

*Mysore Cements Limited*

**Annual Report  
2004-05**



## FORTY SIXTH ANNUAL REPORT 2004-2005

### BOARD OF DIRECTORS

Shri S.K.Birla

*Chairman*

Shri Sidharth Birla

*Vice Chairman*

Dr. V.K.Gangwal

Shri A. Ghosh - *Nominee of IDBI*

Shri A.S. Shankare Gowda

Shri H.K. Kejriwal

Shri Padam Kumar Khaitan

Shri N.U.Nampoothiri - *Nominee of IFCI*

Shri M.V.Satya Prasad - *Nominee of  
ICICI Bank*

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  
KARNATAKA

### PLANTS

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

### REGISTRARS & SHARE TRANSFER AGENTS

M/s. Alpha Systems Pvt. Ltd.  
30, Ramana Residency,  
4th Cross, Sampige Road,  
Malleswaram  
Bangalore - 560 003

### BOARD COMMITTEES

#### Audit Committee

Dr. V.K.Gangwal - Chairman

Shri A.S.Shankare Gowda

Shri H.K.Kejriwal

Shri M.V.Satya Prasad

#### 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 N.L.Hamirwasia

### Remuneration & Nomination Committee

Dr. V.K.Gangwal - Chairman

Shri A.S.Shankare Gowda

Shri H.K.Kejriwal

### BANKERS

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

### AUDITOR

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)*

Shri G.Sundaresan

*General Manager (Finance)*

### CEMENT DIVISION

#### AMMASANDRA UNIT

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 Jagdish Mehta

*Vice President (Technical)*

Shri S.M. Jain

*General Manager (Imlai Grinding Unit)*

Shri R.N. Rai

*General Manager (Mines)*

Shri R.S.Shekhawat

*General Manager (Legal & Personnel)*

#### JHANSI UNIT

Shri Alok Mehrotra

*Joint President*

Shri O.K. Jogi

*Vice President (Technical)*

#### THERMAL POWER PLANT

Shri A.K.Singh

*Dy. General Manager (Power Plant)*

### SPONGE IRON DIVISION

Shri Raj Kumar Sharma

*General Manager (DRI Plant)*





## NOTICE TO MEMBERS

NOTICE is hereby given that the 46<sup>th</sup> Annual General Meeting of Mysore Cements Limited (earlier scheduled for 29<sup>th</sup> September 2005) will now be held at **3.30 p.m. on Wednesday, the 21<sup>st</sup> September, 2005** at Gurunank Bhavan, No.6, Vasanth Nagar, Jasma Bhavan Road, Bangalore : 560 052 to transact the following business:

1. To consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2005 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 Shri H.K.Kejriwal 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.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 education cess as well as 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. 8 passed as an Ordinary Resolution by the Members of the Company at the Annual General Meeting held on 29<sup>th</sup> September, 2004, 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.9,300/- 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/Banks or in such manner as may be agreed to and as may be thought expedient by the Board."

#### 5. 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 including Financial Institutions 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 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 offer, issue and allot on preferential basis in accordance with Chapter XIII (Guidelines for Preferential Issues) of Securities & Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time Equity Shares of Rs.10/- each and/or any other Financial Instruments, whether fully or partly convertible and/or warrants with entitlement to apply for Equity Shares as the Board at its sole discretion may at any time hereafter decide to Domestic/Foreign Institutions/Institutional Investors, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, insurance Companies, Pension Funds, individuals or otherwise, whether shareholders of the Company or not, and including the Promoters for an aggregate amount not exceeding Rs.2000 lacs (including premium, if any) on such terms and conditions including pricing and premium thereon and in one or more tranches as the Board at its sole discretion may deem fit provided that the price of the Equity Shares to be allotted against the warrants shall be determined in terms of the aforesaid Guidelines with the relevant date being considered as 22<sup>nd</sup> August, 2005

RESOLVED FURTHER that the Board be and is hereby authorised to offer, issue 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 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 16.9.2005 to 29.9.2005 (both days inclusive).

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

By Order of the Board

22<sup>nd</sup> August, 2005

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, 4th Cross, Sampige Road.



## MYSORE CEMENTS LIMITED

**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. (CDSL) 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 Registrars 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, unclaimed dividends are required to 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. 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 transferred to the Fund and no payment shall be made in respect of any such claim thereafter. Unclaimed dividends for the Financial Years 1995-96 and 1996-97 have already been transferred to the Fund. No dividend has been declared by the Company thereafter.

- 7.a. 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.

- b. They are also requested to bring their copies of the Annual Report. No additional copies of the Report will be distributed at the Meeting.

8. Members holding Shares in the same name but under different Ledger Folios are requested to apply for consolidation of such folios and send the relevant Share Certificates to the Registrars & Share Transfer Agents of the Company M/s. Alpha Systems Pvt. Ltd. for endorsement of the consolidated folio number.

9. For any further information regarding the aforesaid Accounts, advance intimation be given and the Members are requested to ensure that the same reaches the Registered Office of the Company at least 15 days before the date of the ensuing Annual General Meeting.

10. **EXPLANATORY STATEMENT** pursuant to Section 173 of the Companies Act, 1956 ('the Act' 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 48 years is a Science Honours Graduate and holds a Master's degree in Business Administration from IMD, Lausanne, Switzerland. He has also completed the Owner - President Management Programme (DPM 33) of the Harvard Business School, Boston, U.S.A. He has extensive experience of over 26 years in the fields of Finance, Marketing, General Management, Board level Corporate Governance, Company Law, Strategic Issues, Corporate & Financial Structuring, Resource Mobilisation. Shri Sidharth Birla is Chairman of Xpro India Ltd. and Texpro Films Pvt Ltd. Besides, he is the Vice-Chairman of Birla VXL Ltd. He is also on the Board of Directors of Suttley Cotton Mills Supply Agency Ltd. and Xpro Global Ltd.

Shri Sidharth Birla is the Vice-Chairman of the Board of Directors as well as a member of the Committee of Directors of our Company. Besides being Member of the Committee of Directors and Chairman of the

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.

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

**Shri H.K. Kejriwal**, aged 79 years, is an industrialist. He has vast experience in the fields of industry and business. Shri H.K. Kejriwal is a director of J.L.Morrison (India) Ltd., Speciality Textiles & Exports Ltd., Birla Global Infotech Pvt Ltd., Birla Vision.com Pvt Ltd. and Granites & Minerals Pvt Ltd. He has been closely associated with art and cultural activities particularly, Karnataka Chitrakala Parishath, Bangalore and is Vice-Chairman of Bharatiya Vidya Bhavan, 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. He is also a member of the Audit Committee of J.L.Morrison (India) Ltd.

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 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 (excluding 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 Special Resolution relates to a proposal to issue, offer and allot on preferential basis Equity Shares of Rs.10/- each and/or Financial Instruments fully or partly convertible and/or warrants with entitlement to apply for Equity Shares to Domestic/ Foreign Institutions/Institutional Investors, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, individuals or otherwise, whether shareholders of the Company or not, and including the Promoters for an aggregate amount not exceeding Rs.2,000 lacs (including premium, if any).

The listing agreement with the Stock Exchanges where the shares of the Company are listed provides 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 Chapter XIII (Guidelines for Preferential Issues) of Securities & Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time 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  | To augment the long term working capital financial resources of the Company.   |
| ii. Intention of promoters / directors / key management persons to subscribe to the offer | The Promoters Group through their group company, Central India General Agents Ltd. and/or its nominee(s) intend to subscribe upto 19,00,000 Equity Shares/ Financial Instruments / Warrants with entitlement to apply for Equity Shares. |



# MYSORE CEMENTS LIMITED

## iii. Shareholding pattern - Equity Shares

	Equity Shareholding		Proposed Issue		Equity Shareholding	
	No. of Shares	%	No. of Shares/ Instruments/ Warrants	%	No. of Shares	%
a. Promoters	20020691	23.77	1900000	31.67	21920691	24.29
b. Directors (other than in a. above) and key management persons	64989	0.08			64989	0.07
c. Institutional Investors						
- ICICI Bank Ltd.	7393715	8.78			7393715	8.19
- Industrial Development Bank of India Ltd.	7139894	8.48			7139894	7.91
- IFCI Ltd.	1500000	1.78			1500000	1.66
- UTI and Mutual Funds	1171837	1.39			1171837	1.30
- Banks (other than those mentioned above) and Insurance Companies	6227736	7.39			6227736	6.90
- Foreign Institutional Investors	1550372	1.84			1550372	1.72
d. Others						
- Private Corporate Bodies	9370968	11.12			9370968	10.39
- Maya Trade Links Ltd.	-	-	4100000	68.33	4100000	4.54
- NRIs/OCBs	2002356	2.38			2002356	2.22
- Indian Public	27792263	32.99			27792263	30.81
Total	84234821	100.00	6000000	100.00	90234821	100.00

- iv. The identity of the proposed allottee and the percentage of post-preferential issue capital that may be held by them.
- In addition to the above proposal of the Promoters Group company, Central India General Agents Ltd. to take upto 19,00,000 Equity Shares/Financial Instruments/Warrants, a Corporate Body namely Maya Trade Links Ltd. (including its nominee(s), if any) have agreed to subscribe upto 41,00,000 Equity Shares/Financial Instruments/Warrants. The post Preferential Issue Capital that is likely to be held by the proposed allottees is as indicated in iii. a and iii. d above on the assumption that they will subscribe to the number of Equity Shares/Financial Instruments/Warrants agreed to be taken up by them.
- applicable price as per the relevant SEBI Guidelines.
- v. Proposed time within which the allotment shall be completed.
- Within 15 days from the date of approval of the Special Resolution. The conversion / allotment against Financial Instruments/Warrants shall be completed within the time allowed under the relevant SEBI Guidelines.

The Board recommends the approval of the Special Resolution by Members.

Shri S.K.Birla, Chairman of the Board of Directors and Shri S.Birla, Vice Chairman of the Board of Directors, who represent the Promoters Group, are deemed to be interested in the aforesaid 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 of Sanction no. IFB/NE-1/MCL/002119 dtd. 18.3.05 from State Bank of Mysore, Industrial Finance Branch, Bangalore.
- Correspondence with Central India General Agents Ltd., and Maya Trade Links Ltd., regarding preferential offer.

## DISCLOSURE OF INTEREST

Save and except as stated in item nos. 2 and 5, 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

By Order of the Board

G.K.SUREKA  
Company Secretary

22<sup>nd</sup> August, 2005

The no. of Equity Shares/Financial Instruments/Warrants entitled to Equity Shares forming part of the proposed issue of upto Rs.2000 lacs (including premium) will depend upon the price to be calculated based on the relevant date 22.08.05 and for the purpose of iii. a & d above, the issue is assumed to be 60,00,000 Equity Shares/Financial Instruments each convertible into 1 Equity Share. Warrants each entitled to 1 Equity Share. The Proposed Issue and Post Issue Shareholding Pattern as indicated above is also based on the said assumption. However, the actual number of Equity Shares/Financial Instruments/Warrants to be issued will depend on the



## DIRECTORS' REPORT TO THE SHARE HOLDERS

We present our 46<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31.3.2005.

## SALES &amp; GENERAL

Gross sales during the year were higher by over 17.5% at Rs.486 Crs. compared to Rs.413 Crs. of the previous year.

Though the financial results unfortunately still continue to be marginally negative, nevertheless the Company has made substantial progress during the year. Despite the several odds faced by us including severe shortage of working capital, operations were well maintained and total despatches increased to a record of 2.22 mil. tonnes (including clinker sale) i.e. an increase of 8.33% over the previous year. Losses were brought down substantially by improved efficiencies and close monitoring and control on costs.

Production and Sales of the Company were as under:

	2004 - 05	2003 - 04
	T	T
<b>CEMENT</b>		
Production		
- Clinker	15,93,121	14,53,220
- Cement	20,34,287	19,84,082
Sales		
- Clinker	1,94,398	45,663
- Cement	20,30,749	20,07,788
Total	22,25,147	20,53,451

Overall Capacity utilisation was 97% as against 95% of the previous year and the Industry's average of 84% for the year. As may be noted, for the third consecutive year, sales have exceeded 2 mil. tonnes level despite severe constraints.

Housing and Infrastructure Development, especially construction of Highways, Power Plants, Ports, Airports and Rural Roads, etc. have been the main drivers of growth of Cement consumption in the last few years. Easy availability of Housing Finance at attractive interest rates coupled with Income Tax incentives, Government thrust on infrastructure and the continuing uptrend in export of

Cement and Clinker should propel the growth at a faster pace. The Industry grew by 6.86% during the year as against 5.52% in 2003-04 and hopes to improve it further to around 8% for this fiscal.

We are hopeful that the performance of the Cement Division will further improve in the current year. Productivity levels of our Northern Units, which accounts around 80% of the sales of the Cement Division, continue to improve. This coupled with the supply - demand imbalance getting evened out in the Northern and Central regions, where we have our major operations, augurs well for the Company's future. Improvement in cement prices, however, came under severe pressure in a number of markets. In South, it even came down below our cost of production for a few months. On the other hand, increasing input costs resulted in our continuing to incur cash losses. The cost of Fuel went up substantially during the year due to increase in administered prices by over 16%, consequently Power cost also rose. The increase in petroleum products prices and upward revision of Railway freight both for inward and outward traffic as well as increase in Royalty on Limestone further pushed the cost. Thus, the increase in cement prices was mostly nullified by these steep hikes.

As reported last year, in view of the continuing pressure on cement prices and to stem the losses, an innovative step was taken by us to convert an old idle Kiln at Ammasandra, to produce Sponge Iron. We are glad to report that our efforts have yielded positive results. For further value addition in the said diversification effort, an Induction Furnace was added which went in to production in March '05. The product has been received well in the market.

This diversification into Ferrous Metals has made a positive contribution to the bottom line and clocked sales over Rs.20 Crs. during the year. Further value addition opportunities in this area are being examined.

Capacity utilisation of Sponge Iron was 65%. The problems being faced in using old equipment are being attended to which should help improve the productivity in due course. Though the capacity is small at 36000 tpa, it has already made a positive contribution to the bottom line.

Improvement in productivity and success achieved in cost cutting in Cement and the contribution from Sponge Iron should show further improvement in the Company's performance in the current year. However, rising petroleum prices would continue to be a source of anxiety.

The Management Discussion and Analysis Report covers various details and is annexed hereto.

	2004 - 05		2003 - 04	
	Amount Lac Rs.	Amount Lac Rs.	Amount Lac Rs.	Amount Lac Rs.
Working for the year resulted in an operational surplus of & extraordinary income of		3672.96	1320.55	
From which are subtracted:			748.44	2068.99
- Finance Charges	(4055.82)		(3556.26)	
- Depreciation	(2028.95)		(2031.29)	
		(6084.77)		(5587.55)
Resulting in a net loss for the year of		(2411.81)		(3518.56)
To which are added:				
- Prior Period Adjustment (Net)	(2.54)		(38.18)	
- Provision for Deferred Tax	(64.33)		(52.86)	
		(66.87)		(91.04)
		(2478.68)		(3609.60)
to which is added loss b/f from the previous year		(23668.76)		(20059.16)
resulting in a total loss of		(26147.44)		(23668.76)

which is carried to the Balance Sheet





## MYSORE CEMENTS LIMITED

In view of the loss, your Directors are unable to recommend any Dividend.

As mentioned in our last report, the net worth of the Company was fully eroded at the end of the previous financial year, thereby attracting the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Accordingly, a reference was made to the Hon'ble Board for Industrial & Financial Reconstruction (BIFR) and the same was registered as case no. 279/2004 on 2.9.2004. The matter will be taken up for hearing in due course by the Hon'ble BIFR for determination of the measures to be adopted by the Company. As the net worth of the Company still stands fully eroded as at the end of the year under report, the Company will comply with such further formalities as may be advised in this regard.

As already reported, 46,48,081 Equity Shares of Rs.10/- each had been allotted on preferential basis to Industrial Development Bank of India Ltd. (IDBI). Besides, the Company has further allotted 33,71,544 Equity Shares of Rs.10/- each at a price of Rs.14.83 per Equity Share (including premium of Rs.4.83) on preferential basis and 11,97,701 numbers of 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each at par to IDBI against their interest dues pursuant to your approvals at the Extraordinary General Meeting held on 21.12.2004. Also, 73,93,715 Equity Shares of Rs.10/- each were allotted on preferential basis to ICICI Bank Ltd. (ICICI) at a price of Rs.27.05 per Equity Share (including premium of Rs.17.05) pursuant to your approval at the Extraordinary General Meeting held on 23.3.2005 in order to redeem 20,00,000 - 17.75% Redeemable Cumulative Preference Shares of Rs.100/- each consequent to the put option exercised by ICICI in respect of the aforesaid Preference Shares. All these have helped to stabilise the Company's position and we are thankful to the Institutions for their pragmatic and constructive approach in the matter.

In terms of the provisions of the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, Rs.3.57 lacs of unpaid / unclaimed Dividends, Deposits and interest thereon, were transferred during the year to the Investor Education and Protection Fund.

### STATUTORY INFORMATION & OTHER MATTERS

Fixed Deposits as on 31.3.2005 of Rs.0.55 lac represent deposits due for redemption on or before 31.3.2005 but which remained unclaimed by the depositors as on the said date. The aforesaid deposits are still outstanding although reminders have been sent to the said depositors.

Details as required under Section 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 the 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 of Cement Division was 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 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.

The Company's application for voluntary delisting of its Equity Shares from The Calcutta Stock Exchange Association Ltd., Kolkata in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and the Special Resolution approved by the shareholders on 29.9.2003 has been accepted as confirmed by the said Stock Exchange on 7.2.2005.

### 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 time and we record our sincere appreciation of their dedication and loyalty.

### DIRECTORS

The nominations of Shri B S Sharma by Unit Trust of India and of Shri R.Ramalingam by General Insurance Corporation to the Board of Directors of the Company have been withdrawn. We place on record our sincere appreciation for the advice and guidance tendered by Shri B.S.Sharma and Shri R.Ramalingam during their respective tenures.

Shri S.Birla and Shri H.K.Kejriwal retire by rotation and being eligible, offer themselves for re-election.

### AUDITOR

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

### CONCLUSION

We are grateful to the Shareholders, Sales Representatives and Stockists of the Company for their co-operation and goodwill. We place on record our sincere appreciation and thanks for the continuing guidance, advice and valuable co-operation of all our Bankers and Financial Institutions.

For and on behalf of the Board

Bangalore  
22<sup>nd</sup> June, 2005

S.K.BIRLA  
Chairman



## MYSORE CEMENTS LIMITED

## 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 products and provide the best possible service to our customers. Our emphasis is to continuously upgrade plant efficiency by employing modern methods and latest technology, to reduce costs and improve productivity. Success has been achieved on all these fronts as detailed here under.

## SEGMENTAL REVIEW AND ANALYSIS

## CEMENT

For the third consecutive year Cement sales (including Clinker) have exceeded the 2 Mil. tonnes mark. Gross sales were higher by over 12% at Rs.464 Cr. as against Rs.413 Cr. of the previous year. Despite the severe working capital constraint the physical performance as well as the operating parameters have been in line with the previous year with overall improved performance.

Capacity utilisation further improved to 97% as against 95% of the previous year and All-India average of the Industry at 84%. Blended Cement production was maintained at 99% of the total as against 56% of Industry for the year. The increase in cement prices for part of the year was to quite an extent nullified by the steep increase in cost of petroleum products, administered price of coal, railway freight for both inward movement of material and outward movement of clinker and cement besides royalty on limestone, the main raw material. However, all round efforts to step up productivity and control costs, helped in curtailing losses.

The Company is continuing its focus on issues related to efficiency improvement both in-house as well as in consultation with experts from external agencies. Introduction of new cost cutting measures, continuous monitoring of logistic management, besides structured marketing efforts to step up sales in high realisation markets and rationalising employment have yielded good results. Plant operating efficiencies have also improved.

A major reason for the loss, as had also been reported earlier, is that our Ammasandra Unit has been, for the past few years, the main drain on the Company's resources. While it has many locational and other advantages - some quantity of our own iron ore reserves, diversification into Sponge Iron, close proximity to its markets etc. - yet as a stand alone Unit, its Cement operations continue to be high cost. This greatly neutralizes the gains of our North Indian Units. Another reason for the losses is the relatively high cost of borrowings. Both these areas are receiving our close attention to work out long term solutions to the problems.

Our Ammasandra Unit was awarded the following prizes:

At Mines level competition.

- First prize in Over-all performance as well as Welfare amenities and Second prize in Heavy Earth Moving equipment Operations and Maintenance.

At Employees Trade test competition.

- First prize for Mines' Mate, Dumper Operator, Blaster, Welder besides Auto Electrician; and
- Second prize for Mines Foreman, Diesel mechanic and First Aid team.

Our Damoh Unit was awarded the following prizes:

- First prize for Reclamation and Rehabilitation as well as Top Soil Management; and
- Third Prize for Management of Sub Grade Minerals besides Over-all performance at the Regional Level for 2004-05.

Damoh Unit also won the First prize for Environment & Ecology and Second Prize for Over all Performance, Machineries, House Keeping and Standard of Working.

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.

In the difficult market conditions observed over the last few years, the Company has, however, consistently increased sales volume in this period. This was possible due to creation of new markets and intensive field work.

Statistical Data attached to the Directors' report reflects the operational norms achieved during the year.

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 implementing 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.

India is the second largest cement producer in the World with a capacity of 152.09 Mil. tonnes as on 31.3.2005. In 2004-05 the industry achieved production of 125.56 Mil. tonnes as against 117.50 Mil. tonnes in the previous year registering a growth of 6.86% compared to 5.52% during 2003-04. Cement despatches were also higher at 6.74% compared to 5.55% in the previous year. Both clinker and cement export also recorded high growth rates of 21.13% and 6.21% respectively.

Units	2004-05		2003-04		% Chg.	
	Sales Qty. Lac MTs.	Sales Value Lac Rs.	Sales Qty. Lac MTs.	Sales Value Lac Rs.	Quantity	Value
<b>Cement</b>						
Ammasandra	3.63	6811.47	3.75	6849.38	(3.20)	(0.55)
Damoh	9.34	20448.48	7.84	16962.20	19.13	20.55
Jhansi	7.34	16337.82	8.49	16969.18	(13.55)	(3.72)
Total	20.31	43597.77	20.08	40780.76	1.15	6.91
<b>Clinker Sold</b>						
Ammasandra	0.09	146.79	0.08	131.39	12.50	11.72
Damoh	1.25	2694.15	0.38	404.98	386.84	565.26
	1.94	2840.94	0.46	536.37	321.47	429.66
<b>TOTAL</b>	<b>22.25</b>	<b>46438.71</b>	<b>20.54</b>	<b>41317.13</b>	<b>8.33</b>	<b>12.40</b>
Net Realisation(Rs./t)		1389		1253		10.85





## MYSORE CEMENTS LIMITED

The Cement industry added further 5.71 Mil. tonnes to its capacity during the year of which 80% was by way of expansion of existing plants. This resulted in slowing down the correction of the demand supply imbalance. The position would, however, improve as no major new green field cement project is likely to materialise in the immediate near future because of the withdrawal of fiscal incentives by the State Governments for new units. Besides Government's commitment to promote construction of Housing, Highways, Power Plants, Ports, Airports and improving the rural infrastructure would push the demand further thereby the surplus cement availability would get absorbed soon. This would help in firming up of Cement prices which along with Value Added Tax to be implemented by other remaining States including Uttar Pradesh and Madhya Pradesh where we have our major capacities should have a positive impact on our operating margins. Increase in cost of petroleum products and Government administered price of Coal, Power and Railway freight would continue to be a cause of anxiety.

### **SPONGE IRON**

The Sponge Iron plant at Ammasandra Unit was commissioned in April 2004. In the first year of operations itself it has achieved 65% capacity utilisation. The production was 19532 MTs and sales was 17786 MTs. The product was well accepted in the market. It achieved a turnover of Rs 20 Cr. The capacity utilisation would have been higher had availability of coal against the recommended allotment by the State Authorities been made available by the collieries.

India continues to be the world's largest Sponge Iron producer. It achieved a record production of 10.06 Mil. tonnes in 2004-05. The immediate future for Sponge Iron appears bright. Even its long term prospects, which is linked to the steel sector, is poised for strong growth as the domestic steel sector is likely to perform well in the backdrop of higher economic and industrial growth.

### **MS INGOTS**

The MS Ingot plant was commissioned in March 2005. The production achieved was 502 MTs and sales was 484 MTs. The turnover was Rs 1 Cr. We are hopeful of this segment contributing positively to the Company's performance in the near future because of the steady demand and increasing prices for steel products.

### **REAL ESTATE**

The activities of the Real Estate Division are now confined to acquiring properties against advance given and for disposal of the said properties. During the year, the division had a turnover of Rs.114.88 lacs (Rs.15.07 lacs in 2003-04).

The Company continues to face severe liquidity constraints. IFCI Ltd. has on our request deferred the interest and principal falling due up to 15.4.2005. Industrial Development Bank of India Ltd. (IDBI) also has on our request converted part of their interest dues into Equity and Cumulative Redeemable Preference Shares which has helped to conserve liquidity thereby helping the Company achieve higher capacity utilisation. We thank IFCI and IDBI for their help, understanding and continuing support.

7393715 Equity Shares were allotted to ICICI Bank Ltd. (ICICI) on preferential basis to redeem 2000000 Redeemable Cumulative Preference Shares aggregating Rs.20 Cr. held by them consequent to the put option exercised by ICICI Bank Ltd. in respect of the said Shares. We thank ICICI for their help, understanding and continuing support.

### **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 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 the best quality product to them. 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 product not only conforms to BIS standards but exceeds, through appropriate manufacturing technology and work methods.

### **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 2077 on 31.3.2005, of which Officers and Staff were 647; the figures on 1.4.2004 were 2161 and 686 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 and improved. 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 past several financial years which increased 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 severe operational and financial constraints. We are grateful to our Bankers and Financial Institutions 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 and demand-supply conditions, finished goods prices, raw materials cost and availability, petroleum product prices, cyclical demand patterns 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 monsoon, working capital availability, litigation and industrial relations.

For and on behalf of the Management

Bangalore  
22<sup>nd</sup> June, 2005

N.L. HAMIRWASIA  
Managing Director



## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

Mysore Cements Limited (Mycemco) has since a long time been following the best Corporate practices in maintaining transparency and disclosures, as would be further evident from this Corporate Governance Report.

The 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 conduct. The Board supports principles of good governance and lays emphasis on transparency, integrity and accountability.

### 1. THE BOARD OF DIRECTORS

#### a. Composition

The Board consists of 11 Directors, of which 9 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 the meetings in his absence. Overall management of the Company is vested in the Managing Director subject to the 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 48 years of commercial and industrial experience of which about 40 years have been in the cement industry. He is also 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 25 years of financial and commercial experience. Shri Lodha also looks after the financial affairs of the Company. Each Unit of the Company is headed by senior and experienced officers, who report to the Managing Director/Executive Director as may be relevant, and attend to the day-to-day working of the plants.

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 1/3rd of the Board should comprise of independent Directors. Our Board has 7 (about 2/3rd) independent Directors, including three nominees of Banks/Institutions who are considered to be independent. The nominees of the Banks/Financial Institutions are Shri M.V.Satya Prasad, Deputy General Manager of ICICI Bank Ltd. representing ICICI Bank, Shri A.Ghosh, formerly Banker and Dy.Governor of Reserve Bank of India representing Industrial Development Bank of India Ltd. and Shri N.U. Nampoothiri, Dy. General Manager(Law) of IFCL Ltd. representing IFCL. The other four independent Directors are Dr.V.K.Gangwal (Industrialist), Shri A.S.Shankare Gowda (Coffee Planter), Shri H.K.Kejriwal (Industrialist) and Shri Padam Kumar Khaitan (Lawyer).

Shri R.Pichai, who was an independent director on the Board, did not seek re-appointment due to personal reasons at the Annual General Meeting held on 29.9.2004 and the Company has decided not to fill the aforesaid vacancy. UTI and GIC have withdrawn the nominations of Shri B.S.Sharma and Shri R.Ramalingam respectively.

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 Shri S.K.Birla and Shri Sidharth Birla, none of the Directors are related.

The independent Directors play due 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 and 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 appointment again at the end of their term. The Directors nominated by the Institutions do not retire if the said Institutions are governed by special enactments which over-ride the provisions of the Companies Act. 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 other Board committees.

Director	Category	Board Attendance	B/C/Ch	Sitting fees Rs.
Shri S.K.Birla	P	4/7	7/-/-	36,000
Shri S.Birla	P	4/7	4/1/-	24,000
Dr.V.K.Gangwal	I	3/7	-/-/-	20,000
Shri A.Ghosh	I/N	6/7	11/6/5	24,000
Shri A.S.Shankare Gowda	I	7/7	-/-/-	1,16,000
Shri H.K.Kejriwal	I	5/7	1/1/-	1,80,000
Shri Padam Kumar Khaitan	I	4/7	9/4/3	16,000
Shri N.U.Nampoothiri	I/N	5/6	2/-/-	20,000
(Nominated w.e.f. 28.6.2004)				
Shri R.Pichai	I	4/4	-/-/-	48,000
(Retired w.e.f.29.09.2004)				
Shri G.J.Prasad	I/N	1/1	3/3/-	4,000
(Nomination withdrawn w.e.f.28.6.2004)				
Shri M.V.Satya Prasad	I/N	6/7	1/-/-	44,000
Shri R.Ramalingam	I/N	7/7	-/-/-	28,000
(Nomination withdrawn effective 9.6.2005)				
Shri B.S.Sharma	I/N	6/7	-/-/-	24,000
(Nomination withdrawn effective 9.6.2005)				
Shri N.L.Hamirwasia	E	7/7	3/-/-	-
Shri Nirbhaya Lodha	E	7/7	-/-/-	-

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

Notation : P=Promoter, I=Independent, 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 and foreign companies).

#### 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