THE INDIA CEMENTS LIMITED

ANNUAL REPORT

2000

Cement plant of Sri Vishnu Cement Limited, at Sitapuram, Nalgonda District, Andhra Pradesh.

54th Annual General Meeting

Date : 25th September, 2000

Time : 10.30 a.m.

Venue : Sathguru Gnanananda Hall,
(Narada Gana Sabha)
254, T.T.K. Road, Chennai 600 018.

A REQUEST

The practice of distributing copies of Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. Shareholders are, therefore, requested to bring their copy of the Annual Report to the Meeting.

CONTENTS

THE INDIA CEMENTS LIMITED

BOARD OF DIRECTORS

Sri N. Sankar	Chairman
Sri N. Srinivasan	Vice Chairman & Managing Director
Sri N. Ramachandran	Executive Director
Sri N. Kumar	
Sri B.S. Adityan	
Dr. M.V. Kamath	
Sri N. Biswas	(Representing ICICI Ltd.)
Sri Gul M. Iqbal	(Representing UTI)
Sri N.R. Ranganathan	(Representing LIC)
Sri K. Sivaprakasam	(Representing IDBI)

Auditors

Messrs. Brahmayya & Co.,
Messrs. P.S. Subramania Iyer & Co.,
Chartered Accountants,
Chennai

Registered Office

"Dhun Building",
827, Anna Salai,
Chennai-600 002.

Cement Factories

TAMILNADU

Sankarnagar,
Tirunelveli District.

Sankari,
Salem District.

Dalavoi,
Perambalur District.

ANDHRA PRADESH

Chilamakur and Yerraguntla,
Cuddappah District.

Vishnupuram,
Nalgonda District.

Real Estate & Property Development Division
123, Marshalls Road, 2nd Floor,
Egmore, Chennai-600 008.

TEN YEARS IN BRIEF

YEAR ENDED

			1991	1992
Sales & Earnings				
1.	Sales and other Income	Rs./Lakhs	25937	41639
2.	Profit/(Loss) before tax	Rs./Lakhs	1903	1938
3.	Cash Generated (internally)	Rs./Lakhs	3228	4147
Assets				
4.	Fixed Assets (Net)	Rs./Lakhs	22587	25147
5.	Capital Investments	Rs./Lakhs	11580	5113
6.	Current Assets	Rs./Lakhs	8483	10154
7.	Loans and Advances	Rs./Lakhs	1625	2645
Capital & Reserves				
8.	Share Capital	Rs./Lakhs	1598	1598
9.	Reserves and Surplus	Rs./Lakhs	3993	5443
10.	Shareholders' Fund	Rs./Lakhs	5591	7041
Net worth, EPS & Dividend				
11.	Net worth per share	(Rs.)	34.97	44.04
12.	Earnings per Share	(Rs.)	21.61	12.08
13.	Equity Dividend	(%)	25	25

Figures exclude revaluation/deferred revenue expenditure.

— FINANCIAL INFORMATION

31st MARCH

1993	1994	1995	1996	1997	1998	1999	2000
47787	54997	62908	80644	83250	92731	139184	**141966**
1403	1848	4728	8090	8258	6276	8704	**4731**
4190	4223	7211	11737	12661	11287	15669	**12120**
29303	25936	35068	55970	78527	100499	145187	**150202**
6556	1390	11609	21899	26033	31496	57685	**12471**
11353	15961	18779	19626	22536	25745	29194	**36093**
3232	4363	4987	9559	12110	38097	53659	**76733**
1985	2481	3067	6434	6434	6434	12500	**16339**
7872	12047	29783	35389	40225	42291	50515	**57951**
9857	14528	32850	41823	46659	48725	63015	**74290**
49.66	58.55	107.10	65.00	72.52	75.73	50.91	**54.02**
7.47	8.08	17.22	22.79	12.83	9.06	12.57	**3.52**
25	25	40	45	30	30	35	**18**

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Fiftyfourth Annual Report together with audited Accounts for the year ended 31st March, 2000.

	Rs. in Crores For the year ended 31st March	
FINANCIAL RESULTS	2000	1999
Income from Operations	274.78	261.03
Add: Other Income	13.21	44.17
Profit before Interest & Depreciation	287.99	305.20
Less: Interest	166.80	148.51
Less: Depreciation	73.79	69.62
Profit Before Tax	47.40	87.07
Less: Provision for Income Tax	(2.00)	(3.15)
Add: Prior year adjustments	(0.09)	(0.03)
Profit after Tax	45.31	83.89
Add: Balance brought forward from last year	30.19	23.72
Transfer from:		
Investment Allowance Reserve	0.55	–
Debenture Redemption Reserve	10.52	1.80
Share Premium	10.06	2.79
Less: Share/Debenture Issue expenses	(10.06)	(2.79)
Less: Extra-ordinary items (Refer Note No.19)	(25.13)	–
Surplus available for appropriation	61.44	109.41
Transfer to:		
Debenture Redemption Reserve	13.50	28.78
General Reserve	4.00	15.00
Investment Reserve	–	9.50
Dividend proposed		
– On Preference Capital	2.07	–
– On Equity Capital	28.30	25.94
Balance carried in Profit & loss A/c	13.57	30.19

SHARE CAPITAL

The subscribed Equity Share Capital of the Company during the year increased from Rs.12499.81 lakhs to Rs. 13839.12 lakhs. The proceeds of private placement of 10869500 Equity Shares of Rs. 10 each (at a premium of Rs. 82 per share) to the Foreign Institutional Investors and domestic companies during February/March 2000 together with receipt of outstanding call money on the Rights Shares made in 1999 and adjustment of dividend towards outstanding call money due from some shareholders account for the increase.

The Equity Shares of your Company including the shares privately placed as stated above are listed in National Stock Exchange of India Ltd., besides Madras Stock Exchange Ltd.

and The Stock Exchange, Mumbai. The listing fee due to these Exchanges for 2000-01 has been paid by the Company.

The Equity Shares of your Company have been included by the Securities & Exchange Board of India in the category of shares to be compulsorily dematerialised, effective from November 1999. Your Company has also signed an agreement with Central Depository Services (India) Ltd., in November 1999 besides the signing of agreement with National Securities Depository Ltd., in March 1999 earlier reported. Thus the shareholders have the choice of choosing either of the two Depositories and any of their respective Depository Participants for getting their holdings dematerialised.

The Company Privately Placed in July/August 1999, 15,00,000 11.5% Cumulative Redeemable Preference Shares of Rs.100 each with Housing Development Finance Corporation Ltd. and 10,00,000 11.5% Cumulative Redeemable Preference Shares of Rs. 100 each with HDFC Bank Ltd.

DIVIDEND

The 25 Lakhs 11.5% Cumulative Redeemable Preference Shares of Rs.100 each carry a dividend of 11.5% per annum pro-rata to the period that they have been outstanding during 1999-2000.

Your Directors also recommend a dividend of Rs. 1.80 per share for the year ended 31st March, 2000 on 126650211 Equity shares of Rs.10 each paid up and outstanding as on 1st April, 1999 and on 2025793 equity shares in respect of which there are calls in arrears, dividend of 18% pro rata taking into account the amount paid up thereon. The 10869500 Equity Shares Privately Placed in February/March 2000 will rank for dividend for the period from 15th February 2000 and accordingly are entitled for Re.0.22 per share.

ACQUISITION OF SHAREHOLDING CONTROL IN SRI VISHNU CEMENT LIMITED (SVCL)

ICL Securities Ltd., (ICLS), your Company's wholly owned subsidiary, acquired in October 1999, 49.05% of the Equity Share Capital in Sri Vishnu Cement Ltd., (SVCL). Simultaneously, Raasi Cement Ltd (RCL) also acquired 39.5% of the Equity Capital of SVCL. The shares so acquired by RCL reverted to your Company in terms of the Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh in October 1999, under which the Cement Division of RCL was integrated with your Company.

In accordance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto issued by Securities and Exchange Board of India, ICL Securities Ltd., alongwith The India Cements Ltd., and Raasi Cement Ltd., acting in concert with it, made an offer in December 1999 for the purchase of the remaining 23,71,100 shares of SVCL constituting 9.99% of the Equity Share Capital, at a price of Rs.98.25 per share. The offer opened on 31.12.1999 and closed on 29.1.2000. In terms of the aforesaid SEBI Regulations, a second Offer was made to acquire the balance shares and this Offer closed on 26th May, 2000. ICLS has given an undertaking to SEBI to continue to accept any remaining shares surrendered by the shareholders of SVCL on the same terms and conditions, upto 26th October 2000.

At present your Company together with its subsidiary, namely ICL Securities Ltd, holds 94.16% of the Share Capital of SVCL and SVCL is a subsidiary of your Company.

CEMENT INDUSTRY

Our Country now has the distinction of being the second largest producer of cement in the world next only to China.

There was an impressive growth in the demand for cement during the year under review at 15% - highest growth rate in any year since decontrol. The growth in demand was driven by a strong rural demand and a positive response from the Housing Sector to the various initiatives in the 1999 Budget.

The availability of cement however kept pace with increase in demand. Production of cement from large plants increased from 81.66 million tonnes in 1998-99 to 94.01 million tonnes in 1999-2000, a growth of 15%. Additions to capacity by the Industry during 1998-99 amounting to 8.5 million tonnes had its full impact while a further 1.75 million tonnes of capacity was added during 1999-2000. The capacity utilisation of the Industry also increased from 78% to 87%. The capacity creation was mainly in the South, with the additions accounting for 4.10 million tonnes during 1998-99 and 0.30 million tonnes in 1999-2000.

The level of competition in the Industry was therefore a notch higher. Cement prices fluctuated violently. While they were propped up by higher demand at times, there was a free fall in prices at other times. The Industry suffered on account of falling market prices despite good demand for cement, because of excess supply situation.

Your Company, in these difficult circumstances, was able to turn out a reasonable performance as a result of further improvements in production and operational efficiency at all its plants as detailed hereinafter. Consequently, your Company was able to increase its Profit from Operations (excluding Other Income) from Rs.261 Crores in the previous year to Rs.275 Crores during the current year. However, the Net Profit for the year before Tax was lower at Rs. 47.40 Crores as against Rs. 87.07 Crores in the previous year mainly on account of lower non-operational income and higher interest burden. Though there is no taxable income, a provision of Rs.200 lakhs has been made in the accounts towards Minimum Alternate Tax.

OPERATIONS

The production and sales at the cement plants during 1999-2000 are as under:

	In Lakh Tonnes	
	1999-2000	1998-99
Clinker produced	**56.37**	49.94
Cement Produced	**59.69**	54.64
Cement Sold	**58.82**	55.15

The overall increase in clinker production was 13% and in cement production 9% while cement sales were up by 7%. The clinker production at Sankarnagar crossed the million tonne mark for the first time since inception.

Your Company's efforts towards productivity enhancement and operational efficiency referred to in our last report continued to yield handsome dividends during the year under review also. The capacity utilisation records were once again breached, with your Sankarnagar plant achieving a capacity utilisation of 114% (previous record 110%) and the Dalavoi Plant 116% (previous record 109%). Capacity utilisation was above 100% at both Chilamakur 104% and Vishnupuram 101% while it improved significantly at Sankari 88% (as against 59% in the previous year) and at Yerraguntla 87% (as against 74% last year).

Your Company's efforts towards reducing energy costs yielded further results with significant savings both in power and fuel consumptions as set out in the Annexure to this report. The generation of captive power was also maximised with the addition of two 6 MW DG sets at Sankarnagar during the year, resulting in further economies in cost. Efforts to tap the full potential of all the plants in terms of production and for reduction in energy costs are ongoing and are expected to yield further results during the current year.

Your Company has completed the upgradation of the Chilamakur Plant with an increase in capacity from 3000 TPD to 3800 TPD during December '99. The upgraded plant is expected to stabilise during the first half of the current financial year, yielding an additional 0.30 Million Tonnes of production per annum.

Your Company has taken up low cost upgradation proposals to increase the clinker capacity at Dalavoi to 3600 TPD from the present level of 3250 TPD and at Yerraguntla to 1500 TPD from the present level of 1200 TPD, at a cost of Rs.15 Crores. These low cost expansions will further reduce the cost of production at these plants.

Work on the 15 MW Gas Power Plant of your Company is in progress and the necessary land has been acquired. Your Company has signed a Memorandum of Understanding with Gas Authority of India Ltd., for supply of requisite gas. The power plant will be completed within the next 18 months and will further reduce power costs in respect of your cement plants in Tamil Nadu.

Significant manpower reduction achieved in the previous two years is reflected in the form of savings in manpower and overhead costs in the working results of your Company for 1999-2000.

Even during a year of good demand growth, your Company was able to maintain its share in its core markets of Tamil Nadu and Kerala during 1999-2000 with its overall market share in the south being 22%.

COSTS AND PRICES

With the decontrol of oil prices, the price of Furnace Oil/ LSHS underwent frequent revisions during the year under review, increasing the cost of captive power. The biggest impact was made by the 35% increase in diesel price with effect from October '99, which impacted the cost of inward and outward transport of materials. Besides, the normal bout of cost escalations in the form of increase in Cost of Living Index for the workmen by 146 points on an average during the year, the increase in power tariff by Andhra Pradesh Gas Power Corporation Ltd., by 10% and by Tamil Nadu Electricity Board by 6% were additional imposts. The Railway freight on cement was also hiked by 4% from April'99. All these increases in the administered prices along with the residual impact of such escalations during the previous year imposed a total impact of around Rs.45 Crores. This was compounded by a further fall in realisation of Rs.27/Tn during the year under review, which meant a loss in revenue of Rs.16 Crores as compared to previous year.

The Company however was able to limit the impact of these simultaneous pressures on both the cost and price fronts on account of higher volumes and the continuous cost cutting drive undertaken, which resulted in significant savings in power and fuel consumption in all its plants. Savings were also effected by rationalisation of distribution costs.

OTHER DIVISIONS

As mentioned in the last report, the activities of Real Estate & Property Development Division are being curtailed and income from this Division during the year under review amounted to Rs.135.15 lakhs, representing sale of 3 residential flats.

Income from Wind Mills increased to Rs.601.18 lakhs from Rs.538.18 lakhs in the previous year with higher generation of power at 183 Lakh Kwh as against 161 Lakh Kwh in the previous year. With the running down of the debt in respect of the Wind Mills, the operations of this Division are now extremely profitable.

RESTRUCTURING OF ORGANISATION, SYSTEMS & PROCEDURES

Your Company has grown rapidly in the last two years and now has eight operating cement plants including those belonging to subsidiary / associate companies. In order to optimise the use of human resources, your Company has retained an international firm of Consultants to streamline its organisational structure, systems and procedures so as to move towards a leaner organisation and a paperless office. The recommendations of the Consultants are being implemented in phases.

SUBSIDIARIES

SRI VISHNU CEMENT LIMITED

Your Company assumed control of Sri Vishnu Cement Ltd. from 27th October, 1999 consequent to the acquisition of shares as stated earlier. The production and sale of cement during 1999-2000 of the company are as under:

In Lakh Tonnes

	1999-2000	1998-99
Clinker production	7.83	7.67
Cement production	7.75	7.52
Sale of cement	7.57	7.66
Clinker sales	0.24	0.45

Immediately upon takeover, your Company has taken steps to review the operations of the plant and to carry out improvements wherever necessary. While short term measures for more dependable operation of the plant have been undertaken, ongoing efforts to improve the plant operations and reduce production costs are expected to reflect in improved plant performance during the next financial year.

Your Company is also undertaking a low cost upgradation of this plant to increase its clinker production from 2700 TPD to 3400 TPD at a nominal cost of around Rs. 5 Crores. This will increase the capacity of this plant to 1.2 million tonnes and will make it one of the cheapest acquisitions in the Industry as the total investment of your company for the acquisition of this plant is under Rs. 150 Crores.

With low cement prices affecting the profitability, the Company incurred a loss of Rs. 723 lakhs during the financial year ended 31st March, 2000.

ICL FOUNDRIES LTD. (ICLF)

Your Company sold during the year its entire shareholding in ICL Foundries Ltd., (ICLF). Consequently, ICLF ceased to be subsidiary of your Company effective from 24th December, 1999. The Directors nominated by your Company have resigned from the Board of ICLF.

INDUSTRIAL CHEMICALS & MONOMERS LIMITED (ICML)

The operations of the Company continued to remain suspended during 1999-2000. Your Company is weighing various options for revival of the subsidiary or recovery of the investment through sale of undertaking.

INVESTMENT SUBSIDIARIES

ICL Securities Ltd. and ICL Financial Services Ltd., continued their investment activities during the year. As stated earlier, ICL Securities Ltd., made two open Offers to the shareholders of Sri Vishnu Cement Ltd., and acquired 9,86,420 equity shares of SVCL constituting an additional 4.16% of SVCL's paid up equity capital.

ICL INTERNATIONAL LTD

The Trucking Division with its own fleet of 20 trucks assisted the holding Company in the disposal of cement and carriage inward of coal and other raw materials, moving 27690 Ts of Cement and 21085 Ts of coal/raw materials during the year. The Company also provides logistics support in the form of contract and market truck management and scheduling.

The Trading Division also made satisfactory progress, registering a total turnover of Rs. 5.96 Crores. The turnover of ICL International Ltd., during the financial year was Rs. 7.47 Crores and the Company incurred a loss of Rs. 57 lakhs after Interest and Depreciation. With the enhancement of its fleet of trucks and increase in the level of operations, the Company is expected to turn profitable in the coming years.

ASSOCIATE COMPANIES

The performance of the Cement Plant of Visaka Cement Industry Limited at Tandur was extremely gratifying with the plant reaching a capacity utilisation of 110% during the year ended June 2000. The plant produced 9.46 Lakhs Ts of clinker and 9.90 Lakhs Ts of cement during the year while cement despatches exceeded one million tonnes in the first full year of operation itself. The Company's cement is of excellent quality and commands a premium in the market and has penetrated its home markets both in Andhra Pradesh and Maharashtra very quickly. The plant compares with the best in the Industry in terms of heat consumption and is also energy efficient with power consumption of around 101 Kwh/Tn of cement.

ICL Sugars Limited has completed its first season of crushing operations during March 2000. In the first season, the company has crushed 1.85 Lakh tonnes of cane and produced 1.46 lakh quintals of sugar and has sold 13755 quintals of sugar. The Company is also taking steps to rectify the disruptions in the export of co-generated power by frequent voltage fluctuations in the Karnataka Electricity Board grid by replacing the existing transformer with a new transformer with suitable tapping facility. With this, the export of power should yield substantial revenue in the coming year. Additional balancing equipments have also been ordered to overcome bottlenecks experienced during the first year of operation. The Company is also taking steps to improve cane availability for the next season by undertaking cane development measures recommended by Sugarcane Breeding Institute, Coimbatore.

The performance of India Cements Capital & Finance Ltd., (ICCFL) during the 12 months ending 30th September, 1999, was satisfactory. The gross income during the year increased to Rs. 2669 lakhs as compared to Rs. 2436 lakhs during 1997-98 and net profit after tax was Rs. 250 lakhs for the year as against Rs. 208 lakhs for 1997-98.

The financial year of ICCFL was changed from October-September to April-March in compliance with notification dated 13th January 2000 of Reserve Bank of India directing all Non-banking Finance Companies to have uniform accounting year ending with 31st March 2001. Accordingly, ICCFL closed its accounts for 1999-2000 comprising of 6 months ending 31st March, 2000.

The gross income from operations for the 6 months ended 31st March, 2000 was Rs. 1485.39 lakhs and profit after tax was Rs. 81 lakhs.

All the Divisions including the Travel and Forex advisory and full fledged money changing (FFMC) and the subsidiary namely, India Cements Investment Services Ltd., are performing satisfactorily, increasing the non-fund based earnings of the company.