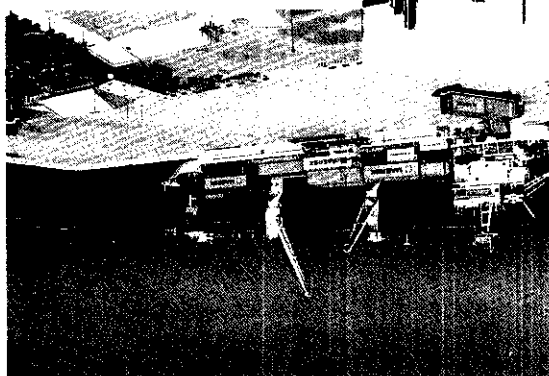


ANNUAL REPORT 1999

KVAERNER



Report

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View of the approach Jetty on steel piles at Dahej

Kvaerner Cementation India Limited

Committees of Directors

Audit Committee

T. A. Philpot
K. E. Clarke
Dr. S. Rama Iyer
D. E. Udvardia
J. P. Keenan

Remuneration Committee

D. E. Udvardia
K. E. Clarke
T. A. Philpot

Board of Directors

K. E. Clarke, *Chairman*
T. A. Philpot, *Vice Chairman*
Dr. S. Rama Iyer, *Managing Director and Dy. Chairman*
D. E. Udvardia
J. P. Keenan
A. K. Chatterjee, *Director-General Manager*
S. Mukundan, *Commercial Director*
M. G. Ranade, *Director-Corporate Affairs and Secretary*
K. M. Thatte, *Finance Director*

Bankers

ABN AMRO Bank, N.V.
Allahabad Bank
Bank of Baroda
ICICI Bank Limited
Standard Chartered Bank
Union Bank of India
State Bank of India

Auditors

Arthur Andersen & Associates, Mumbai.

Legal Advisers

Udvardia, Udeshi & Berjis, Mumbai.

Registered Office

Apeejay House,
Dinshaw Vachha Road,
Mumbai 400 020.

Area Offices

Mumbai
Calcutta
Delhi
Chennai

Research Laboratories

Mumbai
Calcutta

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Annual General Meeting
Thursday, 27th April, 2000, 3.30 p.m.
Patkar Hall, Mumbai-400 020.

KVÆRNER

Kvaerner Cementation India Limited

Company in Brief

Kvaerner Cementation India, an ISO 9002 certified company for its marine business, is one of the country's leading construction companies with an established track record gained by over 70 years of trading. Consistent growth has today made it a major force in marine works, major industrial and infrastructure projects and specialist engineering works.



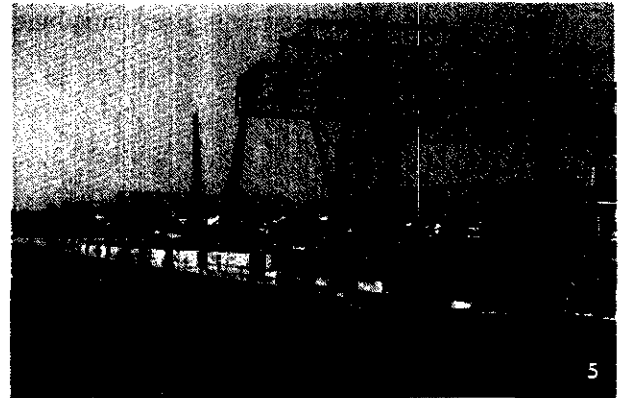
Strategic Business Units

- Marine Projects
- Industrial & Bridge Projects
- Specialist Engineering Works

We have a dedicated work force of 900 employees, over 50% of whom are qualified engineers, skilled operators and workmen, a fleet of modern construction plant and equipment and a network of offices in Mumbai, Calcutta, Delhi and Chennai. As part of the Kvaerner Group, a worldwide construction and engineering business, we are able to combine our local expertise with its international skills to provide innovative construction solutions to deliver a quality product on time and to budget.

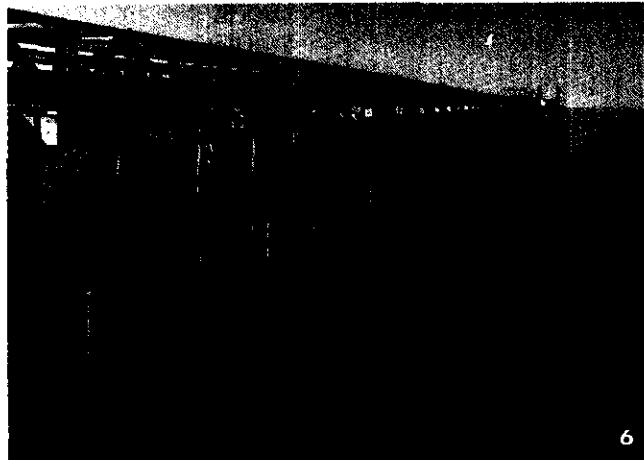


1. Completed portion of Southern Wharf, JNPT
2. Work in Arphal Tunnel near Karad in progress for MKDVC
3. Completed Civil Works for IFFCO's Ammonia Plant at Phulpur



In the construction industry's competitive environment, where today's performance is never good enough for tomorrow, Kvaerner Cementation India retains a single golden rule - to deliver results by anticipating and exceeding customer expectation; first time, every time.

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4. India's Largest Foot-over Bridge at Dadar Railway Station, Mumbai
5. Multipurpose Berth at Visakhapatnam.
6. Installation of Steel Piles for Liquid Cargo Jetty at Dahej
7. Construction of Fly-over at Khodadad Circle, Dadar in progress (Aerial View)

Kvaerner Cementation India Limited

DIRECTORS' REPORT

The Directors have pleasure in presenting herewith their Report and Statement of Accounts for the year ended 31st December, 1999.

FINANCIAL RESULTS

	(In Rupees Lakhs)	
	Year 1999	Year 1998
Total Income	38,594.98	39,163.98
Gross Profit before depreciation	1,480.64	1,860.45
Less: Depreciation on fixed assets	526.89	510.15
Operating Profit	953.75	1,350.30
Less: Bad Debts provided for and written-off	175.00	193.00
Profit before Taxation	778.75	1,157.30
Provision for Taxation	440.00	415.00
	338.75	742.30
Add: Provision for Taxation of earlier Years written back	45.53	48.18
Profit after Taxation	384.28	790.48
Add: Surplus of previous year brought forward	1,308.18	737.12
Amount available for appropriation	1,692.46	1,527.60
Directors' recommendation for appropriation:		
Proposed Dividend	92.13	126.74
Corporate Dividend Tax	10.79	12.68
Transfer to General Reserve	40.00	80.00
Balance carried to Balance Sheet	1,549.54	1,308.18
	1,692.46	1,527.60

DIVIDEND

The Directors are pleased to recommend a dividend of Rs.2.00 per share (1998 - Rs.3.00 per share, prorata) on 46,06,521 (1998 - 46,06,518) equity shares of Rs.10 each fully paid to those shareholders whose names appear in the Register of Members on 27th April, 2000. The above dividend together with tax thereon, when approved, will represent about 26.8% of distributable profits of Rs.384.28 Lakhs for the year.

REVIEW OF OPERATIONS

The turnover for the year at Rs.38,057.60 Lakhs was marginally lower than the turnover of Rs.39,232.63 Lakhs reported for the year 1998. Your Company made a profit before tax of Rs.778.75 Lakhs compared to a profit before tax of Rs.1,157.30 Lakhs for the previous year. Decline in profit before tax was due to major problems encountered on a large marine project in Gujarat on account of adverse physical conditions.

The Directors have reviewed the outstanding debts and have decided to write-off Rs.176.09 Lakhs (1998 - Rs.351.17 Lakhs) as bad debts. Recovery against bad debts written-off in the earlier years aggregating Rs.223.77 Lakhs (1998 - Rs.16.27 Lakhs) helped to improve the overall profitability for the year.

During the year decisions on major infrastructure projects continued to be delayed and has affected the intake of new orders. Total value of new contracts together with award of additional work at contracts secured in earlier years aggregated Rs.20,731 Lakhs. New contracts secured during the year included —

- Flyover at Dadar in Mumbai
- Colgrouting of Dam and Civil Works near Pune
- Civil Work for LNG Terminal
- Construction of Berths at Haldia
- Rehabilitation of Marine work at JNPT, Mumbai

During the year under report a number of contracts were completed including the Western Quay at Paradip Port, water supply system at Bakreshwar Thermal Power Plant, off-shore platform at GSPC at Hazira, Khairane road over bridge for CIDCO, Hirakud dam rehabilitation work, Birla Copper jetty, P&O Container Terminal at JNPT, 7th Cargo berth and shallow water berth at Tuticorin.

ISO 9002

Your Company is the first construction company to be accredited with ISO 9002 in India for construction of Port and Harbour Structures which demonstrates the capabilities and competence of your Company in marine projects.

MARKET OUTLOOK

Market trend is encouraging with more enquiries and availability of more funds for infrastructure projects. Major investments in infrastructure by the Government sector can give your Company the opportunity to take part in sizeable projects with the support of Kvaerner Group. Various state Governments are also encouraging private capital participation in flyovers, bridges, port facilities, water supply schemes, irrigation projects and LNG power plants.

RIGHTS ISSUE

The Rights Equity Issue in February 1998 raised Rs.4,092 Lakhs towards capital expenditure including modernisation and working capital.

Utilisation of the cash received towards modernisation was lower than the amounts estimated in the Letter of Offer. As stated therein the deployment of the funds was dependant upon order book position and order mix and orders received have been lower than previously estimated.

PARENT COMPANY

Kvaerner, the Anglo-Norwegian engineering and construction Group, international headquarters are based in London. The activities of Kvaerner are organised in three core business areas - E&C (engineering and construction - process industrial engineering), Oil and Gas (onshore and offshore) and Construction (building and civil engineering). After completion of planned disposals Kvaerner will have annual revenues of approximately US\$ 7 Billion with 55,000 staff located in 45 countries.

RESEARCH AND DEVELOPMENT

The R&D Division of the Company has been accorded recognition by the Department of Science & Technology, Government of India. The R&D Division continues to strive for improving methodology of work and productivity of operations.

Kvaerner Cementation India Limited

FOREIGN COLLABORATIONS

Kvaerner Cementation Foundation Limited, U.K. and Kvaerner Construction Limited, U.K. with whom the Company has technical know-how and service agreements, continued with their support to introduce latest methods of construction technologies for improving productivity and planning in your Company.

YEAR 2000 COMPLIANCE

The Company's hardware and software was proven to be Year 2000 compliant.

PARTICULARS OF EMPLOYEES AND OTHER ADDITIONAL INFORMATION

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 is attached hereto and forms part of this Report.

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 also forms part of this Report.

DIRECTORS

Mr. J.W.S. Fletcher resigned as Director and Chairman with effect from 31st December, 1999. Your Directors place on record their sincere appreciation of the valuable guidance and advice given by Mr. Fletcher during the period of his association with the Company.

Mr. K.E. Clarke was appointed as Chairman of the Board of Directors with effect from 1st January, 2000. The Board welcomes the appointment and extends its best wishes to him for a successful tenure.

Mr. M.G. Ranade, Mr. K.E. Clarke and Mr. A.K. Chatterjee retire by rotation and, being eligible, offer themselves for reappointment.

AUDITORS

The retiring Auditors, Messrs Arthur Andersen & Associates, Chartered Accountants, Mumbai, offer themselves for reappointment.

INDUSTRIAL RELATIONS

Relations with staff and labour remained peaceful and cordial during the year under review.

ACKNOWLEDGEMENT

The Directors wish to express their sincere thanks to all employees for their untiring efforts and contribution and also to the Shareholders, Customers and Bankers for their continued support.

For and on behalf of the Board

Mumbai,
24th February, 2000.

K.E. CLARKE
Chairman

Annexure to the Directors' Report

Statement Pursuant to Section 217(1)(e) of the Companies Act, 1956.

RESEARCH AND DEVELOPMENT

The R & D Division of the Company was accorded recognition by the Department of Science & Technology, Govt. of India. The Division strives for improving various work processes and productivity of operations. The Company has been awarded ISO 9002 Certification for the construction of Port and Harbour Structures by Det Norske Veritas, The Netherlands.

(A) Conservation of Energy

The Company has no manufacturing activities relating to conservation of energy.

(B) Technology absorption

Research and Development (R & D)

- (1) Development of large size cantilever platform for installing number of piles simultaneously in adverse marine condition.
- (2) Use of anchor piles for carrying out pile load test at very high load intensity in marine environment.
- (3) Adaptation of stitch drilling in large diameter pile to augment pile socketing in high strength rock.
- (4) Underwater drilling and chemical grouting to seal the cracks in large concrete dam.
- (5) Development of ready mix concrete setup for preparation of concrete.
- (6) Adaption of mining cars for disposal of excavated muck/rock from deep tunnel.
- (7) In-house development of rotary, micro piling rig for piles upto 300 mm dia.
- (8) Developing high performance concrete of M60 grade using micro silica additive.
- (9) Successfully carrying out a 1200 ton load test on an offshore pile.
- (10) Methodology for large scale reclamation from sea over very soft marine clay was developed jointly with project consultants namely 'Golder Associates' of Australia.
- (11) Undertake deep excavation with a combination of closely spaced anchor piles with grouting of intermediate soil.
- (12) Capital expenditure of Rs. 8.59 Lakhs and recurring expenditure of Rs.20.19 Lakhs aggregating Rs. 28.78 Lakhs was incurred, representing 0.08% of the total turnover.

Technology absorption, adaptation and innovation

- (1) Senior Technical personnel from the Company visited our U.K. Collaborators for consultations on work-methodology for major construction projects in civil and marine engineering.
- (2) Experts from our UK Collaborators visited India for on-site advice and selection of plant for construction of marine works.
- (3) Efforts continued to absorb/adapt imported technology and know-how from our Technical Collaborators.
- (4) Personnel were deputed to our UK Collaborators to update the estimates and tendering procedure.

(C) Foreign Exchange Earnings and Outgo

- (1) The Company did not have any exports during the year under report.
- (2) The Company is continuing its efforts to identify opportunities of securing overseas contracts in its specialist activities.
- (3) There was earnings in foreign exchange from construction and related activities and interest aggregating Rs.4,225.74 Lakhs during the year under report and the outgo on account of dividend, travelling, royalty, professional and consultancy fees, services of subcontractors, import of raw material, capital goods, tools and spare parts aggregated to Rs.4,513.71 Lakhs.

Kvaerner Cementation India Limited

Annexure to the Directors' Report

Statement Pursuant to Section 217(2A) of the Companies Act, 1956.

Name, Age, Designation and Nature of Duties, Qualifications, Date of Employment, Experience (Years), Gross Remuneration (Rupees) and Last Employment.

A. Employed throughout the financial year under review and in receipt of remuneration aggregating not less than Rs. 6,00,000/-.

1. A.N. Basu, 44, Vice President, B.C.E., 29.08.1979, 22, 6,04,366, Senior Engineer, CCL.
2. A.K. Chatterjee, 55, Director-General Manager, B.E. (Civil), F.I.E., F.I.G.S., 29.08.1979, 34, 19,42,006, Senior Engineer, CCL.
3. Dr.S.Rama Iyer, 60, Managing Director, Ph.D., A.M.I.I. Chem. E., 01.01.1999, 35, 12,00,000, - .
4. S. Mukundan, 43, Commercial Director, B. Tech., P.G.B.M., 10.06.1996, 20, 16,02,896, General Manager - Commercial, Essar Oil Ltd.
5. M.G. Ranade, 58, Director-Corporate Affairs and Secretary, B.Com. (Hons.), A.C.A., A.C.S., 03.04.1984, 37, 16,33,206, Secretary and Financial Controller, Hickson & Dadajee Ltd.
6. K.M.Thatte, 44, Finance Director, B.Com., A.C.A., A.C.S., 14.12.98, 21, 14,59,491, Senior Vice President - Finance and Company Secretary, Aptech Ltd.

B. Employed for part of the financial year under review and in receipt of remuneration aggregating not less than Rs. 50,000/- per month.

7. John M. Bradshaw, 54, Projects Director-Operational Control of Sites, B.Sc., M.I.C.E., 11.01.99, 34, 25,97,513, Operations Manager, London, Kvaerner Construction International Ltd.

Notes: Gross remuneration has been calculated according to the relevant provisions under the Companies Act, 1956.

All appointments are contractual. None of the employees is a relative of any Director of the Company.

CCL means The Cementation Company Limited, India Branch.

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