

ANNUAL REPORT - 2011

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HEIDELBERGCEMENT
INDIA Ltd.

BOARD OF DIRECTORS

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
CEO & 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 53rd Annual General Meeting of the Members of the Company will be held at 9.30 A.M. on Wednesday, the 25th April 2012 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 2011 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 appoint a Director in place of Mr. P.G. Mankad who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Albert Scheuer who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 (Firm Registration No.: 301003E), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of the 53rd 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."
5. To consider and if thought fit to pass, with or without modification(s) the following as an Ordinary Resolution:
"RESOLVED that pursuant to Section 256 and other applicable provisions, if any, of the Companies Act, 1956, the vacancy caused on the Board by the retirement of Mr. Amitabha Ghosh, Director of the Company who retires by rotation and does not seek re-appointment at this Annual General Meeting, be not filled up."

By Order of the Board

Place : Gurgaon
Date : 13th February 2012

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 Register of Members and the Share Transfer Books of the Company will remain closed from 17th April 2012 to 25th April 2012 (both days inclusive).
4. 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.

5. 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.
6. Members are requested to note that in case of transfers, deletion of name of deceased shareholder, transmission and transposition of names in respect of shares held in physical form, submission of photocopy of PAN Card of the transferee(s), surviving holder(s), legal heir(s) and joint holder(s) respectively, along with necessary documents at the time of lodgement of request for transfer/ transmission/transposition, is mandatory.
7. Under the provisions of Section 109A and 109B of the Companies Act, 1956, shareholder(s) is/are entitled to nominate in the prescribed manner, a person to whom his/her/their shares in the Company, shall vest after his/her/their lifetime. Members who are holding shares in physical form and are interested in availing the nomination facility are requested to write to the Company/RTA.
8. (a) Members attending the meeting are requested to complete the enclosed attendance slip and submit 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. 2:

Brief resume of Mr. P.G. Mankad who is proposed to be re-appointed as Director is given below:

Mr. P.G. Mankad, IAS (Retd.) aged 70 years is M.A. and has done Diploma in Development Studies from Cambridge, U.K. He was Finance Secretary and Secretary Industries in the respective Ministries of the Government of India. He has also worked as Executive Director with 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., The Tata Power Company Ltd., DSP Blackrock Investment Managers Pvt. Ltd., Mahindra & Mahindra Financial Services Ltd., Noida Toll Bridge Company Ltd., Max India Ltd., United Breweries (Holdings) Ltd., ICRA Ltd., SRF Ltd. and Hindustan Media Ventures Ltd.

Mr. P.G. Mankad is Member of the Audit Committee of Tata International Ltd., SRF Ltd., DSP Blackrock Investment Managers Pvt. Ltd. and Noida Toll Bridge Company Ltd. He is Chairman of Investors' Grievance & Share Transfer Committee of Tata Elxsi Ltd. and Member of Investors' Grievance & Share Transfer Committee of Max India Ltd. and Noida Toll Bridge Company Ltd.

Mr. P.G. Mankad is also Chairman of the Shareholders' / Investors' Grievance Committee and Member of Audit Committee of the Company. Mr. P.G. Mankad does not hold any Equity Shares in 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 Board of Directors recommends his appointment for approval of the members.

Item No. 3:

Brief resume of Dr. Albert Scheuer who is proposed to be re-appointed as Director is given below:

Dr. Albert Scheuer, aged 54 years, completed Degree in Mechanical Engineering / Process Technology from the Technical University of Clausthal, Germany in the year 1982. He has also completed Doctorate in Mechanical Engineering in the year 1987.

Dr. Scheuer started his professional career with the Research Institute of the German Cement Industry in 1983. After joining HeidelbergCement group in 1992, he took on various positions at Leimen Cement Plant and Heidelberg Technology Center. From 1998 to 2005, he was in charge of Technical support for European cement plants as Managing Director of Heidelberg Technology Center. Since 2005, he was responsible for HeidelbergCement's activities in China as Chief Operating Officer and in August 2007 he was appointed as Member of the Managing Board and Executive Vice President of Lehigh Cement. He also took active part in the integration of the operations of Hanson, North America with HeidelbergCement Group. Since 1st April, 2008, he is in charge of Asia-Oceania Region of HeidelbergCement Group and also entrusted with the responsibility of worldwide coordination of the activities of Heidelberg Technology Center.

Dr. Scheuer is a Director/Member of Managing Board of the following Companies: -

HeidelbergCement AG, HeidelbergCement Technology Center GmbH, Easy Point Industrial Ltd., Guangzhou HeidelbergCement Yuexiu Enterprise Management Consulting Company Ltd., HeidelbergCement Asia Pte Ltd., HeidelbergCement Holding HK Ltd., Squareal Cement Ltd., Cochin Cements Ltd., Jidong Heidelberg (Fufeng) Cement Company Limited, PT Indocement Tunggul Prakarsa Tbk, Heidelberg Energie GmbH, Jidong Heidelberg (Jingyang) Cement Company Limited, HeidelbergCement Bangladesh Limited, China Century Cement Limited, Hanson Investment Holding Pte. Limited, Hanson Pacific (S) Pte Limited and Hanson Building Materials (S) Pte. Limited.

He is a member of Audit Committee of Cochin Cements Limited. Dr. Scheuer does not hold any Equity Shares in the Company.

Except Dr. Scheuer, none of the other Directors may be deemed to be concerned or interested in the proposed resolution. The Board of Directors recommends his appointment for approval of the members.

Item No. 5:

In accordance with Section 256 of the Companies Act, 1956 read with Article 88 of the Articles of Association of the Company, Mr. Amitabha Ghosh, Director of the Company, retires by rotation at the ensuing Annual General Meeting. Due to personal reasons, Mr. Ghosh, has not offered himself for re-appointment. The Board of Directors places on record its appreciation for the valuable contribution made by Mr. Ghosh during his tenure as Director of the Company. The Board proposes that the vacancy caused by his retirement shall not be filled up at the ensuing Annual General Meeting.

None of the Directors may be deemed to be concerned or interested in the proposed resolution. The Board of Directors recommends the resolution for approval of the members.

By Order of the Board

Place : Gurgaon
Date : 13th February 2012

Sd/-
Rajesh Relan
Company Secretary

Directors' Report

TO THE MEMBERS,

The Directors of your Company are pleased to present the 53rd Annual Report together with the audited accounts of the Company for the financial year ended 31st December 2011.

ECONOMIC SCENARIO

India's GDP growth has been slowing down over the period due to various external and internal factors, including the adverse impact of crude oil prices, continuing inflationary pressures, high interest rates and a perception of slow down in economic decision making among investors leading to a decline in investment flows. An uncertain external environment, the sharp depreciation of the Rupee against the US Dollar in the last quarter and the decline in various indices of economic performance have also been cause of concern for policy makers and industry. The estimates for GDP growth have consequently been lowered to around 7% for the fiscal 2011-12.

REVIEW OF OPERATIONS

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

	Financial year ended 31 st December 2011	Financial year ended 31 st December 2010
Production (in tonnes)		
-Clinker	1,450,303	13,36,805
-Cement	2,853,682	26,45,725
-GGBS	21,550	15,993
Sales (in tonnes)		
-Clinker	68,964	81,449
-Cement	2,812,017	26,09,254
-GGBS	20,679	17,151

Your Company sold 2.81 million tonnes of cement in 2011 which is the highest ever cement sales in the history of the Company.

The brand of your Company "Mycem" continued its journey northward garnering higher premiums and better market positioning. Sustained good quality of cement assisted the brand in improving customer acceptance. Technical services to consumers facilitated in improving the overall product satisfaction. A recent study by Nielsen to gauge customer satisfaction for "Mycem" confirms the above. Brand visibility helped us to attract new channel partners and retain the existing ones. With the focus on the upcoming expansion, our team successfully added over 250 dealers and about 1500 retailers. The Company also conducted number of training programs for dealers and a mega event for C&F Agents and Platinum Dealers.

During the year sharp rise in input costs without any significant increase in realizations impacted margins. During February 2011, linkage coal prices increased in the range of 30% to 150% for various grades. Besides the price of coal, its shortage also troubled the industry. Strike at Singareni Collieries Company Limited, excessive monsoon in Eastern and Central India and the labour strike at Coal India and its subsidiaries severely impacted the coal production. During the year power tariff was also increased as a result of increase in coal prices.

Shortage of coal affected power generation adversely, thereby reducing the fly ash availability. Some power plants were forced to use low ash imported coal which further decreased the availability of fly ash. Shortage of fly ash necessitated incorporation of more clinker for manufacturing Portland Pozzolana Cement (PPC) at Imlai unit thereby eroding margins. Bottlenecks at port near Raigad lead to shortage of clinker at Raigad unit.

Poor quality and unavailability of gypsum locally, forced your Company to import gypsum. The weakening of Rupee increased the cost of imported Gypsum by about 10%. Significant cost increases were also witnessed in petcoke, slag and bags. Freight cost for transportation by road increased due to increase in diesel price. Railway freight for Cement and Coal was also increased during the year. Imposition of excise duty on fly ash & coal, enhancement of excise duty on cement and HSD price hike further aggravated the position. In the wake of all round cost pressures the Company continued its relentless drive to improve the consumption parameters, wherever possible.

FINANCIAL HIGHLIGHTS

The Company achieved gross sales of Rs.112662.56 lacs during the financial year ended 31st December 2011, against Rs. 98537.07 lacs during the financial year ended 31st December 2010. The net profit of the Company during the financial year ended 31st December 2011 was Rs.2917.25 lacs as compared to the net profit of Rs. 6,329.95 lacs during the financial year ended 31st December 2010.

The snapshot of your Company's performance for the financial year ended 31st December 2011 vis-à-vis its performance in the previous year ended 31st December, 2010 is as under:-

	Financial year ended 31st December 2011	(Rs. in lacs) Financial year ended 31st December 2010
Earnings before Interest, Depreciation and Taxes (EBIDTA)	7,759.97	12,900.82
Less :		
- Finance Charges	(383.75)	(421.31)
- Depreciation / Amortization	(3,139.88)	(2,884.88)
	(3523.63)	(3,306.19)
Earnings before taxes (EBT)	4,236.34	9,594.63
Less:		
- Deferred Tax Credit	(296.81)	(1,365.12)
- Provision for Income Tax	(1,022.28)	(1,899.56)
	1,319.09	(3264.68)
Net Profit	2,917.25	6,329.95
Less: Dividend on 9% Cumulative Redeemable Preference Shares (including Corporate Dividend Tax of Rs. 7.24 lacs).	-	(50.83)
Add: Balance b/f from the previous year	9707.53	4,777.75
Less: Amount Transferred to Capital Redemption Reserve	-	(1,349.34)
Profit / (Loss) carried to Balance Sheet	12,624.78	9,707.53

CAPACITY EXPANSION

The work on the expansion projects at Damoh & Jhansi units to enhance the aggregate installed capacity of the Company from 3.07 MTPA to 6 MTPA is at an advanced stage and it expected that the commercial production will commence in the first half of the year 2012. In view of the same the Company has already started seeding the markets of Bihar and has plans to commence deliveries in Uttarakhand, Delhi and Haryana also. Your Company will further increase its dealers and retailers network and open new sales offices in 2012.

DIVIDEND

In view of the requirement of funds for the expansion projects at Damoh and Jhansi units, your Directors have decided not to recommend any Dividend on the equity shares for the financial year ended 31st December 2011.

RE-APPOINTMENT OF DIRECTORS

Mr. P.G. Mankad, Mr. Amitabha Ghosh and Dr. Albert Scheuer, Directors of the Company retire by rotation at the ensuing Annual General Meeting (AGM) of the Company. While Mr. Mankad and Dr. Scheuer are eligible and have offered themselves for re-election at the forthcoming AGM, Mr. Ghosh due to personal reasons has not offered himself for re-election.

The Company has been privileged in having on its Board of Directors a person of Mr. Ghosh's eminence, and he has also contributed significantly as the Chairman of the Audit Committee. The Board places on record its appreciation of his contributions during his tenure.

The Board proposes that the vacancy caused by the retirement of Mr. Amitabha Ghosh shall not be filled up at the ensuing Annual General Meeting in terms of Section 256 of the Companies Act, 1956.

The Board recommends the re-appointment of Mr. P.G. Mankad and Dr. Albert Scheuer at the ensuing AGM.

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 2011 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, 2011 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, 2011 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 10th June 2011, 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 Ministry of Corporate Affairs, your Company has appointed Mr. A. Nagaraja, Cost Accountant as Cost Auditors of the Company under Section 233B of the Companies Act, 1956 for the year 2011. Cost Audit Report for the year 2010 was filed with Ministry of Corporate Affairs on 28th June 2011.

The Cost Audit Report for the year 2011 will be submitted to the Ministry within six months of the close of the financial year i.e., on or before 30th June 2012.

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.

HUMAN RESOURCES

During the year, Industrial Relations remained harmonious and employees at all levels demonstrated a high degree of commitment towards achieving the Company's goals. Long term wage settlement has been signed for all plants for a period of four years.

The Company has focused on various measures to attract and retain talent, including the creation of a satisfying working environment, encouraging worker participation in productivity and quality initiatives, providing opportunities for skill up gradation and career advancement, and recognizing and rewarding good performance.

Training, communication, structured induction process, discussion and feedback sessions and soft skill development remained some of the key areas of human resource development.

OCCUPATIONAL HEALTH & SAFETY

Health and safety remains an area of very high priority for the Company.

The Company's objective, in line with that of the HeidelbergCement Group, is to achieve the lowest possible injury frequency rate across all its units, at construction as well as at operational stages. It has put in place appropriate systems for this, including guidelines on project safety in construction, regular monitoring, and efforts at improvement on the basis of experience and detailed analysis of the root causes of unsafe conditions or practices. Continuing training and constant attention to safety are integral parts of the strategy.

No fatalities happened during the year 2011.

Narsingarh Limestone Mine of the company received award for 3rd best for "Overall Safety Performance" during Metalliferrous Mines Safety Week celebrations in Jabalpur Region.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility is an integral part of the Company's ethos and policy, and it has been pursuing this on a sustained basis. The focus of the Company's CSR activities has been on three areas viz., healthcare, education and improvement of the surrounding areas where it has presence. During the year under review the Company organized various medical camps for the residents of the surrounding villages. Medical assistance was also provided through mobile dispensaries. Medicines are provided free of cost to the beneficiaries. Family welfare programs were also undertaken. Every Plant has a medical centre along with Ambulance to provide timely medical help and treatment.

The schools assisted by your Company provide education of high standard not only to the children of the Company's employees but also to the children from the surrounding villages. Various sports and cultural events were organized at the schools to ensure holistic development of the students.

In order to tackle the problem of shortage of water in the vicinity of some of the Company's plants the villagers were provided treated water from the plants, wherever applicable. The Company also made necessary arrangements for cleaning, deepening and renovating old wells and ponds in the surrounding areas. Some other development activities like construction of a road at Imlai village, a cremation centre at Narsingarh village and passenger facilities at local bus stand were also completed.

Emphasis was laid on creation of awareness amongst the villagers about the need to protect the environment. With this objective in mind cloth bags were distributed to the villagers so as to reduce the usage of plastic bags. Emphasis is also laid on plantation of trees. With the help of social clubs, the Company organized training programs for women and unemployed youth so that they can fruitfully engage themselves in some activity and improve their standard of living.

Camps were organized at the Company's plants to facilitate local people to obtain "Aadhar Cards" under the UID Project of Government. On the occasion of Akshya Trutiya a Samuhik Vivah Ceremony was organized at Damoh. Donations were

given by Ammasandra unit for renovation of Kariyamma Temple and for organising Tumkur Zilla Uthsava and Kannada Sahiyatha Sammelana. CSR activities carried out by the Company have further strengthened the Company's relationship with the local people.

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 this 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 as Annexure 'B'.

MD / CHIEF FINANCIAL OFFICER'S CERTIFICATION

Pursuant to Clause 49 of the Listing Agreement, a certificate furnished by Mr. Ashish Guha, CEO & Managing Director and Mr. Anil Sharma, Chief Financial Officer in respect of the financial statements and the cash flow statement for the financial year ended 31st December 2011 is annexed as Annexure 'C'.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their sincere gratitude for the cooperation and support received by the Company from various agencies of the Central and State Government(s). The Board also acknowledges the continued assistance and support of all stakeholders including Customers, Bankers, Distributors, Dealers, Suppliers and Contractors. The Directors are grateful for the confidence, faith and trust reposed by the shareholders.

For and on behalf of the Board

Place : Gurgaon
Date : 13th February 2012

Sd/-
P.G. Mankad
Chairman