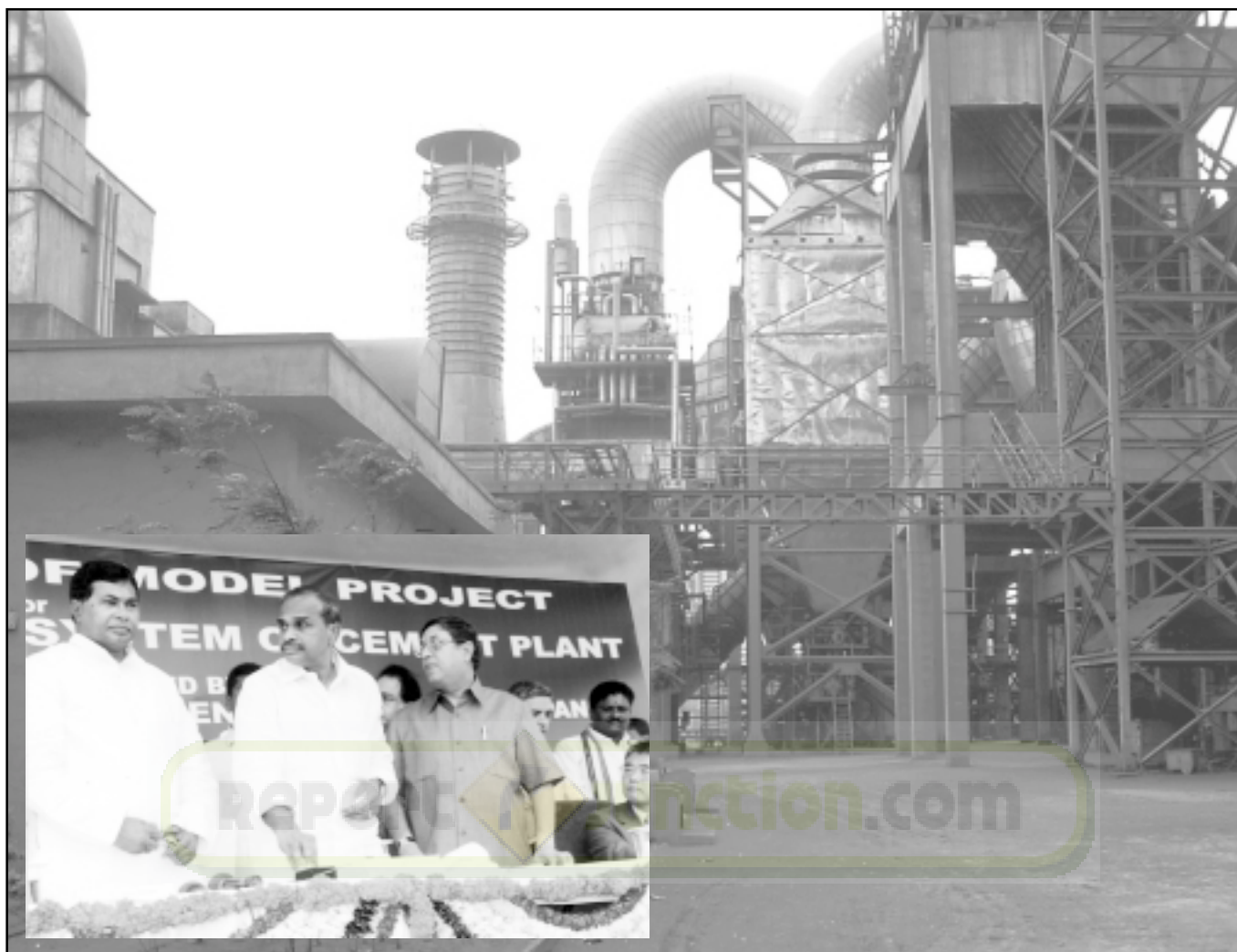




THE
INDIA CEMENTS
LIMITED

Report  junction.com

ANNUAL REPORT
2 0 0 5



INAUGURATION OF MODEL WASTE HEAT RECOVERY PROJECT AT VISHNUPURAM CEMENT PLANT ON 16TH SEPTEMBER, 2004
BY DR. Y. S. RAJASEKHARA REDDY, HONOURABLE CHIEF MINISTER OF ANDHRA PRADESH

59th Annual General Meeting

Date : 25th August, 2005
Time : 12.00 NOON
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.

CONTENTS

Page No.

Ten Years in Brief – Financial Information	2
Directors' Report	3
Corporate Governance	17
Auditors' Report	28
Balance Sheet	34
Profit & Loss Account	35
Schedules	36
Cash Flow Statement	57
Statement pursuant to Sec.212 of the Companies Act, 1956	59
Information in aggregate for each Subsidiary	60
Auditors' Report on the Consolidated Financial Statements	61
Consolidated Balance Sheet	62



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 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 K. Sivaprakasam	(Nominee of Industrial Development Bank of India 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.



TEN YEARS IN BRIEF - FINANCIAL INFORMATION
YEAR ENDED 31st MARCH

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales & Earnings											
1. Sales and other Income	Rs.Lakhs	80644	83250	92731	139184	141966	145137	131325	103300	123688	140230
2. Profit/(Loss) before tax	Rs.Lakhs	8090	8258	6276	8704	4731	5115	(757)	(30723)	(11273)	458
3. Cash Generated (internally)	Rs.Lakhs	11737	12661	11287	15669	12120	13416	7994	(22582)	(3122)	8335
Assets											
4. Fixed Assets (Net)	Rs.Lakhs	55970	78527	100499	145187	150202	149109	142562	134458	233387	220485
5. Capital Investments	Rs.Lakhs	21899	26033	31496	57685	12471	7437	2461	405	1971	2212
6. Current Assets	Rs.Lakhs	19626	22536	25745	29194	36093	37911	43572	28415	30796	38791
7. Loans and Advances	Rs.Lakhs	9559	12110	38097	53659	76733	102704	97769	103167	100022	98054
Capital & Reserves											
8. Share Capital	Rs.Lakhs	6434	6434	6434	12500	16339	16348	16359	16359	16359	16359
9. Reserves and Surplus*	Rs.Lakhs	35389	40225	42291	50515	57951	60251	42778	23795	12105	12132
10. Shareholders' Fund	Rs.Lakhs	41823	46659	48725	63015	74290	76599	59137	40154	28464	28491
Net Worth, EPS & Dividend											
11. Net Worth Per Equity Share	(Rs.)	65.00	72.52	75.73	50.91	52.20	53.88	41.18	27.38	18.88	18.90
12. Earnings Per Equity Share	(Rs.)	22.79	12.83	9.06	12.57	3.33	3.25	(0.06)	(14.74)	(7.13)	0.12
13. Equity Dividend	(%)	45	30	30	35	18	18	-	-	-	-

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



DIRECTORS' REPORT

Your Directors have pleasure in presenting their **Fiftyninth Annual Report** together with Audited Accounts for the year ended 31st March, 2005.

	Rs. in Crores	
	For the year ended 31 st March	
	2005	2004
FINANCIAL RESULTS		
Profit before Interest & Depreciation	153.45	104.80
Less: Interest & Other Charges	133.50	161.68
Less: Depreciation	78.77	81.51
Add : Extraordinary Income (Net)	63.40	25.66
Profit / (Loss) Before Tax	4.58	(112.73)
Provision for Income Tax	-	-
Deferred Taxation – Asset	-	16.80
Profit / (Loss) after Tax	4.58	(95.93)
Add: Balance brought forward from last year	(312.42)	(216.49)
Add : Transfer from Share Premium	2.87	17.72
Less: Discount on Issue of Debentures	-	(17.72)
Less: Share / Debenture Issue expenses	(2.87)	-
Balance carried in Profit & Loss A/c	(307.84)	(312.42)

DIVIDEND

In view of marginal profit for the year, the Board of Directors does not recommend any dividend on preference and equity shares.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility. We confirm:

1. That in the preparation of the accounts for the year ended 31st March, 2005, the applicable accounting standards have been followed.
2. That such accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the financial year ended 31st March, 2005 and of the profit of the Company for that year.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the annual accounts for the year ended 31st March, 2005 have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report is given as addition to this report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance along with Auditors' Certificate of its compliance is included as part of the Annual Report.

SHARE CAPITAL

Pursuant to the Resolution passed by the Shareholders at the Extraordinary General Meeting held on 17th January 2005, the Board Committee had allotted on 9th March, 2005, 2,96,00,561 Equity Warrants and 87,36,000 Optionally Convertible Debentures (OCDs) to ADRC Limited, Mauritius. The Equity Warrants are convertible at the option of the holder at a price of Rs.47/- per share of Rs.10/- each, at any time on or before



8th September, 2006. The Equity Warrants have been listed at National Stock Exchange of India Limited; however, the warrants are subject to lockin and hence, not available for trading upto 8th March, 2006. The OCDs are convertible at the option of the holder on 9th September, 2006. The conversion price is Rs.125/- per equity share of Rs.10/- each or at the price as per prevailing SEBI guidelines at the time of conversion whichever will be higher.

The Share Capital of the Company will increase by a maximum of Rs.38.34 Crores to Rs.177.89 Crores in the event of exercise of option for conversion to equity shares of both Equity Warrants and Optionally Convertible Debentures (OCDs) allotted on 9th March, 2005. In the event of exercise of option only in respect of Equity Warrants, the equity share capital would increase by a maximum of Rs.29.60 Crores to Rs.169.15 Crores. In the event of exercise of option for conversion of only OCDs, the equity share capital would go up by a maximum of Rs.8.74 Crores to Rs.148.29 Crores.

The Equity Shares of your Company have been included in the list of equity shares on which derivatives are available and the shares also form part of an index on which derivatives are available for trading in futures and options segment in the National Stock Exchange of India Ltd.

OPERATIONS

This is covered in the Management Discussion and Analysis report enclosed.

SUBSIDIARIES

The Company has been exempted by the Central Government vide its letter No.47/200/2005-CL-III dated 14.06.2005 under Section 212 (8) of the Companies Act, 1956, from attaching a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies namely Industrial Chemicals & Monomers Limited, ICL Financial Services Limited, ICL Securities Limited and ICL International Limited. However, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of the subsidiaries. The Company will make available these documents/details upon request by any Member of the Company and its subsidiaries interested in obtaining the same. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any Member at the Registered Offices of the Company and its Subsidiary Companies.

CONSOLIDATED FINANCIAL STATEMENTS

As prescribed by Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the audited consolidated financial statements of ICL Group are annexed.

ASSOCIATE COMPANIES

VISAKA CEMENT INDUSTRY LIMITED

The Cement Works of Visaka Cement Industry Ltd., at Tandur continues to show all round improvement in its performance. For the 11 months ended May '05 as compared to corresponding period of the previous year, Clinker production increased by 19% from 7.64 Lakh Ts. to 9.12 Lakh Ts. Cement production recorded impressive growth of 16% from 8.67 Lakh Ts. to 10.06 Lakh Ts. Cement despatch was also higher by 16% at 10.06 Lakh Ts. against 8.70 Lakh Ts. The Plant achieved 1 Million Ts. of Cement production in just 11 months and PPC production was also stepped up in 2004-05. This growth in performance compares well with the overall growth in demand for cement in the South, which was only 2%.

By implementing energy saving measures, the power consumption at this plant was also brought down from 92 Kwh/Tn of Cement to 90 Kwh/Tn. With cement prices firming up and with a strong demand growth, the Company should perform better in the years ahead.

Consequent to the improved performance, the Company approached the Lenders for reducing the interest rates and the proposal was considered and agreed by the Empowered Group of CDR Cell. Consequent to this, the effective rate of interest has come down by over 5% per annum, effective 1st October, 2004.

ICL SUGARS LIMITED

The performance of the sugar industry in the country during the year under review was adversely affected due to drastic shrinkage of cane plantation area on account of drought conditions. This was severe in the States of Maharashtra and Karnataka, where the Company's Plant is located. The quality of cane was also affected due to pest menace in the area. This situation led to price war and was further aggravated by diversion of cane to jaggery manufacturers in large scale. In view of the restricted availability of sugarcane, there was virtually a scramble for available cane and consequently, cane crushed during the year under review was only 2.96 lakh Ts. as against 5.24 lakh Ts. for the previous year. Also the sugar recovery for the year under review was only 8.37% as against 10.10% in the earlier year. Consequent to lower crushing and poor recovery, the production of sugar was lower at 2.48 lakh Qtls. as against 5.29 lakh Qtls. in the previous year. However, the domestic sale of sugar has gone up from 5.09 lakh Qtls. in the previous year to 5.54 lakh Qtls. during the year under review due to drawal from stock. The restricted availability of cane also affected co-generation of power and ICL Sugars Ltd. could export only 48 lakh units for the year under review as against 142 lakh units for the year 2003-2004.

Despite the poor crushing, the Company was able to record a turnover of Rs.96.63 crores as against Rs.87.80 crores in the previous year and the earnings before Interest and Depreciation was marginally lower at Rs.17.89 Crores as against Rs.18.18 Crores, consequent to the significant improvement in the market price for sugar. The interest cost was lower at Rs.8.36 Crores as against Rs.11.95 Crores in the previous year mainly due to lower utilisation of working capital loans. The profit before tax for the year under review was higher at Rs.4.21 Crores (unaudited) as against Rs.1.02 crores in the previous year.

In view of the good monsoon in the area during the last year, cane plantation has improved significantly and the Company is expected to crush over 5 lakh Ts. during the current year.

INDIA CEMENTS CAPITAL & FINANCE LIMITED

India Cements Capital & Finance Limited has exited from fund based activities and is focusing on fee based activities.

The gross income from operations for the year ended 31st March, 2005 was Rs.1164.41 lakhs.

The various fee based activities of the Company, namely, Full Fledged Money Changing, Foreign Exchange Advisory Services and Travel Services have recorded growth in volume and profitability during the year.

India Cements Investment Services Ltd., one of its subsidiaries, earned gross income of Rs. 141.70 lakhs for the year. It expanded its operations to six new centres during the year.

TRISHUL CONCRETE PRODUCTS PRIVATE LIMITED (TCPL)

The demand for Ready Mix Concrete (RMC) has been steadily growing particularly in the major metros and it is expected that the share of RMC in total concrete would continually grow in the years to come. To take advantage of this trend, the second RMC plant of TCPL was commissioned in Bangalore during October '04 with a capacity of 60 Cu.M./hr. Consequently, there has been a 61% jump in the production and sale of RMC to 168229 Cu.M. during FY 04-05 from 104249 Cu.M. in the previous year. The turnover of the Company increased by 63% from Rs.1889 lakhs in 2003-04 to Rs.3071 lakhs during the year under report. In spite of increase in input costs like diesel, sand aggregates etc., the Company through efficient operation posted a profit before tax of Rs.126.74 lakhs (unaudited) compared to Profit after tax of Rs.5.49 lakhs (audited) in the previous year, registering a 25 fold increase.

The Company has commissioned its third unit at Chennai (2nd plant at this location) with 30 Cu.M. Capacity during June '05 to take advantage of the anticipated demand for RMC along the East Coast Road. TCPL will look at further opportunities to grow in the coming years. The ability to offer RMC from an associated company enables tied sales of your Company's cement to the RMC consumers.

CURRENT PERFORMANCE

The current financial year 2005-06 is off to a promising start with the all India demand for cement registering double digit growth and the demand in South India growing by over 20%. Your Company has been able to better the industry performance with a 30% growth in sales volume terms. While clinker production during April-May '05 registered a growth of 8% at 9.57 Lakh Ts as against 8.91 Lakh Ts in the corresponding period of the previous year, cement production was up by 35% at 11.49 Lakh Ts as against 8.48 Lakh Ts. Domestic sale of cement grew by 44% from 7.94 Lakh Ts during April-May '04 to 11.49 Lakh Ts during the current period. Clinker exports and domestic sales was however lower at 0.89 Lakh Ts during the current period as against 1.59 Lakh Ts during April-May '04. Total sales of clinker and cement during the period stood at 12.43 Lakh Ts as against 9.58 Lakh Ts during April-May '04. The expected growth in demand of around 10% during the year should make for a substantial increase in sale of cement and clinker during FY 2005-06.

CORPORATE DEBT RESTRUCTURING (CDR) SCHEME

The Company has during the year arranged for a funding of about Rs.650 crores from Foreign Investors / Co-investors for refinancing the existing debt. Of this, the Investors have infused / arranged for infusion of Rs.393 crores into the Company, which has been utilised for settling the debts of some of the lenders, who have opted to exit. The Company is expected to get the balance amount of about Rs.257 crores during the current year. Further the Company has also arranged for a term loan of Rs.325 crores from an Indian Institution. These funds as and when received would be utilised for refinancing some of the existing debts. Consequent to the infusion of fresh funds, the Company has approached the major lenders for reduction of interest rates on the existing loans, which is under their consideration.

PUBLIC DEPOSITS

The total amount of fixed deposits including cumulative deposits which had not become due but outstanding as at the end of the financial year 2004-05 stood at Rs.3107.86 lakhs. Deposits totalling Rs.91.36 lakhs that matured for repayment were neither claimed by the Depositors nor instructions for renewal were received by the Company. Reminders were issued to the deposit holders and since the close of the financial year ended 31st March, 2005, deposits aggregating to Rs.32.76 lakhs out of the above have either been claimed and paid or have been renewed or transferred to Investor Education and Protection Fund.



CONSERVATION OF ENERGY ETC.

The prescribed details as required under Sec.217(1)(e) of the Companies Act, 1956 are set out in the Annexure A.

RESEARCH & DEVELOPMENT

The Division continued its work on process improvements, alternative fuels, use of performance improvers and other application oriented areas during the year. During the year, the Company expended Rs.2.36 lakhs by way of capital expenditure and Rs.42.62 lakhs by way of revenue expenditure for the R&D.

PERSONNEL

Industrial relations continued to remain cordial during the year.

Information in accordance with the provisions of Sec. 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure 'B' to the Directors' Report.

DIRECTORS

The Company has received the approval of Government of India vide its letter No.1/349-350/2004-CL.VII dated 19th January, 2005 for the re-appointment of Mr.N.Srinivasan as Managing Director and Mr.N.Ramachandran as Executive Director and payment of remuneration to them for a period of 3 years from 15th September, 2004.

Mr.P.N.Jambunathan, nominated by Life Insurance Corporation of India (LIC), was appointed as a Director on 24.9.2004.

Mr.R.K.Das, who retired as President (Operations) of the Company, was co-opted to the Board as additional Director with effect from 1.10.2004.

UTI AMC Private Limited vide its letter No.UT/DOIM/NDC[I-2]/4055/2004-05 dated 29.03.2005 withdrew the nomination of Mr.Gul M.Iqbal on the Board of our Company.

Mr.Denys Calder Firth, ADM, Hongkong was appointed as additional Director on 18th May, 2005 on nomination by ADRC Limited, Mauritius. The Board has also appointed Mr.Anish Kishore Modi as alternate Director for Mr.Denys Calder Firth.

Industrial Development Bank of India Limited has appointed Mr.K.Sivaprakasam on the Board of the Company with effect from 19th May, 2005 in the place of Mr.J.Jayaraman.

The Board expresses its appreciation of the valuable contributions made by Mr.Gul M.Iqbal and Mr.J.Jayaraman during the tenure of their Directorship.

Under Article 109 of the Articles of Association of the Company, Mr.N.Sankar and Mr.B.S. Adityan retire by rotation at the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

Under Article 103 and 105 of the Articles of Association of the Company, Mr.P.N.Jambunathan, Mr.R.K.Das and Mr.Denys Calder Firth will hold the office upto the date of the ensuing Annual General Meeting of the Company and resolutions for their election as Directors of the Company are included in the Notice convening the Annual General Meeting.

Information on Directors eligible for re-appointment / appointment in terms of Clause 49 of the Listing Agreement is annexed to the Notice convening the 59th Annual General Meeting.

AUDITORS

Messrs Brahmayya & Co. and P.S. Subramania Iyer & Co., Chennai, the Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. S.A. Murali Prasad, Cost Accountant, Chennai, has been appointed as Cost Auditor for the year 2005-06 subject to approval by the Government of India.

ACKNOWLEDGEMENT

The Directors are thankful to the Financial Institutions and the Bankers for their continued support. The Directors also thank the Central Government, Tamil Nadu and Andhra Pradesh Governments. The stockists continued their excellent performance during the year and the Directors are appreciative of this. The continued dedication and sense of commitment shown by the employees at all levels during the year deserve special mention.

On behalf of the Board

Place: Chennai
Date : 25th June, 2005

N.SANKAR
CHAIRMAN

ANNEXURE 'A' TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2005

Information pursuant to 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.

A. Conservation of Energy:

(a) Energy conservation measures taken:

- i. Installation of Waste Heat Recovery system for power generation.
- ii. Retrofitting of ESP fan with high efficiency fan for VRM.
- iii. Pre-calciner venturi modification to reduce pressure drop in pre-heater.
- iv. Coal mill internal aerodynamic optimisation to optimise the velocity resulting in specific power consumption.
- v. Optimisation of raw meal silo feed and kiln feed conveying air volume through V/F drive speed control system.
- vi. Installation of fly ash storage and regulated feeding system for increased consumption of fly ash and higher production of PPC resulting in power savings.
- vii. Replacement of preheater fan with high efficiency fan at one of the units.
- viii. Optimisation of flow rates of all process fans undertaken.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

- i. Installation of high efficiency and low pressure preheater cyclones.
- ii. Upgradation of grate cooler for thermal energy savings and increased clinker output.
- iii. Replacement of pneumatic conveyors with bucket elevators for raw meal, kiln feed and cement transport.
- iv. Installation of double roller crusher for limestone.
- v. Replacement of old compressors with new energy efficient compressors.
- vi. Modernisation of old cement mills with new mill liners, weigh feeders to achieve increased output and power savings.
- vii. Installation of fly ash handling system for higher consumption of fly ash.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

As a result of the above measures undertaken, power consumption in one of the dry process plants has been reduced by three units per Tn while overall power consumption for the Company has come down by one unit per Tn of cement and the power cost has come down due to generation of power from waste heat.

The measures that are proposed to be taken/under implementation are expected to reduce the power consumption further by 3 to 4 KWH/Tn. and heat consumption by 20 K.Cals/Kg of clinker in the dry process plants with an expected savings of around Rs.25/- per Tn of cement.

(d) Total energy consumption and energy consumption per unit of production:

Given in Form 'A' annexed.

B. Technology Absorption:

Efforts made in technology absorption:
Particulars given in Form 'B' annexed.

C. Foreign exchange earnings and outgo:

(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

We have exported 0.30 lakh Ts of cement and 8.11 lakhs Ts of clinker during 2004 - 05

(b) Total foreign exchange used and earned:

	Current Year	Previous Year
Used Rs. Lakhs	96	35
Earned Rs. Lakhs	10657	4477



FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year	Previous Year
A. POWER & FUEL CONSUMPTION			
1. Electricity			
(a) Purchased			
Units - KWH - Lakhs		3762.23	3670.49
Total amount - Rs. Lakhs		12242.03	12252.17
Rate per unit - Rs.		3.25	3.34
(b) Own Generation			
(1) Through Diesel/Furnace Oil Genset *			
Units - KWH - Lakhs		1700.06	1403.57
Unit per Litre of Diesel/Furnace Oil-KWH		4.03	4.00
Cost per unit - Rs.		2.69	3.12
(2) Through Steam Turbine/Genset*			
Units - KWH - Lakhs		-	-
Unit per Litre of Furnace Oil/Gas-KWH		-	-
Cost per unit - Rs.		-	-
2. Coal for Kilns (various grades incl. Lignite)			
Quantity	Tonnes	861510	715753
Total Cost	Rs.Lakhs	26471	18924
Average Rate	Rs.	3073	2644
3. HSD/Furnace Oil for Kilns			
Quantity	K.Litres	427.69	324.41
Total Cost	Rs.Lakhs	101.63	58.92
Average Rate	Rs./K.Litre	23763	18162
B. CONSUMPTION PER UNIT OF PRODUCTION			
	Standards (if any)		
Electricity (KWH/Tn of Cement)			
Wet Process (Cement Grinding & Packing Only)	40	37.07	37.66
Dry Process	130	88.39	89.31
Coal %			
Dry Process	20-25	16.10	14.51
(Depending on Quality of Coal)			
Diesel Oil/Furnace Oil per tn of Cement (Litres)		0.08	0.06
* Including Power from Waste Heat Recovery Plant for the current year			