

# ANNUAL REPORT - 2006



**MYSORE CEMENTS LIMITED**  
**HEIDELBERGCEMENT Group**

## BOARD OF DIRECTORS

**Mr. S.K. Birla**

*Chairman*

**Dr. Bernd Scheifele**

**Dr. Lorenz Nager**

**Mr. Daniel Gauthier**

**Mr. Sidharth Birla**

**Mr. Amitabha Ghosh**

**Mr. P.G. Mankad**

**Mr. Shardul Shroff**

**Mr. S. Krishna Kumar**

**Mr. Ashish Kumar Guha**

*Managing Director*

## PLANTS

Ammasandra (Karnataka)

Damoh (Madhya Pradesh)

Jhansi (Uttar Pradesh)

## BANKERS

State Bank of Mysore

State Bank of India

Standard Chartered Bank

## AUDITORS

M/s. S. R. Batliboi & Associates

Chartered Accountants

## CHIEF FINANCIAL OFFICER

Mr. Bradley Reginald Taylor

## REGISTRARS & SHARE

### TRANSFER AGENTS

M/s Alpha Systems Pvt. Ltd

30, Ramana Residency,

4<sup>th</sup> Cross, Sampige Road,

Malleswaram,

Bangalore – 560 003

## REGISTERED OFFICE

P.O. Ammasandra

Taluk Turuvekere

District Tumkur

Karnataka – 572 211

## CORPORATE OFFICE

9<sup>th</sup> Floor, Tower 'C',

Infinity Towers

DLF Cyber City, Phase-II

Gurgaon, Haryana – 122 002

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# Mysore Cements Limited

Regd. Office: P.O. Ammasandra, Distt. Tumkur, Taluk Turuvekere, Karnataka-572211

## NOTICE TO MEMBERS

NOTICE is hereby given that the 48<sup>th</sup> Annual General Meeting of the Company will be held at 1.30 P.M. on Thursday, the 14<sup>th</sup> June 2007 at Mysore Cements Employees Staff Club Auditorium, P.O. Ammasandra, District Tumkur, Taluk Turuvekere, Karnataka – 572211, to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company consisting of the Balance Sheet as at 31<sup>st</sup> December 2006 and the Profit and Loss Account for the nine months period ended on that date including notes thereto together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sidharth Birla who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution:  
"RESOLVED that M/s. S.R. Batliboi & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, M/s. S.R. Batliboi & Associates, Chartered Accountants, to hold office from the conclusion of the 48<sup>th</sup> Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of service tax and all out of pocket expenses in connection with Audit of the accounts of the Company."

### SPECIAL BUSINESS

4. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution:  
"RESOLVED that Mr. Amitabha Ghosh, who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 19<sup>th</sup> October 2006 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director, be and is hereby appointed as a Director liable to retire by rotation."
5. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution:  
"RESOLVED that Mr. P.G. Mankad, who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 19<sup>th</sup> October 2006 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director, be and is hereby appointed as a Director liable to retire by rotation."
6. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution:  
"RESOLVED that Mr. Shardul Shroff, who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 19<sup>th</sup> October 2006 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director, be and is hereby appointed as a Director liable to retire by rotation."
7. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution:  
"RESOLVED that pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 or any statutory modification thereof, the appointment of Mr. Ashish Kumar Guha as Managing Director of the Company without any remuneration for a period of five years w.e.f. 23<sup>rd</sup> August 2006 be and is hereby approved."
8. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution:  
"RESOLVED that Mr. S. Krishna Kumar, who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 19<sup>th</sup> April 2007 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director, be and is hereby appointed as a Director liable to retire by rotation."
9. To consider and if thought fit to pass, with or without modification(s) the following as Ordinary Resolution :  
"RESOLVED THAT the Board of Directors of the Company, be and is hereby authorized pursuant to Section 293(1)(e) of the Companies Act, 1956 to make contributions / donations from time to time, to any institute, society, trust, person, body or fund for any charitable or other purpose not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will, in any financial year, not exceed Rs. 15,00,000 (Rupees Fifteen Lacs only) or up to five percent of the average net profits of the Company as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding the financial year in which contribution / donation is to be made, which ever is greater."

BY ORDER OF THE BOARD

Date : 19<sup>th</sup> April 2007  
Corporate Office:  
9<sup>th</sup> Floor, Tower 'C', Infinity Towers,  
DLF Cyber City, Phase – II,  
Gurgaon - 122002, Haryana.

Sd/-  
Rajesh Relan  
Jt. Company Secretary

**NOTES :**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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.**
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 / Code for Corporate Governance is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 01.06.2007 to 14.06.2007 (both days inclusive).
4. The share transfer instruments, complete in all respects, should be sent to the Registrars & Share Transfer Agents, M/s. Alpha Systems Pvt. Ltd., 30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore, 560 003 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.
5. 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.
6. Members who continue to hold shares in physical form are requested to intimate any change in their address to the Registrars & Share Transfer Agents 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.
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.  
(b) Members are also requested to bring their copies of the Annual Report. No additional copies of the Annual 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 for endorsement of the consolidated folio number.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 / Code for Corporate Governance.****Item No. 2:**

Brief resume of Mr. Sidharth Birla who is proposed to be re-appointed is given below:

Mr. Sidharth Birla, aged 49 years is B.Sc from Calcutta University and MBA from IMD, Lausanne, Switzerland. Mr. Birla has expertise in the areas of Finance, Marketing, Corporate & Financial Restructuring and Resource Mobilisation.

Mr. Sidharth Birla is on the Board of Directors of Birla VXL Ltd., Sutlej Cotton Mills Supply Agency Ltd., Xpro India Ltd., Xpro Global Ltd. and Texpro Films Pvt. Ltd.

Mr. Sidharth Birla is Member of Remuneration & Nomination Committee of Directors of Xpro India Ltd.

Except Mr. Sidharth Birla, none of the other directors may be deemed to be concerned or interested in the proposed resolution. The Board of Directors recommends the re-appointment of Mr. Sidharth Birla, by the shareholders.

**Item No. 3 :**

At the 47th Annual General Meeting (AGM) of the Company held on 11th September 2006, M/s. S.R. Batliboi & Associates, Chartered Accountants, were appointed as Auditors of the Company from the conclusion of the said AGM until the conclusion of the next AGM. M/s. S.R. Batliboi & Associates have vide their letter dated 1st February 2007 expressed unwillingness to be re-appointed as Auditors of the Company.

Accordingly, the Board of Directors of the Company at its meeting held on 16th February 2007 has recommended the appointment of M/s. S.R. Batliboi & Co., Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of the 48th AGM until the conclusion of the next Annual General Meeting.

Copy of the letter dated 1st February 2007 of M/s. S.R. Batliboi & Associates, Chartered Accountants, is available for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day of the Company.

None of the Directors of the Company may be deemed to be concerned or interested in the proposed resolution. The resolution is recommended for approval of the shareholders.

**Item No. 4 :**

Mr. Amitabha Ghosh, who was appointed as Additional Director on the Board w.e.f. 19th October 2006 holds office up to the date of the present Annual General Meeting. Requisite Notice under section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Mr. Amitabha Ghosh for appointment as Director of the Company liable to retire by rotation.



Brief resume of Mr. Amitabha Ghosh is given below:

Mr. Amitabha Ghosh, aged 76 years is a Graduate in Commerce, Chartered Accountant and a fellow member of the Indian Institute of Bankers. He has a vast experience in the fields of Finance, Banking and Administration. He has been associated with a number of important institutions and committees. He has held senior positions like Chairman and Managing Director of Allahabad Bank, Dy. Governor of Reserve Bank of India and Governor of Reserve Bank of India. He has been on the Board of important institutions like RBI, IDBI, EXIM Bank, National Institute of Banking Management and also served as Chairman of Deposit Insurance Corporation.

Mr. Amitabha Ghosh is on the Board of Directors of Kesoram Industries Ltd., Peninsula Land Ltd., Orient Paper & Industries Ltd., Shreyas Shipping Ltd., Xpro India Ltd., Zenith Fibres Ltd., Sahara India Financial Corporation Ltd., Sahara India Life Insurance Co. Ltd., Centenary Leasing Company Pvt. Ltd., Palit Consultancy Pvt. Ltd. and Shreyas Relay Systems Ltd.

Mr. Amitabha Ghosh is Chairman & Member of Audit Committee of Directors of Peninsula Land Ltd., Orient Paper & Industries Ltd., Shreyas Shipping Ltd., Sahara India Financial Corporation Ltd., and member of Audit Committee of Directors of Kesoram Industries Ltd. and Sahara India Life Insurance Co. Ltd..

Mr. Amitabha Ghosh is also Chairman & Member of the Audit Committee and Member of Share Transfer and Shareholders / Investors Grievance Committee of the Company.

Except Mr. Amitabha Ghosh, none of the other directors may be deemed to be concerned or interested in the proposed resolution. The resolution is recommended for approval of the shareholders.

#### **Item No. 5 :**

Mr. P.G. Mankad, who was appointed as Additional Director on the Board w.e.f. 19th October 2006 holds office up to the date of the present Annual General Meeting. Requisite Notice under section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Mr. P.G. Mankad for appointment as Director of the Company liable to retire by rotation.

Brief resume of Mr. P.G. Mankad is given below:

Mr. P.G. Mankad, IAS (Retd.) aged 65 years is M.A. and has done Diploma in Development Studies from Cambridge, U.K. He has been Finance Secretary and Secretary Industries in the respective Ministries of the Government of India. He has been Executive Director for India at Asian Development Bank, Manila. He has expertise in the areas of Public Administration & Policy, Finance, Industrial Development & Investment, International Economic Relations and Development Banking.

Mr. P.G. Mankad is on the Board of Directors of Tata International Ltd., Tata Elxsi Ltd., DSP- ML Fund Managers Ltd., M&M FS Ltd., Noida Toll Bridge Company Ltd., Max India Ltd., UB (Holdings) Ltd., Kingfisher Airlines Ltd. and ICRA Ltd.

Mr. P.G. Mankad is Member of the Audit Committee of Tata International Ltd. and DSP- ML Fund Managers Ltd.; Chairman of Shareholders' / Investors' Grievance Committee of M&M FS Ltd. and Member of Shareholders' / Investors' Grievance Committee of Max India Ltd. and Tata Elxsi Ltd.

Mr. P.G. Mankad is also Chairman & Member of the Share Transfer and Shareholders / Investors Grievance Committee and member of Audit Committee of the Company.

Except Mr. P.G. Mankad, none of the other Directors may be deemed to be concerned or interested in the proposed resolution. The resolution is recommended for approval of the shareholders.

#### **Item No. 6 :**

Mr. Shardul Shroff, who was appointed as Additional Director on the Board w.e.f. 19th October 2006 holds office upto the date of the present Annual General Meeting. Requisite Notice under section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Mr. Shardul Shroff for appointment as Director of the Company liable to retire by rotation.

Brief resume of Mr. Shardul Shroff is given below:

Mr. Shardul Shroff, aged 51 years is B.Com (Hons.) and LL.B. Mr. Shroff has been a practicing lawyer with Amarchand & Mangaldas & Suresh A. Shroff since 1980. He is Advocate on Record, Supreme Court of India since July 1985. His areas of specialization include mergers & acquisitions, capital markets, disinvestments and privatization of government shares, project finance, corporate finance and corporate reconstruction. He has served on a number of high-powered committees appointed by the Government of India, including committees on various economic legislations. He was also appointed as one of the advisors to the Planning Commission of India, for preparing a roadmap for reform of infrastructure sector in India. He was also a member of "Dr. J.J. Irani Committee" constituted by the Government for re-drafting of the Companies Act, 1956.

Mr. Shardul Shroff is on the Board of Directors of Infrastructure Development Finance Company Ltd., Apollo Tyres Ltd., NIIT Ltd., Ballarpur Industries Ltd., CMC Ltd., Ashok Leyland Ltd., Amarchand Towers Property Holdings Pvt. Ltd., Amarchand Mangaldas Properties Pvt. Ltd., PSNSS Properties Pvt. Ltd. and Baghbaan Properties Pvt. Ltd.

Mr. Shardul Shroff is Member of the Audit Committee of Infrastructure Development Finance Company Ltd., Apollo Tyres Ltd. & NIIT Ltd.; Member of Shareholders' / Investors' Grievance Committee of Apollo Tyres Ltd. & CMC Ltd. and Chairman of Remuneration / Compensation Committee of NIIT Ltd.

Except Mr. Shardul Shroff, none of the other directors may be deemed to be concerned or interested in the proposed resolution. The resolution is recommended for approval of the shareholders.

**Item No. 7 :**

The Board of Directors of the Company at its meeting held on 23rd August 2006 appointed Mr. Ashish Kumar Guha as Managing Director of the Company without any remuneration for a period of five years w.e.f. 23rd August 2006 to look after the day-to-day management and administration of the affairs of the Company, subject to the overall superintendence, control and directions of the Board of Directors of the Company.

Mr. Ashish Kumar Guha, aged 50 years holds Bachelor's degree in Economics (Hons.). Mr. Guha has the experience of advising & implementing a large number of merger & acquisition transactions in India with the distinction of leading several landmark transactions including over a half a dozen in the cement sector. Mr. Guha was formerly CEO of Lazard India, a Multinational Investment Bank and senior partner with Ambit Corporate Finance, a leading Merchant & Investment Banker in the Country.

Mr. Guha is also Managing Director of Cochin Cements Ltd. He is also a Director on the Board of Indorama Cement Ltd. and Heideberg Cement India Pvt. Ltd.

Except Mr. Ashish Kumar Guha, none of the other Directors may be deemed to be concerned or interested in the proposed resolution. The resolution is recommended for approval of the shareholders.

**Item No. 8 :**

Mr. S. Krishna Kumar, IAS(Retd.) who was appointed as Additional Director on the Board w.e.f. 19<sup>th</sup> April 2007 holds office upto the date of the present Annual General Meeting. Requisite notice under section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Mr. S. Krishna Kumar for appointment as Director of the Company liable to retire by rotation.

Brief resume of Mr. S. Krishna Kumar is given below :

Mr. S. Krishna Kumar aged 61 years a former member of the Indian Administrative Service, holds a Masters degree in physics from Bangalore University and in Public Administration from the Harvard University. He has specialized in areas of public policy and in the governance in sectors like agriculture, public finance, infrastructure and migration. Mr. S. Krishna Kumar was the first secretary in Ministry of Overseas Indian Affairs of the Government of India. In that capacity he re-oriented the focus of migration management and launched a number of new initiatives. He has also concluded a number of infrastructure projects in Karnataka, including the prestigious Bangalore International Airport and the Hassan-Mangalore broad gauge rail line. Between 1992 and 1998, Mr. S. Krishna Kumar has worked as an International consultant for the IMF in Sri Lanka and for the World Bank in Mauritius.

He has involved himself with the Public Affairs Centre, Bangalore and the Centre for Development Studies, Thiruvananthapuram as a resource person and is special advisor in India to International Organization for Migration, Geneva. He is also on the Board of Directors of IL&FS Infrastructure Development Corporation Ltd.

Mr S. Krishna Kumar is also a member of the Audit Committee of the Company. Except Mr S. Krishna Kumar, none of the other directors may be deemed to be concerned or interested in the proposed resolution. The resolution is recommended for approval of the shareholders.

**Item No. 9 :**

The Company may be required to meet corporate social responsibilities by way of contributions / donations to various trusts, societies and institutions for provision of basic amenities and development of infrastructure facilities viz., health care, education, water facility, development of roads, telecom, etc. and other community needs required for improving the living conditions of the people residing in the areas adjoining the Company's factories and mines.

Section 293(1)(e) of the Companies Act, 1956 provides that the Board of Directors of a Company can contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which in any financial year will not exceed Rs. 50,000 or 5% of its average net profits as determined in accordance with the provisions of sections 349 and 350 during the immediately preceding three financial years, whichever is greater. The Company may be required to contribute upto Rs. 15 lacs towards donations / contributions for the aforesaid purposes. The approval of the shareholders of the Company is required for making the contributions exceeding the aforesaid limits. In view of the above the Resolution is recommended for approval of the shareholders.

None of the Directors may be deemed to be concerned or interested in the proposed resolution.

BY ORDER OF THE BOARD

Date : 19th April 2007

Corporate Office:

9th Floor, Tower 'C', Infinity Towers,  
DLF Cyber City, Phase – II,  
Gurgaon - 122002, Haryana

Sd/-  
Rajesh Relan  
Jt. Company Secretary

# Directors' Report

## TO THE MEMBERS

Your Directors are pleased to present their 48th Annual Report together with the audited statement of accounts for the 9 months period ended 31st December 2006, during which momentous changes have taken place in the Company as well as the Cement industry.

As the Members are aware, during the period under review pursuant to the Share Subscription and Share Purchase Agreement dated 18th July 2006 entered into, by and amongst Cementum I B.V. (a company incorporated under the laws of The Netherlands, which is 100% controlled by HeidelbergCement AG) and the Company as well as the Promoters of the Company, 665,00,000 fully paid up Equity Shares of Rs.10/- each of the Company were allotted to Cementum I B.V. at a subscription price of Rs. 54 per share pursuant to your approval at the Extra Ordinary General Meeting held on 16th August, 2006. As a result, Cementum I B.V. emerged as the single largest shareholder and became a promoter of the Company. In accordance with the SEBI Takeover Code, Cementum I B.V. made an open offer for up to 350,00,000 Equity Shares of the Company besides acquiring 134,00,000 Equity Shares from the existing Promoters of the Company. Besides, the Company, the Acquirer and the present Promoters have also entered into a Shareholders' Agreement dated 18.07.2006 governing the relations between Cementum I B. V. and the existing Promoters.

HeidelbergCement AG is one of the leading producers of building materials worldwide with its presence in more than 50 countries and employs around 43,000 people. HeidelbergCement Group has a turnover of over 13 billion Euros from its core products cement, ready-mixed concrete, aggregates and related activities. HeidelbergCement group has a capacity of over 100 million tonnes per annum.

The Indian cement industry has a capacity of around 165.1 million tonnes per annum at the end of December 2006 as reported by the Cement Manufacturers Association (CMA). Against this, the cement production was 112.87 million tonnes during the period April to December'06, exhibiting a growth of 10%. The cement despatches during this period were 112.25 million tonnes, showing a growth of 10%. Cement export during this period registered a growth of 8.02% from 4.24 million tonnes to 4.58 million tonnes.

## CHANGE IN ACCOUNTING YEAR

The Accounting Year of the Company has been changed to end on 31st December, 2006 instead of 31st March 2007. The current year, therefore, comprises of a period of 9 months as against 12 months of the previous year.

## OPERATIONS

Your company completed a highly successful and eventful period of operations in 2006 and continued to take strides in consolidating its position in the market.

The cement sales from Mysore Cements Ltd. were 1.58 million tonnes during the period April to December'06 against 1.42 million tonnes achieved during same period in the year 2005-06, thereby registering a growth of 11.4%. During the period the blended cement production was almost 100% against the industry average of 68%.

Production and Sales of the Company are as under:

	2006 (April-December)	2005-06 (April-March)
<b>Cement</b>		
Production (in tonnes)		
-Clinker	1140853	1658672
-Cement	1587920	2045520
Sales (in tonnes)		
-Clinker	33197	207142
-Cement	1577545	2065276
	<u>1610742</u>	<u>2272418</u>

The Company continued cost reduction and cost saving exercises, through out the year, in all spheres of its activities. Even though cement sales and gross sales have gone up, we however have to constantly look at reduction in costs. We believe that there are a lot of areas where there is a possibility of reducing costs which include optimising the operations

(reduction in specific power and specific fuel consumption), centralised purchasing and rationalisation in distribution. (Management discussion and Analysis covers various details).

The operation of the Sponge Iron Plant and Steel Melting Shop has been discontinued during the period under review and a sum of Rs. 582.66 lac's has been provided against loss on the assets of the said operation held for sale.

## FINANCIAL RESULTS

The Company clocked overall gross sales of Rs. 482.69 Cr from its operations, for the period of 9 months ended 31st December 2006, against Rs. 517.47 Cr (12 months) achieved in the previous year, thereby, registering an annualized growth of 24.4%.

	2006 (April-December)	2005-06 (April-March)
Working for the year resulted in an operational surplus of	5,669.75	-2,827.60
From which are subtracted :		
- Finance Changes	-1,680.34	-4,157.07
- Depreciation	-1,277.41	-1,934.15
	-2,957.75	-6,091.22
Resulting in a profit/(loss) for the year of	2,712.00	-8,918.82
To/From which are added / subtracted :		
- Prior Period Adjustment (Net)	-46.50	3.63
- Provision for Deferred Tax	-3,614.89	-15.40
- Fringe Benefit Tax	-36.76	-60.25
- Profit/(Loss) from operating activities	-986.15	-8,990.84
- Effect of adoption of AS-15 (Revised) for :		
- Gratuity	-960.95	0.00
- Leave Encashment	-212.99	0.00
	-1,173.94	0.00
	-2,160.09	-8,990.84
From which is subtracted :		
- Investment Allowance Reserve no longer Required	—	200.00
	-2,160.09	-8,790.84
to which is added loss b/f from the previous year	-34,938.28	-26,147.44
Profit/(Loss) Carried to Balance Sheet	-37,098.37	-34,938.28

In view of the carry forward accumulated losses, your Directors are unable to recommend any Dividend.

## SHARE CAPITAL

During the period under review pursuant to Share Subscription and Share Purchase Agreement dated 18th July 2006, entered into, by and amongst Cementum I B.V. (a company incorporated under the laws of The Netherlands, which is 100% controlled by HeidelbergCement AG) 665,00,000 fully paid up Equity shares of the Company at a subscription price of Rs. 54 per share were allotted to Cementum I B.V.

12,74,944 Equity Shares of Rs. 10/- each at par were allotted to IFCI Ltd. pursuant to the conversion option exercised by the said Institution under the loan agreement dated 9.07.1993. Besides the aforesaid Equity Shares issued, the existing 13,49,336 0.01% Preference Shares of Rs.100/- each held by IDBI were redeemed by a fresh issue of 13,49,336 9% Preference Shares of Rs.100/- each to Cementum I B.V. pursuant to your approval through Postal Ballot.

As the net worth of the Company had turned positive consequent to the allotment of further Equity Shares during the



year, your Company ceased to be a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and therefore the proceedings were closed by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) by dismissing the reference.

## **DIRECTORS**

Consequent to the changes in the shareholding of the Company as mentioned above, Dr. V.K. Gangwal, Mr. A.S. Shankare Gowda, Mr. H.K. Kejriwal, Mr. Padam Kumar Khaitan, Mr. N.L. Hamirwasia (the then Managing Director) and Mr. N. Lodha (the then Executive Director) resigned from the Board. Mr. S.K. Mandal was nominated by IFCI in the place of Mr. N.U. Nampoothri. Mr. Amitabha Ghosh, Mr. N.K. Balaram and Mr. S.K. Mandal were withdrawn as nominee Directors by IDBI, ICICI and IFCI with effect from 4th October 2006, 9th October 2006 and 12th October 2006 respectively consequent to the repayment of the entire borrowings by the Company from the said Institutions. The Board wishes to place on record a note of appreciation for the services rendered by each of the said Board Members during their respective tenure. Dr. Bernd Scheifele, Dr. Lorenz Nager, Mr. Daniel Gauthier and Mr. Ashish Kumar Guha joined the Board as nominees of Cementum I B.V. Mr. Ashish Kumar Guha was appointed as Managing Director of the Company.

Mr. Piere Evrard, Mr. Bradley Reginald Taylor and Mr. Jacques De Ridder who had been appointed as Alternate Directors to Dr. Bernd Scheifele, Mr. Daniel Gauthier and Dr. Lorenz Nager respectively ceased to hold office during the year in accordance with the provisions of the Companies Act, 1956.

Mr. P.G. Mankad, Mr. Amitabha Ghosh, and Mr. Shardul Shroff were appointed as Additional Directors on 19th October 2006 and hold office upto the date of the forthcoming Annual General Meeting. Mr. S. Krishna Kumar was appointed as Additional Director on 19th April, 2007 and holds office upto the date of the forthcoming Annual General Meeting. The Company has received Notices under Section 257 of the Companies Act, 1956 from some shareholders proposing the names of the aforesaid Directors for appointment as Directors liable to retire by rotation. The Board of Directors recommends their appointment.

Mr. S.K. Birla and Mr. Sidharath Birla will retire by rotation at the forthcoming Annual General Meeting of the Company. While Mr. S.K. Birla has not offered himself for re-election, Mr. Sidharth Birla has offered himself for re-election.

## **AUDITORS**

Consequent upon resignation of M/s. Hariharan & Co., Chartered Accountants M/s. S.R. Batliboi & Associates, Chartered Accountants were appointed as Statutory Auditors of the Company with your approval. The Auditors' observations in their report and the relative notes on the accounts are self-explanatory.

M/s. S.R. Batliboi & Associates, Chartered Accountants, have expressed their unwillingness to be considered for re-appointment as Statutory Auditors for the ensuing term.

Your Directors recommend the appointment of M/s. S.R. Batliboi & Co., Chartered Accountants as Statutory Auditors for the ensuing term. M/s. S.R. Batliboi & Co. have confirmed that their appointment, if made, shall be within the limits of Section 224(1B) of the Companies Act, 1956.

As directed by the Government, Cost Audit of cement division was carried out during the year.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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 accounts for the period ended 31st December 2006, the applicable accounting standards have 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.

## **PARTICULARS OF EMPLOYEES**

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are given in the enclosed statement forming part of the Report as Annexure 'A'.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, 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, forming part of this report are annexed herewith as Annexure 'B'.

**CORPORATE GOVERNANCE REPORT FOR THE YEAR**

Corporate Governance Report for the period ended 31st December 2006 as required by clause 49 of the listing agreement together with the Certificate of Shri T.R. Ramamurthy, Practising Company Secretary in this regard is annexed herewith. Management Discussions and Analysis for the period forms part of this report is annexed herewith.

**EMPLOYEES**

Industrial relations remained cordial during the period under review and there was all round cooperation. Employees at all levels continue to put in their best in the service of the Company and your Directors record sincere appreciation of their dedication and loyalty.

**REGISTERED OFFICE**

The Registered Office of the Company was shifted from Bangalore to the plant at Ammasandra in the State of Karnataka after obtaining your approval through Postal Ballot.

**MD/CFO CERTIFICATION**

As per the requirements of Clause 49 of the listing agreement on Code of Corporate Governance, the certification made by the Managing Director, Mr. Ashish Kumar Guha and CFO, Mr. Bradley Reginald Taylor in the prescribed format, in respect of the financial statements and cash flow statements for the financial year ended 31st December 2006 is annexed herewith as Annexure 'C'.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the timely support provided by your Company's bankers and financial institutions.

We deeply acknowledge the dedication and commitment of the employees at all levels. We also take this opportunity to thank all the valued customers who have appreciated and patronised the products.

Your Directors convey their grateful thanks to the Government Authorities, Shareholders, Distributors and Dealers for their continued assistance, cooperation and patronage.

For and on behalf of the Board

Place : Gurgaon  
Date : 19<sup>th</sup> April 2007

Sd/-  
Ashish Kumar Guha  
Managing Director

Sd/-  
P.G. Mankad  
Director