



THE
INDIA CEMENTS
LIMITED

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ANNUAL REPORT
2 0 0 6



Sri. R.Krishnachander, Asst Vice President (Marketing Services) receiving the CAPEXIL EXPORT AWARD (Sponsored by Ministry of Commerce and Industry, Government of India) from Sri. P.Chidambaram, Hon'ble Union Minister of Finance, in recognition of Company's outstanding export performance in respect of cement and clinker for the year 2004-05.

60th Annual General Meeting

Date : 7th August, 2006
 Time : 10.00 A.M
 Venue : Sathguru Gnanananda Hall
 (Narada Gana Sabha)
 314, (Old No.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.

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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	
Sri Arun Datta	(Nominee of Industrial Development Bank of India Limited)
Sri R.K. Das	
Sri Denys Calder Firth	(Nominee of ADRC Limited)
Sri P.N. Jambunathan	(Nominee of Life Insurance Corporation of India)
Sri V.M. Mohammed Meeran	
Sri N.D. Pinge	(Nominee of ICICI Bank Limited)
Sri Anish Kishore Modi	Alternate Director for Sri Denys Calder Firth

Auditors

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

Registered Office

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

Cement Factories

TAMIL NADU

Sankarnagar,
Tirunelveli District.
Sankari,
Salem District.
Dalavoi,
Perambalur District.

ANDHRA PRADESH

Chilamakur & Yerraguntla,
Cuddapah District.
Vishnupuram,
Nalgonda District.



THE INDIA CEMENTS LIMITED

Registered Office: "Dhun Building", 827, Anna Salai, Chennai-600 002

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the sixtieth Annual General Meeting of The India Cements Limited will be held at 10.00 A.M. on Monday, the 7th August 2006 at SATHGURU GNANANANDA HALL, (Narada Gana Sabha), 314, (Old No.254), T.T.K Road, (Mowbrays Road), Chennai 600 018 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the accounts of the Company for the year ended 31st March 2006 and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr.N.D.Pinge who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Mr.N.Kumar who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Mr.V.M.Mohammed Meeran who retires by rotation and is eligible for reappointment.
5. To appoint Auditors and fix their remuneration:

To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT M/s.Brahmayya & Co. and M/s.P.S.Subramania Iyer & Co., Chartered Accountants, Chennai, be and are hereby appointed Auditors of the Company including its branch offices to hold Office from the conclusion of the sixtieth Annual General Meeting until the conclusion of the sixtyfirst Annual General Meeting and that their remuneration be and is hereby fixed at Rs.17,50,000/- each, exclusive of service tax and all travelling and out of pocket expenses which shall be reimbursed to them."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following resolutions as ORDINARY RESOLUTIONS:

"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company and/or conferring power to enter upon and to take possession of the assets of the Company in certain events to or in favour of the following institution / banks to secure the following loans:

- (i) by way of first pari passu mortgage and charge on the immovable and movable fixed assets of the Company both present and future save and except book debts and subject to prior charge(s) created / to be created in favour of the Company's bankers on its current assets for securing the borrowings for working capital requirements, to and in favour of Industrial Development Bank of India Limited for its Rupee term loan of Rs.200 Crores.
- (ii) by way of second pari passu mortgage and charge on the immovable and movable properties of the Company both present and future (other than current assets) to and in favour of banks for their revised working capital facility as detailed below:

Name of the Bank		(Rupees in lakhs)	
		Fund Based	Non-fund Based
a)	ICICI Bank	3000.00	5500.00
b)	Allahabad Bank	638.00	322.00
c)	BNP Paribas	250.00	0.00
d)	Bank of India	480.00	130.00
e)	Canara Bank	1593.00	500.00
f)	Centurion Bank of Punjab	817.00	1000.00
g)	Development Credit Bank	1481.30	500.00
h)	HDFC Bank	1874.30	675.00
i)	Indian Bank	1850.00	1450.00
j)	IDBI Bank	1520.00	900.00
k)	Punjab National Bank	1690.60	1623.40

Name of the Bank		(Rupees in lakhs)	
		Fund Based	Non-fund Based
l)	State Bank of Hyderabad	1130.00	910.00
m)	State Bank of India	1451.00	1218.00
n)	State Bank of Indore	1851.00	1156.00
o)	State Bank of Mysore	620.00	900.00
p)	State Bank of Patiala	955.00	500.00
q)	State Bank of Mauritius	617.00	0.00
r)	South Indian Bank	950.00	0.00
s)	Vijaya Bank	740.00	580.80
	Total	23508.20	17865.20

together with interest thereon at the agreed rate, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses and other monies payable by the Company to the aforesaid financial institution and banks in terms of their heads of agreements / loan agreements / hypothecation agreements / subscription agreements / letters of sanction / memorandum of terms and conditions entered into / to be entered into by the Company in respect of the said loans.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the said financial institution and banks the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.”

7. To consider and, if thought fit, to pass with or without modification, the following Resolutions as SPECIAL RESOLUTIONS:

“RESOLVED THAT in accordance with the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof) and in accordance with the provisions of the Articles of the Association of the Company, and the regulations / guidelines prescribed by the Securities and Exchange Board of India (SEBI) including SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subsequent amendments made thereto, and the regulations / guidelines prescribed by Government of India and/or any other relevant authority, from time to time, to the extent applicable and subject to other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the “Board” which expression shall also include any committee thereof including a Compensation Committee), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, or accepted by the Board in its sole discretion, consent of the Company be and is hereby accorded to the Board to grant to such employees as are in the permanent employment of the Company in the managerial grade, at such time the grant is made, an aggregate of upto 15,00,000 options under the Employee Stock Option Scheme (ESOS) during the financial year 2006-07, each option convertible into one Equity Share of face value of Rs.10/- each fully paidup on payment of Rs.50/- per share including premium and to issue and allot, such number of equity shares of the Company, in such manner, during such period, in one or more tranches and on such other terms and conditions, as the Board may decide, as set out in the Explanatory Statement annexed hereto.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to issue, and allot such number of Equity Shares as may be required in pursuance of the above Issue being equal to or less than 15,00,000 equity shares of Rs.10/- each and that the Equity Shares so issued and allotted shall rank in all respects pari passu with the existing Equity Shares of the Company.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to withdraw, recall, accept, surrender of or cancel options already issued / to be issued pursuant to this resolution or any other resolution passed by the Members, and to re – issue the options withdrawn, recalled, surrendered or cancelled, to issue fresh options in lieu thereof at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may deem fit in the best interests of the Company and its employees, subject to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subsequent amendments thereto.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the Issue and all other terms and matters connected therewith and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose and to make and accept any modifications to the proposal, including the power to withdraw, suspend or review the Scheme from time to time, on its own or as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the issue, subject to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subsequent amendments thereto.”



NOTES:

1. Explanatory Statement is annexed to the Notice of the sixtieth Annual General Meeting of the Company as required by Section 173(2) of the Companies Act, 1956 in respect of items no. 5, 6 and 7.
2. Details pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking reappointment at the Annual General Meeting are separately annexed hereto for items no. 2, 3 and 4.
3. ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 1st August 2006 to 7th August 2006 (both days inclusive).
5. Members are requested to contact the Registrar and Share Transfer Agent for all matters connected with the Company's shares, at:

Integrated Enterprises (India) Limited,
2nd Floor, 'Kences Towers',
No.1, Ramakrishna Street,
North Usman Road, T Nagar,
Chennai 600 017.
Tel.:044-28140801 to 28140803 & Fax : 044-28142479
Email: yesbalu@iepindia.com

Members holding shares in physical form are requested to notify change of address, if any, to the Registrar and Share Transfer Agent (RTA). Members holding shares in physical form in more than one folio are requested to write to the RTA immediately enclosing their share certificates for consolidation of their holdings into one folio.

6. Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address etc. to their Depository Participant (DP). These changes will be automatically reflected in the Company's records.
7. Unclaimed dividends upto and including for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants relating to financial year(s) upto 1994-95 may claim the same from the Registrar of Companies, Tamil Nadu-I, Chennai, No.26, Haddows Road, Chennai 600 006, in the prescribed form which will be supplied by the Company on request.
8. Unclaimed dividend for the financial year ended 31st March 1998 has been transferred to Investor Education and Protection Fund on 01.02.2006.

The shareholders may note that the dividend for the financial year ended 31st March 1999 and all dividends declared thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund established under section 205C of the Companies Act, 1956. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 1999 or any subsequent financial year(s) are requested to make their claim to the Registered Office of the Company. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, as above, no claim shall lie in respect thereof.

9. 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 this nomination facility are requested to write to the Company/RTA.

By Order of the Board
for THE INDIA CEMENTS LIMITED

Place : Chennai
Date : 13th June 2006

G BALAKRISHNAN
Sr. Vice President & Company Secretary

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION ARE FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE REAPPOINTED, VIDE ITEMS NO. 2, 3 & 4 OF THE NOTICE DATED 13th JUNE 2006

Name of the Director	Mr.N.D. Pinge	Mr.N.Kumar	Mr.V.M.Mohammed Meeran
Date of Birth	1 st October 1958	28 th January 1950	9 th May 1927
Date of appointment on the Board as Director	29 th January 2003	27 th August 1990	31 st July 2003
Date of last reappointment as Director	24 th September 2003	24 th September 2004	24 th September 2004
Expertise in specific functional areas	Banking	Industrialist	Consultant
Qualification	Bachelor of Commerce & Chartered Accountant	B.E. (Electronics & Communications)	National Diploma in Commerce (GOD)
Number of Equity Shares held in the Company by the Director or for other persons on a beneficial basis	Nil	992	Nil
List of outside Directorships held	Prudential ICICI Trust Limited Nominee Director on behalf of ICICI Bank Limited: 1. Rama Newsprint & Papers Ltd 2. The Indian Seamless Metal Tubes Ltd	1. Bharti Tele-Ventures Limited 2. Entertainment Network (India) Ltd 3. Ennore Port Limited 4. MRF Limited 5. Indchem Software Technologies Ltd 6. SilkRoute Indchem Limited	ICL Sugars Limited
Chairman / Member of the Committees of Board of Directors of the Company	Audit Committee - Member	Nil	Nil
Chairman / Member of the Committees of Board of Directors of other Companies in which he is a Director	1. Rama Newsprint & Papers Limited Audit Committee – Member Remuneration Committee - Member 2. The Indian Seamless Metal Tubes Ltd Audit Committee – Member Remuneration Committee - Member Shareholders' Investor Grievance Committee – Member	1. Bharti Tele-Ventures Limited Audit Committee – Chairman 2. Entertainment Network (India) Ltd Audit Committee – Chairman 3. Ennore Port Limited Audit Committee – Member	ICL Sugars Limited Audit Committee – Member



EXPLANATORY STATEMENT ANNEXED TO THE NOTICE OF THE SIXTIETH ANNUAL GENERAL MEETING OF THE COMPANY IN RESPECT OF ITEMS NO. 5, 6 AND 7 OF THE NOTICE DATED 13th JUNE 2006.

Item No.5:

The last increase in audit fee was effected in September 2004. The Audit Committee has recommended to increase the audit fee from Rs.12,50,000/- to Rs.17,50,000/- each to the two joint auditors since the scope and coverage of statutory audit and the responsibilities of the Statutory Auditors have increased. The Board endorses the recommendation of the Audit Committee for consideration of members.

Item No.6:

- (i) The Company has availed financial assistance in the form of Rupee Term Loan of Rs.200 Crores from Industrial Development Bank of India Limited for the purpose of refinancing existing debts. One of the terms and conditions set out by Industrial Development Bank of India Limited in its sanction letter No.BY.LCB.INDCEM/1559 dated 21st February, 2006 is that the financial assistance is required to be secured by first mortgage and charge on the immovable and movable fixed assets of the Company both present and future.
- (ii) The Company's bankers have revised their working capital facility to Rs.41373.40 lakhs as set out in the resolution. The aforesaid revised working capital facility is, inter alia, required to be secured by second paripassu mortgage and charge on the immovable and movable properties of the Company except on the immovable and movable properties at Vishnupuram unit (other than current assets) both present and future in favour of the various Bankers as set out in the resolution.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Since the mortgaging by the Company of its immovable and movable properties as aforesaid may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956, for creation of the said mortgage / charge. Hence the resolution.

Inspection of Documents:

Copies of sanction letter No. BY.LCB.INDCEM/1559 dated 21st February, 2006 received from Industrial Development Bank of India Limited and Working Capital Consortium Agreement dated 6th March 2006 entered by the Company with Company's Bankers, are available for inspection of the shareholders at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting and will also be available for inspection at the meeting.

Interest of Directors:

No Director of the Company except Mr.Arun Datta representing Industrial Development Bank of India Limited and Mr.N.D.Pinge representing ICICI Bank Limited, is directly or indirectly concerned or interested in this resolution.

Item No.7:

The Company believes in appropriately rewarding and motivating the employees with the intention to attract and retain the best talent. One of the measures serving this purpose is granting of stock options to the employees. Accordingly, the Board of Directors of the Company, at its meeting held on 13th June 2006 has proposed for the approval of the shareholders, issue of stock option whereby eligible employees would be given options to subscribe for a specified number of equity shares in the Company, offered to them at the specified price. The employees could exercise the option after a stipulated time and after complying with the conditions subject to which the options are granted, by paying the appropriate consideration, consequent to which shares would be allotted to them.

The following would, inter alia, be the broad terms and conditions of the proposed Employee Stock Option Scheme (ESOS):

Total number of options / shares to be granted under the ESOS:

It is proposed to grant upto 15,00,000 options entitling the grantees to subscribe for an aggregate of upto 15,00,000 equity shares of the face value of Rs.10/- each.

Identification of classes of employees entitled to participate in the ESOS:

The present as well as future employees in the managerial grade will be entitled to participate in the ESOS, subject to the applicable regulatory requirements and guidelines.

Requirement of vesting and period of vesting:

In the event of the stock option being offered to employees, the employees should remain in the employment of the Company without any break from the date of granting till the date of vesting of the stock options.

The vesting period shall commence on the expiry of one year from the date of grant of the options to the employees and will extend upto five years from the date of grant of options. The share options could be granted in tranches and could vest in tranches. The Compensation Committee will formulate the other requirements of vesting from time to time.

Maximum period within which the options shall be vested:

From the date of grant of options, the options shall vest in the employees within such period as may be prescribed by the compensation committee, which period shall, as mentioned above, not be less than one year and not more than five years from the date of grant of options.

Exercise Price / Pricing Formula:

The Equity Shares of Rs.10/- fully paid-up would be issued to the eligible employees at a price of Rs.50 per share including premium.

Exercise period and the process of exercise:

From the date of vesting of options, the employees shall be entitled to exercise the options within such period as may be prescribed by the Compensation Committee, which period shall not exceed a period of four years from the date of the respective vesting of the options in one or more tranches.

The options would be exercisable by the said employees by payment of the consideration amount in cash and submitting the requisite application form after which the shares would be allotted. The options may also be exercised by the employees using the cashless manner according to the procedure determined by the Compensation Committee from time to time.

Appraisal process for determining the eligibility of employees to the ESOS:

The appraisal process and the criteria to be followed in respect of grant of options shall be such as may be decided by the Compensation Committee.

Maximum number of options to be issued per employee and in the aggregate:

The number of stock options made available to a particular class/ cadre of employees could vary at the discretion of the Compensation Committee. The number of options that would be issued to an employee under the ESOS would also be determined by the Compensation Committee. However no single employee shall be granted more than 50,000 options under the ESOS. Maximum number of options to be granted in aggregate shall not exceed 15,00,000.

Disclosure and accounting policies:

The Company shall comply with the disclosure and accounting policies prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and any other appropriate authority in this regard

Method to value options:

The Company shall use the intrinsic value method to value its options. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profit and on EPS of the Company shall also be disclosed in the Directors' Report.

The Board of Directors recommends the resolution for approval of the members.

Approval of the members is sought in terms of section 81 (1A) of the Companies Act, 1956, for the issue of Equity Shares of the Company to the employees mentioned above under ESOS. The Board / Compensation Committee shall have the absolute authority to vary or modify the terms herein above in accordance with and subject to all applicable guidelines which may be stipulated by SEBI, Government of India and / or any other appropriate authority.

Interest of Directors:

No Director of the Company is directly or indirectly concerned or interested in this resolution.

By order of the Board
for THE INDIA CEMENTS LIMITED

Place : Chennai
Date : 13th June 2006

G BALAKRISHNAN
Sr Vice President & Company Secretary



TEN YEARS IN BRIEF - FINANCIAL INFORMATION

YEAR ENDED 31st MARCH

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sales & Earnings											
1. Sales and other Income	Rs.Lakhs	83250	92731	139184	141966	145137	131325	103300	123688	140230	183669
2. Profit/(Loss) before tax	Rs.Lakhs	8258	6276	8704	4731	5115	(757)	(30723)	(11273)	458	4998
3. Cash Generated (internally)	Rs.Lakhs	12661	11287	15669	12120	13416	7994	(22582)	(3122)	8335	12418
Assets											
4. Fixed Assets (Net)	Rs.Lakhs	78527	100499	145187	150202	149109	142562	134458	233387	220485	211497
5. Capital Investments	Rs.Lakhs	26033	31496	57685	12471	7437	2461	405	1971	2212	4896
6. Current Assets	Rs.Lakhs	22536	25745	29194	36093	37911	43572	28415	30796	38791	49803
7. Loans and Advances	Rs.Lakhs	12110	38097	53659	76733	102704	97769	103167	100022	98054	101439
Capital & Reserves											
8. Share Capital	Rs.Lakhs	6434	6434	12500	16339	16348	16359	16359	16359	16359	21577
9. Reserves and Surplus *	Rs.Lakhs	40225	42291	50515	57951	60251	42778	23795	12105	12132	57567
10. Shareholders' Fund	Rs.Lakhs	46659	48725	63015	74290	76599	59137	40154	28464	28491	79144
Net worth, EPS & Dividend											
11. Net worth per equity share	(Rs.)	72.52	75.73	50.91	52.20	53.88	41.18	27.38	18.88	18.90	40.18
12. Earnings per equity share	(Rs.)	12.83	9.06	12.57	3.33	3.25	(0.06)	(14.74)	(7.13)	0.12	2.61
13. Equity Dividend	(%)	30	30	35	18	18	-	-	-	-	-

* Figures exclude revaluation reserve and deferred income and after adjustment of deferred revenue expenditure