

ANNUAL REPORT - 2010



conserve water



preserve air



secure our planet for
generations to come

HEIDELBERGCEMENT
INDIA Ltd.

BOARD OF DIRECTORS

(As on 29th April 2011)

Mr. P.G. Mankad

Chairman

Dr. Bernd Scheifele

Dr. Lorenz Naeger

Dr. Albert Scheuer

Mr. Amitabha Ghosh

Mr. S. Krishna Kumar

Mr. Pradeep V. Bhide

Mr. Daniel R. Fritz

Mr. Ashish Guha

Managing Director

Mr. Sushil Kumar Tiwari

Wholetime Director

CHIEF FINANCIAL OFFICER

Mr. Anil Kumar Sharma

COMPANY SECRETARY

Mr. Rajesh Relan

REGISTERED OFFICE

9th Floor, Tower 'C',

Infinity Towers

DLF Cyber City, Phase-II

Gurgaon, Haryana – 122 002

PLANTS

Ammasandra (Karnataka)

Damoh (Madhya Pradesh)

Jhansi (Uttar Pradesh)

Raigad (Maharashtra)

AUDITORS

M/s. S. R. Batliboi & Co.,

Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Integrated Enterprises (India) Ltd.

30, Ramana Residency,

4th Cross, Sampige Road,

Malleswaram,

Bangalore – 560 003

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HeidelbergCement India Limited

Regd. Office: 9th Floor, Tower 'C', Infinity Towers, DLF Cyber City, Phase II, Gurgaon, Haryana -122002

NOTICE TO MEMBERS

NOTICE is hereby given that the 52nd Annual General Meeting of the Members of the Company will be held at 9.30 A.M. on Friday, the 10th June 2011 at Epicentre, Apparel House, Sector 44, Institutional Area, Gurgaon, Haryana to transact the following business: -

1. To receive, consider and adopt the Audited Accounts of the Company consisting of the Balance Sheet as at 31st December 2010 and the Profit and Loss Account for the financial year ended on that date including notes thereto together with the Reports of the Directors and Auditors thereon.
2. To confirm the interim dividend paid @ 9% per annum on 13,49,336 9% Cumulative Redeemable Preference Shares of Rs. 100 each, for the period from 1st January 2010 till 11th May 2010 (date of redemption of preference shares).
3. To appoint a Director in place of Dr. Bernd Scheifele who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Lorenz Naeger who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit to pass, with or without modification(s) the following as an Ordinary Resolution:
“RESOLVED that M/s. S.R. Batliboi & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the 52nd Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be agreed upon between 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.”
6. To consider and if thought fit to pass, with or without modification(s) the following as an 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 Guha as “CEO and Managing Director” of the Company without any remuneration for a period of five years w.e.f. 23rd August 2011 be and is hereby approved.”
7. To consider and if thought fit to pass, with or without modification(s) the following as an Ordinary Resolution:
“RESOLVED that Mr. Sushil Kumar Tiwari who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 29th April 2011 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 the Director, be and is hereby appointed as a Director not liable to retire by rotation.”
8. To consider and if thought fit to pass, with or without modification(s) the following as an Ordinary Resolution:
“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act, 1956 (the Act), read with Schedule XIII to the Act, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force and all other applicable guidelines relating to managerial remuneration issued by the Ministry of Corporate Affairs from time to time or any other law and subject to such other approvals, as may be necessary, and as are agreed to by the Board of Directors (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee thereof and any person authorised by the Board in this behalf), consent of the members be and is hereby accorded to the appointment of Mr. Sushil Kumar Tiwari as Wholtime Director of the Company for period of three years with effect from 29th April 2011 at the remuneration and upon the terms and conditions as are set out in the Explanatory Statement annexed hereto.

RESOLVED FURTHER that the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee thereof and any person authorised by the Board in this behalf) shall, in accordance with the statutory limits/approvals as may be applicable for the time being in force, be at full liberty to revise/ alter/modify/amend/change the terms and conditions of the appointment and remuneration from time to time as may be agreed to by the Board and Mr. Sushil Kumar Tiwari.”

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED that Mr. Pradeep V. Bhide, who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 29th April 2011 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 the Director, be and is hereby appointed as a Director liable to retire by rotation.”

10. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED that Mr. Daniel Robert Fritz, who was appointed by the Board of Directors, as an Additional Director of the Company with effect from 29th April 2011 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 the Director, be and is hereby appointed as a Director liable to retire by rotation.”

By Order of the Board

Place : Gurgaon
Date : 29th April 2011

Sd/-
Rajesh Relan
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 is annexed.
3. The Directors of the Company on 11th May 2010 passed a Resolution by Circulation to exercise the Call Option for redemption of 13,49,336 9% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 13,49,33,600. Since these Preference Shares were Cumulative in nature, it was obligatory for the Company to pay the accumulated dividend i.e, dividend @ 9% per annum on 13,49,336 9% Cumulative Redeemable Preference Shares of Rs. 100 each for the period from 1st January 2010 till 11th May 2010 (being the date of redemption of preference shares).

The Company has already paid the dividend amounting to Rs. 43,58,540 as interim dividend along with the redemption proceeds. Hence, confirmation of the shareholders has been sought at Item No. 2 of the Notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 6th June 2011 to 10th June 2011 (both days inclusive).
5. The share transfer instruments, complete in all respects, should be sent to the Registrars & Share Transfer Agents, M/s. Integrated Enterprises (India) Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560003 well in advance so as to reach the Registrars & Share Transfer Agents prior to the book closure.
6. Members who continue to hold the shares in physical form are requested to inform any change in their address, bank particulars, nominee etc., to the Registrars & Share Transfer Agents. Members holding shares in dematerialized form are requested to approach their Depository Participant for change of address, bank particulars, nominee etc.
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 shall not be allowed without production of the attendance slip duly signed.

(b) Members are requested to bring their copies of the Annual Report as additional copies of the same will not be distributed at the meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 / Code for Corporate Governance

Item No. 3:

Brief resume of Dr. Bernd Scheifele, who is proposed to be re-appointed as Director, is given below:

Dr. Bernd Scheifele, aged 52 years completed his Masters and Doctorate in Law from the Universities of Freiburg (Germany), Dijon (France) and Illinois (USA). Dr. Scheifele has more than 24 years of rich and varied experience. He is Chairman of the Managing Board of group's flagship company, HeidelbergCement AG since 1st February 2005. He is also member of the managing board of some other leading companies of HeidelbergCement group.

Dr. Scheifele does not hold directorship in any other company in India. Dr. Scheifele does not hold any Equity Shares in the Company.

Except Dr. Scheifele, 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 Dr. Scheifele, by the shareholders.

Item No. 4:

Brief resume of Dr. Lorenz Naeger, who is proposed to be re-appointed as Director, is given below:

Dr. Lorenz Naeger, aged 50 years, holds a degree and doctorate in Business Administration from Regensburg and Mannheim (Germany) and Swansea (U.K.) besides qualification as Tax Advisor. Dr. Naeger has over 24 years of rich experience as a corporate executive. Since 1st October 2004, he is member of the Managing Board of HeidelbergCement AG in charge of Finance, Group Accounting, Controlling, Taxes, Insurance & Corporate Risk Management and IT. He is also member of the managing board of some other leading companies of HeidelbergCement group.

Dr. Naeger does not hold directorship in any other company in India. Dr. Naeger does not hold any Equity Shares in the Company.

Except Dr. Naeger, 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 Dr. Naeger, by the shareholders.

Item No. 6:

The Board of Directors of the Company at its meeting held on 29th April 2011 has re-appointed Mr. Ashish Guha as CEO and Managing Director of the Company without any remuneration for further period of five years w.e.f. 23rd August 2011. Mr. Guha would 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.

Mr. Guha is Managing Director of the Company since 23rd August 2006. The Company has immensely benefitted from his rich and vast experience. The steps taken by him have resulted in the successful turnaround of the Company, after HeidelbergCement group of Germany took controlling stake in the Company in August 2006. In view of this the Board has unanimously decided to re-appoint Mr. Guha for further tenure of five years.

Mr. Ashish Guha, aged 54 years holds Bachelor's degree in Economics (Hons.). Mr. Guha is an alumnus of London Business School. He has rich experience of 28 years as consultant in Investment Banking and Merchant Banking including three years as a CEO of a leading International Investment Bank. Mr. Guha has the experience of advising & implementing 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.

He is Chairman of the Board of Directors of Cochin Cements Ltd. and also a Director on the Board of Ballarpur Industries Limited (BILT) and Bharat Sanchar Nigam Limited (BSNL).

He is Chairman of the Finance Committee of BSNL, Member of Risk Management Committee of BILT and Member of Audit Committee of Cochin Cements Limited. He is also a member of the Audit Committee and the Share Transfer and Shareholders' / Investors' Grievance Committee of the Company. Mr. Guha does not hold any Equity Shares in the Company.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. Guha, Managing Director of the Company and Memorandum of interest of Director pursuant to section 302 of the Companies Act, 1956.

Except Mr. Guha, 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. Ashish Guha as CEO and Managing Director, by the shareholders.

Item Nos. 7 and 8:

Mr. Sushil Kumar Tiwari, aged 55, is Engineer in Electrical as well as in Electronics and Communication from the Institute of Engineers, Kolkata. In his career spanning over 32 years he has vast experience of more than 25 years in the Cement Sector. He has been associated with Raymond Limited (Cement Division) which was taken over by Lafarge India Private Limited in the year 2001.

Mr. Tiwari has been associated with the Company for the past 4 years and undertaken multifarious assignments in the areas of production and has been leading the team as Technical Head. Mr. Tiwari joined the Company in April 2007 as Unit Head of our Ammasandra Plant. He has vast knowledge and experience in operation of cement plants and matters pertaining to the Cement Industry. In August 2008 he was appointed as Unit Head of the Company's Damoh and Jhansi units. In view of the valuable contribution of Mr. Tiwari, he was elevated to the position of Technical Head of the Company w.e.f. 1st September 2010.

Mr. Sushil Kumar Tiwari was appointed as an Additional Director and Wholetime Director of the Company with effect from 29th April 2011. A notice pursuant to Section 257 of the Companies Act, 1956 ("the Act"), has been received from a member signifying his intention to propose the appointment of Mr. Tiwari as Director of the Company not liable to retire by rotation.

The main terms and conditions of Mr. Tiwari's appointment are as under:

1. The appointment shall be for a period of 3 years commencing from 29th April 2011 as Wholetime Director.
2. As Wholetime Director, Mr. Tiwari shall perform such duties and exercise such powers as are entrusted to him from time to time by the Managing Director and/or the Board of Directors.
3. In consideration of the performance of his duties to the Company, Mr. Tiwari shall be entitled to the following remuneration:
 - i) Basic Salary : Rs. 37,15,000 per annum. The annual increment will be effective from January 1, each year and shall be decided by the Board of Directors based on the merits and taking into account the Company's performance and market parity.
 - ii) House Rent Allowance : 40% of the basic salary.
 - iii) Performance Incentive : Such remuneration by way of Performance Incentive payment at an amount equivalent to Rs. 21,46,200 @100 % achievement of the Company's and individual targets. Performance Incentive can vary between 0% to 200% based on the individual and company performance. The annual increment in performance incentive will also be effective from January 1, each year.
 - iv) Car Allowance : Rs. 6,12,000 per annum.
 - v) Perquisites & Allowances : In addition to the salary, allowances and performance incentive as outlined above, Mr. Tiwari shall also be entitled to perquisites and allowances like Medical reimbursement, Mediclaim premium, Special Allowance and Leave Travel Allowance etc., in accordance with the Rules of the Company or as may be agreed to between the Board of Directors and Mr. Tiwari.

Perquisites and allowances shall be evaluated as per the Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the remuneration.
 - vi) Provident Fund, Superannuation / Annuity Fund : Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Company's policy. Gratuity to be paid in accordance with the Payment of Gratuity Act, 1972 and encashment of leave at the end of the tenure. All these payments / contributions shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
4. Minimum Remuneration: Notwithstanding anything herein contained, where in any financial year during the currency of the tenure of office of the Wholetime Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above, subject to the requisite approvals being obtained.
5. Within the overall ceiling on managerial remuneration prescribed under the Companies Act, 1956, or any statutory modification or re-enactment thereof the Board shall be entitled to add to, alter or vary any of the foregoing terms of remuneration, benefits or perquisites to which Mr. Tiwari may be entitled as aforesaid.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. Tiwari, Wholetime Director of the Company and Memorandum of interest of Director pursuant to section 302 of the Companies Act, 1956.

Mr. Tiwari is a Director of Cochin Cements Limited. He does not hold any Equity Shares in the Company.

The Board recommends the appointment of Mr. Tiwari as Wholetime Director of the Company. None of the Directors, except Mr. Tiwari is concerned or interested in the resolutions at Item Nos. 7 & 8 of the accompanying Notice.

Item No. 9:

Brief resume of Mr. Pradeep V. Bhide, who is proposed to be appointed as Director, is given below:

Mr. Pradeep V. Bhide, aged 61, is a retired IAS Officer and holds degrees in MBA, LL.B. and B.Sc. During his career spanning about four decades he held various positions at senior level, including the Secretary, Department of Revenue, Ministry of Finance, Government of India; Secretary and Joint Secretary, Department of Disinvestment, Ministry of Finance, Government of India; Additional Secretary / Spl. Secretary, Ministry of Home Affairs, Government of India; Deputy Secretary/Director in the Department of Economic Affairs, Ministry of Finance, Government of India; Director Fund-Bank Division of the Department and Advisor to India's Executive Director to the International Board for Reconstruction and Development, Washington D.C; Secretary, Department of Finance, Government of Andhra Pradesh; Secretary, Department of Energy, Government of Andhra Pradesh and Managing Director of Godavari Fertilisers and Chemicals Limited.

During his tenure as Secretary, Department of Revenue, Ministry of Finance he was involved in formulation of the Direct and Indirect Taxation Policies including the Direct Taxes Code and the proposed roll out of the Goods and Services Tax.

Mr. Bhide holds directorships in L&T Finance Ltd., GlaxoSmithkline Pharmaceuticals Ltd., NOCIL Ltd. and Tube Investments of India Ltd. He is a member of Shareholders' / Investors' Grievance Committee of GlaxoSmithkline Pharmaceuticals Ltd.

Mr. Bhide does not hold any Equity Shares in the Company.

Except Mr. Bhide, none of the other Directors may be deemed to be concerned or interested in the proposed Resolution. The Board of Directors recommends the appointment of Mr. Bhide, by the shareholders.

Item No. 10:

Brief resume of Mr. Daniel Robert Fritz, who is proposed to be appointed as Director, is given below:

Mr. Fritz, aged 56, completed his Bachelor of Science degree in Civil Engineering Technology from the University of Massachusetts at Dartmouth (USA) in the year 1977. He also completed the AMP/ISMP Executive Education Program from Harvard University in the year 1996.

Mr. Fritz started his professional career in 1977 with the Willis & Paul Group, a heavy industrial engineering and construction firm engaged in civil design and construction of Aggregates, Cement, Pulp & Paper and Power Plants through out North America. From 1977-1991 he held several management positions including Division President for their southern US operations. In 1991 he joined Polysius Corporation located in Atlanta Georgia as its President. Polysius Corporation is a group Company of Krupp Polysius a global design, equipment supplier and builder of cement and mining manufacturing facilities.

In 2004 Mr. Fritz joined the Brazilian industrial conglomerate Votorantim Cimentos North America responsible for their Southeast US vertically integrated operations including cement, ready mix and aggregates holding the position of Chief Operating Officer.

In 2008 he joined HeidelbergCement Asia Pte. Ltd. as Director HTC Asia-Oceania responsible for managing the technical centres in this Area, which not only provides technical support to all the cement manufacturing facilities of HeidelbergCement group in this region but also takes care of the new projects.

Mr. Fritz does not hold directorship in any other company in India. Mr. Fritz does not hold any Equity Shares in the Company.

Except Mr. Fritz, none of the other Directors may be deemed to be concerned or interested in the proposed Resolution. The Board of Directors recommends the appointment of Mr. Fritz, by the shareholders.

By Order of the Board

Place : Gurgaon
Date : 29th April 2011

Sd/-
Rajesh Relan
Company Secretary

Directors' Report

TO THE MEMBERS,

The Directors of your Company are pleased to present the 52nd Annual Report together with the audited accounts of the Company for the financial year ended 31st December 2010.

REVIEW OF OPERATIONS

Production and Sales figures of the Company in quantitative terms are as under:

	Financial year ended 31 st December 2010	Financial year ended 31 st December 2009
Production (in tonnes)		
-Clinker	13,36,805	13,53,951
-Cement	26,45,725	26,60,674
-GGBS	15,993	5,026
Sales (in tonnes)		
-Clinker	81,449	55,479
-Cement	26,09,254	26,54,767
-GGBS	17,151	5,376

India is the world's second largest producer of cement. The main characteristics of this industry is that it is highly fragmented, regional, cyclical and capital intensive.

In the first half of the year 2010 the demand for cement was buoyant which resulted in higher volume and price realisation. However during the second half of the year additional capacities became operational which resulted in oversupply situation. Further, during the second half of the year the demand for cement also declined due to heavy rains in most parts of the Country resulting in subdued construction activity. The oversupply coupled with the poor off take of cement created demand supply mismatch putting pressure on prices. This lead to decline in the capacity utilization throughout the industry. Significant rise in costs, especially the price of coal, petroleum products, power and freight cost further eroded the profitability.

Financial year 2011-12 is the terminal year of the 11th Five year plan of the Government of India. Therefore we expect that the Government spending will be relatively higher during the aforesaid period. This will also help in increasing the demand of cement during the current year.

Mycem is now a well established brand with high degree of customer acceptance, which is the result of the Company's constant endeavour to give its customers the best possible product. The Company has also started marketing its cement in Bihar to expand its market reach. In order to foster better channel – Company Partnership, a dealer training program was initiated, a first for the Company.

FINANCIAL HIGHLIGHTS

The Company achieved gross sales of Rs. 98,537.07 lacs during the financial year ended 31st December, 2010, against Rs. 1,04,023.92 lacs during the financial year ended 31st December 2009. The net profit of the Company during the financial year ended 31st December 2010 was Rs. 6,329.95 lacs as compared to the net profit of Rs. 13,403.91 lacs during the financial year ended 31st December 2009.

The snapshot of your Company's performance for the financial year ended 31st December, 2010 vis-à-vis its performance in the previous year ended 31st December, 2009 is as under:-

	Financial year ended 31 st December 2010	(Rs. in lacs) Financial year ended 31 st December 2009
Earnings before Interest, Depreciation and Taxes (EBIDTA)	12,900.82	20,495.46
Less :		
- Finance Charges	(421.31)	(439.90)
- Depreciation / Amortization	(2884.88)	(2,580.69)
	(3,306.19)	(3,020.59)
Earnings before taxes (EBT)	9,594.63	17474.87
Less:		
- Deferred Tax Credit	(1365.12)	(1,646.90)
- Provision for Income Tax	(1899.56)	(2,408.60)
- Fringe Benefit Tax	- (3264.68)	(15.46) (4,070.96)
Net Profit	6,329.95	13,403.91
Less: Dividend on 9% Cumulative Redeemable Preference Shares (including Corporate Dividend Tax of Rs. 7.24 lacs).	(50.83)	(434.03)
Add: Balance b/f from the previous year	4,777.75	(8,192.13)
Less: Amount Transferred to Capital Redemption Reserve	(1,349.34)	-
Profit / (Loss) carried to Balance Sheet	9,707.53	4,777.75

CAPACITY EXPANSION

The Company's present installed capacity is 3.07 MTPA. The Company has embarked upon expansion projects at Damoh & Jhansi units, which will double its cement production capacity.

On 4th August 2010, the Hon'ble Chief Minister of Madhya Pradesh, Mr. Shivraj Singh Chauhan, performed a Bhoomi Poojan and unveiled a plaque at the Narsingarh Unit for the said expansion project.

The work on the aforesaid expansion projects is in full swing and it is expected that the commercial production will commence in the first quarter of the year 2012. The total cost of the expansion project will be funded through a mix of internal accruals, External Commercial Borrowings (ECB) from the promoter group and borrowings from Indian Banks and Financial Institutions.

DIVIDEND

The Directors of the Company had passed a Resolution by Circulation on 11th May 2010 to exercise the Call Option for redemption of 13,49,336 9% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 13,49,33,600. Since these Preference Shares were Cumulative in nature, it was obligatory for the Company to pay the accumulated dividend i.e., dividend @ 9% per annum on 13,49,336 Preference Shares for the period from 1st January 2010 till 11th May 2010 (being the date of redemption of preference shares).

The Company has already paid the dividend amounting to Rs. 43.59 lacs as interim dividend along with the redemption proceeds for which the Board seeks the confirmation of the shareholders at Item No. 2 of the Notice of Annual General Meeting.

Further, in view of the requirement of funds for the aforesaid expansion projects, your Directors have decided not to recommend any Dividend on the equity shares for the financial year ended 31st December, 2010.

APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

Dr. Bernd Scheifele and Dr. Lorenz Naeger, Directors of the Company retire by rotation at the ensuing Annual General Meeting (AGM) of the Company. The retiring Directors being eligible have offered themselves for re-election at the said AGM.

Mr. Pradeep V. Bhide, Mr. Daniel R. Fritz and Mr. Sushil Kumar Tiwari were appointed as Additional Directors on the Board w.e.f. 29th April 2011. Pursuant to section 260 of the Companies Act, 1956 the aforesaid Additional Directors shall hold office up to the date of the ensuing AGM. The Company has received notices under section 257 of the Companies Act, 1956 from some members proposing the names of the aforesaid persons for appointment as Directors.

The Board has appointed Mr. Sushil Kumar Tiwari as Wholetime Director for tenure of 3 years w.e.f. 29th April 2011, subject to the approval of the shareholders at the ensuing AGM.

The Board at its meeting held on 29th April 2011 has re-appointed Mr. Ashish Guha as Managing Director of the Company, without any remuneration, for a further term of five years w.e.f. 23rd August 2011, subject to the approval of the shareholders at the ensuing AGM.

The Board recommends the appointment / re-appointment of the aforesaid Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, the Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, confirm & declare that they have taken all reasonable steps, as are required, to ensure that :

- (a) The applicable accounting standards have been followed in the preparation of the annual accounts for the financial year ended 31st December 2010 and no departures have been made there from;
- (b) They have selected such accounting policies and applied them consistently and they have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31st December, 2010 and of the profit of your Company for the year ended on that date;
- (c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities; and
- (d) The annual accounts for the financial year ended 31st December, 2010 are prepared on a going concern basis.

AUDITORS

The Statutory Auditors, M/s. S.R. Batliboi & Co., Chartered Accountants, who were appointed at the last Annual General Meeting held on 11th May 2010, hold office up to the conclusion of the ensuing AGM and are eligible for re-appointment. The said Auditors have confirmed that their re-appointment, if made, shall be within the limit laid down under Section 224(1B) of the Companies Act, 1956. The Auditors' observations in their Report and the relevant notes to the accounts are self-explanatory.

COST AUDIT

Pursuant to the directives of the Central Government, your Company has appointed M/s. A. Nagaraja, Cost Accountants as Cost Auditors of the Company under Section 233B of the Companies Act, 1956 for the year 2011.

CORPORATE GOVERNANCE REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges a report on Corporate Governance is included in the Annual Report. A Certificate from a Practising Company Secretary on compliance of conditions of Corporate Governance is also annexed to the Corporate Governance Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to clause 49 of the Listing Agreement, Management Discussion and Analysis Report is given as addition to this Report.

REGISTERED OFFICE

The Registered Office of the Company has been shifted from the plant at Ammasandra (Karnataka) to Gurgaon (Haryana) w.e.f. 8th March 2011.