

Annual  
Report  
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**HEIDELBERGCEMENT**  
INDIA Ltd.

inspiring to build



***mycem***  
***cement***

for better building

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Non Executive Chairman

Mr. P.G. Mankad

#### Registered Office

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

#### Non Executive Directors

Dr. Bernd Scheifele

Dr. Lorenz Naeger

Dr. Albert Scheuer

Mr. S. Krishna Kumar

Mr. Pradeep V. Bhide

Mr. Daniel R. Fritz

#### Auditors

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

#### Registrars & Share Transfer Agents

M/s. Integrated Enterprises (India) Limited  
30, Ramana Residency, 4<sup>th</sup> Cross,  
Sampige Road, Malleswaram,  
Bangalore - 560 003

#### CEO & Managing Director

Mr. Ashish Guha

#### Wholetime Director

Mr. Sushil Kumar Tiwari

#### Chief Financial Officer

Mr. Anil Sharma

#### Dy. Head Legal & Company Secretary

Mr. Rajesh Relan

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## About HeidelbergCement Group

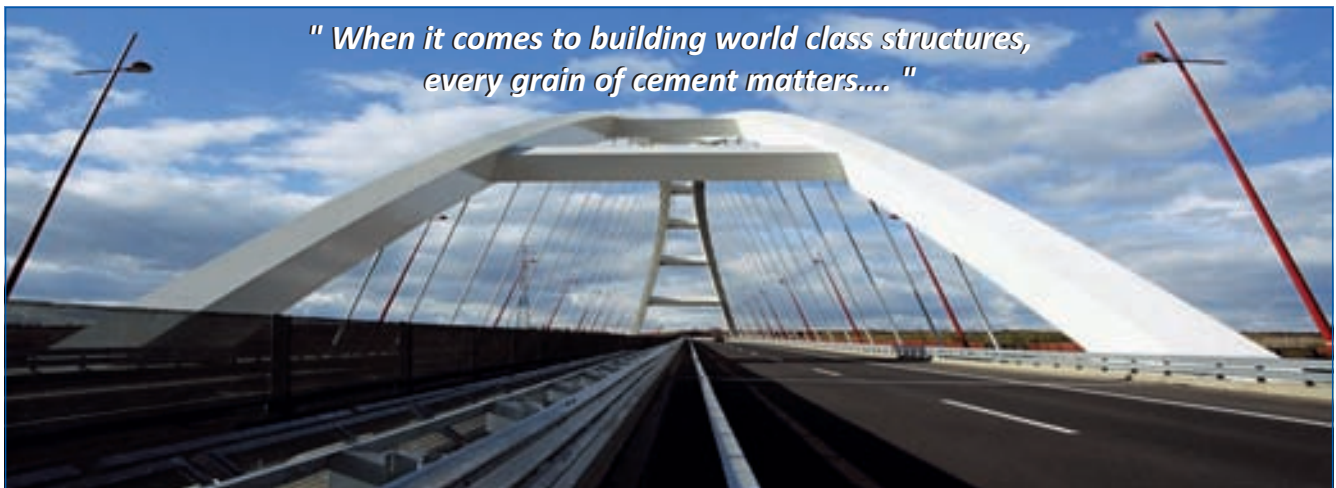
In more than 40 countries, the name HeidelbergCement stands for competence and quality in building materials. HeidelbergCement Group has come a long way, having laid the foundation of its first cement Plant in Heidelberg, Germany, in 1873 to one of the largest building materials' manufacturers worldwide. We are the global market leader in aggregates and hold leading positions in cement, concrete and other downstream activities. More than 54,000 employees worldwide are involved in our core activities at 2500 locations, making sure that our slogan "for better building" is brought to life day after day. Producing reliable building materials that you can rely on, we stand committed to building a better world for generations to come...



*building dreams.....*

**HeidelbergCement Group entered India six years ago with ambitions of establishing a formidable presence across the country.**

HeidelbergCement India Limited is a subsidiary of Cementum I B.V., a company incorporated under the laws of Netherlands, which is controlled by HeidelbergCement AG, headquartered at Germany. The Company has presence in Central, Western and Southern India manned by a workforce committed to deliver high quality products to its discerning customers. Our employees are aware that durability and quality of its products and services hold the key to our customers' hearts.



*" When it comes to building world class structures, every grain of cement matters.... "*

## Notice to Members

NOTICE is hereby given that the 54<sup>th</sup> Annual General Meeting of the Members of the Company will be held at 9.30 A.M. on Thursday, the 16<sup>th</sup> May 2013 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 31<sup>st</sup> December 2012 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 Dr. Bernd Scheifele who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Lorenz Naeger who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. Krishna Kumar 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 & Associates, Chartered Accountants (Firm Registration No.: 101049W) be and are hereby appointed as Auditors of the Company in place of retiring Auditors, M/s. S.R. Batliboi & Co., Chartered Accountants, who have expressed their unwillingness to continue as Auditors, to hold office from the conclusion of the 54<sup>th</sup> 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 293(1)(d) and other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called "the Board" which term shall be deemed to include any Committee, which the Board may hereinafter

constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) for borrowing from time to time, as it may think fit, any sum or sums of money (including non-fund based facilities) not exceeding Rs. 20,000 million (Rupees Twenty Thousand million) on such security and on such terms and conditions as the Board may deem fit including the borrowings in foreign currency equivalent to Rs. 20,000 million (Rupees Twenty Thousand million) through External Commercial Borrowings (ECBs) in accordance with the provisions of Foreign Exchange Management Act, 1999 from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate and other eligible lenders, notwithstanding that the monies to be borrowed, together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business), exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, (that is to say, reserves not set apart for any specific purpose).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or its duly constituted Committee be and are hereby authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may think fit, to finalise, settle and execute such documents/ deeds/ writings/ papers/ agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper, desirable or expedient and further to settle any question, difficulty or doubt that may arise with regard to borrowing of the funds as aforesaid."

By Order of the Board  
Sd/-

Rajesh Relan

Dy. Head Legal &

Company Secretary

Place : Gurgaon

Date : 11<sup>th</sup> February 2013

**Regd. Office:**

9<sup>th</sup> Floor, Tower 'C', Infinity Towers,  
DLF Cyber City, Phase II,  
Gurgaon, Haryana -122002



**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 11<sup>th</sup> May 2013 to 16<sup>th</sup> May 2013 (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, 4<sup>th</sup> 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, Email-Id, 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, Email-Id, 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 Dr. Bernd Scheifele, who is proposed to be re-appointed as Director, is given below:

Dr. Bernd Scheifele, aged 54 years completed his Masters and Doctorate in Law from the Universities of Freiburg (Germany), Dijon (France) and Illinois (USA). Dr. Scheifele has more than 26 years of rich and varied experience. He is Chairman of the Managing Board of group's flagship company, HeidelbergCement AG since 1st February 2005.

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

Castle Cement Ltd., Verlagsgruppe Georg von Holtzbrinck GmbH, HeidelbergCement AG, PT Indocement Tunggul Prakarsa Tbk, RECEM S.A., Hanson Ltd. UK, Hanson Pioneer Espana S.L., HeidelbergCement Holding S.a.r.l. and HeidelbergCement Netherlands Holding B.V.

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 members.

**Item No. 3:**

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

Dr. Lorenz Naeger, aged 52 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 26 years of rich experience as a corporate executive. Since 1st October 2004, he is a member of the Managing Board of HeidelbergCement AG in charge of Finance, Group Accounting, Controlling, Taxes, Insurance & Corporate Risk Management and IT.

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

Castle Cement Limited, ENCI Holding N.V., Hanson Limited, Hanson Pioneer Espana, S.L., HeidelbergCement AG, HeidelbergCement Canada Holding Limited, HeidelbergCement Holding S.a.r.l., HeidelbergCement International Holding GmbH, HeidelbergCement Netherlands Holding B.V., HeidelbergCement UK Holding Limited, HeidelbergCement UK Holding II Limited, Lehigh B.V., Lehigh Hanson Inc., Lehigh Hanson Materials Limited, Lehigh UK Limited, Palatina Insurance Limited, PHOENIX Pharmahandel GmbH & Co. KG., PT Indocement Tunggul Prakarsa Tbk, Recem S.A., S.A. Cimenteries CBR, MVV Energie AG.

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 members.

**Item No. 4:**

Brief resume of Mr. S. Krishna Kumar, who is proposed to be re-appointed as Director, is given below:

Mr. S. Krishna Kumar, aged 67 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. 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, he 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 Chairman of the Audit Committee of the Company.

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

Except Mr. Kumar, 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. S. Krishna Kumar, by the members.

**Item No. 5:**

At the 53<sup>rd</sup> Annual General Meeting (AGM) of the Company held on 25<sup>th</sup> April 2012, M/s. S.R. Batliboi & Co., Chartered Accountants, were re-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 & Co., have expressed unwillingness to be re-appointed as Auditors of the Company. It is proposed to appoint M/s. S.R. Batliboi & Associates (who have confirmed that their appointment would be within the limits laid down under section 224(1B) of the Companies Act, 1956) as the auditors in place of the retiring auditors, M/s. S.R. Batliboi & Co., Chartered Accountants. The members may note that both the firms are part of Ernst & Young. The Board of Directors of the Company at its meeting held on 11<sup>th</sup> February 2013 has recommended the appointment of M/s. S.R. Batliboi & Associates, Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of the 54<sup>th</sup> AGM until the conclusion of the next AGM.

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 members.

**Item No. 6:**

Pursuant to the provisions of Section 293(1)(d) of the Companies Act 1956, the Board of Directors of a Company, cannot except with the consent of the Company in general meeting borrow moneys, apart from temporary loans obtained from the Company's bankers in ordinary course of business, in excess of the aggregate of the paid up capital and its free reserves that is to say reserves not set apart for any specific purpose.

The members of the Company had on 11<sup>th</sup> May 2010 accorded their consent to the Company, by way of passing an Ordinary Resolution through Postal Ballot pursuant to section 192A of the Companies Act, 1956, to borrow any sum or sums of money not exceeding Rs. 12,000 million.

The expansion project at Jhansi Unit in U.P. has been successfully completed and the trial runs at the new plants at Narsingarh and Imlai in Damoh (M.P.) have started and commercial production is expected to commence shortly. The Company will continue to explore the opportunities for expansion in future through brownfield and greenfield expansion projects. Consequently, there may be a need to borrow funds for such expansion projects. The Board, therefore, through an enabling Resolution, proposes to enhance the Company's borrowing limits under Section 293(1)(d) of the Companies Act, 1956 from the present Rs.12,000 million to Rs.20,000 million.

Since, the proposed borrowing limit exceeds the Company's Paid-up Share Capital and Free Reserves (excluding temporary loans obtained from the Company's bankers and financial institutions etc. in the ordinary course of business), the enabling Resolution at Item No.6 of the Notice is being proposed for Members' approval. The Directors of your Company accordingly recommend the resolution for the approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the aforesaid resolution.

By Order of the Board  
Sd/-  
Rajesh Relan  
Dy. Head Legal &  
Company Secretary

Place : Gurgaon  
Date : 11<sup>th</sup> February 2013

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

# Directors' Report

## TO THE MEMBERS,

The Directors of your Company are pleased to present the 54<sup>th</sup> Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> December 2012.

## THE YEAR IN RETROSPECT

The year under review was a challenging year; the Indian economy continued to face serious domestic as well as external challenges. The decline in the growth rate of the Gross Domestic Product (GDP), as also in industrial activity and investments, continued. Apart from overall growth slippage, inflation remained a major concern leading to higher input costs, putting pressure on margins.

Economic slowdown and a declining GDP trend, especially deceleration in infrastructure investments and projects adversely impacted the cement industry. In this backdrop, the Indian Cement sector grew by 6.9%.

By the time the year 2012 drew to a close, the country's overall installed cement manufacturing capacity had risen to about 330 million tonnes in terms of industry estimates. Effective capacity utilization is estimated to have remained in the range of about 75% to 80%.

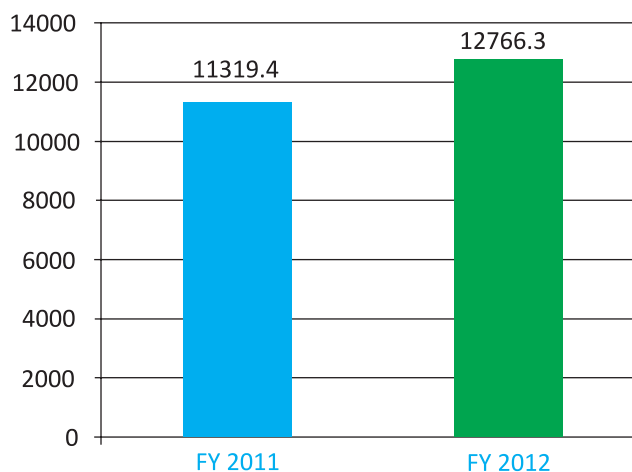
The Indian Cement Industry, during the year, witnessed once again a continuation of last two years' trends, where the first half of the year was buoyant and the latter half sluggish, both in terms of demand and prices. Demand was weak in the second half primarily on account of lower infrastructure spending and slowdown in the realty sector due to high interest rates.

## A GLANCE AT THE FINANCIAL PERFORMANCE

Despite the challenges, your Company registered an upswing in its turnover during the year. Gross revenues from operations for the year ended 31<sup>st</sup> December, 2012 were up by 12.8%, at MINR 12766.3, compared to gross revenues for the previous year, at MINR 11319.4.

(₹ in millions)

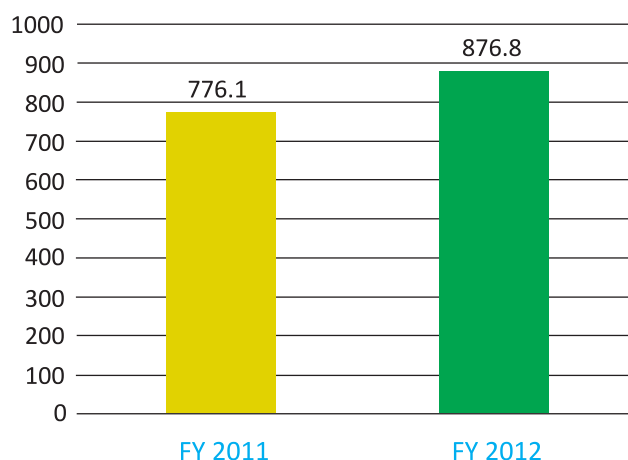
### GROSS SALES



Despite an unabated rise in costs, EBITDA (Earnings before interest, tax, depreciation and amortisation) grew by 13% (MINR 876.8 against MINR 776.1 for the previous year) on account of better realizations and operational efficiencies. Net profit stood at MINR 308.4 against net profit of the previous year (MINR 291.7) registering a growth of 5.7%.

(₹ in millions)

### EBIDTA



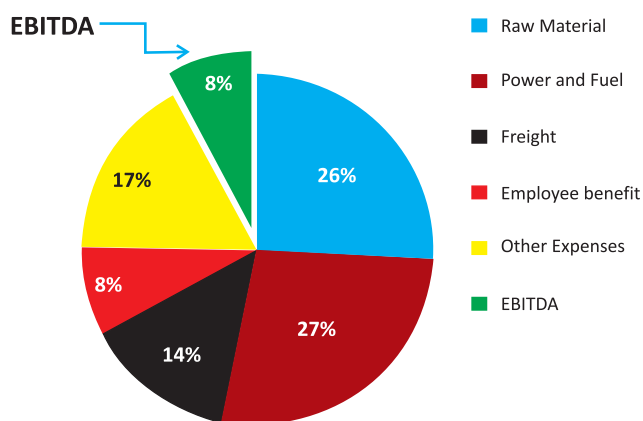
A snapshot of your Company's financial performance for the year ended 31<sup>st</sup> December 2012 vis-à-vis performance for the previous year ended 31<sup>st</sup> December, 2011 is as under:-

(₹ in Millions)

Particulars	Year ended 31 <sup>st</sup> December 2012	Year ended 31 <sup>st</sup> December 2011
Revenue from Operations (Gross)	12766.3	11319.4
Revenue from Operations (Net of Excise Duty)	11039.5	9879.6
Other Income	104.7	118.4
Total Revenue	11144.2	9998.0
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	876.8	776.1
Finance Costs	(105.3)	(38.5)
Net Depreciation and Amortization	(314.9)	(314.0)
Profit before tax	456.6	423.6
Total Tax Expense	148.2	131.9
Net Profit for the year	308.4	291.7

EBITDA margins were close to 8% of total revenue. A graphic presentation of EBITDA and Costs as a percentage to the total revenues during the year under review is given below:

#### EBITDA and Costs as a Percentage to Total Revenue



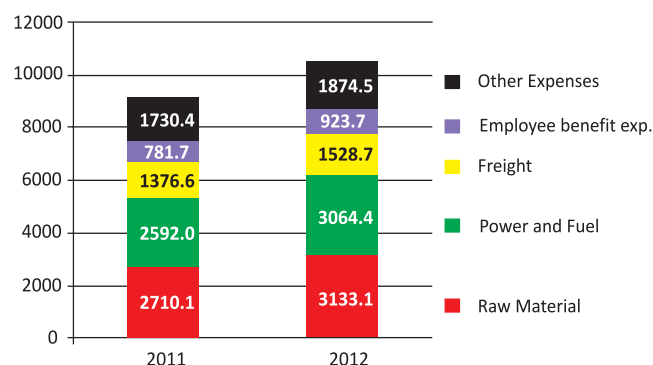
#### REVIEW OF OPERATIONS

On the operations front, cost challenges continued to be a cause of concern, particularly power, freight and raw material. Due to depreciation of the Rupee, imported gypsum became dearer. Through stringent quality checks, your Company has been able to meet its requirement of gypsum through indigenous sources with higher purity levels. However, availability of Gypsum continued to be a challenge in certain parts of the country.

The year also saw an increase in diesel prices which impacted the Company both directly and indirectly. PP granule prices saw a spurt by about 14% leading to an increase in the price of PP bags. Coal India introduced a new system of coal pricing based on gross calorific value with effect from the start of the year, which was subsequently rolled-back partially. This

resulted in an increase in coal prices for cement industry in the range of 10-15%. Overall there was increase of 14.51% in the total cost of production.

#### Total Cost of Production (MINR)



Pet coke prices remained relatively stable due to availability from certain new sources. Pet coke being a more economical fuel than coal, your Company has successfully altered its fuel mix by increasing pet coke consumption levels year on year. In operations also, the consumption parameters have shown definite improvement and we have bettered our incorporation ratios. Our strategy to increase road dispatches, in view of the steep hike in railway freight towards the end of the first quarter of 2012, has yielded results and during the year your Company crossed the initial target of one million tonne road dispatches in Central India.

Consistent good quality of the product has enabled the Company to meet the expectations of its discerning customers and create and sustain the image of its brand "mycem". Brand visibility helped your Company expand its channel network. During 2012 over 600 dealers and about 2,000 retailers were added to the network. To strengthen its bond with channel partners, the Company conducted number of training programs for its dealers.



**BROWNFIELD EXPANSION IN CENTRAL INDIA**

Your Company is now poised for growth, strengthening its presence in Central India through implementation of the brownfield expansion project in U.P. and M.P. The expansion project at Jhansi Unit in U.P. has been successfully completed and commercial production from the new plant at Jhansi commenced on 16<sup>th</sup> January 2013. Trial runs at the new plants at Narsingarh and Imlai in Damoh (M.P.) have started and commercial production is expected to commence shortly.

The expanded capacities of the plants will be as under:-

- a. Cement grinding capacity of the plant at Jhansi (U.P.) has increased from 0.8 to 2.7 million tonnes per annum.
- b. Clinker manufacturing capacity of the plant at Narsingarh, District Damoh (M.P.) will increase from 1.2 to 3.1 million tonnes per annum.

- c. Cement grinding capacity of the plant at Imlai, District Damoh (M.P.) will increase from 1.0 to 2.0 million tonnes per annum.



Ball Mill at Imlai Plant



A view of Jhansi Plant



Cement loading facility at Imlai Plant



A view of new clinkerisation plant at Narsingarh

One of the key highlights of the project is the construction of around 20 kilometers long Overland Belt Conveyor (OLBC), one of the longest in the Country, for transportation of limestone from the mines at Patharia to the Clinkerisation unit at Narsingarh.

Capital expenditure on the entire expansion project is about MINR 15700 (including interest during the construction period that has been capitalized), which has been funded through a mix of internal accruals, External Commercial Borrowings (ECB) from the promoter group and term loans from Indian Banks. Post expansion, the cement manufacturing capacity of the Company in Central India will increase by 2.9 million tonnes per annum and the total cement manufacturing capacity of the Company will increase to 6 million tonnes per annum.



## Vertical Roller Mill (VRM) at Jhansi Plant

