

# Mysore Cements Limited

## Annual Report 2002-03





## FORTY FOURTH ANNUAL REPORT 2002-2003

**BOARD OF DIRECTORS**

Shri S.K.Birla  
*Chairman*

Shri Sidharth Birla  
*Vice Chairman*

Shri K.Bharathan - *Nominee of ICICI Bank*  
Dr. V.K.Gangwal

Shri A. Ghosh - *Nominee of IDBI*

Shri A.S. Shankare Gowda

Shri H.K. Kejriwal

Shri Padam Kumar Khaitan

Dr. A.C. Muthiah

Shri Hertzal Ozer

Shri R. Pichai

Shri G.J.Prasad - *Nominee of IFCI*

Shri R.Ramalingam - *Nominee of GIC*

Shri B.S.Sharma - *Nominee of UTI*

Shri N.L. Hamirwasia  
*Managing Director*

Shri Nirbhaya Lodha  
*Executive Director*

**REGISTERED &  
CORPORATE OFFICE**

1st 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 K.Bharathan

Shri A.S.Shankare Gowda

Shri H.K.Kejriwal

**Share Committee**

Shri H.K.Kejriwal - *Chairman*

Shri A.S.Shankare Gowda

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

**REGISTRARS & SHARE  
TRANSFER AGENTS**

M/s. Alpha Systems P.Ltd.

30, Ramana Residency,

4th Cross, Sampige Road,

Malleswaram,

Bangalore - 560 003

**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)*

Shri V.Purushothama Sharma  
*General Manager (Engineering)*

**DAMOH UNIT**

Shri Alok Mehrotra  
*Joint President*

Shri A.K. Mathur  
*Executive Vice President (Works)*

Shri J. Seru  
*Executive Vice President (Mktg.)*

**JHANSI UNIT**

Shri Alok Mehrotra  
*Joint President*

Shri O.K. Jogi  
*General Manager (Technical)*

**THERMAL POWER PLANT**

Shri Jagdish Mehta  
*Vice President (Technical)*





## NOTICE TO MEMBERS

NOTICE is hereby given that the 44<sup>th</sup> Annual General Meeting of Mysore Cements Limited will be held at 3.00 PM on Monday, the 29<sup>th</sup> September, 2003 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, 2003 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 Shri S.Birla and Dr. V.K.Gangwal 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 Shri B.S.Sharma be and is hereby appointed as a Director of the Company liable to retire by rotation".

## 5. AS AN ORDINARY RESOLUTION

"RESOLVED that Shri Padam Kumar Khaithan be and is hereby appointed as a Director of the Company liable to retire by rotation."

## 6. AS AN ORDINARY RESOLUTION

"RESOLVED that in supersession of the Resolution No. 6 passed as an Ordinary Resolution by the Members of the Company at the Annual General Meeting held on 26<sup>th</sup> September, 2002, 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 and non-fund based) aggregating Rs.9300 lacs (Rupees nine thousand three 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/ Bank 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 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 Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approvals of Financial Institutions including Life Insurance Corporation of India, General Insurance Corporation of India, Unit Trust of India and Banks as well as 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 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 (Guidelines) 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 (other than Promoters, Persons deemed to be acting in concert, Directors and Key Management Persons), Industrial Development Bank of India and other Financial Institutions, Banks, Mutual Funds, Asset Management Companies, 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 where Financial Instruments including Debentures whether fully or partly convertible into Equity Shares or with or without detachable or non-detachable warrants entitling the holders thereof to apply for Equity Shares are issued and allotted, the price of the resultant Equity Shares shall not be less than the price calculated under the Guidelines taking the relevant date as 30<sup>th</sup> August, 2003 which is thirty days prior to the date of the present General Meeting of the Members.



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."

#### 8. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Listing Agreements with the Stock Exchanges, the applicable provisions of the the Companies Act, 1956 including Section 61 thereof and the Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and also subject to such conditions and modifications as may be prescribed or imposed by any such authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred as the 'Board' which term shall include any Committee thereof for the time being exercising the powers conferred by the Board), consent of the Company be and is hereby accorded to the Board to get the Equity Shares of the Company voluntarily delisted from the Stock Exchanges at Chennai and Kolkata, namely Madras Stock Exchange Ltd., Chennai and The Calcutta Stock Exchange Association Ltd., Kolkata.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to take all necessary action including compliance with the necessary legal and procedural formalities in regard to the aforesaid voluntary delisting of Equity Shares as it may in its discretion deem fit and to settle all question, difficulties or doubts that may arise in this regard."

#### 9. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to Section 163 of the Companies Act, 1956, approval of the Company be and is hereby accorded for the Register of Members, Index of Members; copies of all Annual Returns, certificates and documents required to be annexed thereto being kept at the office of the Company's Registrars and Share Transfer Agents, Alpha Systems Pvt. Ltd., 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore : 560 003 instead of being kept at the Registered Office of the Company and the necessary Registers, Index of Members and Returns as mentioned above shall remain open for inspection between 11.00 A.M to 1.00 P.M on all working days."

The Register of Members of the Company will remain closed from 16.9.03 to 29.9.03 (both days inclusive).

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

By Order of the Board

28<sup>th</sup> June, 2003

G.K.SUREKA  
Company Secretary

#### 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 Registrars & Share Transfer Agents, M/s. Alpha Systems P. Ltd., 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore-560003 well in advance so as to reach the Registrars & Share Transfer Agents 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 only after re-opening of the books.
4. The Equity Shares of the Company are in the list of securities for compulsory trading in dematerialised form and can be dematerialised by the Shareholders under ISIN:INE578A01017 with National Securities Depository Ltd. (NSDL) or Central Depository Services (India) Ltd. (CDS) for which they may contact the Depository Participants of either of the above Depositories.
5. Members who continue to hold shares in physical form are requested to intimate any change in their address to the Registrars & Share Transfer Agents M/s. Alpha Systems Pvt. Ltd. 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 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 terms of the 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 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 in terms of Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the Fund in respect of the unclaimed dividends for 1995-96 transferred to the Fund on or after November 5, 2003 and no payment shall be made in respect of any such claim thereafter.

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 Registrars & Share Transfer Agents of the Company M/s. Alpha Systems Pvt. Ltd. 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' or 'the Companies 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 46 years is a Science Honours Graduate and holds a Master's degree in Business Administration from IMD, Lausanne, Switzerland. He has extensive experience of over 24 years in the fields of Finance, Marketing, General Management, Board level Corporate Governance, Company Law, Strategic Issues, Corporate & Financial Structuring, Resource Mobilisation, Planning and Budgeting. Shri Sidharth Birla is Chairman of Xpro India Ltd. and Vice-Chairman of Birla VXL Ltd. He is also on the Board of Directors of GCC Investment & Trading Co.Ltd, Sutlej Cotton Mills Supply Agency Ltd, Xpro Global 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 and Chairman of Committee of Directors/Officers (Investments/Assets) of Birla VXL Ltd, he is Chairman of the Committee of Directors and Member of Remuneration and Nomination Committee of Xpro India Ltd. He is presently Membership Chairman of YPO (Delhi Chapter).

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

**Dr. V.K.Gangwal**, aged 60 years, is an Industrialist and Economist from Gwalior. He has over 33 years of extensive experience in the field of Administration and Management of business and expertise in metallurgical 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.

**Item No. 4:** Shri B.S.Sharma had been nominated as Director of the Company by Unit Trust of India (UTI) effective 30.1.01, when Section 19A of the UTI Act, 1963, inter alia, provided that such an appointment was valid notwithstanding anything to the contrary contained in the Companies Act including the provisions of Section 255. However, pursuant to UTI (Transfer of Undertaking & Repeal) Act, 2002, the UTI Act, 1963 has been repealed and the nominee director of UTI has come within the scope and ambit of Section 255 of the Companies Act. Section 255 provides that not less than 2/3<sup>rd</sup> of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement by rotation and shall be appointed by the company in General Meeting. As such, it is proposed that Shri B.S.Sharma be appointed as Director of the Company liable to retire by rotation at the forthcoming Annual General Meeting. The Company has received the required notice under Section 257 of the Act from a member of the Company signifying his intention to propose the appointment of Shri Sharma as a Director.

Shri B.S.Sharma, aged 63 years, holds a Masters Degree in Commerce and is a Certified Associate of the Indian Institute of Bankers. He retired as Executive Director of Reserve Bank of India with a work experience of over 38 years. His areas of expertise are banking and administration. Presently, he is on contractual appointment with Reserve Bank of India Services Board, Mumbai.

The Board of Directors of the Company consider that the appointment of Shri B.S.Sharma would be in the interest of the Company in view of his knowledge and experience and in view of his nomination by UTI which through its various schemes holds 14.21% in the Equity Share Capital of the Company, recommends the Resolution as set out in item no. 4 of this notice.

Except for Shri B.S.Sharma, no other director is interested in the aforesaid Resolution.

**Item No.5:** Shri Padam Kumar Khaitan had been appointed as Director in the casual vacancy caused by the resignation of Shri P.L.Agarwal with effect from 28.1.2003. Pursuant to Section 262 of the Companies Act, 1956, Shri Padam Kumar Khaitan 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 Padam Kumar Khaitan as a Director of the Company.

Shri Padam Kumar Khaitan, aged 50 years is a leading advocate and partner of a law firm, Khaitan & Co., Advocates & Notaries, Kolkata. He has over 26 years experience as a lawyer and his areas of expertise relate to Corporate matters in the Commercial, Financial, Banking and Taxation fields, Joint Ventures, Foreign Collaboration and Investment, Litigation, Arbitration, Real Estate, Ecology & Environment, Labour, Projects, Estates and Trusts and clientele work for individuals. He is on the Board of Directors of Cheviot Agro Industries Ltd., Dalmia Securities Pvt. Ltd., Hamilton Research & Technology Ltd., Rungamatttee Tea & Industries Ltd., Shauma Vanija Pratisthan Ltd., Williamson Magor & Co. Ltd., Window Glass Ltd., Woodside Parks Ltd., Manjushree Plantations Ltd., Khaitan & Co. Consulting Pvt. Ltd. and Kilburn Chemicals Ltd.



The Board of Directors of the Company consider that the appointment of Shri Padam Kumar Khaitan would be in the interest of the Company in view of his knowledge and experience and accordingly, recommend the Resolution set out in item no. 5 of this notice.

Except for Shri Padam Kumar Khaitan, no other director is interested in the aforesaid Resolution.

**Item No.6:** The Company has been availing working capital limits both fund and non-fund based from State Bank of Mysore, State Bank of India and The Federal Bank Ltd. The said working capital facilities are reviewed annually. The Company has availed/proposes to avail working capital facilities from the Banks to the extent of Rs.9,300 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. 7:** 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 to Members (other than Promoters, Persons deemed to be acting in concert, Directors and Key Management Persons), Industrial Development Bank of India and other Financial Institutions, Banks, Mutual Funds, Asset Management Companies, 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 (IDBI) 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 and again at the Annual General Meeting held on 26.9.02 but could not be acted upon on account of non-receipt of IDBI's formal letter.

The listing agreements 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.

The Company is advised that the said issue, the pricing and the terms thereof and allotment will need to be in accordance with the Guidelines for Preferential Issues 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. In accordance with the aforesaid SEBI Guidelines, the following information is furnished:

i. **Objects of the issue through Preferential Offer** : For strengthening the long term resource base of the Company including for meeting working capital needs.

ii. **Intention of Promoters/Directors/Key Management Persons to subscribe to the offer** : The offer is not being made to these entities.

iii. **Shareholding pattern - Equity Shares**

	Existing As on 28.6.03		Proposed Issue		Post Issue	
	No. of Equity Shares	%	No. of Equity Shares	%	No. of Equity Shares	%
a. Promoters and Persons Deemed to be Acting in Concert	22433116	32.65	-	-	22433116	23.94
b. Directors (other than in a. above) and key management persons	24590	0.04	-	-	24590	0.03
c. Institutional Investors						
- IDBI	-	-	4768350	19.07	4768350	5.09
- IFCI/CICI Bank	13523230	19.69	-	-	-	-
- UTI and Mutual Funds	10376158	15.10	-	-	-	-
- Banks and Insurance Companies	7262544	10.57	-	-	-	-
- Foreign Institutional Investors	1705222	2.48	-	-	-	-
			20231650	80.93	66475156	70.94
d. Others						
- Private Corporate Bodies	1568568	2.28	-	-	-	-
- NRIs/OCBs	1936666	2.82	-	-	-	-
- Indian Public	9871118	14.37	-	-	-	-
<b>Total Equity Shares</b>	<b>68701212</b>	<b>100.00</b>	<b>25000000</b>	<b>100.00</b>	<b>93701212</b>	<b>100.00</b>

iv. **The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them.** : Members (other than Promoters, Persons deemed to be acting in concert, Directors and Key Management Persons), Industrial Development Bank of India and other Financial Institutions, Banks, Mutual Funds, Asset Management Companies, 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 post preferential issue capital that may be held by them is as indicated above.

v. **Proposed time within which the allotment shall be completed.** : Within three months from the date of passing of the Special Resolution.



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 any of the actual terms of issue vary.

The Directors nominated by the Financial Institutions including the Director nominated by Industrial Development Bank of India may be deemed to be interested in the said Resolution.

**Item No.8:** The Equity Shares of the Company are listed on the Stock Exchanges at Bangalore, Chennai, Kolkata, Mumbai and the National Stock Exchange. It had been observed that bulk of the trading of the shares of the Company takes place on the Stock Exchange, Mumbai and National Stock Exchange, Mumbai and there has been no or negligible trading of Company's shares on the other Stock Exchanges. 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. The Company has, therefore, proposed delisting of its shares in accordance with SEBI (Delisting of Securities) Guidelines, 2003 from The Madras Stock Exchange Ltd., Chennai and The Calcutta Stock Exchange Association Ltd., Kolkata. The said guidelines permit the Company to delist its shares from the Stock Exchanges at Chennai and Kolkata without providing an exit opportunity provided the Company's shares continue to be listed on a stock exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai (BSE) or National Stock Exchange (NSE). The Company's Shares are and will continue to be listed on the Bangalore Stock Exchange as well as BSE and NSE which have nationwide trading terminals and therefore, for the purpose of delisting from Madras Stock Exchange Ltd. and The Calcutta Stock Exchange Association Ltd. there is no intention on the part of the Company to provide any exit option to those shareholders of the regions where the said Stock Exchanges are situated. Accordingly, approval of the members is sought by way of a Special Resolution for delisting the shares of the Company from the Stock Exchanges at Chennai and Kolkata.

The Company will comply with the other formalities specified in the SEBI Guidelines. The Shareholders/Investors in this region will not suffer due to delisting with the continued listing on The Stock Exchange, Mumbai and National Stock Exchange as a result of which they will have ready access to the nationwide market for securities. The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by the members.

**Item No.9:** The Company has appointed Alpha Systems Pvt. Ltd., Bangalore : 560 003 as Registrars and Share Transfer Agents, for both physical and electronic segments of its share related work. It would, therefore, be imperative to keep the records and other related documents at the office of the said Registrars & Share Transfer Agents. In terms of Section 163(1) of the Act, a Special Resolution is required for keeping the records of members and other related documents at a place other than the Registered Office of the Company. The Board, therefore, recommends the Special Resolution for the approval of the members.

An advance copy of the Special Resolution set out in the accompanying notice is being delivered to the Registrar of Companies, Karnataka, Bangalore, as required under the Companies Act.

#### 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:

- Notices dtd. 27.6.03 and 19.6.03 received under Section 257 of the Act referred to in item nos. 4 & 5 respectively.
- Letters No. H.O.CFD-II.01.B-18/229 dtd. 30.3.01 and H.O. CFD-II/B.18/3515 dtd. 19.3.03 from Industrial Development Bank of India and other correspondence/certificate in connection with the proposed issue of Equity Shares/Financial Instruments.
- Memorandum and Articles of Association of the Company.

#### DISCLOSURE OF INTEREST

Save and except as stated in item nos. 2, 4, 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  
28<sup>th</sup> June, 2003

By Order of the Board

G.K.SUREKA  
Company Secretary

## DIRECTORS' REPORT TO THE SHARE HOLDERS

We present our 44<sup>th</sup> Annual Report together with the audited Accounts of the Company for the year ended 31.3.2003.

### SALES & GENERAL

Gross sales of the Company increased to 424 crs. during the year reflecting an increase of 17.5% over the previous year.

Housing has been the main driver of growth in cement consumption both in urban and rural areas supported by availability of housing finance at attractive interest rates and income tax incentives offered by the Government. The initiatives of the Government in upgradation of the national highways and laying of rural roads has helped in generating additional cement demand which is expected to be in the range of 4 mil. tons per year for the next 3 - 4 years.

Overall demand for cement in the country grew by 8.74% over the last year to 111 mil. tons; in our case we are glad to report that there was all-round improvement in operating parameters.

Cement production and despatches of the Company were as under:

	2002-03	2001-02
	MTs	MTs
Production	20,70,501	17,78,658
Despatches	20,58,095	17,76,898

Capacity utilisation was 99% against 85% of last year and Industry's average of 81%.

It will be seen that the production of cement by the Company has exceeded the 2 mil. level for the first time and we are hopeful that there will be further increase in the current year. Productivity levels at all the plants of the Company, more particularly in the North, have reflected satisfactory increase which resulted in this improvement.

Consumption norms of both electric power and fuel recorded satisfactory improvements and alongwith further steps taken by the Management resulted in appropriate reductions in costs all round. It is therefore extremely unfortunate that the anticipated recovery has been delayed because of a net fall in cement price realisation during the year. It now seems that the supply-demand imbalance has been largely overcome, more particularly in the Northern half of the country where we have the major part of our production. However, due to severe drought in the country in 2002, conditions in the Northern part of the country were greatly disturbed which caused the fall in prices. Some improvement has since taken place and we are now looking forward to steady improvement in prices post-monsoons, particularly as no major capacity additions are expected soon. The ongoing consolidation being witnessed in the Industry is expected to have a lasting positive impact.

Thus, inspite of the success achieved in all-round cost cutting besides improvement in production and productivity during the year, our losses were more due to prices being even lower than the previous year.

With the above background, it will be seen that the overall performance of the Company was satisfactory, more so in view of the severe constraints in working capital availability faced throughout, apart from lower than last year cement prices.

The Management Discussion and Analysis Report covers all these aspects and is annexed hereto.

### ACCOUNTS & FINANCE

	Amount Lac Rs.	Amount Lac Rs.
Working for the year resulted in a surplus of		1644.45
From which are subtracted:		
- Financial Charges	3092.83	
- Depreciation	2093.14	
		(5185.97)
Resulting in a net loss for the year of		(3541.52)
From this are subtracted:		
- Prior Period Adjustment (Net)	(24.48)	
- Investment Allowance Reserve no longer required	1461.00	
- Deferred Tax Credit	1121.68	
		2558.20
		(983.32)
to which is added loss b/f from the previous year		(19075.84)
resulting in a total loss of		(20059.16)

which is carried to the Balance Sheet.

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

The issue of 47,68,350 Equity Shares of Rs.10/- each at par on preferential basis to IDBI as per the restructuring scheme could not be completed within the validity of your approval. Hence, a fresh Special Resolution under Section 81(1A) of the Companies Act, 1956 has been proposed in the accompanying notice of the Annual General Meeting.

In terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, Rs.53.37 lacs of unpaid / unclaimed Deposits, Debenture Redemption amounts and interest etc. thereon, were transferred during the year to the Investor Education and Protection Fund.

### STATUTORY INFORMATION & OTHER MATTERS

Fixed Deposits received and outstanding as on 31.3.2003 stood at Rs.80.93 lacs. Deposits amounting to Rs.2.26 lacs due for repayment on or before 31.3.2003 remained unclaimed by the depositors at that date, of which Rs.1.35 lacs has since been repaid/deposited with the Investor Education and Protection Fund. 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 the 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 the 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.

#### LISTING OF COMPANY SHARES

Presently, the Equity Shares of the Company are listed on the Stock Exchanges at Bangalore, Chennai, Kolkata, Mumbai and the National Stock Exchange. It has been observed that bulk of the trading in the Company's Shares takes place on the Stock Exchange, Mumbai and the National Stock Exchange which have nation wide trading terminals and there is no or very negligible trading on the other stock exchanges. As such, though the Company is incurring listing fee and other expenses, no commensurate benefit is derived by the shareholders with the continued listing of the Company's Shares on the Stock Exchanges at Chennai and Kolkata. Therefore, in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, it is proposed to voluntarily delist the Company's Shares from the said Stock Exchanges and to obtain your approval to the same, a Special Resolution has been included in the notice for the Annual General Meeting.

#### EMPLOYEES

Industrial relations remained 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 despite the extremely

trying times and we record our sincere appreciation of their dedication and loyalty.

#### DIRECTORS

Shri P.L. Agarwal and Shri Izak Davidi resigned from the Board and Shri Padam Kumar Khaitan and Shri Hertzal Ozer (to represent the strategic collaborator, M/s. Neshar Israel Cement Enterprises Ltd., Israel) respectively were appointed in the casual vacancies so caused. We place on record our sincerest appreciation for the advice and guidance tendered by Shri Agarwal and Shri Davidi during their respective tenures.

Shri Sidharth Birla and Dr. V.K. Gangwal retire by rotation and being eligible, offer themselves for re-election.

Consequent to the repeal of UTI Act, 1963, Shri B.S.Sharma (nominee of UTI) is proposed to be appointed as Director liable to retire by rotation at the forthcoming Annual General Meeting for which the Company has received notice u/s. 257 of the Companies Act, 1956.

Shri Padam Kumar Khaitan was appointed in the casual vacancy caused by the resignation of Shri PL Agarwal and holds office up to the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 proposing Shri Padam Kumar Khaitan for appointment.

#### CONCLUSION

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

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

For and on behalf of the Board

Bangalore  
28th June, 2003

S.K.BIRLA  
Chairman



## 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 the best possible service 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, the Company for the first time in its history crossed the 2 mil. tons mark both for production and despatches. However, the results of the Company were affected because of the continuing un-remunerative prices prevailing in most of its principal markets besides severe Working Capital constraints. The Industry added another 5 mil. tons capacity during the year which slowed down correction of the demand-supply imbalance. The total installed capacity of the industry including the addition of another 2 mil. tons till date this year stands at 141 mil. tons.

The proposal for implementation of VAT and the consequential withdrawal of Sales Tax exemptions (which was to be replaced by a deferral scheme) resulted in some of the cement producers enjoying tax exemptions selling cement even below their direct variable cost to avail of maximum exemption benefit before 1.4.2003 without having any major impact on their cash flows, but this affected the over-all market sentiments which were already depressed due to the continuing over hang of excess supply. However, cessation of granting fresh sales-tax exemption as a State policy can only have a positive effect on prices.

The ongoing consolidation being witnessed in the Industry is expected to have a lasting positive impact.

Despite the acute Working Capital constraints faced by us we were able to improve our over-all capacity utilization to 99% against last year's 85% and Industry's average of 81% for the year. Blended cement production was also higher at 89% against 85% of last year and Industry's average of 49% for the year. The higher capacity utilization besides, increased blended cement production and all-round efforts to control cost helped in curtailing losses inspite of the Rs.146 per ton reduction in realisation compared to the previous financial year and the steep increase in cost of petroleum products, which had a major impact on our cost of production.

The Company continued its focus on identifying and overcoming technical, logistics and other issues for efficiency improvement in consultation with experts and with inputs from outside agencies. Introduction of new cost cutting measures and continuous monitoring of logistics management besides structured marketing efforts to step up sales in primary market and rationalizing employment yielded good results. Plant operating norms and efficiencies have improved all-round.

Damoh Unit received the following prizes from the Madhya Pradesh Chamber of Cement Manufacturers during 2001-02:

First Prize for Line-II for :

- Maximum % reduction in thermal energy.
- Maximum % reduction in electrical energy per tonne of clinker.
- Maximum % reduction in electrical energy per tonne of cement.
- Lowest electrical energy consumption per tonne of clinker in non vertical roller mill category.

Second Prize for Line-I for :

- Maximum % reduction in electrical energy per tonne of clinker.
- Maximum % reduction in electrical energy per tonne of cement.
- Lowest electrical energy consumption per tonne of clinker in non vertical roller mill category.

Damoh Mines also won the First prize for Reclamation & Rehabilitation and Top Soil management and Second prize for Management of Sub-Grade Minerals 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 Note no.16 of Schedule Q to the Accounts and a summary is given in the table below.

Increase in production came about mainly by improvements achieved in plant productivity and also due to improved production at Ammasandra which was affected last year because of a 108 days stoppage due to the labour situation.

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.

Buoyed by a revival in the Steel sector and the continuing growth in the Cement sector, the six core infrastructure industries recorded an impressive growth of 5.2% during 2002-03 compared to 3.5% in the previous year. This in turn helped Indian Industry register a 5.8% growth in 2002-03 compared to 2.7% in 2001-02. However, the GDP grew by only 4% compared to 5.4% in the previous year as agricultural sector, which had notched up an impressive 6.5% growth in 2001-02 recorded a negative growth in 2002-03 due to below average and erratic monsoon in most parts of the country.

Cement Industry with a total production of 111.35 mil. tons in 2002-03 recorded a growth of 8.74% compared to the previous year. This after a growth of 9.39% in 2001-02 augurs well for the Industry. With the Union Budget 2003-04 giving added impetus to infrastructure development and with the continuing focus on road projects besides

Units	2002-2003		2001-2002		CHANGE IN %	
	Production Lac MTs.	Sales Lac Rs.	Production Lac MTs.	Sales Lac Rs.	Production	Sales
Ammasandra	3.68	6426.90	3.02	6212.70	21.77	3.45
Damoh	8.98	19086.40	7.76	15975.15	15.68	19.48
Jhansi	8.05	15134.32	7.00	13894.86	14.90	8.92
Total	20.71	40647.62	17.78	36082.71	16.41	12.65
Net Realisation (Rs./t)		1234		1380		(10.58)

\*including clinker sale of Rs.626.30 lacs but excluding Real Estate Division sales of Rs.1754.28 lacs.