also on the Board of Directors of Gangwal Udyog Private Ltd.

Except for Dr.V.K.Gangwal, no other director is interested in the aforesaid Resolution.

**Shri R.Pichai**, aged 72 years is a retired Banker and Financial Advisor. He had worked in various capacities in United Commercial Bank in India and overseas and at the time of retirement, he was the Chief Executive Director of United Asian Bank Bhd. He has over 5 decades of experience in the field of finance and banking. Shri R.Pichai is also on the Board of India Finance & Factors Ltd.

Shri R Pichai is a member of the Committee of Directors as well as well as the Chairman of the Audit Committee of our Company.

Except for Shri R Pichai, no other director is interested in the aforesaid Resolution.





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**Item No.4:** The Company has been sanctioned financial assistance aggregating Rs.3000 lacs by ICICI Ltd. to meet a part of the working capital requirements and normal capital expenditure at the various units of the Company. The said financial assistance from ICICI Ltd. is 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 ICICI Ltd. as the Lenders 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.5:** The Company has been availing working capital limits both fund and non-fund based from 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 and renewed. The working capital facilities are to be secured by mortgage and/or charge in favour of the Banks and Institution on second charge basis on the fixed 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 charging by the Company of its fixed assets 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.6 :** With a view to meet the international competition and other challenges consequent upon the liberalised fast growing economy, it has become necessary for the Company to re-organise and streamline its business activities. For this purpose it may become necessary to sell, lease or otherwise dispose of some or all of the Assets of the Company which may include part or whole of any of the undertakings of the Company. Section 293(1)(a) of the Companies Act, 1956, inter alia, provides that the Board of Directors shall not, except with the consent of the 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, the whole or substantially the whole of any such undertakings.

Hence, this resolution for obtaining the requisite consent of 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 Letter of Intent/Letter of Sanction no.MC/2518 dtd. 12.8.1999 from ICICI Ltd. and the agreements and other documents executed and the latest Letter of Sanction No.IFB/ADV/MCL/1999-2000/767 dtd. 6.3.1999 of State Bank of Mysore as leader of the consortium together with Joint Deed of Hypothecation and Working Capital Consortium Agreement both dtd. 25.3.1999.

### DISCLOSURE OF INTEREST

Save and except as stated in item nos. 2 and 4, none of the Directors are 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

30th June, 2000

G.K.SUREKA  
Company Secretary



## MYSORE CEMENTS LTD.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

We present our 41<sup>st</sup> Annual Report together with the audited Accounts of the Company for the period ended 31.3.2000 covering a period of 9 months from 1.7.1999.

## FINANCIAL HIGHLIGHTS

	Amount Lac Rs.	Amount Lac Rs.
Working for the period resulted in a deficit of	693.71	
To which is added:		
- Loss b/f from the previous year	6993.38	
- Financial Charges (including Leasing Charges of Rs.151.44 lacs)	3716.50	
- Depreciation	1492.62	
		12896.21
From which is subtracted:		
- Prior Period Adjustment (Net)		24.66
Leaving a balance of		12871.55

which has been carried to the Balance Sheet.

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

## REVIEW OF KEY OPERATIONAL MATTERS

The operations of the Company were carried out satisfactorily throughout the period in terms of turnover & capacity utilisation. The Management Discussion and Analysis Report under the governance code is annexed hereto. For the sake of brevity, repetition has been avoided in our report.

The Housing industry, a significant client base for the Company, is expected to continue to exhibit good fundamentals in the current fiscal also giving a further boost to cement and steel industry. Your Company's total sale of cement during the period at 13.29 lac tons showed an increase of 10.38% over the corresponding period in the previous year as against the demand growth of 15.41% recorded by the Cement Industry in the financial year 1999-2000. Our capacity utilisation at 88% compares with the Industry's average of 87%.

With a view to meeting the international competition and other challenges thrown up by the liberalisation process, the Company had retained M/s. ICICI Securities and Finance Company Ltd. (I-Sec) to advise it on restructuring and streamlining its business operation. On the basis of the same, it may become necessary to sell or otherwise reorganise/dispose of some of the business/assets of the Company. An enabling resolution to this effect is therefore being proposed for consideration of the Shareholders at the next AGM of the Company.

## STATUTORY INFORMATION &amp; OTHER MATTERS

Fixed Deposits received and outstanding as on 31.3.2000 stood at Rs.106.38 lacs. Deposits amounting to Rs.2.39 lacs due for repayment on or before 31.3.2000 remained unclaimed by the depositors at that date, of which Rs.0.70 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.

No problems were faced during the Y2K changeover.

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

Observations of the Auditors' read together with the relevant Notes to the Accounts are self-explanatory. M/s. Lodha & Co. and M/s. Hariharan & Co. retire as Auditors and, being eligible, offer themselves for reappointment.

At the request of the Company, in view of the liquidity problems, the holders of 5,00,000 - 14% Secured Non-Convertible Debentures (A-Series) and of 10,00,000 - 17% Secured Non-Convertible Debentures (B-Series) aggregating Rs.4.40 Crs. agreed to deferment of the final instalment for redemption of the principal amount of the said debentures.

## DIRECTORS

Shri R. Ramalingam and Shri K.Bharathan were nominated as Directors by General Insurance Corporation of India and ICICI Ltd. respectively in place of Shri K.J.M.Shetty and Shri S.Ragothaman. Due to ill health, Shri D.P.Dhanuka has since resigned from the Board effective 30.6.2000. We place on record our sincere appreciation of the valuable advice and guidance given by Sarvashri K.J.M.Shetty, S.Ragothaman and D.P.Dhanuka during their respective tenures of office.

Shri Izhak Davidi, who was co-opted as Additional Director of the Company on 30.10.1999 was appointed as a Director liable to retire by rotation at the last Annual General Meeting held on 17.12.1999. Shri Davidi is a Senior Executive of Nesher Israel Cement Enterprises Ltd., Israel.

Sarvashri S.Birla, R.Pichai, P.L.Agarwal and Dr.V.K.Gangwal retire from office by rotation and being eligible, offer themselves for re-election.

## ACKNOWLEDGEMENTS

Industrial relations continued to be cordial during the period 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.

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

We place on record our appreciation and thanks for the guidance, advice and support of all the Financial Institutions, Banks and our Lead Institution, ICICI.

For and on behalf of the Board

Bangalore  
30<sup>th</sup> June, 2000

S.K.BIRLA  
Chairman



# MYSORE CEMENTS LTD.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

We submit here the Management Discussion and Analysis report on the business of your Company. We have attempted to include matters, which in our opinion are relevant to the Company's competitive position.

Your Company's production improved significantly by 8.97% on annualised basis (without any capacity addition) despite competitive pressures continuing. Due to mismatch in supply and demand which resulted in fall in realisation, Sales decreased marginally by 1.02% on annualised basis compared to the previous year.

The Company continued its focus on identifying and overcoming various technical issues that existed in the plant in consultation with the consultancy wing of the Blue Circle Industries PLC of the U.K. With the continuous monitoring and introduction of cost-effective measures, the Company was able to contain its variable and fixed costs. The new 15 MW Turbine at Damoh is expected to be commissioned in this calendar year making the Unit fully self sufficient in power.

Overall, operating norms and efficiencies improved all round.

### COMPANY & INDUSTRY STRUCTURE

Operations of the Company are structured into 3 operating Units. Data on capacities, volumes and turnover are to be found in the Notes to the Accounts in this Annual Report; a summary is given here.

Addresses of the Units are given elsewhere in this Annual Report.

Each unit is managerially self-sufficient to perform its own duties and functions. Support, whenever necessary, is provided by the Corporate Office. All Unit Heads report to the Managing Director (MD), who oversees the day-to-day operations and monitors performance. He is personally responsible for implementation of policy decisions and for corporate affairs at the macro level.

The year 1999-2000 witnessed the start of the recovery process of the Indian economy. GDP grew by 6%, while industrial production by 8% as compared to 3.9% of last year; it further accelerated to reach 12.2% in April, 2000 compared to 5% during the same month of last year. The Government's determination of continuing economic reforms gave right signals to the capital market which is on the upswing. The brighter economic outlook was manifested in the form of high growth in bank credit. Aided by recovery in manufacturing sector, exports registered an impressive growth of 11.58% in 1999-2000 in contrast with just 3.7% in 1998-99.

The economy is expected to register a higher growth of 6.4 - 7.2% in the current fiscal against 6% registered in 1999-2000.

	1998-1999		1999-2000 Annualised		CHANGE IN %	
	Production Lac MTs	Sales Lac Rs.	Production Lac MTs	Sales Lac Rs.	Production	Sales
Ammasandra	4.18	9132.84	4.22	8392.13	0.96	(8.11)
Damoh	7.60	14387.92	7.77	13334.95	2.24	(7.32)
Jhansi	4.95	9389.05	6.24	10848.05	26.06	15.54
Total	16.73	32909.81	18.23	32575.13	8.97	(1.02)
Realisation (Rs/t)		1333		1237		(7.20)





## MYSORE CEMENTS LTD.

The cement industry continues to pass through an extremely depressed phase due to uneconomic price realisation caused by excess capacities, but there are signs of recovery. The Indian Industry is currently undergoing a virtual metamorphosis with the emphasis shifting to restructuring aimed at cost cutting, consolidation and better and more efficient utilisation of existing facilities. Demand for Cement however grew by 15.4% during 1999-2000 against last year's 7.9%, the highest growth rate in the last decade.

The current recovery in the Cement Industry is propelled by spurt in private housing construction both in rural and urban sectors as well as some pick up in the economic and industrial activities. The fiscal incentives offered by the Government in the Budget and improved consumer spending are responsible for the growth in housing construction. The advancement of target date of completion of National Highway Development Project by two years could help Cement Industry to consolidate its recovery.

Despite the excellent growth in demand, cement prices were under pressure due to intense competition because of mismatch in supply and demand. This adversely affected the average realisation which came down by Rs 96/t as compared to that of last year. The fall in prices has further intensified and in last two months alone, realisation has come down further by Rs 113/t. In contrast, prices of Petroleum products recorded a steep increase; thereby raising not only transportation cost all round but also the cost of captive power to a considerable extent. Because of these factors, our operating margins suffered a further set back, despite reduction in manufacturing cost brought about by better capacity utilisation. This is the third consecutive year in which the Company has incurred losses.

### PRODUCT DEVELOPMENT & QUALITY

We recognise that total customer satisfaction is the key to our existence. Our aim is to build sound customer relationships through creation of value for them, and in the process to earn an equitable return for ourselves. Our aim is to build sound relationships with customers and Agents/Sales Promoters to provide best suited cement. Intensive quality control measures as per scheme of testing specified by Bureau of Indian Standards are carried out to ensure that the quality of cement not only conforms to BIS standards but exceeds, through appropriate manufacturing technology and work methods. Our Ammasandra and Damoh units are ISO 9002 accredited units.

### ENVIRONMENT & SAFETY

It is the policy of the Company to give utmost importance to health and safety of personnel engaged in manufacturing and other related activities. We recognise that natural resources to the extent possible must be conserved and in this direction, the Company has planted over 300,000 trees in and around the factories and colonies. This has created tremendous impact in improving the environment in and around the factory areas.

### HUMAN RESOURCES

Employees represent our greatest asset and potential. It is only through motivated, creative and business-minded employees that we can achieve our aims. Involvement, commitment, teamwork and continuous updating of knowledge and skills are integral to our objectives of promoting a professional and productive culture and we appreciate the dedicated working and attitude of our employees.

### OTHERS

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this point of time. Internal control systems have been found to be adequate, but are continuously reviewed with a view to improvement. Our team is committed to the Board's dictates on standards of conduct of business as well as good governance and exercise of due diligence. We have taken all due care to comply with all applicable laws and regulations diligently. Liquidity constraints aggravated because losses suffered during last three consecutive years impose cash flow problems and interest burden on the business; resolution of which will help enhance results. Our outlook remains positive and optimistic as we face our challenges with sincerity and determination.

We are grateful to all our Bankers and Financial Institutions, particularly our Lead Institution, ICICI as well as all concerned Authorities for their support. We are grateful to all our customers for their faith and confidence and we commit ourselves to their fullest satisfaction.

For and on behalf of the Management Team

Bangalore  
30<sup>th</sup> June, 2000

N.L.HAMIRWASIA  
*Managing Director*



## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The Board of Mysore Cements Limited (Mycemco) has consistently followed best Corporate practices in maintaining transparency and disclosures since several years; however, it now presents the Corporate Governance Report in a more formal way.

The Board of Mycemco believes good corporate governance is voluntary and self-disciplining, with the strongest impetus coming from the Directors and Management. Our organisation strives to be progressive, competent and trustworthy, creating and enhancing value for customers and stakeholders while reflecting and respecting the best Indian values in its conduct. The Board supports principles of good governance and lays appropriate emphasis on transparency, integrity and accountability. At Mycemco, corporate governance was being implemented in spirit even before the recently notified formal governance code ("the SEBI code"). The SEBI's Corporate Governance Code is mandatory for Mycemco only from the financial year 2001-2002.

### THE BOARD OF DIRECTORS

#### *Composition*

The Board presently consists of 16 Directors including 14 non-executive Directors. Shri S.K.Birla is the Chairman and Shri Sidharth Birla is the Vice Chairman of the Board of Directors of the Company. They represent the promoters and are non-executive Directors. The Director Shri Izhak Davidi is a Senior Executive of Nesher Israel Cement Enterprises Ltd., Israel. The lending Financial Institutions have nominated three Directors namely, Shri K.Bharathan (ICICI Ltd.), Shri A.Ghosh (IDBI) and Shri R.Ramalingam (GIC and its subsidiaries). Our Board has 8 (half of the Board) independent Directors viz. Shri P.L.Agarwal (Senior Advocate), Dr.V.K.Gangwal (Industrialist), Shri A.S.Shankare Gowda (Coffee Planter), Shri H.K.Kejriwal (Industrialist), Dr.K.B.Lall, ICS (retd.) (former Secretary to the Government of India and Economist), Dr.A.C.Muthiah (Industrialist), Shri R.Pichai (retired Banker and financial adviser), Shri V.Dwaraknath Reddy (Industrialist). Except for the Chairman and Vice Chairman of the Board, none of the Directors are related.

Our policy keeps the identities, positions, duties & responsibilities of the Chairman, the Vice Chairman and the Chief Executive separate and duly defined. The Chairman's position is non-executive and non-managerial in character. The Vice-Chairman officiates in his absence. Shri N.L.Hamirwasia, the Managing Director, is a member of the British Institute of Management, London with 43 years of commercial and industrial experience of which about 35 years are in the cement industry. He is

the Chief Executive of the Company. Shri Nirbhaya Lodha, the Executive Director, is a Chartered Accountant and possesses 20 years of financial and commercial experience.

#### *Responsibilities*

The Board's prime concentration is on strategic issues and approval, policy and control, delegation of powers and specifying issues that remain in the Board's domain and therefore, the Board has reserved for its consideration and decision major matters including those required under the law besides review of corporate performance and reporting to shareholders. The Board's and Management's roles are clearly demarcated. The management is required to provide necessary inputs to assist the Board in its decision making process in respect of the Company's strategy, policies, performance targets and code of conduct; and in accordance with Board's approval to manage day-to-day affairs of the Company to best achieve the targets and goals and implement all policies and the code of conduct besides providing timely, accurate, substantive and material information, including on all financial matters and any exceptions, to the Board and/or its committees; being responsible for ensuring strict compliance with all applicable laws and regulations and implementing sound, effective internal control systems. The Managing Director (the Chief Executive Officer) heads the management team and the Executive Director assists him besides looking after the financial affairs of the organisation. The President of the Damoh unit, the Executive Vice President of Ammasandra unit and the Vice President of Jhansi unit hold operational responsibilities for day-to-day activities of the respective units.

#### *Role of independent Directors*

The independent Directors play an important role in deliberations at the meetings of the Board and its committees and bring to the Company their wide experience in fields of industry, banking and finance, law, administration and public policy. Their independent role enables them to add a broader perspective by ensuring that interests of all shareholders are kept in acceptable balance.

#### *Remuneration*

The Chairman's and other non-executive Directors' compensation is a subject only for the Board as a whole. They are being paid a sitting fee of Rs.1,500/- for each Board Meeting and committee meeting attended by them. The Managing Director and the Executive Director are not paid sitting fees for attending meetings of the Board or Committees thereof.