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WYSONE CEMENTS LIMITED

www.wyonecement.com

SANSCO SERVICES AND LOGISTICS

## FORTY THIRD ANNUAL REPORT 2001-2002

## 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. A.C. Muthiah

Shri R. Pichai

Shri G.J.Prasad - Nominee of IFCI

Shri R.Ramalingam - Nominee of GIC

Shri V. Dwaraknath Reddy

Shri B.S.Sharma - Nominee of UTI

Shri N.L. Hamirwasia

Managing Director

Shri Nirbhaya Lodha

Executive Director

## REGISTERED &amp;

## CORPORATE OFFICE

1<sup>st</sup> Floor, Industry House  
45, Race Course Road  
Bangalore - 560 001

## 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

Shri G.K. Sureka

## 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 & 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 &

Executive Vice President (Legal)

## AMMASANDRA UNIT

Shri N.C.Panicker

President

Shri B.K.Kumar

Executive Vice President

Shri S.M.Chaturvedi

General Manager (Operations)

## DAMOH UNIT

Shri M.K. Chaudhary

Executive 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 Jagdish Mehta

Vice President (Tech.)



## NOTICE TO MEMBERS

NOTICE is hereby given that the 43<sup>rd</sup> Annual General Meeting of Mysore Cements Limited will be held at 3.00 PM on Thursday, the 26<sup>th</sup> September, 2002 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 31<sup>st</sup> March, 2002 and the Balance Sheet as at that date and the Reports of the Directors and Auditors of the Company.

- 2 a. To appoint Directors in place of Shri Izhak Davidi and Shri H.K. Kejriwal who retire from office by rotation and being eligible, offer themselves for re-election.

- b. Shri V.Dwaraknath Reddy, Director also retires from office by rotation and though eligible, is not seeking re-election and as such, to consider and if thought fit, to pass the following Resolution as Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 256(4) of the Companies Act, 1956, the vacancy caused at this meeting by retirement by rotation of the Director Shri V.Dwaraknath Reddy be not filled up."

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 in supersession of the Resolution No.7 passed as an Ordinary Resolution by the Members of the Company at the Annual General Meeting held on 29<sup>th</sup> September, 2001, 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,
- ii. State Bank of India and
- iii. The Federal Bank 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.10500 lacs (Rupees ten thousand five 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."

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 IFCI Ltd. to secure the Rupee Term Loan not exceeding Rs.970 lacs (Rupees nine hundred seventy 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 IFCI 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 IFCI 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."

6. AS A SPECIAL RESOLUTION

"RESOLVED that in accordance with the provisions of Section 81(1A) 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 Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, permissions and sanctions of such 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 approvals, permissions and sanctions which may be agreed to by the Board



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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), 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 framed by Securities & Exchange Board of India (SEBI) in this behalf Equity Shares of Rs.10/- each and/or any other Financial Instruments including Debentures, whether fully or partly convertible, with or without detachable or non-detachable warrants as the Board at its sole discretion may at any time or times hereafter decide to Members (including Promoters and Persons deemed to be acting in concert), Industrial Development Bank of India and other Financial Institutions, Mutual Funds, Asset Management Companies, Banks, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other entities/authorities and to such other persons, for an aggregate amount not exceeding Rs. 2500 lacs (including premium, if any) on preferential basis on such terms and conditions as the Board may deem fit in one or more tranches at par or at such price or prices including premium or in such manner as the Board may in its absolute discretion think fit.

RESOLVED FURTHER that the Equity Shares and/or any other Financial Instruments as may be decided by the Board be offered for subscription 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.

RESOLVED FURTHER that the Board be and is hereby authorised to issue, offer and allot such number of Equity Shares and/or any other Financial Instruments as may be necessary in accordance with the terms of the offering and that all such Equity Shares including the Equity Shares that may be allotted upon conversion of the Financial Instruments or against warrants shall rank pari passu, from their respective dates of allotment, with the existing Equity Shares of the Company.

RESOLVED FURTHER that in the event the Financial Instruments to be issued hereunder are Debentures, the consent of the Company be and is hereby also granted in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, to the Board to mortgage and/or charge, 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 moveable and/or immovable properties of the Company, both present and future and/or the whole of 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 the fully / partly Convertible / Non-Convertible Debentures with or without detachable or non detachable warrants together with interest, further interest thereon, compound interest in case of default, accumulated interest, remuneration of the Trustees, premium (if any) on redemption, all other costs, charges and expenses payable by the Company in terms of the Trust Deed/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 of Directors or Committee thereof and the Agents and Trustees/Trustees/Lenders.

RESOLVED FURTHER that for the purpose of giving effect to the Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters, and things and carry out or accept all such conditions, modifications and alterations 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 offer, issue and allotment of the Equity Shares and/or any other Financial Instruments and/or Equity Shares allotted upon conversion thereof or against warrants and further to finalise and execute all documents and writings as may be necessary, desirable or expedient without being required to seek any further consent or approval of the Company in this regard."

The Register of Members of the Company will remain closed from 18.9.02 to 26.9.02 (both days inclusive).

Registered Office:  
1<sup>st</sup> Floor, 'Industry House',  
45, Race Course Road,  
Bangalore : 560 001

By Order of the Board

G. K. SUREKA  
Company Secretary

21<sup>st</sup> June, 2002

## 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 Company at 1<sup>st</sup> Floor, 'Industry House', 45, Race Course Road, Bangalore : 560 001 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 for transfer 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 Equity Shares in the Company for which they may contact the Depository Participants of either of the above Depositories since the Shares of the Company are in the list of Securities for compulsory trading in dematerialised form.
5. Members who continue to hold shares in physical form are requested to intimate any change in their address to the Company immediately with the postal pin code. Members holding shares in dematerialised form are required to get their change of address recorded with their Depository Participant.
6. 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



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Government. The Company had individually informed the Shareholders concerned about the particulars of the unclaimed dividends 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 for the Financial Years 1995-96 and 1996-97 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 Years 1995-96 and 1996-97, 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. No additional copies of the Report will be distributed at the Meeting.
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 Izhak Davidi**, aged 64 years, is a senior executive of Neshor Israel Cement Enterprises Ltd., who are Strategic Collaborators of the Company and have nominated Shri Izhak Davidi on the Board of our Company. He has vast experience in the cement industry. He is a director of Neshor-Secher (Cement Marketing) Ltd., Neshor Environment (1997) Ltd., Av-Shal Investments and Trade Ltd., Av-Shal Holdings and Investments (1997) Ltd., Paper Products Manufacturing Ltd., M.P. Mineral and Marble Ltd., Tuval Hevra Lehovala Clalit Ltd., Taavura Holdings Ltd., Taavura Cement Containers Ltd., Yozma Galil Holdings (1982) Ltd. and Yozma Galil Transportation Company (1993) Ltd. (all foreign companies).

Except Shri Izhak Davidi, no other director is interested in the aforesaid Resolution.

**Shri H.K. Kejriwal**, aged 76 years, is an industrialist. He has vast experience in the fields of industry and business. Shri H.K. Kejriwal is a director of Speciality Textiles & Exports Ltd., Birla Global Infotech Pvt Ltd., Birla Vision.com Pvt Ltd. and Granites & Minerals Pvt Ltd. He is closely associated with art and cultural activities and is the Vice-President of Karnataka Chitrakala Parishath, Bangalore.

Shri H.K. Kejriwal is Chairman of the Share Transfer and Shareholders/Investors Grievance Committee of the Company. Besides, he is also a member of the Committee of Directors and Audit Committee of our Company.

Except Shri H.K. Kejriwal, no other director is interested in the aforesaid Resolution.

**Item No.4:** 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 IFCI Ltd. The said working capital facilities are reviewed annually. IFCI Ltd. at the time of their latest annual review has converted the Working Capital facility of Rs.970 lacs into a Term Loan and hence, the Company proposes to avail working capital facilities from the aforesaid Banks to the extent of Rs.10,500 lacs (including ad hoc limit(s), if any). The working capital facilities are to be secured by mortgage and/or charge in favour of the Banks 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 5:** The Company had been sanctioned Working Capital facility aggregating to Rs.970 lacs by IFCI Ltd. Upon the facility coming up for annual review recently, IFCI Ltd. has converted their share in the Working Capital facility into Term Loan. The said Term Loan from IFCI Ltd. is proposed to be 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 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 IFCI Ltd. may be deemed to be interested in the said Resolution.

**Item No. 6:** This resolution relates to a proposal to issue, offer and allot Equity Shares and/or any other Financial Instruments including Debentures, whether fully or partly convertible, with or without detachable or non-detachable warrants from time to time



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to Members (including Promoters and persons deemed to be acting in concert), Financial Institutions, Mutual Funds, Asset Management Companies, Banks, Non-Resident Indians (NRIs), Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other entities/authorities and to such other persons as may be appropriate. The aforesaid issue would also include 4768350 Equity Shares of Rs.10/- each proposed to be issued to Industrial Development Bank of India in lieu of interest on their dues for the period from 1.1.01 to 31.3.02 for which the Members had given their consent vide the Special Resolution U/s 81(1A) of the Act at the Annual General Meeting held on 29.9.01. The Company is advised that the said issue, the pricing thereof and allotment will need to be in accordance with the Guidelines for Preferential Issue of Securities & Exchange Board of India (SEBI) dated August 4, 1994 as amended and consents as may be necessary will be obtained from the appropriate authorities.

The listing agreement with the Stock Exchanges where the shares of the Company are listed, provide that further issue of 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, as amended, the Company has forwarded a copy of the Board Resolution dated June 21, 2002 for the aforesaid issue to the said 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	: Members (including Promoters and persons deemed to be acting in concert), Industrial Development Bank of India and other Financial Institutions, Mutual Funds, Asset Management Companies, Banks, Non-Resident Indians (NRIs), Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other entities/authorities and to such other persons as may be appropriate.
Present holding of the Proposed Allottees	: Cannot be determined at this stage. See table below.
Price at which the Securities are proposed to be issued	: Subject to SEBI's formula for minimum pricing.
Purpose and reason for such Allotment	: For strengthening the long-term resource base of the Company, including for meeting working capital needs.
Consequential changes, if any, in the Board of Directors of the Company	: None envisaged.
Consequential changes, if any, in the Voting rights.	: As given below.

## Shareholding pattern

	Existing As on 21.6.02		Proposed Issue		Post Issue	
	No. of Equity Shares	%	No. of Equity Shares	%	No. of Equity Shares	%
a. Promoters & Persons Deemed to be Acting in Concert.	22361985	32.55				
b. Institutional Investors						
- Mutual Funds & UTI	10935501	15.92				
- IFCI/ICICI	13523230	19.68				
- Banks, Other FIs, Insurance Companies.	7265009	10.57				
- Foreign Institutional Investors	1705322	2.48				
c. Others						
- Private Corporate Bodies	1365419	1.99				
- NRIs/OCBs	1841252	2.68				
- Indian Public	9703494	14.13				
Total Equity Shares	68701212	100.00	25000000		93701212	100.00

The above post issue shareholding pattern is an estimate based on the assumption that Equity Shares alone would be issued at par or if any other Financial Instruments are issued, the same would be fully converted into Equity Shares at par. There would be a variation in the Shareholding Pattern if the actual terms of issue vary.

The Directors nominated by the Financial Institutions including the Director nominated by Industrial Development Bank of India besides Shri S. K. Birla and Shri S. Birla representing the promoters may be deemed to be interested in the said Resolution.

## INSPECTION OF DOCUMENTS

Copies of relevant documents/correspondence etc. in connection with the above items of business and in particular the following documents are available 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:

- Letter No. H.O.CFD-II.01.B-18/229 dtd. 30.3.01 from Industrial Development Bank of India in connection with issue of Equity Shares to them.
- In-principle Letter of Sanction no.Blore/Chem/2002-0036 dtd.28.2.2002 of IFCI Ltd. in connection with Rupee Term Loan of Rs.970 lacs;
- Memorandum and Articles of Association of the Company.

## DISCLOSURE OF INTEREST

Save and except as stated in item nos. 2, 5 and 6, none of the Directors of the Company is interested in the aforesaid Resolutions except as shareholders of the Company in general.

Registered Office:  
1<sup>st</sup> Floor, 'Industry House',  
45, Race Course Road,  
Bangalore : 560 001  
21<sup>st</sup> June, 2002

By Order of the Board  
  
G. K. SUREKA  
Company Secretary



## DIRECTORS' REPORT TO THE SHAREHOLDERS

We present our 43<sup>rd</sup> Annual Report together with the audited Accounts of the Company for the year ended 31.3.2002.

## FINANCIAL RESULTS

	Amount Lac Rs.	Amount Lac Rs.
Working for the year resulted in a gross surplus of		1857.74
From which are subtracted:		
- Financial Charges	2,940.46	
- Depreciation	2,122.23	
		(5,062.69)
Resulting in a net loss for the year of		(3,204.95)
From which are subtracted:		
- Prior Period Adjustment (Net)	0.40	
- Exceptional item (Net)	466.30	
- Deferred Tax Credit		
- For the year	739.29	
- For earlier years on initial adoption	1,886.51	
		3,092.50
		(112.45)
to which is added loss b/f from the previous year		(18,963.39)
resulting in a total loss of		(19,075.84)

which has been carried to the Balance Sheet.

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

The Cement Industry during the fiscal ended March'02, in totality, achieved a growth of 9.39% over the last year, total production during the year being 102.40 mil. tons against 93.61 mil. tons of the previous year. Despatches also kept pace with the production and improved to 102.37 mil. tons over 93.44 mil. tons of the previous year. The Industry is further expected to grow at a rate of 7 - 8% during 2002-03. This growth is principally attributable to the increased demand by the Housing sector and rural consumers' awareness to go for pucca houses combined with the increased activity in infrastructure projects. However, because of a massive capacity addition of over 13.5 mil. tons during the year and heavy surplus, prices continued to remain under pressure for most of the year, which adversely affected the fortunes of the Industry. We also suffered loss but it was less than that of last year. This improvement was achieved largely due to substantial cost cutting measures and improvement in production and productivity during the year. Interest costs were also lower, arising out of the financial restructuring.

## KEY OPERATIONAL MATTERS

Workers at the Ammasandra Unit went on strike demanding higher wages, which however was banned by the State Government and subsequently approved a lay-off of 8 weeks to carry out urgent maintenance. The factory was thus able to resume operations after a closure of 108 days. The operations of the Company during the year were also severely affected due to inadequacy of Working Capital and free fall in prices. In spite of this loss, overall production and despatches were higher by 5.2% and 4.9% over the previous year. The Management Discussion and Analysis Report covers these aspects and is annexed hereto.

## FINANCE

Redemption of 10,00,000 - 17% Secured Non-Convertible Debentures ('B' SERIES) was completed during the year.

The Company issued 1,35,23,230 Equity Shares of Rs. 10/- each at par on preferential basis to ICICI Ltd. and IFCI Ltd. pursuant to your approval under Section 81(1A) of the Companies Act, 1956 at the last Annual General Meeting. As the issue of 47,68,350 Equity Shares of Rs. 10/- each at par on preferential basis to IDBI could not be completed within the validity of your previous approval a Special

Resolution under Section 81(1A) of the Companies Act, 1956 has been proposed in the accompanying notice of the Annual General Meeting.

## STATUTORY INFORMATION &amp; OTHER MATTERS

Fixed Deposits received and outstanding as on 31.3.2002 stood at Rs. 91.89 Lacs. Deposits amounting to Rs.2.90 Lacs due for repayment on or before 31.3.2002 remained unclaimed by the depositors at that date, of which Rs.1.24 Lacs has 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.

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

Observations of the Auditors when read together with the relevant schedules to the Accounts are self-explanatory. As per our governance practices, the management's statement on the integrity and fair presentation of financial statements is provided to the Board by the Executives of the Company as an integral part of the Accounts approval process. However, as per Section 217(2AA) of the Companies Act 1956, the Directors indicate that they have taken reasonable and bonafide care (a) that in the preparation of annual accounts the applicable accounting standards had been followed and proper explanations relating to material departures, if any, have been furnished; (b) that such accounting policies were selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year; (c) that proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with provisions of the Companies Act 1956, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities; and (d) that these Accounts have been prepared on a Going Concern basis.

M/s. Lodha & Co. and M/s. Hariharan & Co. retire as Auditors and, being eligible, offer themselves for re-appointment.

## EMPLOYEES

Industrial relations remained cordial during the year under review (excepting for a part of the year at Ammasandra Unit as stated) and there was all round co-operation. Employees at all levels continued to put in their best in the service of the Company despite the extremely trying times and we record our sincere appreciation of their dedication and loyalty.

## DIRECTORS

Shri Izhak Davidi and Shri H.K. Kejriwal retire from office by rotation and, being eligible, offer themselves for re-election. Shri V.Dwaraknath Reddy also retires by rotation but has intimated that due to personal reasons, he will not seek re-election. The Board while respecting his wishes, has proposed not to fill the resulting vacancy at the ensuing Annual General Meeting. We place on record our sincerest appreciation for the advice and guidance tendered by Shri Dwaraknath Reddy during his long association as a Director of the Company.

## CONCLUSION

We are grateful to the Shareholders, Depositors, Sales Representatives and Stockists of the Company for their co-operation and goodwill. We also express appreciation of our strategic collaborator, M/s. Neshor Israel Cement Enterprises Ltd., Israel for their continuing support and goodwill.

We place on record our sincere appreciation and thanks for the guidance, advice and valuable co-operation of the Banks and the Financial Institutions.

For and on behalf of the Board

Bangalore  
21<sup>st</sup> June, 2002.

Sidharth Birla  
Vice Chairman

N.L. Hamirwasia  
Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

We submit here the Management Discussion and Analysis Report on the business of the Company. Matters relevant to the Company's own competitive position have also been included.

### MANAGEMENT PHILOSOPHY

Our philosophy is to supply high quality product and provide best services to our customers. Our goal is to improve plant efficiency continuously by employing modern methods and latest technology to reduce costs and improve productivity. Success has been achieved on all these fronts as detailed hereunder.

### SEGMENTAL REVIEW AND ANALYSIS

#### CEMENT

During the year, performance of the Company was severely affected due to stoppage of Ammasandra Unit for 108 days as workers went on strike, which was banned by the State Government and subsequently approved a lay-off of 8 weeks to carry out urgent maintenance and further, because of free fall of cement prices during the year, more particularly in the South besides inadequacy of Working Capital.

The Industry recorded one of the highest capacity additions of 14 mil. tons during the year, which increased supplies manifold. Some of the cement producers, in order to improve their market share sold cement even below their variable cost, but because of the fiscal benefits, such as Sales Tax exemption, enjoyed by them it did not have major impact on their cash flows. The installed capacity of the Industry now stands at 137.5 mil. tons, an excess of around 35% over the actual cement consumption during 2001-02.

Despite the 108 days stoppage of Ammasandra Unit and acute working capital constraints we were able to improve our overall capacity utilisation to 85% against last year's 81%. Blended cement production was 85% against 78% of last year and Industry's average of 43%. The higher capacity utilisation, increased blended cement production and higher turnover by 5.71% helped in controlling costs and curtailing losses.

The Company continued its focus on identifying and overcoming technical and other issues for efficiency improvement in consultation with experts / agencies. Continuous monitoring and introduction of cost-cutting measures, logistics management, structured marketing schemes and rationalising employment yielded good results. Plant operating norms and efficiencies have improved all round. Line-I of our Damoh Unit won the following second prizes in the non vertical roller mill category from the Madhya Pradesh Chamber of Cement Manufacturers' for 2000-2001:

- lowest electrical energy consumption per tonne of cement produced;
- lowest overall energy consumption both electrical and thermal energy;
- maximum percentage reduction in electrical energy consumption per tonne of cement produced compared to the previous year; and
- maximum percentage reduction in overall energy for the year 1999-2000.

Damoh Mines also won joint first prize for transport of Minerals & Overburden and joint second prize for Environment / Ecology and joint third prize for House Keeping at the Regional level.

**Statistical Data attached to the Directors' report reflects the improvements in efficiency and operational norms achieved during the year.**

Cement Operations of the Company are structured in three Units. Data on capacities, volumes and turnover are contained in the Schedule to the Accounts and the summary is given in the table.

Increase in production came about mainly by improvements achieved in plant productivity. This, coupled with other measures of economy helped control costs all-round.

Each Unit is managerially self sufficient to perform its own duties and functions and support wherever necessary is provided by the Corporate Office. All Unit heads report to the Managing Director who oversees the day to day operations. He is responsible for implementation of policy decisions as well as for corporate affairs at the macro level and is accountable to the Board for all actions and for achieving results.

The growth of 6.5% in agricultural sector during 2001-02 helped pull up the National GDP growth rate to 5.4% compared to the revised 4.0% in the previous fiscal. Growth in the Manufacturing sector however fell to 3.0% compared to 5.1% of the previous fiscal.

The continued general slowdown in the economy is now turning into a recession for the old economy manufacturing sector due to massive capacity additions post de-licensing era with demand not keeping pace. This has resulted in severe pressure on the manufacturing margins in most industries.

Units	2001-2002		2000 - 2001		CHANGE IN %	
	Production Lac MTs.	Sales Lac Rs.	Production Lac MTs.	Sales Lac Rs.	Production	Sales
Ammasandra	3.02	6212.70	4.03	8332.88	(25.13)	(25.44)
Damoh	7.76	15975.15	6.98	14286.84	11.17	11.82
Jhansi	7.00	13894.86	5.90	11514.85	18.76	20.67
Total	17.78	36082.71	16.91	34134.57	5.16	5.71
Net Realisation(Rs./t)		1380		1368		0.88



Cement Industry with a total production of 102.40 mil. tons in 2001-02 recorded a growth of 9.39% compared to the previous year. This, after the negative growth of last year, augurs well for the Industry in the long term and it is poised for a further growth of 7-8% during 2002-03.

Although India ranks as the second largest cement producer in the world, the per capita consumption is low at 99 kgs. compared to the world average of 263 kgs. With the thrust on globalisation of the Indian economy, investment in infrastructure should help demand growth for the cement industry thereby reducing the demand supply imbalance and reverse the current trend of sliding cement prices.

According to RBI the GDP growth during 2002-03 should be between 6 to 6.5%, which is based on an estimated 7% growth of manufacturing sector. The forecast of normal monsoon coupled with available incentives for housing sector should propel the demand of cement in the coming year.

The Company continues to face severe liquidity constraints. ICICI and IFCI have converted their interest amount on Term Loans and Non Convertible Debentures for the period 1.1.2001 to 31.3.2002 into Equity Shares at par. This has helped to conserve liquidity which enabled us improve the capacity utilisation of the Units which was severely impacted due to non availability of inputs. IDBI has also been requested to issue their formal communication to enable us allot Equity Shares to them, as stipulated in the restructuring proposal approved in the previous year.

#### PRODUCT DEVELOPMENT & QUALITY

We recognise that total customer satisfaction is the key to our existence. Our aim is to build sound customer relationship through creation of value for them and in the process to earn an equitable return for ourselves. Our aim is to build sound relationship with customers, agents and sales promoters as well as to meet their expectations by supplying best product for their requirements. Intensive quality control measures as per scheme of testing specified by the Bureau of Indian Standards (BIS) 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 both ISO 9002 accredited units.

#### REAL ESTATE

The activities of the Real Estate Division are confined to acquiring properties against advance for land and disposal of the said properties. During the year, the division had a turnover of Rs.0.77 Lac for 2.53 Acres of land.

#### 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. Our policy requires conduct of activities in such a way as to take foremost account of health and safety of all concerned besides conservation of natural resources and protection of environment to the extent possible. We firmly believe that safe and

healthy working conditions in the plants and other premises are as necessary and important as production, productivity and quality.

#### HUMAN RESOURCES

We recognise that 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 skills and knowledge are integral to our objectives of advancing a highly professional and productive culture. Permanent employees on the Company's rolls totalled 2401 on 31.3.2002, of which Officers and staff were 771; the strength on 1.4.2001 was 2591 and 821 respectively.

#### 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 for 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 due care to comply with all applicable laws and regulations. Liquidity constraints aggravated because of cash losses suffered during the last five consecutive financial years thereby increasing our cash flow problems. Our sincere thanks are due to all employees particularly the Unit heads and their team-mates whose dedication and hard work allowed these results to be achieved despite the liquidity constraints. We are grateful to our Bankers and Financial Institutions, particularly our Lead Institution ICICI Ltd., as well as all concerned Authorities for their continued support, faith and confidence. We are grateful to all our customers for their faith and confidence and we commit ourselves to their fullest satisfaction.

#### CAUTIONARY STATEMENT

Statements in this Management's Discussion and Analysis Report which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward-looking statements" within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian political, economic & demand-supply conditions, finished goods prices, raw materials cost and availability, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and countries with which the Company conducts business besides other factors, such as working capital availability, litigation and industrial relations.

For and on behalf of the Management

Bangalore  
21<sup>st</sup> June, 2002

N.L. HAMIRWASIA  
Managing Director



## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

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

Our Board believes good corporate governance is voluntary and self-disciplining, with the strongest impetus coming from the Directors and the Management. We strive to be progressive, competent and trustworthy, while reflecting and respecting the best Indian values in its conduct. The Board supports principles of good governance and lays emphasis on transparency, integrity and accountability.

## THE BOARD OF DIRECTORS

## a. Composition

The Board consists of 17 Directors, of which 15 are non-executive. The identities, positions, duties and responsibilities of the Chairman/Vice-Chairman and the Chief Executive are separate and duly defined. The Chairman's position is non-executive and non-managerial in character and the Vice-Chairman officiates in his absence. Management of the Company is vested in the Managing Director subject to general supervision, control and direction of the Board. Shri N.L.Hamirwasia, the Managing Director, is a member of the British Institute of Management, London with 45 years of commercial and industrial experience of which about 37 years have been in the cement industry. He is the Chief Executive Officer of the Company. In discharge of his duties, he is assisted by Shri Nirbhaya Lodha, the Executive Director, who is a Chartered Accountant and possesses 22 years of financial and commercial experience. Shri Lodha also looks after the financial affairs of the Company.

With this demarcation of responsibilities at the top levels in the Company, the SEBI Code requires that in the case of a non-executive Chairman, at least 1/3<sup>rd</sup> of the Board should comprise of independent Directors. Our Board has 12 (a majority) independent Directors, including five nominees of Institutions who are considered to be independent. The nominees of the Financial/Investing Institutions are Shri K.Bharathan, Corporate Group Head of ICICI Lombard General Insurance Co. Ltd., (ICICI), Shri A.Ghosh, formerly Banker and Dy.Governor of Reserve Bank of India (RBI), Shri R.Ramalingam, who recently retired as a Sr. Executive from the Insurance sector (GIC), Shri G.J.Prasad, Dy. General Manager of IFCI Ltd. (IFCI) and Shri B.S.Sharma, formerly Executive Director of Reserve Bank of India (UTI). The other seven independent Directors are Shri P.L.Agarwal (Senior Advocate), Dr. V.K.Gangwal (Industrialist), Shri A.S.Shankare Gowda (Coffee Planter), Shri H.K.Kejriwal (Industrialist), Dr. A.C.Muthiah (Industrialist), Shri R.Pichai (retired Banker and Financial Adviser) and Shri V.Dwaraknath Reddy (Industrialist). Shri V.Dwaraknath Reddy who retires at the ensuing Annual General Meeting has decided not to seek re-election due to personal reasons. Director Shri I.Davidi is a Senior Executive and nominee of Neshor Israel Cement Enterprises Ltd., Israel, a Strategic Collaborator. The Chairman of the Board of Directors, Shri S.K.Birla and the Vice-Chairman, Shri Sidharth Birla represent the promoters and are non-executive. Except for the Chairman and the Vice Chairman of the Board, none of the Directors are related.

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. The functioning and effectiveness of the Board is reviewed every year.

As required by law, the appointment and remuneration of any whole-time Director needs approval of the shareholders; such appointments are for a period of not more than 5 years and, when eligible, they qualify for re-appointment at the end of their term. Nominees of Institutions do not usually retire by rotation. One-third of the other Directors retire every year and, when eligible, qualify for re-appointment. Specified details are always provided in the notice for appointment or re-appointment of a Director. Details of Directors are given below by category, attendance and total directorships besides memberships/chairmanships of Board committees.

Director	Category	Board Attendance	B / C / Ch
Shri S.K.Birla	P	4/5	8/-/-
Shri S.Birla	P	3/5	5/1/-
Shri P.L.Agarwal	I	2/5	12/6/4
Shri K.Bharathan	I/N	4/5	5/-/-
Shri I.Davidi	S	-/5	11/-/-
Dr. V.K.Gangwal	I	5/5	1/-/-
Shri A.Ghosh	I/N	5/5	13/4/2
Shri A.S.Shankare Gowda	I	5/5	1/-/-
Shri H.K.Kejriwal	I	4/5	4/-/-
Dr. A.C.Muthiah	I	-/5	15/-/-
Shri R.Pichai	I	5/5	1/-/-
Shri G.J.Prasad	I/N	4/5	1/-/-
Shri R.Ramalingam	I/N	5/5	-/-/-
Shri V.Dwaraknath Reddy	I	2/5	7/-/-
Shri B.S.Sharma	I/N	5/5	1/-/-
Shri N.L.Hamirwasia	E	4/5	6/-/-
Shri Nirbhaya Lodha	E	5/5	1/-/-

Board Attendance relates to relevant meetings in the year under review.

Notation: P=Promoter, I=Independent, S=Strategic Collaborator, N=Nominee, E=Executive, B=Other Board Memberships, C/Ch=Membership/Chairmanship of SEBI specified committees of other companies (excluding Pvt.Ltd. companies & alternate directorships).

## b. Responsibilities

The Board's prime focus is on supervising important aspects of the Company's affairs including strategic issues and approval, policy, control and delegation of powers. 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 respective roles of the Board and the Management are clearly demarcated. The Management is required to provide necessary inputs and basis to support 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 overall 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