

21ST ANNUAL REPORT 1997-98

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓			

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MANGALAM CEMENT LIMITED



Our Chairman Shri B.K. Birla with his wife Dr Smt. Sarla Birla



BK BIRLA GROUP OF COMPANIES

The 21st Century Atlas

Atlas, The Titan - Collective strength of the Group:

This symbol as a whole, represents the collective strength of the Group. The astute and dynamic management which binds the group together and gives it leadership and direction, is personified in the figure of Atlas. A pillar of strength, Atlas also stands for steadfastness, consistency and reliability.

The Sun - Enlightenment and Growth:

The head of the Atlas, also represents the Sun. In this context, the Sun stands for a luminous and powerful presence that the Group has over the industrial arena on one hand, and resourcefulness in terms of finance, technological skill, and intellectual leadership on the other.

Earth Segments - Diversified Activities:

Each latitude around the Titan, represents the different industries or activities that constitute the Group. They individually draw and give strength and support to the central figure of Atlas.

The Globe - Global Vision:

The Group's Global vision and presence is visually inherent in the figure of the Earth.

The Symmetry and Balance - The resilience, versatility and stability:

The overall design, balance and harmonious blend of all the elements, sum up a well conceptualised industrial conglomerate.

Strong Foundation

Sustained Growth

Proven Leadership

MANGALAM CEMENT LIMITED



24TH ANNUAL REPORT 1997-98

BOARD OF DIRECTORS

Shri B.K. Birla	Chairman
Shri A.S. Gupta	
Shri O.P. Gupta	
Shri B. Bhavani Sankar	Nominated by I.D.B.I.
Shri T.S. Vishwanath	Nominated by U.T.I.
Shri K.K. Bajoria	
Shri K.C. Jain	Managing Director

SENIOR DEPUTY PRESIDENT (FINANCE)

GENERAL SECRETARY

Shri R.C. Gupta

REGISTERED OFFICE & FACTORY

P.O. Aditya Nagar - 326520

Morak

Distt. Kota (Rajasthan)

HEAD OFFICE

9/1, R.N. Mukherjee Road

Calcutta - 700 001.

AUDITORS

Messrs Lodha & Co.

Chartered Accountants

BANKERS

State Bank of India

State Bank of Bikaner & Jaipur

The Bank of Rajasthan Ltd.

Bank of India

Citibank N.A.

NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Members of Mangalam Cement Ltd will be held at the Registered Office of the Company at Adityanagar-326520, Morak, Dist. Kota, Rajasthan on Thursday, the 2nd July 1998 at 10.00 A.M. to transact, with or without modifications, the following business :

1. To receive , consider and adopt the Audited Accounts for the year ended 31st March, 1998 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri B.K.Birla who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri O.P.Gupta who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration and in that connection to pass, with or without modification, the following resolution to be moved as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s.Lodha & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company till the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and is hereby authorised to fix their remuneration."

By Order of the Board,

Registered Office :
P.O. Adityanagar - 326 520
Morak
Dist. Kota (Rajasthan)
Dated, the 28th May, 1998

R.C. GUPTA
Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN THE FORM ANNEXED HERETO MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 25th June, 1998 to Thursday the 2nd July, 1998 (both days inclusive).
3. The instruments of share transfer complete in all respects should be sent to the Company well in advance so as to reach the Company prior to book closing.
4. The unclaimed dividend for the financial year of the Company ended on 31st March, 1994 amounting to Rs.1,62,913.00 has been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the said Act. Any application for payment of such unclaimed dividend may be made to the Registrar of Companies, Rajasthan, Jaipur.

By Order of the Board

Dated the 28th May, 1998

R.C. GUPTA
Secretary

MANGALAM CEMENT LIMITED



REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST MARCH, 1998

Dear Shareholders,

We have the pleasure in presenting to you the 21st Annual Report of the Company with audited statements of accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	31st March, 1998 Rs.	31st March, 1997 Rs.
Turnover	215,10,23,464	244,49,89,289
Operating Profit	10,18,52,090	27,58,48,680
Less : Interest	26,94,84,158	27,15,49,569
Gross Profit/(Loss) before depreciation	(16,76,32,068)	42,99,111
Add :		
a. Amount transferred from Investment Allowance Reserve no longer required	10,05,864	18,00,000
b. Amount transferred from Revaluation Reserve being the amount of extra depreciation on assets revalued.	1,09,50,375	1,10,46,666
c. Provision for taxation no longer required written off.	—	31,20,000
d. Income Tax refund pertaining to earlier years.	—	61,181
e. Surplus of Profit & Loss Account brought forward from previous year	—	6,83,27,194
TOTAL	(15,56,75,829)	8,86,54,152
Less : Depreciation	13,02,72,762	12,88,56,575
Surplus/(Deficit) available for appropriation	(28,59,48,591)	(4,02,02,423)
Appropriations		
a. Transfer from General Reserve	10,43,65,526	4,02,02,423
b. Dividend on Equity Shares for 1996-97	(1,48,66,579)	—
c. Corporate Dividend Tax for 1996-97	(14,86,658)	—
d. Deficit Balance carried forward to Next year	19,79,36,302	—
	28,59,48,591	4,02,02,423

DIVIDEND

In view of the loss incurred by the Company, the Board of Directors regrets its inability to recommend any dividend for the year ended 31st March, 1998.

REVIEW OF OPERATIONS

During the year under review the combined cement capacity utilisation of both the plants was 104% as against 110% in the previous year. Performance figures of both the units of the Company as compared to that

of previous year are given below :

	1997-98 MT	1996-97 MT
Clinker production		
Mangalam Cement	1,02,365	3,36,280
Neer Shree Cement	9,07,450	7,51,835
	10,09,815	10,88,115
Cement Production		
Mangalam Cement	3,13,678	3,69,471
Neer Shree Cement	7,23,757	7,35,110
	10,37,435	11,04,581
Cement Despatches		
Mangalam Cement	3,12,381	3,71,705
Neer Shree Cement	7,31,126	7,28,527
	10,43,507	11,00,232
Clinker Sold		
Mangalam Cement	1,795	43,465
Neer Shree Cement	7,183	29,343
	8,978	72,808

Production of Clinker was lower because clinkerisation plant of the old unit (Mangalam Cement) remained closed from 4th June, 1997 to 14th March, 1998 because of unremunerative cement prices and poor off take of cement.

The year under review faced sluggish market conditions and unremunerative realisations. Price of cement was under pressure throughout the year, as supply was far in excess of demand due to addition of new capacities and poor purchases by the Government. During the year under review sales realisation of naked cement was approximately lower by Rs. 89/- per Ton as compared to the previous year. The loss would have been much higher due to increase in the administered prices of coal power and Railway freight but for the measures taken by the Company to bring down the consumption of coal & power. Company also started using imported coal. As a result of the efforts made consumption of coal & power reduced further during the year as indicated below:

	Power consumption units per tonne of Cement		Coal consumption per tonne of Clinker	
	1997-98	1996-97	1997-98	1996-97
Mangalam Cement	117	118	182 Kg.	226 Kg.
Neer Shree Cement	96	102	168 Kg.	195 Kg.

The other reasons for the adverse working results for the year under review are as under:

1. The case relating to withdrawal of exemption from Electricity Duty, which was pending since 1982, was finally decided during the year under review and as a

result company had to provide Rs. 145.01 lacs towards payment of Electricity Duty and interest thereon.

2. Due to depreciation of Rupee, there was an exchange fluctuation loss of Rs. 119.47 lacs on the foreign Currency Loan of US \$ 3 million availed by the Company under ECB Scheme.
3. There was additional burden of Rs. 65.57 lacs due to imposition of Service Tax by the Govt. of India on transportation & other services.

SALES TAX INCENTIVE

Government of Rajasthan has appealed against the judgement of the Rajasthan Tax Board by which Company's new unit was allowed the benefits of 'very prestigious unit' under Sales Tax Incentive Scheme. Your company is also contesting the order of the Government of Rajasthan freezing the eligibility certificate issued earlier in this regard. The operation of the freezing order, however, has been stayed by the Appropriate Authority.

In the meantime, Government of Rajasthan has notified a new scheme "The Rajasthan Sales Tax/Central Sales Tax Exemption Scheme, 1998" in this regard. Your Company will get the benefit of this Notification.

CURRENT YEARS' OUTLOOK

Since beginning of the current financial year, cement prices have picked up. With the Budget round the corner we expect that the trend will continue given policy initiatives expected for the infrastructure sector. Barring unforeseen circumstances, considering the current market trend, current year's performance is expected to improve.

FINANCE

During the year company has paid Rs. 652.61 lacs towards repayment of instalments of Term Loans and Rs. 420.24 lacs towards interest on term loans to the financial institutions. However, due to inadequate generation of funds Company could not meet in full its repayment obligations and as on 31st March, 1998 Rs. 1636.68 lacs are overdue towards repayment of instalment of loans and Rs. 1223.81 lacs towards payment of interest on term loans to the Financial Institutions. Company has requested the Financial Institutions for re-schedulement of the overdue amount.

To meet the requirements of funds for paying the

overdues to the Financial Institutions and for repayment of Inter Corporate Deposits, Company is coming out with issue of 14% Optionally Convertible Cumulative Preference Shares (OCCPS) of Rs. 10/- each at par on Rights basis in the ratio of One OCCPS for every Equity Share held.

INSURANCE

The Assets of your Company are adequately insured against fire and other risks which are considered necessary.

DIRECTORS

The nomination of Shri B.S. Pandit was withdrawn by Unit Trust of India and in his place Shri T.S. Vishwanath has been nominated. We place on record our appreciation of the valuable guidance and co-operation extended by Shri B.S. Pandit during his tenure as a member of the Board of your Company.

In accordance with Article 99 of the Articles of Association of the Company, Shri B.K. Birla and Shri O.P. Gupta retire by rotation and being eligible offer themselves for re-election.

AUDITORS

M/s Lodha & Co. Chartered Accountants, auditors of the Company retire at the forthcoming Annual General Meeting and your Directors recommend their re-appointment for the year 1998-99.

Since the combined shareholding of the Financial Institutions and Nationalised Banks exceeds 25% of the subscribed capital of the Company, the appointment of the Auditors will require Special Resolution.

Notes referred to in the Auditor's Report are self explanatory.

COST AUDITOR

Pursuant to the directives of the Central Government under provisions of Section 233-B of the Companies Act, 1956, a Cost Auditor has been appointed, to audit Cost Accounts of your Company for the year ended 31st March, 1998.

HUMAN RESOURCES DEVELOPMENT

HRD programmes continued for better team work. Various training programmes were organized throughout the year aimed towards imparting technical skills and improved productivity.

ANNEXURE 'B'

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998.

1. CONSERVATION OF ENERGY:**A) ENERGY CONSERVATION MEASURES TAKEN**

1. Installation of Cooler ESP and high efficiency fan in Old kiln saving of 2 units/tonne of clinker.
2. Replacement of 2 Nos Cooler fans by high efficiency fans in Old Kiln Cooler resulting in saving of 0.5 units/tonne of clinker.
3. Replacement of feed tables by weigh feeder in Old Raw mill - For better Raw mix quality control and process improvement.
4. VRM gravel gate valve is replaced by new one resulting in saving of 0.5 units/tonne of clinker.
5. VCM gravel gate valve is replaced by new one resulting in saving 0.2 unit/tonne of clinker.
6. Reclaimer is connected to CCR for operation resulting in saving of 200 Units/ day
7. Optimisation of Plant & Office lighting resulting in saving of Rs.3 Lacs p.a.
8. Installation of belt conveyer for clinker transport resulting in saving of Rs.4.00 Lacs p.a.
9. Connection of Coal mill bag filter collection to PA fan in place of coal mill inlet in old plant resulting in saving of Rs.2.33 lacs p.a.
10. Delta to Star connection of few motors. Rs.one lac saving p.a.

B) ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY.

1. Installation of bucket elevator and solid flow feeder for NSC Kiln feed system.
 2. Installation of Ultrasonic level sensor for NSC VRM hopper.
 3. Installation of hopper weighing systems in NSC P/Plant hopper.
 4. Installation of IKN Cooler in NSC Kiln.
 5. Installation of vacuum cleaner for NSC Cement mill & packing plant.
 6. Installation of high efficiency preheater fan in Old Kiln Section.
 7. Installation of Coal blending system in NSC Plant.
 8. Installation of high efficiency Shakti Burner in MCL Kiln.
 9. Replacement of existing outdated automation system of MCL Plant with latest DCS system.
 10. Installation of solid flow feeder in MCL Kiln feed system.
- Total investment estimated for the above is Rs.670 Lacs appx. (ii) Replacement of 2 Nos. Cooler fans with high efficiency Fan in "Mangalam" Kiln

C) IMPACT OF THE MEASURES AT (A) & (B) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND CONSEQUENT IMPACT ON THE COST OF PRODUCTION OF GOODS.

By measures taken at (A) we will save about 2.5 Units/Tonne of Cement of Power consumption in Old Plant & 1 unit/Tonne of Cement in New Plant. After completion of item (B), we expect a further saving as under:-

MC - Power saving 3.3 units/tonne of cement Coal saving 40 K Cal/kg. of clinker
 NSC- Power saving 1.7 Units/Tonne of cement Coal saving 35 K Cal/Kg. of Clinker