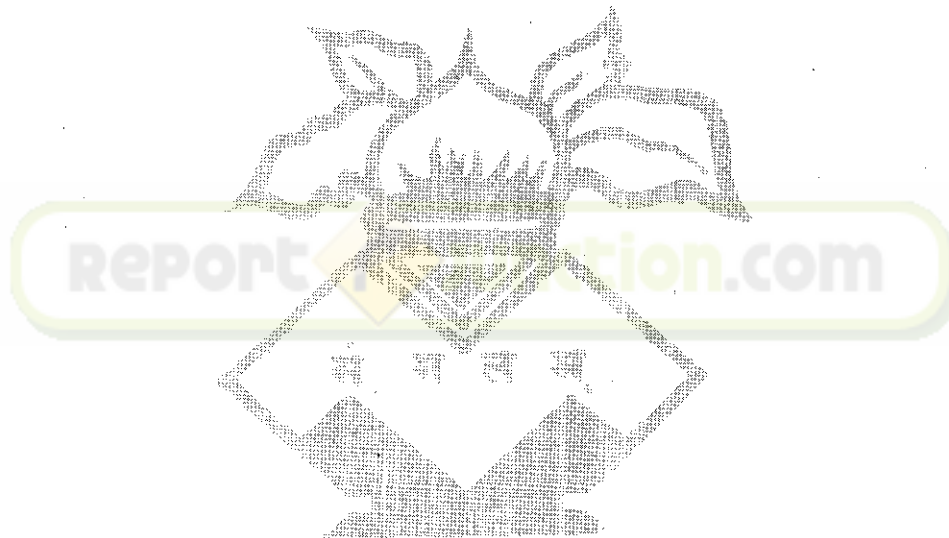


## 22ND ANNUAL REPORT 1998-99



# MANGALAM CEMENT LIMITED



**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*



## **22ND ANNUAL REPORT 1998-99**

### **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 VICE PRESIDENT (FINANCE) & COMPANY 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 22nd Annual General Meeting of the Members of Mangalam Cement Ltd. will be held at the Registered Office of the Company at Adityanagar-326520, Morak, Distt. Kota, Rajasthan on Tuesday, the 29th June, 1999 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, 1999 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.K. Bajoria who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A.S. 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."

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification the following Resolution to be moved as an ordinary Resolution.

"RESOLVED THAT in accordance with the provisions of Section 198, 268, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 and subject to all such approvals as may be necessary. Shri K.C. Jain who is Senior President of Cement Sections of Kesoram Industries Ltd., and who shall continue his employment with Kesoram Industries Ltd., be and is hereby re-appointed as Managing Director of the Company for a period of 3 years with effect from 1st May,

1999 on the following terms as to remuneration as set out hereafter and with further liberty to the Directors from time to time, to alter and vary the said terms and conditions in such manner as may be agreed to between the Directors and Shri K.C. Jain, in the best interest of the Company within the limitations in that behalf as contained in Schedule XIII to the said Act or any amendments thereof or otherwise as may be permissible at law viz.

#### A. Salary

Rs. 10,000/- (Rupees Ten Thousand only) per month inclusive of Dearness and all other allowances.

#### B. Perquisites

##### CATEGORY 'A'

1. Personal accident insurance, the premium of which shall not exceed Rs.1000/- per annum.
2. Reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company shall be allowed subject to a reasonable ceiling fixed by the Company in this regard.

##### CATEGORY 'B'

Company's contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent they are either singly or together, not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, the aforesaid remuneration including perquisites be paid to the Managing Director as minimum remuneration."

6. To consider and if thought fit, to pass the following resolution to be moved as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 163 and all other applicable provisions, if any, of the Companies Act, 1956 ("The Act"), the consent of the Company be and is hereby accorded to the Board of Directors of the Company



for keeping the Register of Members/Optionally Convertible Cumulative Preference Shares (OCCPS) holders, together with the Index of Members, Index of OCCPS holders and copies of all returns prepared under sections 159 and 160 of the Act, as also the copies of certificates and documents required to be annexed thereto under sections 160 and 161 of the Act, at the Company's Registrars and Transfer Agents Office, M/s. MAS Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi - 110 029 instead of the Registered Office of the Company at Aditya Nagar - 326 520 Morak, Distt. Kota (Rajasthan)."

7. To consider and if thought fit, to pass with or without modification, the following Resolution to be moved as Special Resolution.

"RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including any Statutory modification(s) and re-enactment thereof for the time being in force, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities of bodies, the Articles of Association, of the Company be and are hereby altered in the following manner.

- (A) Article 1 of the Articles of Association shall include the following interpretation at the appropriate place.

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of the Sub-Section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act" means the Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment thereof for the time being in force.

"Depository shall mean a Depository as defined under clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996. "SEBI" means Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992.

- (b) Insert the following Heading and Article as Article 46 A after Article 46:

## DEMATERIALISATION OF SECURITIES

### 1. DEMATERIALISATION OF SECURITIES

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

### 2. OPTIONS FOR INVESTORS

Every person subscribing to securities offer by the Company shall have the option to receive security certificate or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

### 3. SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM

All the securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

### 4. RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS

- Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

#### 5. SERVICE OF DOCUMENTS

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

#### 6. TRANSFER OF SECURITIES

Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

#### 7. ALLOTMENT OF SECURITIES DEALT WITH IN A DEPOSITORY

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

#### 8. DISTINCTIVE NUMBERS OF SECURITIES HELD IN A DEPOSITORY

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

#### 9. REGISTER AND INDEX OF BENEFICIAL OWNERS

The Register and Index of beneficial owners maintained by a depository under the Depository Act, 1996, shall be deemed to be Register and Index of Members and Security holders for the purposes of these Articles".

#### 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 explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 for special Business mentioned in the above notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 22nd June, 1999 to Tuesday the 29th June, 1999 (both days inclusive).
4. The Company has appointed M/s. MAS Services Private Limited as Share Transfer Agent for both manual and electronic form of shareholdings. All communications relating to shares should be addressed to :  
M/s. MAS Services Private Ltd.  
(Unit : Mangalam Cement Ltd.)  
AB-4, Safdarjung Enclave,  
New Delhi - 110 029.
5. Members are requested to notify immediately any change of address to the Share Transfer Agent.
6. The unclaimed dividend for the financial year of the Company ended on 31st March, 1995 amounting to Rs.1,16,964.67 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, G-15, Krishna Marg, Jaipur.
7. All documents referred to in the notice are open for inspection at the Registered Office of the Company on all working days between 10.00 A.M. and 12.30 P.M. upto the date of meeting.

By Order of the Board

Registered Office :  
Adityanagar,  
Morak - 326 520.  
Distt. Kota (Rajasthan)

Dated the 28th April, 1999

R.C. GUPTA  
Secretary

**MANGALAM CEMENT LIMITED****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 5**

At the Annual General Meeting of the Company held on 27th June, 1996, the Shareholders approved appointment of Shri K.C. Jain as Managing Director for a period of 3 years effective from 1st May, 1996. His term of office expires on 30th April, 1999.

Shri K.C. Jain is a qualified Chartered Accountant and is also holding position of Senior President of Kesoram Cement and Vasavadutta Cement (Divisions of Kesoram Industries Ltd.). Having regard to the vast experience in the Cement Industry and capability of Shri K.C. Jain and the efficient management of the Company's affairs during the tenure of his office as Managing Director, your Directors felt that it will be in the interest of the Company to re-appoint him as Managing Director notwithstanding that he continues to remain Senior president of the aforesaid divisions of Kesoram Industries Ltd. The Board, therefore at its meeting held on 29th January, 1999 have resolved to re-appoint Shri K.C. Jain as the Managing Director of the Company for a period of 3 years with effect from 1st May, 1999.

None of the Directors, except Shri K.C. Jain being the Managing Director himself is concerned or interested in the Resolution.

The abstracts of the terms of contract for re-appointment of the Managing Director as required under Section 302 of the Companies Act, 1956, form part of the notice calling the Annual General Meeting and the Memorandum of Nature of concern and interest under section 302 of the Companies Act, 1956 form part of the Explanatory Statement hereof.

**ITEM NO. 6**

Your Company has appointed M/s. MAS Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi - 110 029, as its Registrar & Transfer Agent for providing efficient services for effecting Transfer/Transmission etc. of the Shares/OCCPS. M/s. MAS Services Pvt. Ltd. will, therefore be now maintaining the Register of Members and OCCPS holders and Index of Members and OCCPS holders of the Company. Section 163(1) of the Companies Act, 1956, requires that the Register and Index of Members, Certificates & Documents annexed thereto as mentioned in the Resolution be

kept at the Registered Office of the Company or at any other place in the City, Town or Village in which the Registered Office of the Company is situated and that such other place other than the Registered Office of the Company should be approved by a Special Resolution passed by the Company in a General Meeting.

The Board accordingly recommends the passing of the Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

**ITEM NO. 7**

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Act, relating to the issue, holding, transfer, transmission of Shares and other securities have been amended to facilitate the implementation of the new system. The Depository System of holding Securities in on electronic form is a far safer and more convenient method for holding and trading in the securities of a Company. The Company has also joined the Depository System and it is, therefore proposed that the Company's Articles of association be suitably altered to reflect the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the Securities in such a system.

The Board recommends the Resolution for acceptance by the members.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

A copy of the Memorandum and Articles of Association of the Company is available for inspection by the members of the Company at its Registered Office between 10.00 A.M. and 12.30 P.M. on any working day of the Company.

By Order of the Board

Registered Office :  
Adityanagar,  
Morak - 326 520.  
Distt. Kota (Rajasthan)

Dated the 28th April, 1999

R.C. GUPTA  
Secretary



## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 1999

Dear Shareholders,

We present the 22nd Annual Report of the Company with audited statements of accounts for the year ended 31st March, 1999.

### FINANCIAL RESULTS

	31st March, 1999 Rs.	31st March, 1998 Rs.
Turnover	<b>226,56,74,521</b>	215,10,23,464
Operating Profit	<b>22,65,88,748</b>	10,18,52,090
Less : Interest	<b>26,97,04,846</b>	26,94,84,158
Gross Profit/(Loss) before depreciation	<b>(4,31,16,098)</b>	(16,76,32,068)
Less:		
Depreciation (Net of Transfer from Revaluation Reserves)	<b>11,89,09,039</b>	11,93,22,387
Net Profit/(Loss) after Depreciation	<b>(16,20,25,137)</b>	(28,69,54,455)
Add :		
a. Transfer from Investment Allowance Reserve	—	10,05,864
b. Income Tax/Wealth Tax Refunds pertaining to earlier years	<b>59,585</b>	—
c. Surplus/(Deficit) of Profit & Loss Account brought forward from previous year	<b>(19,79,36,302)</b>	—
Surplus/(Deficit) available for appropriation	<b>(35,99,01,854)</b>	(28,59,48,591)
<b>Appropriations</b>		
a. Transfer from General Reserve	—	10,43,65,526
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	<b>35,99,01,854</b>	19,79,36,302
	<b>35,99,01,854</b>	28,59,48,591

### DIVIDEND

In the absence of profit, the Directors are not in a position to recommend payment of any dividend.

### REVIEW OF OPERATIONS

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

of both the units of the Company as compared to that of previous year are given below :

	1998-99 MT	1997-98 MT
<b>Clinker production</b>		
Mangalam Cement	<b>1,96,450</b>	1,02,365
Neer Shree Cement	<b>8,65,725</b>	9,07,450
	<b>10,62,265</b>	10,09,815
<b>Cement Production</b>		
Mangalam Cement	<b>3,65,114</b>	3,13,678
Neer Shree Cement	<b>7,36,448</b>	7,23,757
	<b>11,01,562</b>	10,37,435
<b>Cement Despatches</b>		
Mangalam Cement	<b>3,63,613</b>	3,12,381
Neer Shree Cement	<b>7,36,896</b>	7,31,126
	<b>11,00,509</b>	10,43,507
<b>Clinker Sold</b>		
Mangalam Cement	—	1,795
Neer Shree Cement	<b>415</b>	7,183
	<b>415</b>	8,978

Production of Clinker and cement would have been higher but for poor offtake at unremunerative prices.

The upward trend of cement prices which started in the beginning of the year could not sustain and prices declined sharply in the second half of the year. The adverse impact of unremunerative prices was to an extent offset by significant improvement in all major operating parameters. With the various measures taken including consumption of imported coal, the following figures will indicate the improvement effected in coal and power consumption.

	Power consumption units per tonne of Cement		Coal consumption per tonne of Clinker	
	1998-99	1997-98	1998-99	1997-98
Mangalam Cement	108	117	152 Kg.	182 Kg.
Neer Shree Cement	95	96	143 Kg.	168 Kg.

All these measures and the effective funds management enabled the company to bring down its cash losses from Rs.16.76 Crores in the previous year to Rs.4.31 Crores in the current year. The other income of the company during the year includes Rs.216.49 lacs on account of some of the provisions written back.

### CURRENT YEAR'S OUTLOOK

With the proposed 7000 Kms of express ways and two million houses every year in the pipeline and gradual revival of the economy, cement sector can hope for the better times. Implementation of infrastructure promised should boost the demand significantly.



**MANGALAM CEMENT LIMITED**

The current year's budget of the Central Government again disappointed the cement industry as the much awaited and most justified reduction in the excise duty was not considered and on the other hand, railway freight was increased which will further reduce the profit margins. Your company is taking further steps to reduce the cost and to increase the market share in the areas where realisation is comparatively better.

**FINANCE**

During the year, Company paid Rs.2176.81 lacs towards interest on term loans and Rs. 738.29 lacs towards repayment of instalments of term loans to the Financial Institutions.

In spite of the best efforts, Company could not meet in full repayment obligations and therefore, requested Financial institutions for re-schedulement of loans and funding of interest. The Company's request was considered favourably and IDBI, the lead institution has approved the re-schedulement of the term loans.

**RIGHTS ISSUE OF OCCPS**

During the year under review the Company with the support of IDBI, ICICI and the promoter group Companies successfully completed a rights issue of 14% Optionally Convertible Cumulative Preference Shares of Rs.10/- each at par aggregating to Rs.13.38 Crores.

As required, the Directors confirm that the proceeds of the Rights Issue have been utilised for the purpose for which it was made.

**PERFORMANCE Vs PROJECTIONS**

Information as required in accordance with clause 43 of the listing agreement with Stock Exchanges relating to the profitability report as projected in the letter of offer dated 28th July, 1998 and the actual working results of the year ending 31.03.1999 are as under :

Production	As Projected Rs. in Crores	Actual Rs. in Crores
a) Sales Net of Excise Duty	219.51	187.90
b) Profit before interest & Depreciation	40.87	22.66
c) Profit/(Loss) before Depreciation	14.36	(4.31)
d) Profit/(Loss) after Depreciation	2.36	(16.20)

The reasons of variation in respect of profitability as projected in the letter of offer and the actual working results have been explained under the heading "Review of Operations" above.

**INSURANCE**

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

**SHARE TRANSFER AGENT & DEPOSITORY SYSTEM**

Your Company has entered into a tripartite agreement with National Securities Depository Ltd., a Depository established under the Depositories Act, 1996 and M/s. MAS Services Pvt. Ltd., who will act as Share Transfer Agent and Registrars for facilitating holding and settlement of trades in Equity Shares of the Company in scripless manner in electronic form. In view of this, the shareholders of the Company have the option to dematerialise and convert their scrips into electronic holding by opening account with any of the Depository participants.

**DIRECTORS**

In accordance with Article 99 of the Articles of Association of the Company, Shri K.K. Bajoria and Shri A.S. Gupta retire by rotation and being eligible offer themselves for re-election. The Board of Directors of the Company has re-appointed Shri K.C. Jain as the Managing Director of the Company for a further period of three years commencing from 1st May 1999. The appointment and the remuneration payable to Shri K.C. Jain is subject to the approval of the members. Necessary resolution is being placed for approval before the members in the forthcoming Annual General Meeting.

**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 1999-2000.

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.

The comments in the Auditor's Report read with notes to Accounts are self-explanatory.

**COST AUDITOR**

Pursuant to the directives of the Central Government under provisions of Section 233-B of the Companies