

26TH ANNUAL REPORT 2001-2002



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



26TH ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

Shri O.P. Gupta

Shri A.S. Gupta

Shri K.K. Mudgil

Nominated by I.D.B.I.

Shri T.S. Vishwanath

Nominated by U.T.I.

Shri N.G. Khaitan

Shri K.C. Jain

Managing Director

JOINT PRESIDENT (FINANCE & ADMINISTRATION) & COMPANY SECRETARY

Shri R.C. Gupta

REGISTERED OFFICE & FACTORIES

P.O. Aditya Nagar - 326520

Morak

Distt. Kota (Rajasthan)

HEAD OFFICE

9/1, R.N. Mukherjee Road

Kolkata - 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

REGISTRAR & SHARE TRANSFER AGENT

M/s. Mas Services Pvt. Ltd.

(Unit Mangalam Cement Ltd.)

AB-4, Safdarjung Enclave,

New Delhi - 110 029.

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of Mangalam Cement Ltd will be held on Tuesday, the 24th December, 2002 at 10.30 A.M. at the Club Hall of Mangalam Cement Ltd, Basant Vihar, Adityanagar 326520, Morak, Dist.Kota (Rajasthan) to transact, with or without modifications, the following business:

1. To receive, consider and adopt the Audited Accounts for the year ended 30th September, 2002 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri N.G.Khaitan who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 and terms of payment as per the recommendations of its Audit Committee."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:
"RESOLVED THAT in supersession to the Resolution passed in the Annual General Meeting held on 28th December, 2001 and in accordance with the provisions of Section 198, 269, 309, 310, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and subject to the approval of the Central Government and such other permissions, consents and approvals from other authorities as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals and which the Board of Directors is hereby authorized to accept, the Company hereby accords its consent and approval to the re-appointment of Shri K.C.Jain as Managing Director of the Company for a period of five years with effect from 1st May, 2002 notwithstanding the fact that he is also Sr President (Cement Sections) and Manager of Kesoram Industries Ltd and who shall continue his employment with Kesoram Industries Ltd, on the terms as to the remuneration as set out as under and with further liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee of the Board) from time to time to alter and

vary the said terms and conditions in such manner as may be agreed to between the Board and Shri K.C.Jain in the best interest of the Company within the limitations in that behalf as contained in Schedule XIII of the said Act or any amendment thereof or otherwise as may be permissible by law, viz.

A. Salary

Rs.20,000 (Rupees twenty thousand only) per month inclusive of Dearness and all other allowances in the grade of Rs.20,000-4000-40,000.

B. Perquisites

- a. Personal Accident Insurance, the premium of which shall not exceed Rs.1000/- (Rupees one thousand only) per annum.
- b. Contribution to Provident Fund and Superannuation Fund as per the Rules of the Company, to the extent that these either singly or put together, are not taxable under the Income Tax Act, 1961.
- c. Reimbursement of entertainment and all other expenses, actually and properly incurred for the business of the Company.
- d. Gratuity on the basis of half month's salary for each completed year of service.

MINIMUM REMUNERATION

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."

Registered Office:

P.O.Adityanagar 326520,
Morak,
Dist.Kota (Rajasthan)

By Order of the Board,

Dated, the 31st Day of October, 2002

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. Register of members and Share Transfer Books of the Company shall remain closed from Tuesday, the 17th December, 2002 to Tuesday, the 24th December, 2002, both the days inclusive.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 for Special Business mentioned in the above Notice is annexed hereto.
4. a. Under provisions of Section 205(A) of the Companies Act, 1956, the Company has already transferred all unpaid dividends declared upto and including the

MANGALAM CEMENT LIMITED

financial year ended 31st March, 1995 and the members are advised to approach the Registrar of Companies, Rajasthan, Jaipur to claim the dividends of all the said periods.

- b. Pursuant to the provisions of Section 205(A) of the Companies Act, 1956 as amended, dividends for financial year ended 31st March, 1996 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the "Investors' Education and Protection Fund."

Members who have not encashed warrant(s) so far for the financial year ended 31st March, 1996 or in subsequent financial years are requested to make their claim to the Share Deptt of the Company.

Further, it may be noted that under the amended Companies Act, once the unclaimed dividends are transferred to the Government, as above, no claim shall lie in respect of such amounts.

5. Reappointment of Directors:

As per the clause 49 of the Listing Agreement dealing with the Corporate Governance, the Company is required to provide a brief resume, expertise and names of the companies in which the proposed Directors hold the Directorship and Membership of Committees of Board and accordingly, the said information is given herein below in respect of Shri N.G.Khaitan and Shri K.C.Jain.

- (a) At the ensuing Annual General Meeting, Shri N.G.Khaitan retires by rotation and being eligible offers himself for re-appointment.

Shri N.G.Khaitan aged 51 years is practicing as Attorney and Advocate in the Hon'ble High Court of Kolkata and Hon'ble Supreme Court of India. He is Director in this company since 23rd October, 2000. He is also Director in the following Companies.

1. Chase Bright Steel Ltd.
2. DPIL Ltd.
3. Gobind Sugar Mills Ltd.
4. Hindustan Sanitaryware & Industries Ltd.
5. JK Corp Ltd
6. Kesoram Textiles Ltd.
7. Mangalam Timber Products Ltd.
8. Naga Dhunseri Group Ltd.
9. Polar Industries Ltd.
10. Polar Pharma India Ltd.
11. Reliance Chemotex Industries Ltd.

He is also member of Bharat Chamber of Commerce and FICCI, New Delhi

- (b) Shri K.C.Jain who is proposed to be re-appointed as Managing Director for a further period of Five years. The resume and expertise of Shri K.C.Jain are given in the Explanatory Statement which form part of this Notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 172(2) OF THE COMPANIES ACT, 1956.

ITEM No.4.

At the Annual General Meeting of the Company held on 28th December, 2001, the Shareholders approved, subject to approval of the Central Government, re-appointment of Shri K.C.Jain as Managing Director of the Company for a period of 5 years w.e.f. 1.5.2002. In response to our application submitted to the Central Government for the approval of his re-appointment and remuneration payable to him, the Central Government has advised us to submit the documents/information as per the amended Schedule XIII of the Companies Act, 1956 which was amended on 16th January, 2002. The amended Schedule XIII inter-alia requires approval of re-appointment and remuneration payable to the Managing Director by the Remuneration Committee and by the Shareholders by way of a Special Resolution. In view of this requirement, a Resolution proposing re-appointment of Shri K.C.Jain as Managing Director of the Company for a further period of 5 years and for the payment of remuneration payable to him, is being proposed, for the approval of the shareholders. The remuneration proposed to be paid to the Managing Director has been approved by the Remuneration Committee of the Board at its meeting held on 22nd October, 2002.

Shri K.C.Jain, aged 63 years, is a qualified Chartered Accountant and is also holding the position as Sr President of Kesoram Cement and Vasavadatta Cement (Units of Kesoram Industries Ltd) and Manager of Kesoram Industries Ltd. Having regard to the vast experience in cement industry and the capability of Shri K.C.Jain and the efficient management of the Company's affairs during his tenure 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 as Manager of Kesoram Industries Ltd and also Sr President of the aforesaid units of Kesoram Industries Ltd. The Board therefore, at its meeting held on 30th October, 2002 has unanimously resolved U/s 316(2) of the Companies Act, 1956, to re-appoint Shri K.C.Jain as Managing Director of the company for period of 5 years w.e.f. 1st May, 2002.

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 u/s 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.

Copies of the documents referred to above are available for inspection by the members of the company at its registered office between 10 AM and 12.30 PM on any working day of the Company.

Registered Office:
P.O.Adityanagar 326520
Morak
Dist.Kota (Raj)

By Order of the Board

R.C.GUPTA
Secretary

Dated, 31st day of October, 2002.

ANNEXURE

In accordance with the requirements of Schedule XIII to the Companies Act, 1956 as amended, a statement providing the required information for the re-appointment and payment of remuneration to Shri K.C.Jain is given below:

I. General Information:

1.	Nature of Industry	Manufacture of cement
2.	Date of commencement of commercial Production	The company has two manufacturing units at Morak, Dist.Kota, Rajasthan. The aggregate installed capacity is 1 million tonnes. The first unit in the name of Mangalam Cement went into commercial production in March, 1981 and the second unit in the name of Neer Shree Cement went into commercial production in April, 1994.
3.	In case of new companies, expected date of commencement of activities as per projects approved by the financial institutions appearing in the prospectus.	Not applicable.
4.	Financial performance.	Sales for the year ended 30th September, 2002 was of Rs.309.67 Cr.and for the previous year Rs.276.81Cr. Net loss for the year ended 30th September, 2002 was Rs.31.00 Cr and for the previous year it was Rs.19.23 Cr.
5.	Export performance and net foreign exchange collaborations.	Nil
6.	Foreign investments or collaborators, if any.	Nil

II. Information about the Appointee:

1.	Background Details	Shri K.C.Jain, aged 63 years is a Chartered Accountant. He is in the cement industry since 1966 He is also holding the position of Sr President at Kesoram Cement and Vasavadatta Cement (Units of Kesoram Industries Ltd.). He was also appointed as Manager, Kesoram Industries Ltd w.e.f. 4th May, 2001.
2.	Past remuneration	Rs. 1,52,400/- for the year ended 30th September, 2001.
3.	Recognition or awards.	<ul style="list-style-type: none"> a. District Governor Lions Club 1981-82 b. Member, Managing Committee of Cement Manufacturers' Association for the past 30 years. c. Member, National Council for Cement and Building Materials. d. Member of Zonal Railway Users' Consultative Committee (ZRUCC) of S.C.Railway. e. Won National and State Awards for Productivity, Energy Conservation, Mines Safety, Environment Protection, Rural Welfare, Community Development and Family Welfare. f. Nominated by the A.P.Government for Indira Gandhi Vrikhamithra Award.
4.	Job profile and his suitability	Overall managerial responsibility of the company subject to the supervision of the Board of Directors. Shri K.C.Jain has been associated with cement industry since last 35 years and considering his background, he is eminently suitable to hold the position of Managing Director of the Company.
5.	Remuneration proposed.	Basic salary of Rs.20,000 p.m., P.F. contribution @ 12%, contribution to superannuation fund @ 15%, personal accident insurance, premium of which shall not exceed Rs.1000 p.a., gratuity half a month's salary for each completed year of service.

MANGALAM CEMENT LIMITED

6.	Comparative remuneration profile with respect to industry standards.	The proposed remuneration is in line with the remuneration payable to managerial personnel holding similar position in the industry.
7.	Pecuniary relationship	Shri K.C.Jain has no pecuniary relationship directly or indirectly with the company except the remuneration paid or payable to him.

III. Other Information.

1. Reasons for loss or inadequate profits	<p>The Company was registered as Sick Industrial Undertaking with Board for Industrial and Financial Reconstruction (BIFR) in May, 2002 consequent upon erosion of its total net worth. The primary reasons for the losses incurred by the Company were:</p> <ul style="list-style-type: none"> a. High interest burden on account of institutional term loans and the company's inability to sustain the interest obligations. b. High cost of manufacturing mainly on account of the following: <ul style="list-style-type: none"> • High cost of power. • High cost of high grade limestone which the company has to get from a distance of about 350 KMs. c. Recession in cement industry.
2. Steps taken or proposed to be taken for improvement.	<p>Under the leadership of Shri K.C.Jain, the following steps were taken/are proposed to be taken by the Company to increase the efficiency and improve the profitability.</p> <ul style="list-style-type: none"> a. Improvement in operational efficiency – the Company has achieved 160% capacity utilization in the year 2001-2002. b. Reduction in energy consumption – power consumption per tonne of cement has come down from 132 Units in the year 1995-96 to 98 Units in the year 2001-2002 in the old unit and from 107 Units to 84 Units in the new unit for the same period. c. Introduction of positive changes in work culture, team spirit and promotion of a sense of belongingness amongst employees across the organization d. Introduction of TPM activities. e. Obtained ISO 9001-2000 Certificate. f. Setting up of captive Thermal Power Plant of 17 MW capacity. g. Close circuiting of cement mill in Unit I which would result in power saving of about 1.5 Units per tonne of cement.
3. Projected increase in productivity and profits.	<p>The Company has submitted its Revival Package to the Operating Agency wherein setting up of captive thermal power plant has been proposed. Profitability of the company shall substantially increase after setting up the thermal power plant. Reduction in the rate of interest by the financial institutions proposed in the revival package will also improve the profitability of the company.</p>

IV. Disclosures:

The remuneration package proposed to be paid to the Managing Director Shri K.C.Jain is given in the Resolution.

Registered Office:
P.O. Adityanagar 326520,
Mprak,
Dist.Kota (Rajasthan)

Dated, the 31st Day of October, 2002

By Order of the Board,

R.C.GUPTA
Secretary

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH SEPTEMBER, 2002

Dear Shareholders,
We present the 26th Annual Report of the Company with audited statements of accounts for the year ended 30th September, 2002.

FINANCIAL RESULTS

	Current year ended 30th September 2002 Rs.	Previous year ended 30th September 2001 Rs.
Turnover	3,09,66,80,851	2,76,81,43,311
Operating Profit	14,41,57,510	22,46,84,870
Less: Interest	34,07,46,419	39,33,84,756
Gross Profit/(Loss) before Depreciation	(19,65,88,909)	(7,85,29,886)
Less: Depreciation (net of transfer from Revaluation reserve)	11,33,81,927	11,37,28,502
Net Profit/(Loss) after depreciation	(30,99,50,836)	(19,22,58,388)
Add:		
a. Income Tax refunds pertaining to earlier years	27,270	—
b. Surplus/(Deficit) of Profit and Loss account brought forward from previous years	(1,16,43,85,817)	(97,21,27,429)
Surplus/(Deficit) available for appropriations.	(1,47,43,09,383)	(1,16,43,85,817)

APPROPRIATIONS

Deficit balance carried forward to next year	1,47,43,09,383	1,16,43,85,817
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DIVIDEND

In the absence of profit, the Directors are not in a position to recommend payment of any dividend on Equity Shares and Optionally Convertible Cumulative Redeemable Preference Shares.

PRODUCTION AND PERFORMANCE

Performance figures of both the units as compared to that of previous year are given below.

	1.10.2001 to 30.9.2002 MT	1.10.2000 to 30.9.2001 MT
Clinker Production		
Mangalam cement	433639	262180
Neer Shree Cement	960029	922683
	<u>1393668</u>	<u>1184863</u>
Cement Production		
Mangalam cement	516097	403997
Neer Shree Cement	969451	821907
	<u>1485548</u>	<u>1225904</u>
Cement Despatches		
Mangalam cement	517449	397845
Neer Shree Cement	968420	826267
	<u>1485869</u>	<u>1224112</u>

Power Consumption

(Per MT on Cement)

Mangalam cement	98 U	95 U
Neer Shree Cement	84 U	86 U

Coal Consumption

(Per MT on Cement)

Mangalam cement	178 Kg	162 Kg
Neer Shree Cement	172 Kg	156 Kg

In the year 2001-2002, your Company has achieved an all time record performance. The clinker production from both the units combined was 13,93,668 MT compared to 11,84,863 MT in the previous year, registering a growth of 18% and the cement production was 14,85,548 MT as compared to 12,25,904 MT of the previous year, registering a growth of 21%.

Total sales of cement for the year was 14,90,280 MT against 12,36,332 MT in the last financial year, an increase of 21%. In terms of value, turn over was Rs.30,966.81 lacs against Rs.27681.43 lacs, representing an increase of 12%.

However inspite of increased production and increased sales, the net loss is higher at Rs. 3099.51 lacs as against Rs. 1922.58 lacs in the previous year mainly because of lower realisation of Cement and higher burden of interest.

The Company saved about Rs.191.57 lacs in the power purchase from Jaipur Vidyut Vithran Nigam Ltd, by improving the power factor in the plant.

REVIVAL PACKAGE

By order dt. 22nd May, 2002, the Board for Industrial and Financial Reconstruction (BIFR), has declared the Company as Sick Industrial Company U/s 3(1)(c) of the Sick Industrial Companies (Special Provisions) (SICA) Act, 1985 and the Industrial Development Bank of India (IDBI) has been appointed as Operating Agency (OA). The Company has submitted the Revival Package to OA on the 30th July, 2002 but the OA has informed that Revival Package submitted by the Company was not found support worthy and advised to submit a substantially improved proposal preferably based on One Time Settlement (OTS) of the dues. The Revised Rehabilitation Package will be submitted in consultation with the Promoters of the Company.

Various options were also examined for the revival of the Company and in that connection teams of a foreign cement manufacturing company and an Indian cement manufacturing company visited the plants of the Company to explore the possibility of association with the Company. However, the Company has not received any positive indication from them as yet.

FINANCE

Due to losses incurred by the Company, it could not meet its obligation of payment of interest and installments of principal of term loans availed from the financial institutions and External Commercial Borrowing availed from Bank of India. As on 30th September, 2002, its over due interest to the financial institutions was Rs.64.79 Cr and on account of installments Rs.55.65 Cr. The Company has already requested for re-schedulement of principal and/or waiver of interest, compound interest and liquidated damages on term loans under the Revival Package.

MANGALAM CEMENT LIMITED**SALESTAX INCENTIVE MATTER**

The case relating to recovery of differential amount of salestax incentive for the period 1.4.1997 to 3.2.2001 is still pending in High Court of Rajasthan, Jaipur.

DIRECTORS

In accordance with Article 99 of the Articles of Association of the Company, Shri N.G.Khaitan, retires by rotation and being eligible offers himself for re-election.

Shri K.C.Jain was re-appointed as Managing Director of the Company for a period of 5 years effective from 1st May, 2002. However, after passing of Ordinary Resolution by the shareholders of the Company in their meeting held on 28th December, 2001, Schedule XIII of the Companies Act, 1956 was amended by notification dt.16th January, 2002 which requires, inter-alia, passing of a Special Resolution. Necessary Special Resolution is therefore, being proposed for approval of the members in the forthcoming Annual General Meeting.

Resumes in respect of Shri N.G.Khaitan and Shri K.C.Jain are given in the Notice to Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT OF SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

As required u/s 217(2AA) of the Companies Act, 1956, we hereby confirm:

- That in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanations relating to material departures;
- That the Directors have selected such accounting policies and applied them 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 as at September, 30, 2002 and of the profit or loss for the year ended 30th September, 2002;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts on a going concern basis.

INSURANCE

The assets of your company are adequately insured against fire and risk which are considered necessary.

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 2002-2003. 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.

Regarding Note No.18(2) of Schedule 18 of the Annual Accounts, for providing of the liability for remuneration of Managing Director, the Company is taking necessary procedural steps for obtaining approval of appointment and remuneration payable to the Managing Director effective from 1st May, 2002.

COST AUDITORS

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 30th September 2002.

ENVIRONMENTS AND POLLUTION CONTROL

Both the manufacturing units of the Company possess required environmental clearances from the Pollution Control Board and the same are in compliance with the present environmental legislation.

INDUSTRIAL RELATIONS

We wish to place on record our appreciation of the devoted services of the workers, staff and the executives of the company enabling the company to achieve high level of performance during the year. The industrial relations continue to remain cordial and harmonious.

PARTICULARS OF EMPLOYEES

There is no employee during the year under review in respect of whom the particulars as required to be disclosed with reference to the Companies (Particulars of Employees) Rules, 1975 as amended.

PARTICULARS OF ENERGY CONSERVATION ETC.

Particulars as required to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the statement attached hereto and form part of this Report.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as provided in the Listing Agreement with the Stock Exchanges with which Company's shares are listed, are duly complied with.

A separate report each on Corporate Governance and Management Discussions and Analysis are annexed hereto alongwith Auditors' Certificate and forms part of the Annual Report.

PUBLIC DEPOSITS

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58(A) of the Companies Act, 1956 during the year under review.

ACKNOWLEDGEMENTS

Your Directors express their grateful appreciation and sincere thanks to the Financial Institutions, Consortium of Banks, Bank of India, various Departments of Central and State Governments and Local Authorities for their continued guidance and support. We also thank our shareholders for the confidence and faith they have always reposed in us.

Yours faithfully,

O.P. Gupta

K.K. Mudgil

K.C. Jain

Directors

Managing Director

New Delhi

The 30th day of October 2002

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 30TH SEPTEMBER, 2002.

1. CONSERVATION OF ENERGY:

A) ENERGY CONSERVATION MEASURES TAKEN

i) Project Implemented:

1. 3 Nos. V/F drives are installed and commissioned in Unit-II resulting in saving of 0.25 Unit per tone of cement.
2. Bucket Elevator installed and commissioned in Unit-II Cement Mill in place of aeropole resulting in saving of about 0.85 Unit per tone of cement.
3. Installation of Fuzzy Logic System for plant optimization and blending control in Unit-II. Expected saving will be about 10 Kcal/Kg. of Clinker and 1 Unit per tone of cement.
4. Modification of GCT water spray system of Unit-II resulting in saving of 0.2 Unit per tone of cement.

ii) Other Energy Conservation measures taken:

1. 5 Nos. welding machine energy saver installed resulting in power saving of about 30000 Units / year.
2. Delta to Star Connection of few under loaded motors of Unit-II resulting in power saving of 18000 Units / year.
3. Use of cheaper fuel LDO in place of HSD for self generation of electricity from DG Sets for saving in cost of power.
4. By replacement of existing metallic fan of Unit-II Kiln shell blower by high efficiency FRP fan. Power saving of 6400 Units / year is achieved.
5. By reducing electrical energy consumption in Kiln ESP insulator heater during VRM running resulting in power saving of about 10000 Units / year.
6. By giving separate connection to Compressor House Unit-II through 15 KW pump in place of 90 KW pump resulting in power saving of about 13000 Units / year.
7. 752BC5 reversible belt conveyor of Gypsum hopper removed from the circuit by making direct feeding chute in Gypsum hopper, resulting in power saving of about 6600 Units / year.
8. By making arrangement for Polycom venting to carry out maintenance work in Polycom by installing cooling fan in Polycom Hopper and stepping 37 KW bag filter fan, during this period resulting in power saving of 4700 Units / year.

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

1. Installation of V Separator for Polycom and Close Circuiting of Cement Mill of Unit - II will result in power saving of about 1.9 Unit / tone of cement and increase in output rate by about 15 TPH.
2. Installation of Dense Phase System to convey clinker dust from cooler ESP to Polycom of Unit-II. This will result in power saving of about 0.75 Unit / tone of cement.
3. Close circuiting of Cement Mill Unit-I would result in power saving of 1.5 Unit / tone of cement and increase in output rate by 7 TPH in OPC.
4. Upgradation of VRM in Unit-II by incorporating LV classifier and increase its grinding capacity will result in power saving of about 1.40 Unit / tone of cement and saving of 12 lacs Unit / year due to material transportation from Unit-I. VRM production rate will increase by approximately 20 TPH.

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

- i) By measures taken at (A)(i) above, we saved about 2.30 unit / tonne of cement and 10 K Cal / Kg of clinker in Unit-II and in (A)(ii) above, we saved approx. 88700 Units / annum of electricity in Unit-I & II.
- ii) By measures taken at (B), approx. savings of 1.5 Units / tone of cement in Unit-I and 4.05 unit / tone of cement in Unit-II are expected. Also production rate of unit-I cement mill will increase by 7 TPH in OPC and unit-II cement mill will increase by 15 TPH and unit-II VRM by 20 TPH. Additional savings of 12 lacs Units / annum of electricity is also expected.

2. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM - A OF THE ANNEXURE TO THE RULES IN RESPECT OF INDUSTRIES SPECIFIED IN THE SCHEDULE.